PLACEMENT DOCUMENT

Not for Circulation and Strictly Confidential
Serial No. __

IndusInd Bank

(A banking company incorporated on January 31, 1994 under the Companies Act, 1956 and licensed under the Banking Regulation Act, 1949 with Corporate Identification Number L65191PN1994PLC076333)

Website: www.indusind.com; Tel: +91 20 3046 1600; Fax: +91 20 2634 3241

IndusInd Bank Limited (the "**Bank**") is issuing 51,218,640 equity shares of face value ₹10 each (the "**Equity Shares**") at a price of ₹845 per Equity Share, aggregating to ₹43,279.75 million (the "**Issue**").

ISSUE IN RELIANCE UPON CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED (THE "ICDR REGULATIONS") AND SECTION 42 OF THE COMPANIES ACT, 2013 AND RULES MADE THEREUNDER

THIS ISSUE AND THE DISTRIBUTION OF THIS PLACEMENT DOCUMENT IS BEING MADE TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED UNDER THE ICDR REGULATIONS IN RELIANCE UPON CHAPTER VIII OF THE ICDR REGULATIONS AND SECTION 42 OF THE COMPANIES ACT, 2013 AND RULES MADE THEREUNDER. THIS PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA OTHER THAN TO QUALIFIED INSTITUTIONAL BUYERS.

YOU MAY NOT AND ARE NOT AUTHORIZED TO (1) DELIVER THIS PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE THIS PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THIS PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE ICDR REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

Invitations, offers and sales of the Equity Shares shall only be made pursuant to this Placement Document, the Application Form and the Confirmation of Allocation Note. For further information, see the section "Issue Procedure". The distribution of this Placement Document or the disclosure of its contents without the Bank's prior consent to any person other than Qualified Institutional Buyers and persons retained by Qualified Institutional Buyers to advise them with respect to their purchase of the Equity Shares is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Placement Document or any documents referred to in this Placement Document.

Investments in equity and equity-related securities involve a degree of risk and prospective investors should not invest in this Issue unless they are prepared to risk losing all or part of their investment. Prospective investors are advised to carefully read the section "Risk Factors" beginning on page 36 of this Placement Document before making an investment decision in this Issue. Each prospective investor is advised to consult its own advisors about the particular consequences to it of an investment in the Equity Shares proposed to be issued pursuant to this Placement Document.

The Bank's outstanding Equity Shares are listed on the BSE Limited (the "**BSE**") and the National Stock Exchange of India Limited (the "**NSE**", and together with the BSE, the "**Stock Exchanges**"). The closing price of the outstanding Equity Shares on the BSE and the NSE on June 29, 2015 was ₹859.30 and ₹859.60 per Equity Share, respectively. In-principle approvals under Clause 24(a) of the listing agreements with the Stock Exchanges for listing of the Equity Shares proposed to be issued pursuant to this Placement Document have been received. Applications will be made for the listing of the Equity Shares offered through this Placement Document on the Stock Exchanges. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to trading on the Stock Exchanges should not be taken as an indication of the merits of the business of the Bank or the Equity Shares.

A copy of the Preliminary Placement Document (which included disclosures prescribed under Form PAS-4 (as defined hereinafter)) has been delivered to the Stock Exchanges. A copy of this Placement Document (which includes disclosures prescribed under Form PAS-4) has been filed with the Stock Exchanges. The Bank shall also make the requisite filings with the Registrar of Companies, Maharashtra located in Pune (the "**RoC**") and the Securities and Exchange Board of India (the "**SEBI**") within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014, each as amended. This Placement Document has not been reviewed by the SEBI, the Reserve Bank of India (the "**RBI**"), the Stock Exchanges, the RoC or any other regulatory or listing authority and is intended only for use by Qualified Institutional Buyers. This Placement Document has not been and will not be registered as a prospectus with the RoC in India, will not be circulated or distributed to the public in India or any other jurisdiction and will not constitute a public offer in India or any other jurisdiction.

Information on the Bank's website or any website directly or indirectly linked to the Bank's website does not form part of this Placement Document and prospective investors should not rely on such information contained in, or available through, such websites.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or under the laws of any other jurisdiction outside India. Subject to certain exceptions, the Equity Shares may not be offered, sold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold only (a) in the United States to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) pursuant to Section 4(a)(2) of the U.S. Securities Act or another available exemption from the registration requirements of the U.S. Securities Act and (b) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act ("**Regulation S**") and the applicable laws of each jurisdiction where such offers and sales occur. For further information, see the section "Distribution and Solicitation Restrictions".

This Placement Document is dated June 30, 2015.

JOINT GLOBAL COORDINATORS AND BOOK RUNNING LEAD MANAGERS

Morgan Stanley	JM FINANCIAL	CITIC CLSA Securities
Morgan Stanley India Company Private Limited	**JM Financial Institutional Securities Limited** (formerly JM Financial Institutional Securities Private Limited)	**CLSA India Private Limited** (formerly CLSA India Limited)

BOOK RUNNING LEAD MANAGERS

citi	CREDIT SUISSE	Goldman Sachs	J.P.Morgan
Citigroup Global Markets India Private Limited	**Credit Suisse Securities (India) Private Limited**	**Goldman Sachs (India) Securities Private Limited**	**J.P. Morgan India Private Limited**

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NOTICE TO INVESTORS

We have furnished and accept full responsibility for all of the information contained in this Placement Document and confirm that, to the best of our knowledge and belief, having made all reasonable enquiries, this Placement Document contains all information with respect to us and the Equity Shares which is material in the context of this Issue. The statements contained in this Placement Document relating to us and the Equity Shares are, in every material respect, true and accurate and not misleading. The opinions and intentions expressed in this Placement Document with regard to us and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to us and are based on reasonable assumptions. There are no other facts in relation to us and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Placement Document misleading in any material respect. Further, all reasonable enquiries have been made by the Bank to ascertain such facts and to verify the accuracy of all such information and statements.

Each person receiving this Placement Document acknowledges that such person has not relied on either the Lead Managers or on any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of us and the merits and risks involved in investing in the Equity Shares.

No person is authorized to give any information or to make any representation not contained in this Placement Document and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of us or the Lead Managers. The delivery of this Placement Document at any time does not imply that the information contained in it is correct as of any time subsequent to its date.

The Equity Shares have not been approved, disapproved or recommended by the U.S. Securities and Exchange Commission, any state securities commission in the United States or the securities commission of any non-U.S. jurisdiction or any other U.S. or non-U.S. regulatory authority. No authority has passed on or endorsed the merits of this Issue or the accuracy or adequacy of this Placement Document. Any representation to the contrary is a criminal offence in the United States and may be a criminal offence in other jurisdictions.

The distribution of this Placement Document and the Issue may be restricted by law in certain jurisdictions. As such, this Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by the Bank and the Lead Managers which would permit an offering of the Equity Shares or distribution of this Placement Document in any country or jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Placement Document nor any offering material in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. If you purchase the Equity Shares in the Issue, you will be deemed to have made the representations, warranties, acknowledgements and agreements set forth in the sections "Notice to Investors - Representations by Investors" and "Distribution and Solicitation Restrictions" with respect to that purchase. For more details, please see the sections "Distribution and Solicitation Restrictions" and "Transfer Restrictions".

In making an investment decision, prospective investors must rely on their own examination of us and the terms of this Issue, including the merits and risks involved. Investors should not construe the contents of this Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning this Issue. In addition, neither we nor the Lead Managers are making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or purchaser under applicable laws or regulations. Each purchaser of the Equity Shares in this Issue is deemed to have acknowledged, represented and agreed that it is a QIB and it is eligible to invest in India and in Equity Shares under Indian law, including Chapter VIII of the ICDR Regulations and Section 42 of the Companies Act, 2013, and is not prohibited by the SEBI or any other statutory or regulatory authority from buying, selling or dealing in securities. Each purchaser of Equity Shares in this Issue is also deemed to have acknowledged that it has been afforded an opportunity to request from us and review information relating to us and the Equity Shares.

The information on the Bank's website or any website directly or indirectly linked to the Bank's website or the respective websites of each of the Lead Managers or their affiliates does not constitute or form part of this Placement Document. Prospective investors should not rely on the information contained in, or available through such websites. This Placement Document contains summaries of certain terms of certain documents. All such summaries are qualified in their entirety by the terms and conditions of such documents.

Representations by Investors

References herein to "you" are to the prospective investors in the Issue.

By subscribing to any Equity Shares under the Issue, you are deemed to have represented, warranted, acknowledged and agreed to us and the Lead Managers as follows:

- you are a qualified institutional buyer as defined in Regulation 2(1)(zd) and Chapter VIII of the ICDR Regulations ("QIB"), have a valid and existing registration under applicable laws of India (as applicable), and undertake to acquire, hold, manage or dispose of any Equity Shares that are allocated to you in accordance with Chapter VIII of the ICDR Regulations and undertake to comply with the ICDR Regulations, the Companies Act (as defined hereinafter) and all other applicable laws, including any reporting obligations;

- if you are not a resident of India, you are an Eligible FPI (as defined hereinafter) (including a FII (including a sub-account other than a sub-account which is a foreign corporate or a foreign individual), and have a valid and existing registration with the SEBI under the applicable laws in India and you agree that you will participate in this Issue through the Portfolio Investment Scheme or the Foreign Portfolio Investment Scheme, as applicable. You confirm that you are not an FVCI or a foreign multilateral and bilateral development financial institution;

- if you are Allotted Equity Shares pursuant to the Issue, you shall not, for a period of one year from the date of Allotment, sell the Equity Shares so acquired except on the floor of the Stock Exchanges;

- you are aware that the Equity Shares have not been, and will not be, registered under the Companies Act, the ICDR Regulations or under any other law in force in India. This Placement Document has not been reviewed, verified or affirmed by the SEBI, the RBI, the Stock Exchanges or any other regulatory or listing authority and will not be filed or registered with the Registrar of Companies. This Placement Document has been filed with the Stock Exchanges and has been displayed on our website and the websites of the Stock Exchanges;

- you are entitled to subscribe for and acquire the Equity Shares under the laws of all relevant jurisdictions and that you have the necessary capacity, have obtained all necessary consents, governmental or otherwise, and authorities and have complied with all necessary formalities to enable you to commit to participation in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorizations to agree to the terms set out or referred to in this Placement Document) and will honour such obligations;

- neither we nor any of the Lead Managers or any of our or their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates are making any recommendation to you or advising you regarding the suitability of any transactions that may be entered into in connection with the Issue;

- your participation in the Issue is on the basis that you are not and will not be a client of any of the Lead Managers. None of the Lead Managers and any of their respective shareholders, directors, officers, employees, counsel, representatives, agents and affiliates has duties or responsibilities to you for providing the protection afforded to their clients or customers or for providing advice in relation to the Issue and is in no way acting in a fiduciary capacity;

- you confirm that either: (i) you have not participated in or attended any investor meetings or presentations by the Bank or its agents ("Company Presentations") with regard to the Bank or the Issue; or (ii) if you have participated in or attended any Company Presentations, (a) you understand and acknowledge that the Lead Managers may not have knowledge of the statements that the Bank or its agents may have made at such Company Presentations and are also unable to determine whether the information provided to you at such Company Presentations may have included any material misstatements or omissions, and, accordingly you acknowledge that the Lead Managers have advised you not to rely in any way on any information that was provided to you at such Company Presentations, and (b) you confirm that, to the best of your knowledge, you have not been provided any material information relating to the Bank and the Issue that was not publicly available;

- all statements other than statements of historical fact included in this Placement Document, including, without limitation, those regarding our financial results, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and environment in which we will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Placement Document. We assume no responsibility to update any of the forward-looking statements contained in this Placement Document;

- you are aware and understand that the Equity Shares are being offered only to QIBs and are not being offered to the general public and Allotment of the Equity Shares shall be on a discretionary basis;

- you have made, or are deemed to have made, as applicable, the representations and warranties as set forth in the section "Transfer Restrictions";

- you have been provided a serially numbered copy of this Placement Document and have read this Placement Document in its entirety, including in particular, the section "Risk Factors";

- in making your investment decision you have (i) relied on your own examination of us and the terms of the Issue, including the merits and risks involved, (ii) made your own assessment of us, Equity Shares and the terms of the Issue, (iii) consulted your own independent counsel and advisors (including tax advisors) or otherwise have satisfied yourself concerning, without limitation, the effects of local laws and taxation matters, (iv) relied solely on the information contained in this Placement Document and no other disclosure or representation by us or any other party, and (v) you have received all information that you believe is necessary or appropriate in order to make an investment decision in respect of us and Equity Shares;

- neither the Lead Managers nor any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates have provided you with any tax advice or otherwise made any representations regarding the tax consequences of purchase, ownership and disposal of Equity Shares (including the Issue and the use of proceeds from Equity Shares). You agree to obtain your own independent tax advice from a reputable service provider and will not rely on the Lead Managers or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates when evaluating the tax consequences in relation to Equity Shares (including in relation to the Issue and the use of proceeds from Equity Shares). You waive, and agree not to assert any claim against, any of us or the Lead Managers or any of our or their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates with respect to the tax aspects of Equity Shares or as a result of any tax audits by tax authorities, wherever situated;

- you are a sophisticated investor and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of investment in Equity Shares. You are experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions. You and any accounts for which you are subscribing to Equity Shares (i) are each able to bear the economic risk of investment in Equity Shares, (ii) will not look to us and/or any of the Lead Managers or our or their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in Equity Shares, (iv) have no need for liquidity with respect to the investment in Equity Shares, and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares. You are seeking to subscribe to Equity Shares in this Issue for your own investment and not with a view to distribution;

- where you are acquiring Equity Shares for one or more managed accounts, you represent and warrant that you are authorized in writing, by each such managed account to acquire Equity Shares for each managed account and to make (and you hereby make) the representations, warranties, acknowledgements and agreements herein for and on behalf of each such account, reading the reference to "you" to include such accounts;

- you are not a Promoter (as defined under the ICDR Regulations) and are not a person related to the Promoters, either directly or indirectly and your Application does not directly or indirectly represent the Promoters or Promoter group or persons related to the Promoters;

- you are aware that in terms of Section 42(7) of the Companies Act, 2013 and Rule 14(3) of the Companies (Prospectus and Allotment of Securities) Rules, 2014, we are required to file the list of QIBs to whom the Placement Documents are circulated) along with other particulars with the RoC and SEBI within 30 days of circulation of the Preliminary Placement Document and other filings required under the Companies Act, 2013 in connection with the Issue;

- you have no rights under a shareholders' agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any nominee director on our Board of Directors other than such rights, if any, acquired in the capacity of a lender not holding any of our Equity Shares, which shall not be deemed to be a person related to the Promoter;

- you have no right to withdraw your Application after the Issue Closing Date;

- you are eligible to apply and hold Equity Shares so Allotted together with any Equity Shares held by you prior to the Issue. You further confirm that your aggregate holding after the Allotment of Equity Shares to you will not exceed the level permissible as per any applicable regulation;

- the Application submitted by you will not, or would not eventually result in triggering a tender offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (the "Takeover Code");

- to the best of your knowledge and belief, your aggregate holding, together with other QIBs in the Issue that belong to the same group or are under common control as you, pursuant to the Allotment under the present Issue shall not exceed 50% of the Issue. For the purposes of this representation;

  a. the expression "belongs to the same group" shall be interpreted by applying the concept of "companies under the same group" as provided in sub-section (11) of Section 372 of the Companies Act, 1956; and
  b. "Control" shall have the same meaning as is assigned to it by Regulation 2(1)(e) of the Takeover Code;

- you shall not undertake any trade in Equity Shares credited to your Depository Participant account until such time that the final listing and trading approval for the Equity Shares is issued by the Stock Exchanges;

- you are aware that (i) applications for in-principle approval, in terms of Clause 24(a) of the listing agreements with the Stock Exchange, were made and approval has been received from each of the Stock Exchanges, and (ii) the application for the in-principle and final listing and trading approvals will be made only after Allotment of the Equity Shares in the Issue. There can be no assurance that such approvals for listing and trading of such Equity Shares will be obtained in time or at all. We shall not be responsible for any delay or non-receipt of such approvals or any loss arising from such delay or non-receipt;

- you are aware that if you are Allotted more than 5% of the Equity Shares in the Issue, we are required to disclose your name and the number of Equity Shares Allotted to the Stock Exchanges and the Stock Exchanges will make such information available on their website and you consent to such disclosures; We shall be required to disclose your name in the format prescribed under clause 35 of the listing agreements with the Stock Exchanges. Further, if you are a top ten shareholder in our Company, we will be required to make a filing with the RoC within 15 days of the change, in accordance with Section 93 of the Companies Act, 2013;

- you acknowledge, represent and agree that your total interest in our paid-up share capital, whether direct or indirect, beneficial or otherwise (any such interest, your "Holding"), when aggregated together with any existing Holding and/or Holding of any of your "associated enterprises" (as defined under Section 92A of the Income Tax Act, 1961), does not exceed 5% of our total paid-up share capital, unless you are an existing shareholder who already holds 5% or more of our underlying paid-up share capital with the approval of the RBI, provided that your Holding does not, without the further approval of the RBI, exceed your existing Holding after Allotment under the Issue;

- you are aware and understand that the Lead Managers will have entered into a placement agreement with us whereby each of the Lead Managers has, subject to the satisfaction of certain conditions set out therein, undertaken severally, and not jointly, to use its reasonable endeavours as our placement agent to seek to procure subscription for the Equity Shares;

- you are eligible to invest in India under applicable laws, including the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended, and any notifications, circulars, or clarifications issued thereunder, and have not been prohibited by the SEBI or any other regulatory authority from buying, selling or dealing in securities;

- that the only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares, is contained in this Placement Document, such information being all that you deem necessary to make an investment decision in respect of Equity Shares and that you have neither received nor relied on any other information given or representations, warranties or statements made by any of the Lead Managers (including any view, statement, opinion or representation expressed in any research published or distributed by any of the Lead Managers or their respective affiliates or any view, statement, opinion or representation expressed by any staff (including research staff) of any of the Lead Managers or their respective affiliates) or us and none of the Lead Managers will be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty or statement;

- you understand that none of the Lead Managers has any obligation to purchase or acquire all or any part of the Equity Shares purchased by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by us of any of our respective obligations or any breach of any representations or warranties by us, whether to you or otherwise;

- you agree that any dispute arising in connection with the Issue will be governed by and construed in accordance with the laws of Republic of India, and the courts in Mumbai, India shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Preliminary Placement Document and this Placement Document;

- each of the representations, warranties, acknowledgements and agreements set forth above shall continue to be true and accurate at all times up to and including the Allotment of the Equity Shares in the Issue;

- you agree to indemnify and hold us and the Lead Managers harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the foregoing representations, warranties, acknowledgements and undertakings made by you in this Placement Document. You agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares by or on behalf of the managed accounts; and

- that we, the Lead Managers, their respective affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements which are given to the Lead Managers on their own behalf and on our behalf and are irrevocable.

Off-Shore Derivative Instruments (P-Notes)

Subject to compliance with all applicable Indian laws, rules, regulations and approvals in terms of Regulation 22 of the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, as amended (the "SEBI FPI Regulations"), foreign portfolio investors ("FPIs") (other than Category III Foreign Portfolio Investors and unregulated broad based funds which are classified as Category II foreign portfolio investors by virtue of their investment manager being appropriately regulated), including affiliates of the Lead Managers that are registered as FPIs, may issue, subscribe to or otherwise deal in, "off-shore derivative instruments" (which is defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by an FPI against securities held by it that are listed or proposed to be listed on any recognized stock exchange in India, as its underlying) (all such off-shore derivative instruments referred to herein as "P-Notes"), directly or indirectly, only in favour of such persons who are regulated by an appropriate foreign regulatory authority and subject to compliance with "know your client" norms.

An FPI shall also ensure that no further issue or transfer of any instrument referred to above is made by or on behalf of it, to any person other than such entities regulated by appropriate foreign regulatory authorities. P-Notes have not been and are not being offered or sold pursuant to this Placement Document. This Placement Document does not contain any information concerning any P-Notes or the issuer(s) of any P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not securities of the Bank and do not constitute any obligations of, claim on, or interests in the Bank. We have not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are solely the obligations of, third parties that are unrelated to us. We and the Lead Managers do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes. Any P-Notes that may be issued are not securities of the Lead Managers and do not constitute any obligations of, or claim on, the Lead Managers. Affiliates of the Lead Managers that are eligible FPIs may purchase, to the extent permissible under law, Equity Shares in the Issue, and may issue P-Notes in respect thereof.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosure as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither the SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

Notice to New Hampshire Residents

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED 1955, AS AMENDED ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE, NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, ACCURATE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Disclaimer Clause of the Stock Exchanges

As required, a copy of this Placement Document has been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of this Placement Document;

2. warrant that our Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or

3. take any responsibility for our financial or other soundness, our management or any of our schemes or projects.

The filing of this Placement Document should not for any reason be deemed or construed to mean that this Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquires any Equity Shares may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription or acquisition, whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

OFAC Information

The U.S. Department of the Treasury's Office of Foreign Assets Control, or OFAC, administers certain laws and regulations that impose penalties upon U.S. persons and, in some instances, foreign entities owned or controlled by U.S. persons, for conducting activities or transacting business with certain countries, governments, entities or individuals subject to U.S. economic sanctions, or U.S. Economic Sanctions Laws. We will not use any proceeds, directly or indirectly, from sales of our Equity Share, to fund any activities or business with any country, government, entity or individual with respect to which U.S. persons or, as appropriate, foreign entities owned or controlled by U.S. persons, are prohibited by U.S. Economic Sanctions Laws from conducting such activities or transacting such business.

OFAC regulations impose restrictions on financial transactions with Cuba, Myanmar, Iran, Russia and Sudan and with persons and entities included in OFAC's list of Specially Designated Nationals and Blocked Persons (the "SDN List"). The Bank has no business operations, subsidiaries or affiliated entities in these countries and the Bank takes measures to avoid transactions with persons and entities on the SDN List. The Bank has systems to identify and decline transactions with persons and entities on the SDN List.

Further, we have three blocked accounts of Iranian financial institutions which were opened under the ACU settlements as per the Reserve Bank of India (Central bank) guidelines. In December 2010 the Reserve Bank of India suspended the ACU arrangement and from that date these three accounts have been blocked and there has been no transactions permitted in these accounts.

CERTAIN CONVENTIONS, PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA, CURRENCY OF PRESENTATION AND EXCHANGE RATES

Certain Conventions

All references to "you", "your", "offeree", "purchaser", "subscriber", "recipient", "investors", "prospective investors" and "potential investors" are to the prospective investors of the Equity Shares to be issued pursuant to this Issue. References in this Placement Document to "India" are to the Republic of India, to the "Government" or the "Central Government" are to the Government of India and to any "State Government" are to the relevant state government in India.

Financial Data

We prepare our financial statements on the historical cost convention, except where otherwise stated, and in accordance with the accounting standards read with guidelines issued by the RBI and conform to the statutory provisions and practices prevailing within the banking industry in India ("Indian GAAP"). Indian GAAP differs in certain respects from accounting principles generally accepted in other countries, including IFRS and U.S. GAAP. We do not provide a reconciliation of our financial statements to IFRS or U.S. GAAP. Accordingly, the degree to which the financial statements prepared in accordance with Indian GAAP included in this Placement Document will provide meaningful information is entirely dependent on the reader's level of familiarity with the respective accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Placement Document should accordingly be limited. See "Risk Factors — Risk Factors Relating to the Equity Shares — Significant differences exist between Indian GAAP and accounting principles generally accepted in certain other countries, including U.S. GAAP and IFRS, which may be material to investors' assessments of our historical financial results and future financial results upon adoption of any such accounting principles other than Indian GAAP" in this Placement Document.

In this Placement Document, certain monetary thresholds have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Unless stated otherwise, the financial data in this Placement Document is derived from our financial statements prepared in accordance with Indian GAAP and the requirements prescribed under the Banking Regulation Act and the circulars and guidelines issued thereunder. Our fiscal year commences on April 1 of each year and ends on March 31 of the succeeding year, so all references to a particular "fiscal year" or "Fiscal" or "financial year" are to the twelve-month period ended on March 31 of that year. Our audited financial statements as of and for the years ended March 31, 2015, March 31, 2014 and March 31, 2013 are included in this Placement Document and are referred to herein as the "Financial Statements". Our audited financial statements as of and for the year ended March 31, 2015 included in this Placement Document are subject to adoption by our shareholders in accordance with applicable law at the next AGM.

In this Placement Document, the terms "loans", "advances" and "loans and advances" have been used interchangeably and unless otherwise stated, "loans", "advances" or "loans and advances" represent the amount of loans outstanding net of provisions for non-performing assets. "Gross loans", "gross advances" or "gross loans and advances" represent the amount of loans outstanding before deducting the provisions held for non-performing assets. Further, the stand-alone expressions "profit" and "net profit" have been used interchangeably to represent the profit earned for the period net of all provisions including provision for taxes.

Market Data/Industry Data

Information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to our business contained in this Placement Document consists of estimates based on data reports compiled by professional organizations and analysts, data from other external sources and our knowledge of our revenues and markets. In some cases, there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate market-related analyses and estimates, requiring us to rely on internally developed estimates. While we have compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, we have not independently verified that data. We cannot assure potential investors of the accuracy and completeness of, and take no responsibility for, such data. Similarly, while we believe our internal estimates to be reasonable, such estimates have not been verified by any independent sources and we cannot assure potential investors as to their accuracy.

Currency of Presentation

All references in this Placement Document to "₹", "Rupees", "Rs.", "Indian Rupees" and "INR" are to Indian Rupees, the official currency of India. All references to "US$", "U.S. Dollars", "U.S. Dollar", "dollars", "US Dollars", "USD" or "$" are to United States Dollars, the official currency of the United States of America. All references to "euro", "EUR" or "€" are to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time. All references to "British pounds" or "£" are to the lawful currency of the United Kingdom.

Exchange Rates

Fluctuations in the exchange rate between the Rupee and the U.S. Dollar will affect the U.S. Dollar equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into U.S. Dollars of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth information concerning exchange rates between the Rupee and the U.S. dollar for the periods indicated. Exchange rates are based on the reference rates released by the RBI. No representation is made that any Rupee amounts could have been, or could be, converted into U.S. dollars at any particular rate, the rates stated below or at all. On June 29, 2015, the exchange rate was ₹ 63.9170 to US$1.00.

	Period End	Average(1)	High	Low
Year Ended March 31:		(₹ Per US$1.00)		
2013	54.39	54.45	57.22	50.56
2014	60.10	60.50	68.36	53.74
2015	62.59	61.15	63.75	58.43
Quarter Ended:				
June 30, 2014	60.09	59.77	61.12	58.43
December 31, 2014	63.33	62.00	63.75	61.04
March 31, 2015...	62.59	62.25	63.45	61.41

Source: *www.rbi.org.in*

(1) Represents the average of the reference rates released by the RBI on every working day of the period for each year and quarter presented.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Placement Document that are not statements of historical fact constitute "forward-looking statements". Investors can generally identify forward-looking statements by terminology such as "aim", "anticipate", "believe", "continue", "estimate", "expect", "intend", "may", "objective", "plan", "potential", "project", "pursue", "shall", "should", "will", "would", or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements.

All statements regarding our expected financial condition and results of operations, business plans, including potential acquisitions and prospects are forward-looking statements. These forward-looking statements include statements as to our liquidity, growth, business strategy, revenue, dividend policy and profitability and other matters discussed in this Placement Document regarding matters that are not historical facts. These forward-looking statements and any other projections contained in this Placement Document (whether made by us or any third party) are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or any other projections. Important factors that could cause actual results, performance or achievements to differ materially include, among others:

- any inability to sustain recent levels of performance, including growth in our businesses and improvements in financial results and other indicators of financial performance;
- any inability to manage our growth effectively or successfully execute our growth strategy, including continued branch network expansion, or any failure to achieve the synergies and other benefits we expect from such expansion;
- any inability to sustain or increase our net interest income or address challenges in our newer fee income business;
- volatility in interest rates or other market conditions;
- any inability to manage maturity and interest rate mismatches between our assets and liabilities;
- adverse economic conditions or a continued slowdown in India;
- increases in our non-performing assets ("NPAs");
- increasing competition;
- our dependence on, and ability to retain, our senior management team;
- political, economic, regulatory and business conditions in India;
- our concentrated exposure to certain sectors and borrowers;
- changes in banking, insurance and other regulations in India;
- the non-availability of comprehensive statistical, corporate and financial information, including on individual borrowers, in India;
- delays or failures in foreclosing on collateral when borrowers default on their obligations;
- changes in the tax law in India; and
- fluctuations in the exchange rates of the Rupee against the U.S. dollar, the euro, the British pound and other currencies.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under the sections "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Industry Overview" and "Our Business".

The forward-looking statements contained in this Placement Document are based on the beliefs of management, as well as assumptions regarding trends in the Indian and international financial markets and economies, the political climate in which we operate and information currently available to management. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks and uncertainties materialize, or if any of our underlying assumptions prove to be incorrect, our actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

IndusInd Bank Limited is a banking company incorporated with limited liability under the laws of India. All of our Directors and senior management are residents of India and our assets are substantially located in India. As a result, it may be difficult for investors outside India to effect service of process upon us or such persons outside India, or to enforce judgments obtained against such parties outside India.

Recognition and enforcement of foreign judgments is provided for under Sections 13 and 44A of the Code of Civil Procedure, 1908, as amended (the "Civil Procedure Code"). Section 13 of the Civil Procedure Code provides that foreign judgments shall be conclusive regarding any matter directly adjudicated upon, except:

- where the judgment has not been pronounced by a court of competent jurisdiction;
- where the judgment has not been given on the merits of the case;
- where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases to which such law is applicable;
- where the proceedings in which the judgment was obtained were opposed to natural justice;
- where the judgment has been obtained by fraud; or
- where the judgment sustains a claim founded on a breach of any law then in force in India.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. However, Section 44A of the Civil Procedure Code provides that where a foreign judgment has been rendered by a superior court, within the meaning of such section, in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by an appropriate court in India. Section 44A of the Civil Procedure Code is applicable only to monetary decrees not being in the nature of amounts payable in respect of taxes, other charges of a similar nature or fines or other penalties and does not apply to arbitration awards.

Each of the United Kingdom, Singapore and Hong Kong have been declared by the Government to be reciprocating territories for the purposes of Section 44A of the Civil Procedure Code, but the United States has not been so declared. A judgment of a court of a country which is not a reciprocating territory may be enforced only by a suit upon the judgment and not by proceedings in execution. The suit is required to be filed in India within three years from the date of such foreign 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 was brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with Indian public policy. A party seeking to enforce a foreign judgment in India is required to obtain the prior approval of the RBI to repatriate outside India any amount recovered pursuant to the execution of such a judgment. In addition, any judgment denominated in a foreign currency would be converted into Indian rupees on the date of the judgment and not on the date of payment.

DEFINITIONS AND ABBREVIATIONS

Unless otherwise defined or the context otherwise indicates or requires, certain capitalized terms used in this Placement Document have the meanings set forth below:

Bank Related Terms

Term	Description
IndusInd Bank Limited, IBL, the Issuer, we, us, our, the Company or the Bank	IndusInd Bank Limited, a banking company incorporated under the laws of India and whose registered office is at 2401 Gen. Thimmayya Road (Cantonment), Pune 411 001, India.
ALCO	The Asset and Liability Management Committee of the Bank.
ALF Insurance or the Subsidiary	ALF Insurance Services Private Limited.
ALFL	Ashok Leyland Finance Limited.
Articles or Articles of Association	The articles of association of the Bank, as amended.
Associate	The associate of the Bank, namely, IndusInd Marketing and Financial Services Private Limited.
Auditors	B S R & Co. LLP, the statutory auditors of the Bank.
Board of Directors or Board	The board of directors of the Bank and any committee constituted thereof.
CCB	The Corporate and Commercial Banking business unit of the Bank.
CFD	The Consumer Finance division of the Bank.
COCC I – CCBG	Corporate Office Credit Committee I – Corporate & Commercial Banking.
COCC I – Consumer Banking	Corporate Office Credit Committee I – Consumer Banking.
COCC II – Business Banking and Consumer Banking excluding CFD	Corporate Office Credit Committee II - Business Banking and Consumer Banking excluding CFD.
COCC II – CCBG	Corporate Office Credit Committee II – Corporate & Commercial Banking.
COCC II – Consumer Banking	Corporate Office Credit Committee II – Consumer Banking.
Corporate Office	One Indiabulls Centre, 8th Floor, Tower 1, 841 Senapati Bapat Marg, Elphinstone Road (W), Mumbai 400 013, India.
CPPAPS	Committee on Procedures and Performance of Audit of Public Services.
CRMC	Credit Risk Management Committee.
Director(s)	The director(s) of the Bank.
ECC	Executive Credit Committee.
Equity Shares or Shares	The equity shares of the Bank of face value ₹10 each.
ESOP 2007	The Employees’ Stock Option Scheme, 2007 of the Bank.
FRMC	Fraud Risk Management Committee.
FRRG	Financial Reconstruction and Restructuring Group.
IIHL	IndusInd International Holdings Limited, a Mauritius-based entity, and one of the Promoters.

Term	Description
LRM	Loan Review Mechanism
Memorandum or Memorandum of Association	The memorandum of association of the Bank, as amended.
MRMC	Market Risk Management Committee.
ORMC	Operational Risk Management Committee.
Promoters	The promoters of the Bank, comprising: 1. IndusInd International Holdings Limited; and 2. IndusInd Limited.
Registered Office	The registered office of the Bank located at 2401 Gen. Thimmayya Road (Cantonment), Pune 411 001, India.
Registrar of Companies or RoC	The Registrar of Companies, Maharashtra, Pune.
Special Committee	Special Committee for Monitoring Large Value Frauds.

Issue related Terms

Term	Description
Allocated or Allocation	The allocation of Equity Shares following the determination of the Issue Price to QIBs on the basis of Application Forms submitted by such QIBs, in consultation with the Lead Managers and in compliance with Chapter VIII of the ICDR Regulations and the provisions of the Companies Act.
Allotment	The issue and allotment of Equity Shares pursuant to the Issue.
Application or Bid	Indication of interest from a QIB to subscribe for a specified number of Equity Shares in the Issue on the terms set out in the Application Form to the Bank.
Application Form or Bid cum Application Form	The form, including all revisions and modifications thereto, pursuant to which a QIB submits an Application.
Book Running Lead Managers	Citi, Credit Suisse, Goldman Sachs and J.P. Morgan.
BSE	The BSE Limited (formerly known as the Bombay Stock Exchange Limited).
CAN or Confirmation of Allocation Note	The note, advice or intimation to QIBs confirming the Allocation of Equity Shares to such QIBs after the determination of the Issue Price and requiring such QIBs to pay the entire Issue Price for all the Equity Shares Allocated to such QIBs.
Category III Foreign Portfolio Investor	An FPI registered as a category III foreign portfolio investor under the SEBI FPI Regulations.
CDSL	Central Depository Services (India) Limited.
Citi	Citigroup Global Markets India Private Limited.
Closing Date	On or about July 3, 2015, the date on which the Allotment is expected to be made.
CLSA	CLSA India Private Limited (formerly CLSA India Limited).
Credit Suisse	Credit Suisse Securities (India) Private Limited.
Cut-off Price	The Issue Price of the Equity Shares, which shall be determined by the Bank, in consultation with the Lead Managers.

Term	Description
Eligible FPIs	FPIs that are eligible to participate in the Issue and do not include qualified foreign investors and Category III Foreign Portfolio Investors (who are not allowed to participate in the Issue).
Escrow Bank	IndusInd Bank Limited (in its capacity as the Escrow Bank).
Escrow Cash Account	The non-interest bearing, no-lien, escrow bank account without any cheque or overdraft facilities opened by the Bank with the Escrow Bank under the arrangement between the Bank and the Escrow Bank.
FII	Any foreign institutional investor (as defined under the SEBI FPI Regulations).
FPI	Any foreign portfolio investor (as defined under the SEBI FPI Regulations).
Floor Price	The floor price of ₹821.54 per Equity Share, calculated in accordance with Regulation 85 of the ICDR Regulations.
Goldman Sachs	Goldman Sachs (India) Securities Private Limited.
ICDR Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended.
Issue	The offer and sale of the Equity Shares to QIBs, pursuant to Chapter VIII of the ICDR Regulations and the provisions of the Companies Act, 2013.
Issue Closing Date or Bid Closing Date	June 30, 2015, the date on which the Bank (or the Lead Managers on behalf of the Bank) shall cease acceptance of Application Forms.
Issue Opening Date or Bid Opening Date	June 25, 2015, the date on which the Bank (or the Lead Managers on behalf of the Bank) shall commence acceptance of Application Forms.
Issue Price	The price per Equity Share of ₹845, which is equal to or more than the minimum price permitted under Regulation 85(1) of the ICDR Regulations.
Issue Size	The issue of 51,218,640 Equity Shares aggregating to ₹43,279.75 million.
JM Financial	JM Financial Institutional Securities Limited (formerly JM Financial Institutional Securities Private Limited).
Joint Global Coordinators and Book Running Lead Managers	Morgan Stanley, CLSA and JM Financial.
J.P. Morgan	J.P. Morgan India Private Limited.
Lead Managers	The Joint Global Coordinators and Book Running Lead Managers, being Morgan Stanley, CLSA and JM Financial and the Book Running Lead Managers, being Citi, Credit Suisse, Goldman Sachs and J.P. Morgan.
Morgan Stanley	Morgan Stanley India Company Private Limited.
NSDL	The National Securities Depository Limited.
NSE	National Stock Exchange of India Limited.
Pay-in Date	The last date specified in the CAN for payment of application monies by the QIBs.
Placement Agreement	The Placement Agreement, dated as of June 25, 2015, among the Bank and the Lead Managers.
Placement Document	This Placement Document dated June 30, 2015 issued in accordance with Chapter VIII of the ICDR Regulations and Section 42 of the Companies Act, 2013.
Preliminary Placement Document	The Preliminary Placement Document dated June 25, 2015, issued in accordance with Chapter VIII of the ICDR Regulations and Section 42 of the Companies Act, 2013.

Term	Description
QIB or Qualified Institutional Buyer	Any Qualified Institutional Buyer as defined under Regulation 2(1)(zd) and Chapter VIII of the ICDR Regulations.
Regulation S	Regulation S under the U.S. Securities Act.
SEBI	The Securities and Exchange Board of India.
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended.
SEBI FPI Regulations	The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, as amended.
Stock Exchanges	The BSE and the NSE.
U.S. Securities Act or Securities Act	The U.S. Securities Act of 1933, as amended.

Industry related Terms

Term	Description
Additional Tier 1 Capital	Additional Tier 1 Capital comprises innovative perpetual debt instruments and perpetual non-cumulative preference shares eligible for inclusion in Tier 1 capital in accordance with the guidelines prescribed by the RBI.
AFS investments	Available For Sale investments.
ALM	Asset and Liability Management.
ANBC	Adjusted Net Bank Credit. ANBC is computed in accordance with item No. VI of Form 'A' (Special Return as on March 31) under Section 42(2) of the RBI Act.
ARC	Asset Reconstruction Company.
AS or Accounting Standards	Accounting Standards notified pursuant to the Companies (Accounting Standards) Rules, 2006.
ATMs	Automated Teller Machines.
Bank Acquisition Act	The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, as amended.
Banking Regulation Act	The Banking Regulation Act, 1949, as amended.
Base Rate	The base rate of a bank, the minimum rate below which it shall not lend.
Basel II	International Convergence of Capital Measurement and Capital Standards – A Revised Framework (Comprehensive Version: June 2006) published by the Bank for International Settlements. The RBI issued the Prudential Guidelines on Capital Adequacy and Market Discipline – Implementation of the New Capital Adequacy Framework on April 27, 2007 on the implementation of Basel II capital adequacy norms in India.
Basel III	Basel III: A global regulatory framework for more resilient banks and banking systems (December 2010 (rev. June 2011) published by the Bank for International Settlements. The RBI issued guidelines on the implementation of the Basel III capital regulations in India on May 2, 2012 and revised such guidelines pursuant to a notification dated March 27, 2014.
BFS	Board for Financial Supervision.
BPLR	Benchmark Prime Lending Rate.

Term	Description
BSi	British Standards Institution.
CAGR	Compounded Annual Growth Rate.
CAR	Capital Adequacy Ratio.
CASA	Current Accounts (demand deposits) and Savings Accounts.
CDR	Corporate Debt Restructuring.
Common Equity Tier 1 Capital	Common Equity Tier 1 Capital comprises the paid-up equity capital, share premium, statutory reserves, capital reserves (representing surplus arising out of sale proceeds of assets), other disclosed free reserves, if any and eligible balances in the profit and loss account adjusted for regulatory adjustments and deductions applied in the calculation of the such capital in accordance with guidelines prescribed by the RBI.
CP	Commercial Paper.
CRAR	Capital to Risk weighted Assets Ratio.
CRR	Cash Reserve Ratio.
FATF	Financial Action Task Force.
FIMMDA	Fixed Income Money Market and Derivatives Association of India.
HFC	Housing Finance Companies.
HFT investments	Held For Trading investments.
HQLA	High Quality Liquid Assets.
HTM investments	Held To Maturity investments.
IBA	Indian Banks Association.
ICAAP	Internal Capital Adequacy Assessment Policy.
iCreate Software	iCreate Software India Private Limited.
Indian Energy Exchange	Indian Energy Exchange Limited.
Indian GAAP	In relation to the Bank’s financial statements, the Accounting Standards read with guidelines issued by the RBI which conform to the statutory provisions and practices prevailing within the banking industry in India.
Infosys or Infosys Technologies	Infosys Technologies Limited.
IPDI	Innovative Perpetual Debt Instruments.
IRA	Investment Reserve Account.
IRDAI	The Insurance Regulatory and Development Authority of India.
IRS	Interest Rate Swap.
KYC Norms	“Know your customer” norms stipulated by the RBI.
LAF	Liquidity Adjustment Facility.
LC	Letters of Credit.
LCR	Liquidity Coverage Ratio.
LFAR	Long Form Audit Report.
MasterCard	MasterCard Inc.
MBS	Mortgage Backed Securities.
Misys	Misys International Banking Systems Limited.

Term	Description
MoneyGram Payment Systems	MoneyGram Payment Systems Inc.
NBC	Net bank credit, being the Bank's gross advances, net of provisions and inter-bank advances.
NBFC	Non-banking financial company, as defined under the Reserve Bank of India Act, 1934, as amended.
NDS-OM	Negotiated Dealing System-Order Matching.
NDTL	Net Demand and Time Liabilities.
NECS	National Electronic Clearing Services.
NHB	National Housing Bank.
NII	Net interest income.
NIM	Net interest margin.
NPA	Non-performing asset.
OBU	Offshore Banking Unit.
OTS	One Time Settlement.
PCR	Provisioning Coverage Ratio.
PDAI	Primary Dealers Association of India.
PFIC	Passive Foreign Investment Company.
PTC	Pass Through Certificate.
RBI Act	The Reserve Bank of India Act, 1934, as amended.
RBI Guidelines	Guidelines issued from time to time by the RBI.
RET	Reuters Electronic Terminal.
RIDF	The Rural Infrastructure Development Fund.
Roadmap	Roadmap for Presence of Foreign Banks in India and Guidelines on Ownership and Governance in Private Sector Banks.
RRB	Regional rural bank.
RTGS	Real Time Gross Settlement.
SARFAESI Act	The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interests Act, 2002, as amended.
SBI	State Bank of India.
SLR	Statutory Liquidity Ratio.
SME	Small and Medium Enterprises.
Tier I capital	The capital of the Bank which can absorb losses without triggering the bankruptcy of the Bank, and comprises Common Equity Tier 1 Capital and Additional Tier 1 Capital.
Tier II Bonds	Unsecured, redeemable, non-convertible, subordinated bonds in the nature of promissory notes issued by the Bank to augment Tier II capital for capital adequacy purposes.
Tier II capital	Undisclosed reserves, revaluation reserves (at a discount of 55%), general provisions and loss reserves (allowed up to a maximum of 1.25% of risk weighted assets), hybrid debt capital instruments (which combine certain features of equity and debt securities) and subordinated debt.

Term	Description
VISA	Visa Worldwide Private Limited.

General Terms/Abbreviations

Term	Description
ADRs	American Depository Receipts.
AIFs	Alternative investment funds (as defined under Regulation 2(1)(b) of the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, as amended) registered with the SEBI under applicable laws in India.
AGM	Annual General meeting.
AML	Anti-Money Laundering.
CARE	Credit Analysis & Research Limited.
CENVAT	Central Value Added Tax.
Civil Procedure Code	The Code of Civil Procedure, 1908, as amended.
Companies Act	The Companies Act, 1956, to the extent in force, and the notified provisions of the Companies Act, 2013, and in each case, together with the rules and regulations framed thereunder.
Companies Act, 2013	The Companies Act, 2013, as amended, and to the extent in force, together with the rules and regulations made thereunder, including, without limitation, the Companies (Share Capital and Debentures) Rules, 2014, as amended, and the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended.
Control	It shall have the same meaning as is assigned to it under Regulation 2(1)(e) of the Takeover Code.
COO	Chief Operating Officer.
CRISIL	CRISIL Limited.
CRM	Customer Relationship Management.
CRO	Chief Risk Officer.
Crore	Ten million.
Delisting Regulations	The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, as amended.
Depositories Act	The Depositories Act, 1996, as amended.
Depository	Any depository registered with the SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, as amended.
Depository Participant	Any depository participant, as defined under the Depositories Act.
DICGC	Deposit Insurance and Credit Guarantee Corporation.
DRT	Debt Recovery Tribunals.
EVP	Executive Vice President.
FDI	Foreign Direct Investment.
FEDAI	Foreign Exchange Dealers' Association of India.
FEMA	The Foreign Exchange Management Act, 1999, as amended.
FEMA 20	The Foreign Exchange Management (Transfer or Issue of Security by a

Term	Description
	Person Resident Outside India) Regulations, 2000, as amended.
FI	Financial Institution.
FIPB	Foreign Investment Promotion Board.
Foreign Portfolio Investment Scheme	The foreign portfolio investment scheme of the RBI specified in Schedule 2A of FEMA 20.
FSMA	The U.K. Financial Services and Markets Act, 2000.
FVCI	Any foreign venture capital investor (as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, as amended) registered with the SEBI under applicable laws in India.
Form PAS-4	Form PAS-4 prescribed under the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended.
GAAP	Generally Accepted Accounting Principles.
GDP	Gross Domestic Product.
GDRs	Global Depository Receipts.
ICAI	The Institute of Chartered Accountants of India.
ICRA	ICRA Limited.
IFRS	International Financial Reporting Standards of the International Accounting Standards Board.
IISL	India Index Services and Products Limited.
Ind-AS	IFRS converged Indian Accounting Standards, notified pursuant to the Companies (Accounting Standards) Rules, 2015 issued by the MCA on February 16, 2015.
India Ratings and Research	India Ratings and Research Private Limited (formerly known as Fitch Ratings India Private Limited), a part of the Fitch Group.
Insider Trading Regulations	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.
IT Act or the Income Tax Act	The Income Tax Act, 1961, as amended.
IVR	Interactive Voice Response.
KYC	Know Your Customer.
LIBOR	London Interbank Offered Rate.
MAT	Minimum alternative tax.
MCA	Ministry of Corporate Affairs, Government of India.
MCX	Multi Commodity Exchange of India Limited.
MCX-SX	Metropolitan Stock Exchange of India Limited (formerly MCX Stock Exchange Limited).
MIS	Management Information System.
MoU	Memorandum of Understanding.
Mutual Fund	Any mutual fund registered with the SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended.
NABARD	National Bank for Agricultural and Rural Development.
NCDEX	National Commodity and Derivatives Exchange Limited.

Term	Description
NCDRC	National Consumer Disputes Redressal Commission.
NEFT	National Electronic Funds Transfer.
NMCE	National Multi-Commodity Exchange of India Limited.
NRI	Non-Resident Indian.
OCB or Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date was eligible to undertake transactions pursuant to the general permission granted to OCBs under the FEMA.
p.a.	Per annum.
PAN	Permanent Account Number.
PML Act	Prevention of Money Laundering Act, 2002, as amended.
Portfolio Investment Scheme	The portfolio investment scheme of RBI specified in Schedule 2 of FEMA 20.
PSU	Any public sector undertaking.
RBI	The Reserve Bank of India.
RPFC	Regional Provident Fund Commissioner.
S&P	Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc.
SCRA	The Securities Contracts (Regulation) Act, 1956, as amended.
SCRR	The Securities Contracts (Regulation) Rules, 1957, as amended.
Securities	It shall have the same meaning as it does in the SCRA.
SICA	The Sick Industrial Companies (Special Provisions) Act, 1985, as amended.
SIDBI	Small Industries Development Bank of India.
SMS	Short Message Service.
SPV	Special Purpose Vehicle.
STT	Securities transaction tax.
Takeover Code	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended.
U.K.	United Kingdom.
U.S.	United States of America, its territories and its possessions and the District of Columbia.
U.S. GAAP	Generally accepted accounting principles followed in the United States.
VCF	Any venture capital fund as defined under the erstwhile Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 or the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, as amended, as the case may be.
WOS	Wholly-owned subsidiary.

DISCLOSURE REQUIREMENTS UNDER FORM PAS-4 PRESCRIBED UNDER THE COMPANIES ACT, 2013

The table below sets out the disclosure requirements as provided in PAS-4 and the relevant pages in this Placement Document where these disclosures, to the extent applicable, have been provided.

S. No.	Disclosure Requirements	Relevant Page of this Placement Document
1.	**GENERAL INFORMATION**	
a.	Name, address, website and other contact details of the company indicating both registered office and corporate office.	247 and 411
b.	Date of incorporation of the company.	247 and Cover Page
c.	Business carried on by the company and its subsidiaries with the details of branches or units, if any.	129-153
d.	Brief particulars of the management of the company.	181-195
e.	Names, addresses, DIN and occupations of the directors.	181-182
f.	Management's perception of risk factors.	36-62
g.	Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of:	
	i) Statutory dues;	245
	ii) Debentures and interest thereon;	245
	iii) Deposits and interest thereon; and	245
	iv) Loan from any bank or financial institution and interest thereon.	245
h.	Names, designation, address and phone number, email ID of the nodal/ compliance officer of the company, if any, for the private placement offer process.	411
2.	**PARTICULARS OF THE OFFER**	
a.	Date of passing of board resolution.	247
b.	Date of passing of resolution in the general meeting, authorizing the offer of securities.	247
c.	Kinds of securities offered (*i.e.*, whether share or debenture) and class of security.	Cover page and 25
d.	Price at which the security is being offered including the premium, if any, along with justification of the price.	Cover page and 25
e.	Name and address of the valuer who performed valuation of the security offered.	Not Applicable
f.	Amount which the company intends to raise by way of securities.	25
g.	Terms of raising of securities:	
	(i). Duration, if applicable;	Not Applicable
	(ii). Rate of dividend;	71-72
	(iii). Rate of interest;	Not Applicable
	(iv). Mode of payment; and	Not Applicable
	(v) Mode of repayment.	Not Applicable
h.	Proposed time schedule for which the offer letter is valid.	15, 25
i.	Purposes and objects of the offer.	65
j.	Contribution being made by the promoters or directors either as part of the offer or separately in furtherance of such objects.	65
k.	Principle terms of assets charged as security, if applicable.	Not Applicable
3.	**DISCLOSURES WITH REGARD TO INTEREST OF DIRECTORS, LITIGATION ETC**	
a.	Any financial or other material interest of the directors, promoters or key managerial personnel in the offer and the effect of such interest in so far as it is different from the interests of other persons.	195
b.	Details of any litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against any promoter of the	245

S. No.	Disclosure Requirements	Relevant Page of this Placement Document
	offeree company during the last three years immediately preceding the year of the circulation of the offer letter and any direction issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action shall be disclosed.	
c.	Remuneration of directors (during the current year and last three financial years).	184, 190-191
d.	Related party transactions entered during the last three financial years immediately preceding the year of circulation of offer letter including with regard to loans made or, guarantees given or securities provided.	195
e.	Summary of reservations or qualifications or adverse remarks of auditors in the last five financial years immediately preceding the year of circulation of offer letter and of their impact on the financial statements and financial position of the company and the corrective steps taken and proposed to be taken by the company for each of the said reservations or qualifications or adverse remark.	35
f.	Details of any inquiry, inspections or investigations initiated or conducted under the Companies Act or any previous company law in the last three years immediately preceding the year of circulation of offer letter in the case of company and all of its subsidiaries. Also if there were any prosecutions filed (whether pending or not) fines imposed, compounding of offences in the last three years immediately preceding the year of the offer letter and if so, section-wise details thereof for the company and all of its subsidiaries.	245
g.	Details of acts of material frauds committed against the company in the last three years, if any, and if so, the action taken by the company.	244-245
4.	**FINANCIAL POSITION OF THE COMPANY**	
a.	The capital structure of the company in the following manner in a tabular form:	
(i)	(a) The authorised, issued, subscribed and paid up capital (number of securities, description and aggregate nominal value);	67
	(b) Size of the present offer; and	67
	(c) Paid up capital:	67
	(A) After the offer; and	67
	(B) After conversion of convertible instruments (if applicable);	Not Applicable
	(d) Share premium account (before and after the offer).	67
(ii)	The details of the existing share capital of the issuer company in a tabular form, indicating therein with regard to each allotment, the date of allotment, the number of shares allotted, the face value of the shares allotted, the price and the form of consideration.	67-70
	Provided that the issuer company shall also disclose the number and price at which each of the allotments were made in the last one year preceding the date of the offer letter separately indicating the allotments made for considerations other than cash and the details of the consideration in each case.	67-70
b.	Profits of the company, before and after making provision for tax, for the three financial years immediately preceding the date of circulation of offer letter.	248-408
c.	Dividends declared by the company in respect of the said three financial years; interest coverage ratio for last three years (Cash profit after tax plus interest paid/interest paid).	71,113-114
d.	A summary of the financial position of the company as in the three audited balance sheets immediately preceding the date of circulation of offer letter.	34-35
e.	Audited Cash Flow Statement for the three years immediately preceding the date of circulation of offer letter.	35
f.	Any change in accounting policies during the last three years and their effect on the profits and the reserves of the company.	114

S. No.	Disclosure Requirements	Relevant Page of this Placement Document
5.	**A DECLARATION BY THE DIRECTORS THAT**	410
a.	The company has complied with the provisions of the Act and the rules made thereunder.	
b.	The compliance with the Act and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government.	
c.	The monies received under the offer shall be used only for the purposes and objects indicated in the Offer letter.	

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Placement Document, including under the sections "Risk Factors", "Use of Proceeds", "Placement", "Issue Procedure" and "Description of the Shares".

Issuer	IndusInd Bank Limited.
Issue Price per Equity Share	₹845
Issue Size	The issue of 51,218,640 Equity Shares aggregating to ₹43,279.75 million.
Equity Shares outstanding prior to the Issue	531,193,737 Equity Shares.
Equity Shares outstanding after the Issue	582,412,377 Equity Shares. Pursuant to its resolution dated June 11, 2015, our Board of Directors has approved, subject to approval by the RBI and our shareholders, a preferential allotment of Equity Shares to our Promoters up to 1.5% of our authorized share capital (within the limit of 10% of our authorized share capital as approved by our shareholders pursuant to their resolution adopted by way of postal ballot on June 8, 2015), such that the aggregate shareholding of our Promoters is maintained at 15% post the Issue and preferential allotment. The price at which Equity Shares will be allotted under the preferential allotment shall be in accordance with Chapter VII of the ICDR Regulations, however, such price shall not be less than the price at which the Equity Shares are allotted to QIBs in the Issue. We have received the in-principle approval of the RBI for undertaking a preferential allotment of Equity Shares to our Promoters through a letter dated June 17, 2015. We have sought the approval of our shareholders through a notice of postal ballot dated June 25, 2015.
Eligible Investors	QIBs, as defined in Regulation 2(1)(zd) and Chapter VIII of the ICDR Regulations and not otherwise excluded under Regulation 86 of the ICDR Regulations or other applicable regulations.
Floor Price	₹821.54 per Equity Share, calculated in accordance with Regulation 85 of the ICDR Regulations.
Listing	(i) Applications for approval, in terms of Clause 24(a) of the listing agreements with the Stock Exchanges were made and approval has been received from each of the Stock Exchanges, and (ii) the application for the in-principle and final listing and trading approval, for listing and admission of the Equity Shares and for trading on the Stock Exchanges, will be made only after Allotment of the Securities in the Issue.
Transferability Restrictions	**The Equity Shares being allotted pursuant to this Issue cannot be sold for a period of one year from the date of Allotment, except if sold on the floor of the Stock Exchanges.**
Closing	The Allotment of the Equity Shares offered pursuant to the Issue is expected to be made on or about July 3, 2015 (the "Closing Date").
Ranking	The Equity Shares being issued in the Issue are subject to the provisions of our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares, including with respect to dividend rights. Shareholders will be entitled to participate in dividends and other corporate benefits, if any, declared by us after the Closing Date, in compliance with the Companies Act. Shareholders may attend and vote in shareholders' meetings in accordance with the provisions of the Companies Act, 2013. Please see the section "Description of the Shares".

Use of Proceeds	The gross proceeds of the Issue are approximately ₹43,279.75 million. The net proceeds of the Issue are expected to be approximately ₹42,732.31 million. Subject to compliance with applicable laws and regulations, we intend to use the net proceeds of the Issue primarily to meet the needs of our growing business, including long term capital requirements for pursuing our growth plans and to enhance our capital adequacy ratio, to increase our capacity to lend and for general corporate purposes. Please refer to the section "Use of Proceeds".
Lock-up	We have agreed that subject to certain exceptions, we will not, for a period of up to 60 days from the Closing Date, without the prior written consent of the Lead Managers, directly or indirectly: (a) issue, offer, lend, sell, pledge, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Equity Shares, or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention with respect to any of the foregoing; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares; or (c) announce any intention to enter into any transaction whether any such transaction described in (a) or (b) above is to be settled by delivery of Equity Shares, or such other securities, in cash or otherwise. Provided, however, that the foregoing restrictions shall not be applicable to (i) any grant of options by us under the ESOP 2007; (ii) any issue or allotment of Equity Shares by the Bank pursuant to the exercise of any options awarded under the ESOP 2007; (iii) any issue or allotment of Equity Shares by us to the extent such issue or allotment is required under any direction of the RBI; or (iv) any issue or allotment of Equity Shares to the Promoters by us pursuant to the proposed preferential allotment. For further information with respect to the ESOP 2007, see the section "Board of Directors and Management". The Promoters have agreed that subject to certain exceptions, they will not, for a period of up to 60 days from the Closing Date, without the prior written consent of the Lead Managers, directly or indirectly: (a) sell, lend, pledge, contract to sell, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Equity Shares, or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention with respect to any of the foregoing; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares; or (c) announce any intention to enter into any transaction whether any such transaction described in (a) or (b) above is to be settled by delivery of Equity Shares, or such other securities, in cash or otherwise. Provided, however, that the foregoing restrictions shall not apply to (i) any sale, transfer or disposition of Equity Shares by the Promoters to the extent such sale, transfer or disposition is required under any direction of the RBI; (ii) any *inter se* transfer of Equity Shares between the Promoters; or (iii) any pledge or any other encumbrance on the Equity Shares held by the Promoters for the purpose of raising loans or any other form of financing, the proceeds of which would be utilized for subscribing to the proposed preferential allotment.
Risk Factors	For a discussion of certain risks in connection with an investment in the Equity Shares, please see the section "Risk Factors".

Security codes:

ISIN	INE095A01012
BSE Code	532187
NSE Code	INDUSINDBK

SUMMARY OF OUR BUSINESS

Overview

We are a private sector bank in India and provide a wide range of banking and financial products and services to individual consumers and corporate and commercial entities ranging from small businesses to large companies and government entities. We are a leading financier of certain categories of commercial vehicles. For 2014, we were recognized as the "Best Medium-Sized Bank" and "Fastest Growing Medium-Sized Bank" by *Business World* in its BW-PwC Best Bank Survey, "Best Mid-Sized Bank" by *Business Today* in its BT-KPMG Best Bank Survey and 19th "Most Valuable Indian Brand" by the BrandZ Top 50 Most Valuable Indian Brands (a study published by WPP and conducted by Millward Brown). Our activities are organized into the following business units:

- Consumer banking;
- Corporate and commercial banking;
- Global markets; and
- Transaction banking.

In the fiscal years ended March 31, 2013, March 31, 2014 and March 31, 2015, our total income was ₹83,461.93 million, ₹101,440.63 million and ₹120,958.37 million, respectively, representing a compounded annual growth rate (CAGR) of 20.39% for the three-year period ended on March 31, 2015. In the fiscal years ended March 31, 2013, March 31, 2014 and March 31, 2015, our net profit was ₹10,611.83 million, ₹14,080.22 million and ₹17,937.15 million, respectively, representing a CAGR of 30.01% for the three-year period ended on March 31, 2015. Our total assets have increased from ₹733,065.15 million as of March 31, 2013, to ₹870,259.31 million as of March 31, 2014, to ₹1,091,159.19 million as of March 31, 2015, representing a CAGR of 22.00% from March 31, 2013 to March 31, 2015.

As of March 31, 2015, we had a customer base of approximately 6.84 million customers and had a presence in locations spread across India, including 801 branches, 1,487 ATMs (of which 868 were off-site ATMs) and 950 marketing outlets operated by our associate company, IndusInd Marketing and Financial Services Private Limited. In addition, we have representative offices in Dubai, London and Abu Dhabi and correspondent banking relationships with various banks worldwide. We have submitted applications to the RBI for opening an international finance service centre banking unit at Gujarat International Finance Tec-City, Gandhinagar, Gujarat and additional offices abroad. We also have arrangements with certain banks in the Middle East and the United States and certain exchange houses in the Middle East and Asia Pacific to enhance our capability in providing international remittance services.

Effective August 20, 2013, our base rate, which is the lowest rate at which we can lend, is 11%. Our certificates of deposit are rated by CRISIL (a subsidiary of S&P) and our debt is rated investment-grade by ICRA, India Ratings and Research (the Indian subsidiary of Fitch, formerly known as Fitch Ratings India Private Limited) and CARE. The ratings are as follows:

Rating Agency	**Rating**	**Debt type**
ICRA	ICRA AA+	Lower Tier II subordinate debt
ICRA	ICRA AA	Upper Tier II subordinate debt
CRISIL	CRISIL A1+	Certificates of deposit
CARE	CARE AA+	Lower Tier II subordinate debt
India Ratings and Research	Ind A1+	Short term debt instruments
India Ratings and Research	Ind AA+	Lower Tier II subordinate debt
India Ratings and Research	Ind AA	Upper Tier II subordinate debt
India Ratings and Research	Ind AA+	Senior unsecured bonds

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

History

We were established in 1994 as part of the group of nine "New Private Sector Banks" licensed by the Government of India as part of its economic liberalization programme. As of June 30, 2015, we were one of seven "New Private Sector Banks" operating in India. For further information on "New Private Sector Banks", please see "Industry Overview".

Our promoters are IndusInd International Holdings Ltd. and its subsidiary, IndusInd Ltd. Both our promoters are organized in Mauritius. As of March 31, 2015, our promoters held 15.09% of our Equity Shares.

In 2003, IndusInd Enterprises & Finance Limited, a non-banking financial company and one of our promoters at the time, merged with us. In 2004, Ashok Leyland Finance Limited, a non-banking financial company controlled by the Hinduja Group, merged with us. Such mergers served to expand our capital base. In addition, as a result of the merger with ALFL, we established our leadership position in consumer finance.

Our Equity Shares are listed on the BSE and the NSE and our global depositary receipts, each representing one Equity Share, are listed on the Luxembourg Stock Exchange. In August 2009, we issued 54,897,140 Equity Shares at an offer price of ₹87.50 per Equity Share to certain qualified institutional investors in a qualified institutions placement in reliance on Chapter XIII-A of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, as amended, aggregating approximately ₹4,803.50 million. In September 2010, we issued 50,000,000 Equity Shares at an offer price of ₹234.55 per Equity Share to certain qualified institutional investors in a qualified institutions placement in reliance on Chapter VIII of the ICDR Regulations, aggregating approximately ₹11,727.50 million. In December 2012, we issued 52,100,000 Equity Shares at an offer price of ₹384.00 per Equity Share to certain qualified institutional investors in a qualified institutions placement in reliance on Chapter VIII of the ICDR Regulations, aggregating approximately ₹20,006.40 million.

As of March 31, 2015, we had one wholly-owned subsidiary, ALF Insurance Services Private Limited, which has had no operations since its incorporation. Our Board of Directors, having resolved not to commence an insurance broking services business, resolved to wind up the subsidiary by resolutions dated July 9, 2010. Pursuant to shareholder resolutions at an extraordinary general meeting held on March 30, 2011, the subsidiary initiated proceedings for voluntary winding up and a liquidator has been appointed. The financial results of this subsidiary are not consolidated with our financial statements.

We have undertaken acquisitions as part of our growth strategy. For example, in 2011, we acquired the Indian operations of the credit cards business of Deutsche Bank AG. In April 2015, we entered into an agreement to acquire the diamond and jewellery financing business (comprising a loan portfolio and a related deposit portfolio) from The Royal Bank of Scotland N.V. in India, the completion of which is subject to regulatory approvals.

Several members of our senior management team joined us in February 2008, including our Managing Director & Chief Executive Officer and other members who joined us from a competitor foreign bank in India. The team formulated our growth and risk management strategy, which emphasized restructuring our balance sheet and business mix, improving operating efficiency, leveraging our distribution network and resources, deepening existing customer relationships, increasing our hiring of employees to support our strategy and expansion and improving our brand. Our current strategy for growth and expansion is to increase market share in strategically-selected target businesses, customer segments and geographies while improving our productivity, profitability and efficiency parameters.

Our Competitive Strengths

We believe that the following strengths distinguish us in a competitive Indian financial services market:

Experienced management team – Most members of our senior management team have been with us since 2008, thereby enabling continuity in our strategy and execution. Our senior management team has guided our growth and risk management strategies, including through the worldwide economic crisis and an economic slowdown and volatile interest rate environment in India. The team's focus on executing growth strategies while maintaining profitability, setting measurable targets benchmarked to market leaders and monitoring performance against such targets, anticipating customer demand and adding new products and services, investing in technology and building our brand have contributed to an overall improvement in our key metrics since 2008, including net interest margin, cost to income, net NPAs, return on assets and return on equity, as well as our CASA percentage. We believe the success of our Bank's integration of acquisitions is reflected in growth in such areas and exemplifies the ability of our senior management team to successfully identify and manage acquisitions of new businesses. For example, in our credit cards business (which we acquired in June 2011), the number of credit card issued increased from

181,000 as of June 1, 2011 to 340,312 as of March 31, 2015. Our senior management team continues to formulate, adapt and implement our growth strategy, including the key areas relating to the strategic expansion of our branch network and the addition of new and complementary businesses.

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

Leadership in vehicle financing – We are a leading financier of certain categories of commercial vehicles. This business was a legacy business of Ashok Leyland Finance Limited prior to its merger with us in 2004 and features a distribution network of 950 marketing outlets as of March 31, 2015, which are operated by our associate company, IndusInd Marketing and Financial Services Private Limited. Our business model focuses primarily on new vehicle financing for retail customers, many of whom are small road transport operators, and covers urban, semi-urban and smaller centres across India. Our reputation and background in this business, along with our positioning as a well-capitalized financier with a pan-India presence, enables us to compete effectively for market share against our main competitors such as banks and non-banking financial companies. We have preferred, non-exclusive relationships with certain vehicle manufacturers whereby they recommend us to their customers to finance loans for the products purchased, and we gain access to a customer base to which we can market our vehicle loans, as well as significant leveraging opportunities to provide our products and services across the manufacturers' supply chain to dealers and suppliers. Our total outstanding net commercial vehicle loans amounted to 22.50%, 17.45% and 15.44% of our total net advances, as of March 31, 2013, March 31, 2014 and March 31, 2015, respectively. Yields on advances in our consumer finance division have been higher than in our corporate and commercial banking business unit in each of the fiscal years ended March 31, 2013, March 31, 2014, March 31, 2015. Our vehicle financing customer base provides opportunities to cross-sell products and services, such as savings accounts, vehicle insurance, gold loans and personal accident insurance. A significant portion of our vehicle financing business qualifies for and helps us meet RBI priority sector lending requirements without decreasing our yields on advances. We believe there are significant barriers to entry that competitors need to overcome in order to compete effectively against us in this business. We have made and continue to make significant investments in assets, infrastructure and technology required to adequately service a market characterized by small loan sizes, large volumes and diverse locations, and such aspects of our portfolio have also helped protect our asset quality and withstand the recent downturn in the commercial vehicle industry. Our relationships with customers in the vehicle finance business typically extends over multiple purchase cycles, which we believe engenders customer loyalty and helps us to better understand such customers' needs in order to offer other customized products and services to them, such as used vehicle finance.

Efficient distribution of products and services – We emphasize efficiency in our distribution of products and services – our own, including loans against property, credit cards, general banking services, gold loans, personal loans, business loans, loans against securities, remittance services and foreign exchange products, including prepaid forex cards, and that of third parties, including life, general and health insurance, mutual funds, retail securities trading and mortgage products. We consider it important to our mission to try to meet all needs of our target customer segments. Therefore, we regularly evaluate opportunities to introduce new products and services.

We provide third-party products and, if we believe we can maintain our customer service levels and derive more value, we may enter a new business through third-party arrangements. For example, we have entered into business correspondent arrangements with certain local microfinance partners in order to better reach microfinance customers. We believe positioning our branches as a single point of distribution for these various products and services has helped us achieve relatively more success than single-product locations operated by such third parties, as it has allowed us to leverage relationships with our consumer and corporate banking customers. As a result, our fee income has grown faster than our advances to our consumer and corporate banking customers in the fiscal years ended March 31, 2013, March 31, 2014 and March 31, 2015. Other income, which consists substantially of fee income, constituted 41.3% of our total revenue (comprising net interest income and other income) in the fiscal year ended March 31, 2015. We believe that maintaining our focus on profitability while introducing newer products and services across our branches has helped increase our fee income. As part of our fee income growth, we have also expanded our business in inbound and outbound international remittance services through our technology platform and our arrangements with certain banks in the Middle East and the United States and exchange houses in the Middle East and Asia Pacific.

Wide distribution network and expanding customer base – We are able to provide access to banking and financial products and services through our large multi-channel distribution network. This network includes 801 branches and 1,487 ATMs (including 868 off-site ATMs) spread across India as of March 31, 2015. In addition to customer service, our distribution network focuses on building our deposit base, providing advances to corporate and consumer banking customers and growing our fee income. Our vehicle finance business is run from 950 marketing outlets across India operated by our associate company, IndusInd Marketing and Financial Services Private Limited, which primarily originate and service vehicle loans. We had a customer base of approximately 6.84 million customers as of March 31, 2015, which we believe provides us with significant fee income growth opportunities through the cross-selling of products and services, including our own and that of third parties. Our non-branch delivery channels, such as the Internet, mobile banking and our "video branch" initiative, our contact centres and our national processing hubs in Mumbai and Chennai, also provide customers with access to our banking products and services. Our technology platform for analytics, customer relationship management and sales force automation allows us to track our relationships with customers and offer additional products and services.

Responsive innovation driven by technology – We have focused on customer-friendly innovation in our products and services to attract and retain customers and to build our brand. These innovations recognize that simplicity, convenience and engagement with customers are important factors that drive a customer's choice of banking products and services provider. We emphasize and have invested in technology in our business to improve business operations, enhance competitive advantages and create a customer-friendly interface. We have set up a dedicated solution delivery group to focus on responsive innovation. Our "Cash on Mobile" service enables customers to use their mobile phones to withdraw funds from our ATMs without using any cards. Certain premium customers in our consumer banking business can access direct-to-human telephone customer service through "Direct Connect" without waiting for interactive-voice-response system prompts. Certain of our credit card customers can redeem reward points on individual transactions instantly through their mobile phones. Our "My Account My Number" service helps customers choose an account number of their choice. Our "video branch" initiative allows customers to make video calls to our customer care executives and branch or relationship manager who can service most queries and requests. We were awarded the "Best Branchless Banking" award at the BFSI Leadership Summit 2015 for our "video branch" initiative. All users, including non-customers, can use our ATMs to withdraw cash in a choice of denominations. Certain branches are open 365 days a year for the convenience of our customers. Our banking customers can view scanned images of deposited cheques in periodical statements. We also participate in e-procurement and payment gateways, in response to digitization initiatives by governments in India.

Advanced and stringent risk management systems – We have established enterprise-wide risk management systems encompassing credit risk, market risk and operational risk. At the branch level, we rely on internal and external databases to profile potential customers. Our relationship managers also focus on acquiring business from corporate customers with appropriate credit histories. Our credit appraisal and approval processes are predominantly centralized and our credit decisions are typically made by committees. We seek to proactively monitor customer accounts for early warning signals and adverse credit events. We seek to continue to optimize our balance sheet with a balanced mix of consumer banking and corporate and commercial banking loans, fixed and floating rate loans and by managing our asset-liability maturity gap, while also right-pricing assets. We use our risk management capabilities in deciding the timing and manner of our entry into new businesses. We seek to progressively adopt best international practices in risk management and are compliant with Basel III capital adequacy norms applicable to banks in India. We have also recently upgraded our software in our treasury operations to better manage risk. We have also set up a Mid Office Group for independent and enhanced due diligence and risk analytics. Our market risk management systems manage our market risk through tools such as mark-to-market, duration analysis, sensitivity analysis, stress tests, PV01, value-at-risk and operational limits such as stop-loss limits, exposure limits, deal size limits and maturity ladders. We believe that our efforts in strengthening risk management have improved the quality of our assets. As a result of our risk management efforts, our gross and net NPA ratios have decreased from 3.04% and 2.27%, respectively, as of March 31, 2008 to 0.81% and 0.31%, respectively, as of March 31, 2015.

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

Our Strategy

Our strategy is to gain market share in strategically-selected target businesses, customer segments and geographies while improving our productivity, profitability and efficiency parameters. The amount of our total advances as of March 31, 2015 was approximately 1.01% of the aggregate loans, cash credits and overdrafts by scheduled banks in India as of April 3, 2015, according to the RBI's press release 2014-2015/2178 dated April 15, 2015. Accordingly, we believe that the banking market in India continues to be a significant opportunity for us to increase our market share. We seek to further build market share by leveraging our competitive strengths and continuing to offer new and enhanced products, services and capabilities that are relevant to our target customer segments in an evolving banking market. We expect to continue pursuing our strategies, which we believe have helped in our growth trajectory and have been tested across economic and market cycles, and intend to continue to scale up our branch network, customer base and balance sheet.

Focus on profits – We seek to increase profitability across business segments, in part by introducing new products and enhancing existing products that we believe will better target the needs of our customer base and, at the same time, will increase our yields on advances and our fee income. We seek to introduce new products to our existing customers or enhance existing products, targeting the needs of our customer base. In our consumer finance division, we seek to scale up existing products such as loans secured by property and credit cards. We have recently added new products such as personal loans; unsecured business loans to small business owners; loans secured by credit card receivables; “kisan” credit cards, which cater to the credit needs of farmers; loans secured by securities; and gold loans. As an experienced vehicle financier, particularly for commercial vehicles, we seek to build on our existing market share by leveraging our longstanding experience and consistent approach in this segment, and have also commenced offering financing for tractors in select states in India and intend to expand to more locations. In our corporate and commercial banking business unit, we seek to build market share in select customer segments, industries and product verticals such as Government and public sector customer segment, healthcare and renewable energy related industries and investment banking and e-commerce related product offerings; organically and also through acquisitions such as our recent agreement to acquire the diamond and jewellery loan portfolio of The Royal Bank of Scotland N.V. in India, subject to regulatory approvals; we believe this acquisition will also provide us the opportunity to build specialization in trade finance for this sector. We seek to continue to focus on efficient distribution of third-party products such as life insurance, health insurance, non-life insurance, mutual funds, 3-in-1 broking accounts and mortgages delivered by our multiple partnerships that enable us to generate revenue by deepening existing customer relationships and find new customers. We regularly re-evaluate and assess such arrangements and market opportunities. Where we believe that we can improve profitability by, for example, offering new products or services or changing an existing product or service or working with new or other third-parties, we will consider doing so. We also intend to expand existing services and offer new services in our global markets business unit to both corporate and retail customers. Our strategy is to aim to further broad base and augment our potential sources of revenue, thereby reducing our dependence on any particular business. On the expenses side, we propose to continue to focus on efficiency and productivity in growing our business and delivering services by optimizing of our front and back office operations. We standardize processes, such as account opening, procurement and vendor management; we centralize certain processes, such as account reconciliation and processing of trade finance transactions; we outsource processes such as ATM operations, credit card processing and microfinance loan origination and collections; and we use energy conservation initiatives, such as solar-powered ATMs, to create operating efficiencies and reduce our operating costs.

Focus on customers – One of our goals is to be responsive to customers in all our businesses by anticipating their needs and offering a full suite of products and services to deepen customer engagement and relationships. We endeavour to increase the number of products and services that our customers use, and thereby increase recurring revenues. We segment our customer base in a manner that allows us to serve the needs of each segment in a targeted manner. We seek to provide differentiated and customized offerings for targeted customer segments, and also draw on our experience with our customers to offer newer but related lending products. For example, we offer financing for used commercial vehicles to existing customers that have an established track record with us in new commercial vehicle financing. We have been successful in niche businesses, such as mid-cap investment banking, inclusive banking through microfinance partnerships and transaction banking services for customer segments that address government and public sector enterprises and small business customers, and intend to further develop our capabilities in more areas, such as project underwriting and advisory services, asset reconstruction loans and investments and lending to select high-quality real estate corporate customers. We also intend to grow our rural banking business division by targeting select rural and agriculture-sector customers with products such as loans secured by property and crop loans. We intend to continue to introduce and upgrade customer-friendly innovations driven by technology that make our products and services easier and more convenient to use, which we believe increases our brand visibility, engenders customer loyalty and also helps to attract new customers. We intend to continue innovative offerings using technology, such as our "video branch" and "digital" branch initiatives, which seek to create a platform for us to better find, serve and engage with customers. Our risk management model emphasizes a high level of contact with customers across our business units across our distribution network in order to monitor business and collateral risks, and supported by technology-based capabilities to track and analyze customer relationships. In order to inculcate a customer responsiveness culture and to promote cross-selling of our products and services, we seek to attract, retain and nurture qualified and talented personnel for our sales, service delivery and operations.

Focus on branches and other delivery channels – Our strategy is to widen and leverage our branch and non-branch delivery channels, including our branch network, ATMs, Internet and mobile phone banking, marketing outlets, telephone sales representatives and our contact centre to increase and further diversify our customer base. We added 199 branches during the fiscal year ended March 31, 2015. We aim to ensure that our new branches perform well to reach break-even in the short term. We believe this strategy helps manage the pace of growth of our branch network, which is dependent on our ability to maintain cost efficiencies and increase revenues from new branches. Our branch network strategy is to cater to each geographical region of India instead of treating India as one market. As part of this approach, we are focused on emerging as a bank with a leading branch presence in select Tier 2 and Tier 3 cities by, in part, building a higher density of branches. We believe this will enable us to address more customer segments per branch and thereby increase our CASA percentage and fee income per branch in such markets. As part of our efforts to enhance our non-branch delivery channels, our customer care centres now offer multiple language capabilities and our recently launched "video branch" initiative combines a brick-and-mortar experience of a branch with digital servicing and allows customers to make video calls to our customer care executives and branch or relationship manager. We seek to adapt to and anticipate evolving market expectations for banking services by increasing our focus on our technology-driven platform, including through digital marketing, delivery channel innovation, data analytics, process redesign and product development.

SUMMARY FINANCIAL INFORMATION

The following tables present selected financial and other data regarding our business and should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes included elsewhere in this Placement Document. The financial statements have been presented in Indian Rupees.

Solely for the convenience of the reader, the selected data set out below are presented in a format different from our audited financial statements and such data has been derived from our audited financial statements. Neither the information set forth below nor the format in which it is presented should be viewed as comparable to information presented in accordance with Indian GAAP, U.S. GAAP, IFRS or other accounting principles.

Summary income statement information

		Fiscal year ended March 31,		
		2013	**2014**	**2015**
			(₹ in million)	
Income				
Interest earned		69,832.32	82,535.34	96,919.64
Other income		13,629.61	18,905.29	24,038.73
	Total	**83,461.93**	**101,440.63**	**120,958.37**
Expenditure				
Interest expended		47,503.66	53,628.21	62,716.88
Operating expenses		17,563.63	21,852.83	27,259.33
Provision and contingencies		7,782.81	11,879.37	13,045.01
	Total	**72,850.10**	**87,360.41**	**10,3021.22**
Profit		**10,611.83**	**14,080.22**	**17,937.15**
Add: Profit brought forward from previous year		11,875.90	17,909.30	26,233.34
Amount available for appropriation		**22,487.73**	**31,989.52**	**44,170.49**
Appropriations				
Transfer to				
a) Statutory Reserve		2,652.96	3,520.06	4,484.29
b) Capital Reserve		83.64	81.75	122.75
c) Investment Reserve		4.03	0.75	371.63
d) Dividend (proposed)		1,570.86	1,840.78	2,120.13
e) Corporate dividend tax		266.94	312.84	431.53
		4,578.43	5,756.18	7,530.33
Balance transferred to balance sheet		**17,909.30**	**26,233.34**	**36,640.16**
	Total	**22,487.73**	**31,989.52**	**44,170.49**
Earnings per share (basic) (Rupees)		21.83	26.85	33.99
Earnings per share (diluted) (Rupees)		21.40	26.41	33.41

Summary balance sheet information

	As at March 31,		
	2013	2014	2015
		(₹ in million)	
Capital and liabilities			
Capital	5,228.70	5,256.39	5,294.50
Employee stock options outstanding	107.12	110.20	140.53
Reserves and surplus	70,966.72	85,063.04	101,010.31
Deposits	541,167.15	605,022.85	741,343.64
Borrowings	94,595.56	147,619.57	206,180.56
Other liabilities and provisions	20,999.91	27,187.26	37,189.64
Total	**733,065.15**	**870,259.31**	**1,091,159.19**
Assets			
Cash and balances with the Reserve Bank of India	32,498.44	44,139.16	40,351.43
Balances with banks and money at call and short Notice	35,988.88	23,555.26	67,439.99
Investments	196,541.66	215,629.53	248,593.70
Advances	443,206.10	551,018.36	687,881.99
Fixed assets	7,561.42	10,164.47	11,575.77
Other assets	17,268.65	25,752.53	35,316.31
Total	**733,065.15**	**870,259.31**	**1,091,159.19**
Contingent liabilities	1,349,028.88	1,478,042.64	2,089,731.02
Bills for collection	63,375.07	57,745.69	67,289.18

Summary cash flow information

	Fiscal year ended March 31,		
	2013	2014	2015
		(₹in million)	
Cash flow used in operating activities	(4,857.64)	(41,057.58)	(3,214.33)
Cash flow used in investing activities	(1,739.75)	(1,737.02)	(2,761.56)
Cash flow generated from financing activities	19,688.49	42,001.68	46,072.89
Cash and cash equivalents at the end of the year	68,487.32	67,694.42	107,791.42

We need cash primarily to finance new borrowers and meet working capital requirements. We fund these requirements through a variety of sources, including deposits, cash from interest income, short-term borrowings and long-term borrowings such as bonds, refinancing from financial institutions and banks and securitization transactions.

Reservations, qualifications or adverse remarks of auditors

There are no reservations, qualifications or adverse remarks of auditors in the last five financial years immediately preceding the year of circulation of this Placement Document.

RISK FACTORS

Investing in the Equity Shares offered in this Issue involves a high degree of risk. Before investing in our Equity Shares, you should carefully consider all the information in this Placement Document, including the risks and uncertainties described below and in the sections "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", as well as the financial statements and related notes beginning on page 248 of this Placement Document. If any of the following risks, or other risks that are not currently known or are now deemed immaterial, actually occur, our business and financial results could be materially and adversely affected, the trading price of the Equity Shares could decline significantly and you may lose all or part of your investment.

In particular, you should note that we are governed in India by a legal and regulatory environment which, in some material respects, may be different from that which prevails in the United States or other countries.

Risk Factors Related to Us

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

Our total assets have increased from ₹733,065.15 million as of March 31, 2013, to ₹870,259.31 million as of March 31, 2014 and to ₹1,091,159.19 million as of March 31, 2015, representing a CAGR of 22.0% from March 31, 2013 to March 31, 2015. In the fiscal years ended March 31, 2013, March 31, 2014 and March 31, 2015, our net profit was ₹10,611.82 million, ₹14,080.22 million and ₹17,937.15 million, respectively, representing a CAGR of 30.01% for the three-year period ended on March 31, 2015. Certain other indicators of financial performance have also recorded growth or remained generally stable over the past few years. For example, our NIM was 3.62% for the fiscal year ended March 31, 2015 as compared with 3.71% and 3.43% for the fiscal years ended March 31, 2014 and March 31, 2013. Our net NPAs as a percentage of net loans as of March 31, 2015 were 0.31% as compared with 0.33% and 0.31% for the fiscal years ended March 31, 2014 and March 31, 2013, respectively. In addition, other performance indicators that have improved or remained generally stable include our return on assets, return on equity, cost to income, CRAR and Tier 1 CRAR. The ratio of our current and savings account deposits to total deposits, expressed as a percentage, or our CASA percentage, was 34.13 % as of March 31, 2015, as compared with 32.55% and 29.32% as of March 31, 2014 and March 31, 2013, respectively. Our other income, which includes fee income, grew from ₹13,629.61 million for the fiscal year ended March 31, 2013 to ₹18,905.29 million and ₹24,038.73 million for the fiscal years ended March 31, 2014 and March 31, 2015, respectively. The drivers for such performance include various factors, including those beyond our control, such as a recovery or growth in the Indian economy. There can be no assurance that any such growth or performance, or any part thereof, will be sustained in the future in the short, medium or long term.

In addition, net advances have grown from ₹443,206.10 million as of March 31, 2013 to ₹551,018.36 million and ₹687,881.99 million as of March 31, 2014 and March 31, 2015, respectively. Our advances portfolio may not continue to grow at the rates we anticipate, which could materially and adversely affect our business and financial results.

If we are unable to sustain our performance, the growth in our business or improvements in our financial results and other indicators of financial performance, our business, financial results and other indicators of our financial performance may be materially and adversely affected.

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

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

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

We also intend to continue to increase and diversify our customer base and delivery channels. In recent years, we have significantly increased the scope of our branch network. The numbers of our bank branches and ATMs have increased by 60.20% and 68.59 % from 500 and 882, respectively, as of March 31, 2013 to 801 (including 58 specialized branches) and 1,487, respectively as of March 31, 2015. We acquired approximately 526,211 new current and savings deposit accounts in the fiscal year ended March 31, 2015 as compared with approximately 502,522 and 237,286 new current and savings deposit accounts acquired during the fiscal years ended March 31, 2014 and March 31, 2013, respectively. In addition, the number of marketing outlets that we use in our consumer finance business increased by 19.50% from 795 as of March 31, 2013 to 950 as of March 31, 2015. We intend to continue to add new branches over the next few years. Such further expansion will increase the size of our business and the scope and complexity of our operations and will involve significant start-up costs to establish such branches. We may not be able to effectively manage this growth or achieve the desired profitability in the expected timeframe or at all or the expected increase in our CASA percentage or improvement in other indicators of financial performance from the expansion. We may not achieve expected increases in our corporate banking businesses from an enhanced retail customer-facing position following the expansion. In addition, the growth and contribution to our revenue, deposits and advances arising from new branches may be slower or smaller compared to the rest of our business. We may not be able to procure real estate for the new branches in a cost-effective manner or without delays or relocate branches that do not meet our standards of success, including profitability and increase in CASA deposits, to desirable locations. Some of our newly added branches are currently operating at a lower efficiency level as compared with our established branches. While we believe that the newly added branches will achieve the productivity benchmark set for our entire network over time, the success in achieving our benchmark level of efficiency and productivity will depend on various internal and external factors, some of which are not under our control. We may also not be able to recoup initial start-up costs from branches that do not perform successfully and we may have to continue incurring costs to continue operating such branches if our management considers that closing such branches may adversely affect our reputation or positioning in an area or may affect our compliance with applicable financial inclusion obligations. Moreover, we may have to modify our branch network expansion strategy if we are unable to comply with the conditions specified in the RBI's Branch Authorization Policy. Any of the above may adversely affect our business growth, prospects and financial results and other indicators of financial performance, such as our CASA percentage.

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

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

- the failure to compete effectively with competitors already established in such new territories;

- the failure to maintain the level of customer service we have achieved in our existing business in the new branches, which may adversely affect our brand;

- the triggering of obligations to open new rural branches (including, unbanked rural centres) along with our branch network expansion, and associated risks, including higher technology support services cost and operational risks;

- difficulties arising from coordinating and consolidating corporate and administrative functions, including integration of internal controls and procedures; and

- unforeseen legal, regulatory, property, labour or other issues.

If we are unable to expand successfully, including through the continued branch network expansion or through acquisitions, or are unable to successfully integrate new branches into our existing branch network, our ability to compete effectively and our financial results may be adversely affected.

We may not be able to effectively manage the growth in our asset portfolio and maintain the quality of our loan portfolio. If we are unable to plan for or reduce our exposure to large customers relative to our balance sheet size, or if we experience a major default, our NPA levels could significantly increase and our financial condition and results of operations could be materially and adversely affected.

Our growth-oriented strategy will involve a significant increase in our asset portfolio, including both consumer finance and corporate loans, which will require further equity capital to strengthen our capital base. If such capital is unavailable, our results of operations may be adversely affected. Further, such growth in our asset portfolio will require us to devote additional resources to risk management. In particular, retail loans may carry a higher risk for delinquency if there is an increase in unemployment, prolonged recessionary conditions or a sharp rise in interest rates. We have also introduced several new loan products in the last three fiscal years, some of which are unsecured. If we are not able to maintain the quality of our loan portfolio, our NPAs may increase, which could materially and adversely affect our business and financial performance.

Our net NPAs were ₹1,367.6 million, ₹1,840.5 million and ₹2,104.8 million as of March 31, 2013, March 31, 2014 and March 31, 2015, respectively, while our gross NPAs were ₹4,577.8 million, ₹6,207.9 million and ₹5,629.2 million, respectively, for the same periods. Our net NPA ratio was 0.31%, 0.33% and 0.31% as of March 31, 2013, March 31, 2014 and March 31, 2015, respectively, while our gross NPA ratio was 1.03%, 1.12% and 0.81% as of the same dates. In addition, standard restructured loans constituted 0.26%, 0.33% and 0.53% of total net loan assets as of March 31, 2013, March 31, 2014 and March 31, 2015, respectively. While we had already made provisions for non performing assets with respect to 62.61% of our gross NPAs as of March 31, 2015, we may need to make further provisions if recoveries with respect to such NPAs do not materialize in time or at all. We have a large exposure to small businesses and retail customers and we intend to continue to focus on such customers, which may result in increased lending to customers that do not already have an established credit history with us and may thereby require us to invest substantial resources to manage inherent risks. Small businesses generally have limited capital and liability management experience and such businesses and retail customers are more sensitive to economic downturns. As a result, these customers may be more likely to default on their loans and we may be required to increase our loan impairment provisions.

As the average size of corporate loans in our loan portfolio is substantially larger than the average size of our retail loans, any major defaults in our corporate loans can significantly impact our overall portfolio of assets. If we are unable to successfully monitor and manage our portfolio, including during economic downturns, our asset quality and as a result, our financial condition and results of operation could be materially and adversely affected.

In March 2012, the RBI introduced a discussion paper on dynamic provisioning, which if implemented in its current form may require significantly higher "expected loan loss" provisions as compared to the current level of provision on standard assets at 0.40% of standard assets. In February 2014, the RBI indicated that banks should develop necessary capabilities to compute their long term average annual expected loss for different asset classes, to enable switching over to the dynamic provisioning framework. The final timing or form of such requirements is as yet uncertain.

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

In January 2014, the RBI introduced incremental provisioning and capital requirements for a bank's exposure to entities with unhedged foreign currency exposure. Banks are now required to ascertain the extent of the unhedged foreign currency exposure of their customers and estimate the loss that is likely to arise from such exposure. Banks are then required to incrementally provide for such likely losses in accordance with the RBI circular. The implementation of such provisioning requirements could materially and adversely affect our business and financial performance. For example, on account of this RBI requirement, we made an additional provision towards standard assets of ₹320.00 million during the fiscal year ended March 31, 2015. Accordingly, our provisions for standard assets increased from ₹648.24 million for the fiscal year ended March 31, 2014 to ₹1,040.00 million for the fiscal year ended March 31, 2015.

In February 2014, the RBI issued a circular on revitalizing stressed assets in the economy by selling assets to securitization or reconstruction companies. To incentivize banks to recover appropriate value in respect of their NPAs promptly, the RBI allowed banks to reverse the excess provision on sale of NPAs if the sale was for a value higher than the net book value to the profit and loss account in the year the amounts were received. Further, as an incentive for early sale of NPAs, banks were allowed to spread over any shortfall due to sale value being lower than the net book value over a period of two years. This facility of spreading over the shortfall on sale of NPAs was notified for NPAs sold until March 31, 2015 and this benefit was further extended until March 31, 2016 by another circular in May 2015. We sold NPAs during the fiscal year ended March 31, 2015 in accordance with the terms of RBI circular no. DBOD.BP.BC.No.98/21.04.132/2013-14 dated February 26, 2014 and charged to our profit and loss account and made a provision for ₹ 320.9 million during the fiscal year ended March 31, 2015 and the remaining loss of ₹2,246.02 million will be so charged to our profit and loss account during the fiscal years ended March 31, 2016 and March 31, 2017. Any such sale of NPAs during the current or future financial years will have an impact on our profits.

See the section "Management's Discussion and Analysis of Financial Condition and Results of Operations".

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

Our results of operations depend to a great extent on our net interest income. Net interest income represents the excess of interest earned from interest-bearing assets (performing loans and investments) over the interest paid on interest-bearing liabilities, including customer deposits and borrowings. Interest rates are highly sensitive to many external factors beyond our control, including growth rates in the economy, inflation, money supply, the RBI's monetary policies, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. For example, in July 2013, the liquidity tightening measure announced by the RBI to increase the bank rate by 300 basis points to 10.25% resulted in an increase in interest rates and, consequently, cost of funds to the banks. This led to pressure on our interest spreads and our net interest margin reduced from 3.71% in the fiscal year ended March 31, 2014 to 3.62% in the fiscal year ended March 31, 2015.

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

Volatility and changes in interest rates could affect the interest rates we charge on our interest-earning assets in a manner different from the interest rates we pay on our interest-bearing liabilities because of the different maturity periods applying to our assets and liabilities and also because liabilities generally reprice faster than assets. The difference could result in an increase in interest expense relative to interest income leading to a reduction in our net interest income, which could materially and adversely affect our results of operations. We have a mixture of fixed and floating rate loans and a substantial portion of our assets, particularly, in our consumer finance division lending for vehicles and in our consumer banking unit for certain loan products, are set at a fixed interest rate. Consequently, in periods when interest rates trend upward, we may be adversely affected as our costs may rise without the ability to increase interest rates on the fixed rate portion of our portfolio. Conversely, if interest rates were to decrease, our overall yield on our advances may lag such decreases. Any volatility or increase in interest rates or other market conditions may also adversely affect the rate of growth of certain sectors of the Indian economy, which may adversely impact our business and financial results.

We face maturity and interest rate mismatches between our assets and liabilities. Our depositors may not roll over term deposits on maturity and we may be otherwise unable to increase our term deposits in which case our liquidity position could be adversely affected and we may be required to pay higher interest rates in order to attract and/or retain further deposits, which could have a material adverse effect on our business, financial results and the price of the Equity Shares.

We meet our funding requirements through short and long-term deposits from retail and large corporate depositors as well as wholesale interbank deposits. However, a significant portion of our assets (such as loans) have maturities with longer terms than our liabilities (such as deposits). As of March 31, 2015, we had negative liquidity gaps for certain short-term maturity periods up to 1 year. For further information, see "Selected Statistical Information—Asset Liability Gap".

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

In addition, increases in interest rates applicable to our liabilities, in particular our inter-bank wholesale funding, without concurrent corresponding increases in interest rates applicable to our interest-bearing assets, may result in a decline in net interest income, which could materially and adversely affect our business and financial results.

Adverse economic conditions or a continued slowdown in India could have an adverse impact on our business.

Our performance is highly correlated to general economic conditions in India, which are in turn influenced by global economic factors. In its Second Bi-monthly Monetary Policy Statement, 2015-16 announced in June 2015, the RBI noted that the global recovery was still slow and getting increasingly differentiated across regions. The RBI noted the shrinking of the United States economy in the first quarter, the easing of the financial conditions in the Euro area, the surprising growth in Japan and the continued deceleration in China. For most emerging market economies, the RBI believes that the macroeconomic conditions remain challenging due to domestic fragilities, exacerbated by bouts of financial market turbulence. The RBI also noted that even absent a decisive economic recovery or adverse geopolitical shocks, oil prices appear to be volatile. Global financial markets are also volatile, with risk-on risk-off shifts induced by changing perceptions of monetary policies in the advanced economies. Volatility in global bond markets has increased with a number of factors at play: unwinding of European assets by investors due to the Greek crisis; rapidly changing expectations around the United Stated Federal Reserve's forward guidance; sharp movements in crude prices; and market corrections due to changes in risk tolerance.

The RBI noted that the Central Statistics Office had revised downwards its estimate of India's gross value added (GVA) at basic prices for 2014-15 by 30 basis points from the advance estimates. Agricultural activity was adversely affected by unseasonal rains and hailstorms in north India during March 2015. Reflecting this, the third advance estimates of the Ministry of Agriculture indicate a contraction in food grains production by more than 5% in relation to the preceding year's level. Successive estimates have pointed to a worsening of the situation, with the damage to crops like pulses and oilseeds – where buffer food stocks are not available in the central pool – posing an upside risk to food inflation. For the *kharif* season, the outlook is clouded by the first estimates of the India Meteorological Department predicting that the southwest monsoon will be 7% below the long period average and the Australian Bureau of Meteorology confirming the onset of El Nino. Industrial production has been recovering, albeit unevenly. The sustained weakness of consumption spending, especially in rural areas as indicated in the slowdown in sales of two-wheelers and tractors, continued to operate as a drag. The RBI noted mixed signals from the service sector. While, in April 2015, retail inflation measured by the consumer price index decelerated for the second month in a row, protein items, especially milk and pulses, continued to indicate upward inflationary pressures. The RBI remained concerned on the risks to inflation due to the prediction of a below-normal southwest monsoon, crude price firming up amidst considerable volatility and volatility in the external environment. Any event or trend resulting in a deterioration in whole or part of the Indian or global economy may directly or indirectly affect our performance, including the quality and growth of our assets. Any volatility in global commodity prices, in particular oil and steel prices, could adversely affect our borrowers and contractual counterparties.

Despite a recent easing in inflation rates, the Indian economy has in the past experienced high levels of inflation. In periods of high rates of inflation, our costs, such as operating expenses, may increase, which could have an adverse effect on our results of operations. Inflation may also have a bearing on the overall interest rates which may adversely affect our net interest income.

If we are unable to manage the significant risks and challenges that we face in our newer businesses, including newer fee income businesses, our business and financial results could be adversely affected.

As part of our growth strategy, we have been diversifying and expanding our products and services, including by marketing new loan products and global markets and transaction banking services to retail customers and small and medium-sized companies to earn fee income. Our fee income has grown from ₹13,629.61 million in the fiscal year ended March 31, 2013 to ₹24,038.73 million in the fiscal year ended March 31, 2015. We may not be able to sustain such growth. We have also recently added new businesses such as loans for the purchase of tractors and other farm equipment, unsecured business loans, loan against credit card receivables, loans and overdraft facilities to farmers, loan against securities, gold loans and rural loans. We also plan to expand our microfinance lending in selected regions. Under our microfinance model, we lend directly to micro-borrowers by outsourcing origination and collection activities to regional local partners. Our newer fee income businesses include the distribution of health insurance. Such new initiatives and products and services entail a number of risks and challenges, such as start-up expenditure and other risks and costs associated with the respective businesses, including the following:

- insufficient knowledge of and expertise applicable to the new businesses, which may differ from those required in our current operations, including management skills, risk management procedures, guidelines and systems, credit appraisal, monitoring and recovery systems;
- insufficient financial and other resources to support an expanded range of products and services;
- failure to obtain additional approvals and licences from regulators, including the RBI, the IRDAI, and the SEBI;
- lower growth or profitability potential than we anticipate;
- inability to prevent “misselling” of our products and services by our employees resulting in such products and services being purchased by customers without an informed understanding of concomitant risks, which may lead to defaults and litigation;
- failure to identify new segments and offer attractive new products and services in a timely fashion, putting us at a disadvantage to our competitors;
- competition from similar offerings or products and services by our competitors in the banking and non-banking financial services sectors;
- inability to attract customers from our competitors in our new businesses, as they may have substantially greater experience and resources in such businesses;
- failure to appropriately value collateral, including property and infrastructure assets, in order to lend on a secured basis;
- failure to accurately determine and monitor the creditworthiness of borrowers in our newer businesses and increase in the rates of defaults, including in our unsecured loan businesses;
- changes in regulations or Government policies that may restrict or cap the interest rates or fees and commissions that we may charge customers in any of our new businesses or compel changes to our business models and viability of our businesses;
- any negative backlash and publicity associated with microfinance lending, as has occurred in the past in other regions in India, which could lead to an increased rate of defaults from micro-borrowers and affect our brand and ability to continue operations in the microfinance sector or obtain regulatory approvals to expand our branch network or add new businesses;

- any negative publicity arising due to regulatory or other actions against third parties with whom we are associated and over whom we have no control;

- inability to enhance our risk management, internal control and other capabilities and our information technology systems to support a broader range of products and services, a higher scale of operations and an increased retail customer base;

- inability to attract and retain personnel who are able to implement, supervise and conduct the new businesses activities on commercially reasonable terms; and

- economic conditions such as rising interest rates, decline in private consumption trends or housing prices or a continued economic slowdown, which could negatively affect the market for credit cards, personal loans, mortgages and other fee income related businesses, including investment banking.

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

We earn fee income from global markets and transaction banking services, as well as from the sales of third-party insurance products and mutual funds. For insurance products, we have a corporate agency arrangement with each of Aviva Life Insurance Company India Limited, Cholamandalam MS General Insurance Company Limited and Religare Health Insurance Company Limited, whereby we earn fee income by marketing Aviva life insurance, Cholamandalam general insurance and Religare health insurance products, respectively, through our distribution channels to our customers. Our income from these arrangements greatly depends on the reputation of such insurers in the marketplace and the quality and variety of products they offer, which are factors beyond our control. Further, any change or termination of our arrangements with third parties whose products we distribute may result in an interruption or decrease in the fee income that we earn from such arrangements, including if we are unable to enter into arrangements with other third parties on similar terms or at all. Under existing guidelines, Indian banks are currently permitted to have arrangements with only one life insurer, one non-life insurer and one health insurer for the sales of insurance products. In May 2015, the IRDAI released a revised exposure draft of the Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015, pursuant to which it is proposed to permit banks to enter into arrangements with a maximum of three life insurers, three general insurers and three health insurers. The implementation of such changes would require an overhaul of the insurance distribution mechanism and could lead to a short-term disruption of the market, and increased competition among insurance agents. However, the final form or effect and the timing of implementation of such regulations are as yet uncertain. In October 2012, the IRDAI released draft regulations that propose to cap the amount paid or contracted to be paid as commission to bancassurance agents at 85% of the limit specified in Section 40A of the Insurance Act, 1938 and the maximum amount to be paid for sharing the infrastructure, cost of training and incentive to specified persons at 2.50% of the annualized premium, which if enacted, would adversely affect our fee income in this business. However, the final form or effect and the timing of implementation of such regulations and restrictions are as yet uncertain. Under the existing IRDAI regulations, we are unable to offset risk arising from our dependence on such insurers by offering products from other insurers.

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

We receive transaction-based fees for use of our ATMs by non-customers. In June 2012, the RBI permitted non-banks to set-up, own and operate ATMs in India, subject to certain conditions. We may face difficulties finding third-party vendors with which to partner for our existing ATM network or to expand our network, and we may face increased competition with non-bank, or white-label, ATMs. In such event our fee income from ATMs could decrease, which could adversely affect our financial results.

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

We are highly dependent on our senior management to manage our current operations and meet future business challenges.

Our future success is highly dependent on our senior management to maintain our strategic direction, manage our current operations and risk profile and meet future business challenges, including our planned branch network expansion and the addition of new businesses organically and through acquisitions. We do not maintain key man insurance and the loss of, or inability to attract or retain, such persons could adversely affect our business and results of operations. For example, the expertise, experience and services of our current Managing Director & Chief Executive Officer and other members of our senior management team have been integral to our business. Our Managing Director & Chief Executive Officer was re-appointed in 2015 to a three-year term ending in January 2018. Our employment agreements with these personnel do not obligate them to work for us for any specified period, and do not contain non-compete or non-solicitation clauses in the event of termination of employment. If one or more of these key personnel are unwilling or unable to continue in their present positions, we may not be able to replace them with persons of comparable skill and expertise promptly or at all, and we may not be able to further augment our management team appropriately as we add newer products and services and expand our business, including through our planned branch network expansion, either of which could have a material adverse effect on our business, operations and financial results.

We face risks associated with our vehicle financing business, which accounts for a substantial portion of our total advances.

A significant portion of our advances is comprised of loans issued for the purchase of new and used commercial vehicles, construction, earth-moving and material handling equipment, small commercial vehicles, utility vehicles, two-wheelers and cars. As of March 31, 2015, our vehicle financing advances were 39.4% of our total net advances. Our business is a legacy business of Ashok Leyland Finance Limited, which merged with us in 2004 and was earlier a subsidiary of a major commercial vehicle manufacturer controlled by the Hinduja Group. The success of our business depends on various factors that affect the demand for such vehicles, including the demand for transportation services in India or in any of its regions, changes in Indian laws, regulations and policies or court actions affecting the transportation sector, fuel prices, natural disasters and other macroeconomic conditions in India and globally. For example, due to the economic downturn in the vehicle industry, demand for our commercial vehicle loans was lower in the fiscal years ended March 31, 2014 and March 31, 2015. We could also be adversely affected by a decrease in demand for financing of vehicles arising from increasing consumer affordability for such vehicles or other reasons. We are also exposed to the risk of increasing competition from public sector banks, other private sector banks, non-banking finance companies and other financial institutions in this business, including entities with greater resources than ours, which may cause us to lose market share and decrease our yields over the medium or long term. Our relationships with manufacturers of vehicles to finance purchases are not on an exclusive basis, and there is no assurance that they will not direct their business to other financiers. We may be adversely affected by poor economic performance and the loss of market share of any one or more major vehicle manufacturers with which we have relationships, or if we lose or fail to maintain market share in any of our chosen vehicle categories or are unable to achieve prior levels of success in newer geographies as we expand our business. Substantially all our vehicle finance advances are at a fixed rate and we are generally unable to pass on any increases in market interest rates to such customers, which may adversely affect our interest income. Any failure to perfect our security interest and monitor and accurately value collateral will affect our ability to recover principal and interest amounts on advances in the event of defaults. Any failures in customer service, whether by us or by our associate company, IndusInd Marketing and Financial Services Private Limited, which operates the marketing outlets that source substantially all our advances in our vehicle financing business, or by third-party providers to which we have outsourced collections may adversely affect our reputation, and any failure to replace such providers at short notice may cause disruptions in our business. Any changes in regulations that disqualify a part or all of our vehicle financing business for priority sector lending may adversely affect us by requiring us to allocate more funds to advances with lower yields. The occurrence of any of the above factors could have a material adverse effect on our business and financial results.

We have substantial exposure to certain sectors and borrowers and our business could be materially and adversely affected by difficulties experienced in these sectors or by such borrowers.

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

As of March 31, 2015, our largest sector concentrations, in each case as a percentage of our net advances, were as follows: lease rental (3.92%), real estate developers (non-residential) (3.85%), gems and jewellery (2.39%), non-banking financial companies (2.25%) and telecom cellular (2.02%). In addition, we have substantial exposure to the automobile and transport sectors as a result of our vehicle financing business. As of March 31, 2015, consumer financing advances aggregated 41.30% of our total net advances. Furthermore, we have substantial exposure to agriculture and micro and small enterprises, which the Government of India categorizes as “priority sectors”. As of the March 31, 2015, our lending to priority sectors was ₹230,173.04 million, which constituted 40.71% of our ANBC. Any significant difficulty in a particular sector, driven by events not within our control, such as regulatory action or policy announcements by government authorities or natural disasters, would adversely impact the ability of borrowers in that industry to service their debt obligations to us. In particular, given the importance of retail loans to our business, any slowdown in sectors such as automobiles, transport and agriculture could adversely impact our performance. As a result, we would experience an increased level of NPAs, which may adversely impact our business, our financial performance and the price of our Equity Shares.

As of March 31, 2015, our largest single customer exposure (which included fund-based and non-fund-based exposure) was ₹18,509.79 million, representing 1.44% of our total customer exposure (fund-based and non-fund-based exposure), and our aggregate exposure to our 20 largest customers (which included fund-based and non-fund-based exposures) totalled ₹228,478.5 million, representing 17.14% of our total customer exposure (fund-based and non-fund-based exposure). Such exposure is computed in accordance with the definition contained in the RBI’s master circular on exposure norms DBOD.No.Dir.BC.12/13.03.00/2014-15 dated July 1, 2014 and includes credit and investment exposure. None of our 20 largest customer exposures were classified as non-performing as of March 31, 2015. If any of our 20 largest customer exposures were to become non-performing, the credit quality of our portfolio and our business and financial results could be adversely affected.

We face intense competition from banks and financial institutions that are much larger than we are and have an established presence all over India. If we are unable to compete efficiently, our business and financial results could be adversely affected.

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

We also compete with foreign banks with operations in India, including some of the largest multinational banks and financial institutions in the world, and, for certain products, non-banking financial institutions and housing finance companies. In November 2013, the RBI issued a framework for setting up of wholly-owned subsidiaries by foreign banks in India, pursuant to which foreign banks have been permitted to set up wholly-owned subsidiaries with the prior approval of the RBI. Such measures may increase competition from such foreign banks. In addition, in February 2013, the RBI also released guidelines on grant of licences to additional new Indian banks, possibly including entities with substantially greater resources than ours. The RBI has liberalized the licensing regime and intends to issue licenses on an ongoing basis, subject to the specified qualification criteria. In April 2014, the RBI granted in-principle approvals, valid for a period of 18 months, to IDFC Limited and Bandhan Financial Services Private Limited to set up banks. Such entities are required to satisfy the conditions contained in their respective in-principle approval letters before the RBI grants them a license to commence banking operations. In November 2014, the RBI released guidelines for the licensing of small finance banks in the private sector and payments banks. In February 2015, the RBI noted the receipt of 72 applications to set up small finance banks and 41 applications to set up payments banks, although no small finance banks or payments banks have been granted licenses as on the date of this Placement Document. Any such existing or new competitor banks could have a substantial advantage over us in enabling economies of scale, such as in purchasing technology and other capabilities, improving organizational efficiencies, marketing and promotion and pricing, as well as more developed bases of consumer financing customers.

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

If we fail to maintain the minimum capital adequacy requirements stipulated by the RBI or minimum capital adequacy levels required to support our growth, the RBI may take certain actions against us that could adversely affect our reputation, business and financial results.

We are required by the RBI to maintain a minimum overall capital adequacy ratio of 9% in relation to our total risk-weighted assets. We must maintain this minimum capital adequacy level to support our growth. In accordance with the Basel III capital regulations, we are required to maintain a minimum CET-I capital ratio of 5.5%, a minimum Tier I capital ratio of 7% and a capital conservation buffer of 2.5% of its risk weighted assets. The transitional arrangements for the implementation of Basel III capital regulations in India began from April 1, 2013 and the guidelines are required to be fully implemented by March 31, 2019. For details of the phased implementation schedule, see "Regulations and Policies- Capital Adequacy Requirements".

The RBI requirements for Basel III compliance are generally more stringent than the framework prescribed by the Bank for International Settlements and the requirements prescribed by the earlier norms and compliance with such requirements will have an impact on our financial results, including certain key indicators of financial performance, such as the return on equity. Our capital adequacy ratio was 12.09% as of March 31, 2015 as contained in our audited financial statements as of and for the year ended on such date. Although we currently meet or exceed the applicable capital adequacy requirements, certain adverse developments could affect our ability to continue to satisfy the capital adequacy requirements, including deterioration in our asset quality, declines in the values of our investments and changes in the minimum capital adequacy requirements. Furthermore, our ability to support and grow our business could be limited by a declining capital adequacy ratio if we are unable to access or have difficulty accessing the capital markets or have difficulty obtaining capital in any other manner. We cannot assure you that we will be able to obtain additional capital on commercially reasonable terms in a timely manner, or at all. If we fail to meet capital adequacy requirements, the RBI may take certain actions, including restricting our lending and investment activities, and the payment of dividends by us. These actions could materially and adversely affect our reputation, business and financial results.

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

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

We depend on our brand recognition, and failure to maintain and enhance awareness of our brand would adversely affect our ability to retain and expand our base of customers. We have applied for but not yet registered certain trademarks and, therefore, may be unable to adequately protect our intellectual property. We may also be subject to claims alleging breach of third-party intellectual property rights.

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

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

Negative publicity could damage our reputation and adversely impact our business and financial results.

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

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

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

The value of the collateral securing our loans may significantly fluctuate or decline due to factors beyond our control. For example, the global economic slowdown and other domestic factors had led to a downturn in real estate prices in India. Any decline in the value of such collateral may reduce the amounts we can recover from such collateral and increase our impairment losses. In addition, we may be unable to foreclose on collateral when borrowers default on their obligations to us, which may result in failure to recover the expected value of such collateral security. Although there has been legislation strengthening the rights of creditors and which may lead to faster realization of collateral in the event of default, there can be no assurance that such legislation will have a favourable impact on our efforts to reduce our levels of NPAs and we may not be able to realize the full value of our collateral, due to, among other things, stock market volatility, changes in the economic policies of the Indian government, delays in foreclosure proceedings, defects in the perfection of collateral, fraudulent transfers by borrowers and decreases in the values of collateral. In the event that a specialized regulatory agency gains jurisdiction over the borrower, creditor actions can be further delayed. In addition, the RBI's guidelines on corporate debt restructuring specify that for debt amounts of ₹100 million and above, 60% of the creditors by number and 75% of creditors by value can decide to restructure the debt and that such a decision would be binding on the remaining creditors. If we own 25% or less of the debt of a borrower, we could be forced to agree to an extended restructuring of debt which may not be in our interests. In January and June 2014, the RBI issued guidelines on the framework for revitalizing distressed assets in the economy. These guidelines envisage formation of a joint lenders' forum and the taking of a corrective action plan in relation to delinquent accounts where the overdues are between 61 and 90 days and the aggregate exposure of all lenders in an account is ₹1,000 million or above. Such accounts may be restructured under the joint lenders' forum or the corporate debt restructuring mechanism. In June 2015, the RBI issued the strategic debt restructuring scheme, pursuant to which the joint lenders' forum was authorized to permit banks to convert a whole or a part of the loan and interest outstanding into equity shares in the borrower company, so as to acquire a majority shareholding in such borrower company.

Such difficulties in realizing our collateral fully or at all, including if we are instead compelled to restructure our loans, could adversely affect our business and financial results.

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

We offer unsecured personal loans and credit cards to the retail customer segment, including salaried individuals and self-employed professionals. In addition, we offer unsecured loans to small businesses and individual businessmen. Unsecured loans are a greater credit risk for us than our secured loan portfolio because they may not be supported by realizable collateral that could help ensure an adequate source of repayment for the loan. Although we normally obtain direct debit instructions or post-dated checks from our customers for our unsecured loan products, we may be unable to collect in part or at all in the event of non-payment by a borrower. Further, any expansion in our unsecured loan portfolio could require us to increase our provision for credit losses, which would decrease our earnings.

We are exposed to risks relating to our contingent liabilities.

As of March 31, 2015, we had total contingent liabilities of ₹2,089,731.03 million, as shown below:

	As of March 31, 2015
	(₹ in million)
Contingent Liabilities	
Claims against the Bank not acknowledged as debts	5,477.40
Liability on account of outstanding forward exchange contracts	961,873.12
Liability on account of outstanding derivative contracts	792,176.71
Guarantees given on behalf of constituents	
a) In India	279,879.22
b) Outside India	Nil
Acceptances, endorsements and other obligations	50,199.32
Other Items for which the Bank is contingently liable – The Depositor Education and Awareness Fund	125.26
Total	**2,089,731.03**

If any of these contingent liabilities materialize, fully or partially, our financial results could be materially and adversely affected. In particular, our contingent liabilities have increased in recent years, partly as a result of our expansion of our foreign exchange and derivatives business. See also the section "Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors affecting our results of operations – Ability to grow our fee income."

Our global markets operations expose us to risks.

Our revenue from exchange transactions and derivatives, handled by our global markets business unit, increased by 105% from ₹3,513.44 million as of March 31, 2013 to ₹7,2013.89 million as of March 31, 2015. As a result, our off-balance sheet items (which include liabilities on account of outstanding derivative contracts and liabilities on account of outstanding forward exchange contracts) have increased. Our contingent liabilities on account of outstanding derivative contracts increased from ₹295,401.47 million as of March 31, 2013 to ₹792,176.71 million as of March 31, 2015. Our contingent liabilities on account of outstanding forward exchange contracts increased from ₹794,386.55 million as of March 31, 2013 to ₹961,873.12 million as of March 31, 2015. We are exposed to fluctuations in foreign currency rates on our limited unhedged exposure, which may directly affect non-interest income and thereby, our financial results. Such fluctuations could also affect our treasury revenue adversely. Movements in foreign exchange rates may also adversely affect our borrowers and this may, in turn, affect the quality of our exposure to these borrowers. If the liabilities on account of outstanding derivative contracts and liabilities on account of outstanding forward exchange contracts were to materialize due to a counterparty default, we may incur a loss to the extent of the difference between the contracted price and the trade price. Our financial results could be materially and adversely affected by any significant losses incurred by us in this respect.

We are not in compliance with RBI requirements to reduce our Promoters' shareholding.

Pursuant to RBI's guidelines our Promoters, who hold 15.09% of our Equity Shares as of March 31, 2015, may not be able to continue to hold a significant portion of their existing shareholding. In particular, in September 2009, the RBI had stated that our Promoters will need to reduce their shareholding to less than 10% of our total outstanding Equity Shares by December 31, 2012, and we had indicated a roadmap for such divestment to the RBI, which we are required to follow. Our Promoters did not reduce their shareholding to less than 10% by December 31, 2012. We had applied to the RBI for its approval in connection with a proposed preferential allotment to our Promoters in order to maintain their aggregate shareholding at 15% of our paid-up share capital post the Issue and preferential allotment. The price at which Equity Shares will be allotted under the preferential allotment shall be in accordance with Chapter VII of the ICDR Regulations, however, such price shall not be less than the price at which the Equity Shares are allotted to QIBs in the Issue.We have received the in-principle approval of the RBI for undertaking a preferential allotment of Equity Shares to our Promoters. If we do not comply with the RBI's directions on ownership and shareholding, the RBI may impose penalties on us and our Directors, officers and Promoters under the Banking Regulation Act, 1949. In addition, we may face difficulties or delays in obtaining approval for certain activities or the RBI may impose conditions that are difficult to meet. The RBI also has the power to cancel the licence granted to a banking company on certain grounds, including non-compliance with any condition, the fulfilment of which, in the opinion of the RBI, is necessary to ensure that the conduct of the bank's business will not be prejudicial to the interests of the public or depositors in India. Accordingly, any failure to divest or reduce the shareholding of our Promoters in accordance with the RBI's requirements may adversely affect our business and financial results.

Restrictions on ownership in private sector banks by the RBI could discourage or prevent a change of control or other business combination involving us, or could compel our Promoters to divest a significant portion of their existing shareholding.

The RBI has issued guidelines restricting ownership in private sector banks in India to not more than 10% of the paid-up share capital, directly or indirectly, for any entity or group of related entities. The guidelines state that no entity or group of related entities will be permitted to own or control, directly or indirectly, more than 10% of the paid up capital of a private sector bank without RBI approval. The implementation of such a restriction will discourage or prevent a change in control, merger, consolidation, takeover or other business combination involving us which might be beneficial to our shareholders. Further RBI approval is required before we can register the transfer of 5% or more of our shares (paid up capital) to an individual or group. Each investor in Equity Shares will be deemed to have acknowledged, represented and agreed that its total interest in the paid-up share capital of the Bank, whether direct or indirect, beneficial or otherwise (any such interest, its "Holding"), when aggregated together with any existing Holding and/or Holding of any "associated enterprise" (as defined under Section 92A of the Indian Income Tax Act, 1961), does not exceed 5% of the total paid-up share capital of the Bank, unless such investor is an existing shareholder who already holds 5% or more of the underlying paid-up share capital of the Bank with the approval of the RBI, provided that its Holding does not, without the further approval of the RBI, exceed its existing Holding after allotment under the Issue. In addition, Section 12 of the Banking Regulation Act prohibits any person holding shares in a bank from exercising voting rights in excess of 10% of the total voting rights of all shareholders of any bank, irrespective of the number of shares held by such person. However, pursuant to the Banking Laws (Amendment) Act, 2012, the RBI may increase such ceiling on voting rights in banking companies from 10% to 26% in a phased manner.

Our Promoters will continue to hold a significant percentage of the Equity Shares outstanding after the Issue and exercise influence over board decisions and any shareholder voting, and none of the Promoters or their affiliates have any obligation to direct any opportunities in the banking and financial services industry or contribute capital or provide credit support to us or any obligation not to compete with us or aid any other entity to do so.

Immediately after the completion of the Issue, our Promoters will own approximately 13.72% of our total outstanding Equity Shares. Our board of directors has also approved a proposed preferential allotment to our Promoters of up to 1.5% of our authorized equity share capital (within the limit of 10% of our authorized share capital as approved by our shareholders pursuant to their resolution adopted by way of postal ballot on June 8, 2015), in order to maintain their aggregate shareholding at 15% post the Issue and preferential allotment. The price at which Equity Shares will be allotted under the preferential allotment shall be in accordance with Chapter VII of the ICDR Regulations, however, such price shall not be less than the price at which the Equity Shares are allotted to QIBs in the Issue. We have also received the in-principle approval of the RBI for undertaking a preferential allotment of Equity Shares to our Promoters through a letter dated June 17, 2015. We have sought the approval of our shareholders through a notice of postal ballot dated June 25, 2015. Such proposed preferential allotment is subject to approval by our shareholders. As such, our Promoters will exercise influence over most matters affecting us or subject to a shareholder vote, including the appointment and removal of our officers, our business strategy and policies, any determinations with respect to mergers, business combinations and acquisitions or dispositions of assets, our dividend policy and our capital structure and financing, subject to the restriction that a maximum of 10% of the votes cast at any meeting of shareholders of any Indian bank may be cast by a single shareholder, irrespective of the percentage of the shares held by such shareholder. See the section "Regulations and Policies". Further, the extent of our Promoters' shareholding in us may result in the delay or prevention of a change of management or control, even if such a transaction may be beneficial to our other shareholders. Further, none of our Promoters or the affiliates of our Promoters is obligated to direct any opportunities in the banking and financial services industry or contribute capital or provide credit support to us or has any obligation not to compete with us or aid any other entity to do so. For example, our consumer finance division, which finances vehicles by Indian automakers, was formerly an associate entity of Ashok Leyland Limited, a part of the Hinduja Group, which has also promoted its own consumer finance company. If we are unable to compete effectively with such entities, our business and financial results may be adversely affected.

We are currently classified as a foreign-owned entity for purposes of foreign investment restrictions, including for downstream investments.

As of March 31, 2015, the aggregate foreign investment in the Bank was 71.56%, of which 43.05% constituted shareholding by FPIs and FIIs. Under its consolidated foreign direct investment (FDI) policy, the Government of India has set out certain restrictions with respect to downstream investments by Indian companies that are foreign owned or controlled. However, downstream investments by banking companies which are foreign owned or controlled (other than strategic downstream investments by such companies in their subsidiaries, joint ventures and associates), are not taken in to account while determining the amount of indirect foreign investments in such downstream companies if such investments are being made under the voluntary corporate debt restructuring mechanism or other loan restructuring mechanism, or in trading books, or for the acquisition of shares due to defaults in loans. There are also restrictions on the transfer of ownership or control of Indian companies in sectors with caps on foreign investment to a person or entity resident outside India. These requirements may include restrictions on valuations and sources of funding for such investments and the prior approval of the Foreign Investment Promotion Board. We may be subject to such restrictions and there can be no assurance that we will be able to comply with such requirements or obtain any required approvals for our business or any future acquisitions or growth.

Your ability to sell your Equity Shares may be adversely affected by restrictions on foreign investment applicable to us. We are mentioned on the RBI "caution list" with respect to our foreign shareholding.

Under the foreign exchange regulations currently in force in India, transfers of shares between non-residents and residents are freely permitted (subject to certain exceptions) if they comply with the requirements specified by the RBI. If the transfer of shares is not in compliance with such requirements or falls under any of the specified exceptions, then prior approval of the RBI or the Foreign Investment Promotion Board (or FIPB) will be required. A non-resident investor may not be able to obtain such approvals on terms favourable, in a timely manner or at all.

In addition, foreign investment, including FDI and investments by FPIs or FIIs, in private sector banks in India is restricted to 74%. Moreover, foreign investment by FPIs or FIIs in private sector banks in India cannot exceed 49%. The FIPB has granted *post facto* approval for foreign investment in the Bank up to 74% pursuant to its letter dated November 20, 2014. Such approval is subject to compounding from the RBI for an increase in the Bank's foreign shareholding beyond 68.51% since April 2010. Our application to the FIPB seeking deletion of such condition relating to compounding is currently pending. We may be subject to a compounding penalty by the RBI. As per the RBI, purchases by a single FPI or FII is restricted to below 10% of our paid-up capital and the banking regulations require an RBI acknowledgement for the acquisition/transfer of shares of 5% or more of a private sector bank by FPIs or FIIs. As of March 31, 2015, the aggregate foreign investment in the Bank was 71.56%, of which 43.05% constituted shareholding by FPIs and FIIs. The RBI monitors such limits on a daily basis and has cautioned all authorized dealers not to purchase any equity shares traded on Indian stock exchanges without prior RBI approval if the aggregate net purchases of equity shares of listed Indian companies reach a cut-off point of two percentage points lower than the specified foreign investment limit, which would be 72% for private sector banks in India (and 47% for FPIs or FIIs investing in such banks). In the past, the RBI has placed us on a "ban list", pursuant to which no further investments by FIIs or NRIs were permitted. Currently, the RBI has placed us on the "caution list" pursuant to which RBI approval is required for any further secondary investments by FIIs or NRIs. If we are placed on the "ban list" or continue to be on the "caution list" in the future, your ability, if you are a person resident in India, to sell or purchase Equity Shares to persons resident outside India, including NRIs and FIIs, may be restricted or delayed.

In addition, because of possible delays in obtaining requisite approvals, investors in Equity Shares may be prevented from realizing gains during periods of price increases or limiting losses during periods of price declines.

Our access to liquidity is susceptible to adverse conditions in the global financial markets. Continuing financial instability in other countries could disrupt our business and cause the trading price of the Equity Shares to decrease.

Economic developments outside India can adversely affect the economy. During the global financial crisis that started in the second half of 2007, the global credit markets experienced significant volatility and liquidity disruptions, which originated from liquidity disruptions in the United States and Europe, particularly with respect to the credit and sub-prime residential mortgage markets. These and other related events, such as the collapse of a number of financial institutions, have had and continue to have a significant adverse impact on the availability of credit and general confidence in the financial markets, globally as well as in India. The deterioration in the financial markets led to recession in many countries, which resulted in declines in employment, household wealth, consumer demand and lending. If such conditions continue to persist, economic growth in India and elsewhere could be adversely affected. In addition, global markets and economic conditions have been negatively impacted since 2010 by market perceptions regarding the ability of certain member states of the European Union (EU) to service their sovereign debt obligations, triggered by large budget deficits and rising public debts. Financial markets in the EU experienced increased volatility, several sovereign rating downgrades and continued concerns over the stability of the European monetary system and economy. These conditions have also been exacerbated as a result of market perceptions regarding the level of sovereign debt in the United States. Further, there are rising concerns of a possible slowdown in the Chinese economy. In addition, actions or monetary policies of monetary authorities in different countries may be expansionary or contractionary in nature and may not be well-coordinated. This could lead to high levels of currency volatility for certain currency pairs, affecting trade and payment balances among countries as well as industrial demand, availability of credit and credit risks. A loss of investor confidence in other financial systems may cause volatility in Indian financial markets, including with respect to the movement of exchange rates and interest rates in India, and, indirectly, in the Indian economy in general. No assurance can be given that a further economic downturn or financial crisis will not occur, or that measures taken to overcome a crisis will be sufficient to restore stability in the global financial markets in the short term or beyond. As a consequence of the aforementioned factors, we may have difficulty accessing the financial markets at times, which could make it more difficult or expensive for us to obtain liquidity in the future. There can be no assurance that we will be able to secure additional financing required by us on adequate terms or at all. In the event that the adverse conditions develop in the global credit markets and results in any significant financial disruption, whether in India or globally, such conditions could have an adverse effect on our cost of funds, loan portfolio, business, future financial performance and the trading price of the Equity Shares.

We are required to maintain certain minimum cash reserve and statutory liquidity ratios and increases in these requirements could materially and adversely affect our business.

As a result of the statutory reserve requirements stipulated by the RBI, we may be more exposed structurally to interest rate risk than banks in other countries. RBI regulations regarding the cash reserve ratio (or CRR) currently require us to keep 4% of our net demand and time liabilities in a current account with the RBI. The RBI may increase the cash reserve ratio requirement to a significantly higher proportion than at present as a monetary policy measure. We do not earn any interest on our entire cash reserve. In addition, under RBI regulations regarding the statutory liquidity ratio (or SLR), 21.5% of our net demand and time liabilities must be invested in Government securities, state government securities and other approved securities, which would earn lower levels of interest as compared to advances to customers or investments made in other securities. Increases in cash reserve ratio and statutory liquidity ratio requirements would reduce the amount of cash that we would use to lend and otherwise deploy in our business, which could materially and adversely affect our business and financial results.

We have undertaken and may continue to undertake mergers or acquisitions in the future, which may pose management and integration challenges and we may not achieve the synergies and other benefits we expect from such transactions.

We consider inorganic growth opportunities from time to time to expand our customer base, acquire new service or product offerings or enhance our technical capabilities. For example, we acquired the Indian operations of the credit cards business of Deutsche Bank AG in June 2011. In April 2015, we entered into an agreement to acquire the diamond and jewellery financing business (comprising a loan portfolio and a related deposit portfolio) of The Royal Bank of Scotland N.V. in India, the completion of which is currently subject to regulatory approvals. There is no assurance that such proposed acquisition will be completed in the manner contemplated under such acquisition agreement, or at all. If we succeed in consummating the proposed acquisition or any other merger or acquisition in the future, we may not be able to integrate effectively the acquired business into our operations and may not obtain the expected profitability, synergies or other benefits in the short or long term from such transactions. Any such transactions may also result in high levels of indebtedness or contingent liabilities or a deterioration in our overall asset quality. There is a risk that the information relied upon or assumed by us to acquire a business was inaccurate or incomplete and we may be subject to unforeseen liabilities and obligations relating to our past acquisitions or mergers. Our senior management team's attention may also be diverted by any such transactions. Such factors could disrupt our existing business and increase our expenses. Any of the above factors may have a material adverse effect on our business, results of operations and financial condition.

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

Our information technology systems are a critical part of our business that help us manage, among other things, our risk management, deposit servicing and loan origination functions, as well as our increasing portfolio of products and services in our consumer banking, global markets and transactional banking business units. We have introduced services for our customers that are reliant on information technology systems such as our Internet banking platform, our video branch, our digital branch and our mobile phone banking services. There is no warranty under our information technology licence agreements that the relevant software or system is free of interruptions, will meet our requirements or be suitable for use in any particular condition. We have in the past faced instances of Internet banking outages. Any inability to maintain the reliability and efficiency of our systems could adversely affect our reputation, and our ability to attract and retain customers. Any technical failures associated with our information technology systems or network infrastructure, including those caused by power failures and breaches in security caused by computer viruses and other unauthorized tampering, may cause interruptions or delays in our ability to provide services to our customers on a timely basis or at all, and may also result in costs for information retrieval and verification. Corruption of certain information could also lead to errors when we provide services to our customers. In particular, the secure transmission of confidential information is critical to our operations. Our networks and systems may be vulnerable to unauthorized access and other security problems. We cannot assure you that our existing security measures will prevent unforeseeable security breaches, including break-ins and viruses, or other disruptions such as those caused by defects in hardware or software and errors or misconduct of operators. Persons who circumvent our security measures could use our customers' confidential information wrongfully. Any material security breach or other disruptions could expose us to losses and regulatory actions and could harm our reputation. We may need to regularly upgrade our information technology systems, including our software, back-up systems and disaster recovery operations, at substantial cost so that we remain competitive, which may adversely affect our profitability. In the last three fiscal years, we have implemented a core banking solution, fraud monitoring and anti-money laundering systems and upgraded our risk management and treasury systems, which may not yield the efficiencies or other benefits that we expect.

Our initiatives to achieve efficiencies through optimal use of technology, such as solar-powered ATMs, and our strategy to outsource certain activities, including off-site ATMs, credit card processing operations and loan recovery for credit cards and vehicle finance loans, may not be successful or may lead to increased costs, which could adversely affect our results of operations and our brand. We generally have agreements with only one service provider for each outsourced activity and our agreements with our outsourcing service providers are typically non-exclusive and not long-term and may result in disruptions to our operations if such agreements are terminated or not renewed or replaced in a timely manner. Any failure on the part of third-party vendors under agreements with us to provide products and services, or to appropriately maintain such products and services under annual maintenance contracts, may adversely affect our operations and reputation and brand. In the event of failure on the part of these third-party vendors, their liabilities towards us usually do not exceed a certain percentage of the total fee paid by us and they will not be liable to us for any loss of profits or revenue or any consequential or indirect loss, which in turn exposes us to higher risks in using these software and systems. Our service providers are not obligated to maintain business confidentiality beyond the terms of their contracts. In addition, we may be subject to liability as the result of any theft or misuse of personal information stored on our systems or on the systems of our outsourcing service providers. Any of these outcomes could adversely affect our business, our reputation and the quality of our customer service.

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

We offer internet banking and other services on an electronic platform to our customers. Our internet banking channel includes multiple services such as electronic funds transfer, bill payment services, usage of credit cards on-line, requesting account statements, and requesting cheque books. We also outsource certain activities to third parties such as our prepaid foreign exchange cards. We are therefore directly and indirectly exposed to various cyber threats such as: phishing and trojans (targeting our customers, wherein fraudsters send unsolicited mails to our customers seeking account sensitive information or to infect customer machines to search and attempt exfiltration of account sensitive information), hacking (wherein attackers seek to hack into our website with the primary intention of causing reputational damage to us by disrupting services) and data theft (wherein cyber criminals may attempt to intrude into our network with the intention of stealing our data or information). Attempted cyber threats fluctuate in frequency but are generally not decreasing in frequency. In 2012, our third-party service provider reported a data security breach on their system that affected two prepaid foreign exchange cards issued by us. There is also the risk of our customers incorrectly blaming us and terminating their accounts with us for a cyber-incident which might have occurred on their own system or with that of an unrelated third party. Any cyber security breach could also subject us to additional regulatory scrutiny and expose us to civil litigation and related financial liability.

We may continue to incur substantial expenditure as a result of recent significant increases in hiring to support our growth strategy. If we are unable to manage our employee levels effectively, our results of operations could be adversely affected.

In the fiscal year ended March 31, 2015, our headcount increased by 22.65%, or 3,531 employees, over the prior fiscal year ended March 31, 2014, mainly due to increased hiring to support our growth strategy. In the same period, our payments to and provisions for employees, which include certain retirement benefits, increased by 21.15% from ₹8,092.95 million to ₹9,804.79 million. In addition, we granted employee stock options under the ESOP 2007 to purchase 3.55 million Equity Shares at the market price prevailing at the time of grant of such options during the fiscal year ended March 31, 2015 to existing and new employees as a component of incentive compensation and hiring incentives. Our planned growth will require us to continue to significantly increase headcount at various levels and implement or improve effective training programs. Such activities and investments in our employees will require substantial management effort and attention. If we are unable to manage our employee levels effectively, our operating expenses could increase disproportionately, which could adversely affect our profitability.

If our risk management policies and procedures do not adequately address unidentified or unanticipated risks, our business could be adversely affected.

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

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

We are subject to business continuity risks. Any damages caused by materialization of such risks or other banking business operational risks to which we are subject could adversely affect our profitability and results of operations.

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

Our measures to prevent money laundering may not be completely effective.

Our implementation of anti-money laundering measures required by the RBI, including Know Your Customer policies and the adoption of anti-money laundering and compliance procedures in all our branches, may not be effective. There can be no assurance that attempts to launder money using us as a vehicle will not be made. If we were associated with money laundering, our business and reputation may be adversely affected.

We may not be able to renew or maintain our statutory and regulatory permits and approvals required to operate our business.

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

During the course of periodic reviews, the RBI has indicated that we are less than fully compliant with certain RBI requirements. Although we believe that such non-compliance is with respect to matters that are not material, there can be no assurance that our business will not be affected in future by any RBI actions, including by the loss of a licence, or that the RBI or any other regulator will issue any approvals in the time-frame required by us for our operations or at all. In July 2014, the RBI imposed a monetary penalty of ₹1.0 million on us in connection with certain non-compliance related to sharing of information with other lenders and obtaining certain certifications with respect to the loan advanced to one borrower account.

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

For further information on Indian banking regulations, see the section "Regulations and Policies".

Our ability to pay dividends in the future will depend upon our future earnings, financial condition, cash flows, working capital requirements, capital expenditures and restrictive covenants in our financing arrangements

Our future ability to pay dividends will depend on our earnings, financial condition and capital requirements. Dividends distributed by us will attract dividend distribution tax at rates applicable from time to time. We cannot assure you that we will generate sufficient income to cover our operating expenses and pay dividends to our shareholders, or at all. In addition, dividends that we have paid in the past may not be reflective of the dividends that we may pay in a future period. Our ability to pay dividends is also subject to the requirements prescribed by the RBI. We may be unable to pay dividends in the near or medium term, and our future dividend policy will depend on our capital requirements, financing arrangements, results of operations and financial condition. See also the section "Dividend Policy."

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

Our debt is currently rated investment-grade by ICRA, India Ratings & Research (the Indian subsidiary of Fitch) and CARE as follows: ICRA has rated us ICRA AA+ and ICRA AA for our Lower Tier II subordinate debt and Upper Tier II subordinate debt, respectively, India Ratings & Research has rated us Ind A1+, Ind AA+, Ind AA and Ind AA+ for our short-term debt instruments, Lower Tier II subordinate debt, Upper Tier II bonds and senior unsecured long-term infrastructure bonds, respectively, and CARE has rated us CARE AA++ for our Lower Tier II subordinate debt. In addition, CRISIL (a subsidiary of S&P) has rated us CRISIL A1+ for our certificates of deposit. Any downgrade in our credit ratings may increase interest rates for refinancing our outstanding debt, which would increase our financing costs, and adversely affect our future issuances of debt and our ability to raise new capital on a competitive basis, which may adversely affect our profitability and future growth.

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

We are involved in certain legal proceedings.

We are contesting certain legal proceedings in various courts, including certain criminal cases that have been filed against us and our officers, including our Managing Director & Chief Executive Officer and certain members of our current and former boards of directors in their official capacities, in respect of actions taken by us and/or our officers during the ordinary course of our business. Any adverse decision in any of these cases may adversely affect our business, financial condition and reputation.

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

For further information, see the section "Legal Proceedings".

If more stringent labour laws become applicable to us or if our employees unionize, our profitability may be adversely affected.

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

The development of a well-entrenched nationwide inter-bank settlement system would adversely impact our cash float and decrease fees we receive in connection with cheque collection.

Currently, there is no well entrenched nationwide payment system in India, and cheques must generally be returned to the city from which they were written in order to be cleared. Because of mail delivery delays and the variation in city-based inter-bank clearing practices, cheque collections can be slow and unpredictable. Through our electronically linked branch network, correspondent bank arrangements and centralized processing, we effectively provide a nationwide collection and disbursement system for our corporate customers. We enjoy cash float and earn fees from these services. If any nationwide payment systems are further developed, this could have an adverse effect on the cash float and fees that we have traditionally received from the services we provide, which could adversely affect our business and results of operations.

Most of our offices are located on leased premises and non-renewal of the existing lease agreements or their renewal on terms unfavorable to us could adversely affect our business and results of operations.

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

***Some of our corporate records relating to certain filings made with the Registrar of Companies for the period between 1994 and 2007 are not traceable*.**

We are unable to locate certain corporate records which include copies of certain filings made by us with the Registrar of Companies. These filings include certain filings made with the Registrar of Companies in relation to certain allotments of Equity Shares between 1994 and 2007. While we believe that these forms were duly filed with the Registrar of Companies, we have been unable to obtain copies of these documents, including from the Registrar of Companies. We can provide no assurance that all such filings were made or that these filings will be available in the future or that we will not be subject to any penalty imposed by the competent regulatory authority in connection with these filing requirements.

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

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

The banking and financial sector in India is highly regulated and extensively supervised, including by the RBI. Our business could be directly affected by any changes in laws, regulations and policies for banks, including if we are compelled to increase lending to certain sectors or increase our reserves. Such changes may also affect our scope in specific businesses or foreign investment limits in the banking industry. Any such changes may require us to modify our business, which may adversely affect our financial results. For example, within the purview of RBI and IRDAI guidelines, we disclose certain information in respect of our customers to Aviva Life Insurance Company India Limited in order for it to market its life insurance products to our customers. Changes to these guidelines may prohibit or restrict our disclosure of such information, and hence limit our ability to market insurance products. RBI guidelines and provisions of the Banking Regulation Act also restrict our ability to pay dividends. The RBI also requires banks to maintain certain cash reserve and statutory liquidity ratios, and increases in such requirements could affect our ability to expand credit. Any RBI requirements specifying changes in risk weighting and capital adequacy may adversely affect our financial condition. In addition, any action by any regulator to curb inflows into India could negatively affect our business. The RBI also requires that every bank extend a minimum aggregate of 40% of our ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher, to certain eligible "priority" sectors, such as agriculture, micro, small and medium enterprises, export credit, education, social infrastructure, renewable energy and housing finance, and also places restrictions on building overseas asset portfolios. The RBI also specifies sub-allocation requirements, including a minimum 18% of the ANBC to the agriculture sector (8% to small and marginal farmers in a phased manner), 7.5% of the ANBC to micro enterprises in a phased manner (7% by March 2017 and 7.5% by March 2017) and 10% of the ANBC to weaker sections. RBI regulations specify that priority sector requirements should be met on the basis of credit equivalent of off-balance sheet exposure rather than ANBC if such off-balance sheet exposure by a bank is higher than its ANBC. In the case of any shortfall by us in meeting lending requirements, we are required to place the difference between the required lending level and our actual priority sector lending in an account with the National Bank for Agriculture and Rural Development under the Rural Infrastructure Development Fund Scheme, or funds with other financial institutions specified by the RBI, from which we earn lower levels of interest as compared to loans made to the priority sector. In May 2014, the RBI clarified that outstanding deposits placed with such funds (from prior years) would be included in calculating priority sector advances.

In November 2012, the RBI issued guidelines on liquidity risk management in accordance with the Basel Committee on Banking Supervision document on Principles for Sound Liquidity Risk Management and Supervision. These guidelines prescribe certain stringent ratios to measure liquidity risk and are designed to measure, *inter alia*, the extent to which volatile money supports the bank's basic earning assets, the extent to which assets are funded through a stable deposit base, the degree of illiquidity embedded in the balance sheet and the extent of available liquid assets. Banks are also required to adhere to certain prescribed limits to reduce the extent of concentration of their liabilities. In June 2014, the RBI issued guidelines in relation to liquidity coverage ratio ("LCR"), liquidity risk monitoring tools and LCR disclosure standards pursuant to the publication of the "Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools" in January 2013 and the "Liquidity Coverage Ratio Disclosure Standards" in January 2014 by the Basel Committee on Banking Supervision. The LCR is intended to ensure short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high quality liquid assets ("HQLAs") to survive an acute stress scenario lasting for 30 days. The LCR is defined under the guidelines as the stock of HQLAs, divided by the net cash outflows over the next 30 calendar days. Pursuant to the guidelines, banks are required to maintain an LCR of 60%, 70%, 80%, 90% and 100%

with effect from January 1, 2015, January 1, 2016, January 1, 2017, January 1, 2018 and January 1, 2019, respectively. Such requirement to maintain HQLA has adversely impacted our profitability and any increase in the requirement will further adversely impact the profitability. Compliance with such liquidity risk management guidelines may result in the incurrence of substantial compliance and monitoring costs and restrict our growth or the viability of certain businesses and there can be no assurance that we will be able to comply with such requirements.

Our business may also be adversely affected by changes in other laws, governmental policies, enforcement decisions, income tax laws, foreign investment rules and accounting principles. For example, the IRDAI has stipulated limits on fees and charges associated with ULIPs, other linked and non-linked insurance policies which could affect intermediaries facilitating sales of such products to customers, including banks providing bancassurance services. In addition, the SEBI has prohibited entry loads and any additional management fees for mutual funds schemes and limited the amount that asset management companies can pay distributors of mutual funds. Due to political backlash and changes in law, microfinance lending and recovery of loans in the state of Andhra Pradesh were been severely constrained after 2010. There can be no assurance that similar developments do not occur nationwide or in other regions, including where our microfinance operations are located.

See the section "Regulations and Policies".

You will not be able to acquire or transfer Equity Shares if such acquisition or transfer would result in an individual or group holding 5% or more of our share capital without prior written acknowledgement by the RBI.

Pursuant to the Guidelines for Acknowledgement of Transfer/Allotment of Shares in Private Sector Banks dated February 3, 2004 (the "Acknowledgement Guidelines"), any acquisition or transfer of shares in a private sector bank, directly or indirectly, beneficial or otherwise, which will take the aggregate holding of an individual or a group to 5% or more of the paid-up capital of the private bank requires the prior written acknowledgement of the RBI. Shareholders in a private bank require the prior permission of the RBI in order to acquire shares. The term "holding" refers to both direct and indirect holdings, beneficial or otherwise and is computed with reference to the holding of the applicant, relatives (where the applicant is a natural person) and associated enterprises. "Relative" has the meaning under Section 6 of the Companies Act, 1956, and "associated enterprises" has the meaning under Section 92A of the Income Tax Act. In considering whether the RBI will grant an acknowledgement to any application for an acquisition or transfer resulting in a holding of 5% or more of the paid-up capital of a private bank, the RBI examines whether the proposed acquirer and all entities connected with the acquirer meet certain fitness and propriety tests. The RBI will apply additional criteria if the acquisition or transfer will take the aggregate shareholding of the applicant or proposed acquirer to 10% or more or 30% or more of the paid-up capital of the private bank. The RBI may require the applicant or proposed acquirer to seek further RBI approval for subsequent acquisitions at any higher threshold specified by the RBI.

We face greater credit risks and have more limited access to credit and other financial information on borrowers than banks in other economies, which may decrease the accuracy of our assessments of credit risks and thereby increase the likelihood of borrower defaults.

Our principal activity is providing financing to borrowers, almost all of whom are based in India. The credit risk of our borrowers, including small and middle market companies, may be higher than in other economies due to the higher uncertainty in our regulatory, political and economic environment and the inability of our borrowers to adapt to global technological advances. Our corporate borrowers may suffer from low profitability because of increased competition as a result of economic liberalization policies, a sharp decline in commodity prices, a high debt burden and high interest rates in the Indian economy and other factors.

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

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

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

Risk Factors Related to Investments in Indian Companies

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

We expect the banking industry in India to continue to grow as a result of anticipated growth in India's economy, increases in household income, further social welfare reforms and demographic changes. However, it is not clear how certain trends and events, such as the pace of India's economic growth, the development of domestic capital and insurance markets and the ongoing reform will affect India's banking industry. In addition, there can be no assurance that the banking industry in India is free from systemic risks. Consequently, there can be no assurance that the growth and development of India's banking industry will be sustainable.

A significant change in economic liberalization and deregulation policies in India could disrupt our business.

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

Terrorist attacks and other acts of violence in India could adversely affect our operations.

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

Natural disasters and other disruptions could adversely affect the Indian economy and could cause our business and operations to suffer and the trading price of our Equity Shares to decrease.

Our operations, including our branch network, may be damaged or disrupted as a result of natural disasters such as earthquakes, floods, heavy rainfall, epidemics, tsunamis and cyclones and other events such as protests, riots and labour unrest. Such events may lead to the disruption of information systems and telecommunication services for sustained periods. They also may make it difficult or impossible for employees to reach our business locations. In June 2013, there was a fire at our back office in Andheri which resulted in the loss of lives of four of our employees. Damage or destruction that interrupts our provision of services or affects could adversely affect our reputation, our relationships with our customers, our senior management team's ability to administer and supervise our business or it may cause us to incur substantial additional expenditure to repair or replace damaged equipment or rebuild parts of our branch network. We may also be liable to our customers for disruption in services resulting from such damage or destruction. Our banker's indemnity insurance coverage for such liability may not be sufficient. Any of the above factors may adversely affect our business and financial results, the quality of our customer service and the price of our Equity Shares.

Investors in our Equity Shares may not be able to enforce a judgment of a foreign court against us, our directors or our executive officers.

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

- effect service of process upon us, our directors, our executive officers or such experts in countries outside India, including the United States, or

- enforce, in Indian courts, judgments obtained in foreign courts, against us or such persons or entities.

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

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

We have prepared our financial statements and other financial information contained in this Placement Document in accordance with Indian GAAP. Indian GAAP differs in certain respects from accounting principles generally accepted in certain other countries, including, IFRS and U.S. GAAP. Investors should review the accounting policies applied in the preparation of our financial statements and consult their professional advisors for an understanding of the differences between Indian GAAP, IFRS and U.S. GAAP and how they might affect the financial information contained in this Placement Document. The principal accounting policies applied in the preparation of our financial statements are set forth in the section "Financial Statements". We have not presented a reconciliation of our financial statements to IFRS or U.S. GAAP in this Placement Document. Accordingly, the extent to which such financial statements will provide meaningful information to you is dependent on your level of familiarity with Indian GAAP and RBI guidelines. Had our financial statements and the other financial information contained in this Placement Document been prepared in accordance with U.S. GAAP or IFRS, our financial results may have been materially different. Furthermore, we have made no attempt to quantify or identify the impact of the differences between Indian GAAP and IFRS or to quantify the impact of the difference between Indian GAAP and U.S. GAAP as applied to our financial statements, and neither Indian GAAP nor the RBI guidelines require such quantification or identification. Any such differences could be material in the context of the financial statements and other financial information contained in this Placement Document.

Public companies in India, including us, may be required to prepare financial statements under IFRS or a variation thereof, IND-AS. The transition to IND-AS in India is still unclear and we may be adversely affected by this transition.

Certain public companies in India are currently required to prepare financial statements under Indian Accounting Standard 101 "First Time Adoption of Indian Accounting Standards ("Ind-AS"). On January 2, 2015, the Ministry of Corporate Affairs, Government of India, announced through a press release the revised roadmap for implementation of Ind-AS for companies other than banking companies, insurance companies and non-banking finance companies. We may be required to begin preparing financial statements in accordance with Ind-AS in the future once regulatory authorities notify us that the implementation of Ind-AS will be mandatory for banking institutions. We have not determined with any degree of certainty the impact such adoption will have on our financial reporting. If Ind-AS becomes applicable to our Bank, then in our transition to Ind-AS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing its management information systems. Moreover, there is increasing competition for the small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare Ind-AS financial statements. Further, there is no significant body of established practice on which to draw in forming judgments regarding the new system's implementation and application. There can be no assurance that our adoption of Ind-AS in the future will not adversely affect our reported results of operations or financial condition and any failure to successfully adopt Ind-AS could adversely affect our business, financial condition and results of operations.

Our business and activities are regulated by the Competition Act, 2002.

The Competition Act, 2002, as amended (the "Competition Act") seeks to prevent practices that could have an appreciable adverse effect on competition. Under the Competition Act, any arrangement, understanding or action between enterprises, whether or not formal or informal, which causes or is likely to cause an appreciable adverse effect on competition is void and attracts substantial penalties. Any agreement between, or practice or decision in relation to, enterprises or persons engaged in identical or similar trade of goods or provision of services which directly or indirectly determines purchase or sale prices, limits or controls production, or shares markets by way of geographical area or market or number of customers in the market is presumed to have an appreciable adverse effect on competition. Provisions of the Competition Act relating to acquisitions, mergers or amalgamations of enterprises that meet certain asset or turnover thresholds and regulations issued by the Competition Commission of India with respect to notification requirements for such combinations became effective in June 2011. Further acquisitions, mergers or amalgamations by us may require the prior approval of the Competition Commission of India, which may not be obtained in a timely manner or at all.

The applicability or interpretation of the Competition Act to any merger, amalgamation or acquisition proposed or undertaken by the Bank, or any enforcement proceedings initiated by Competition Commission of India for alleged violation of provisions of the Competition Act may adversely affect our business, financial condition or results of operation. We cannot assure you that we will be able to obtain approval for any proposed or future transaction on satisfactory terms, or at all. If the Bank is affected directly or indirectly by the application or interpretation of any provision of the Competition Act or any proceedings initiated by the Competition Commission of India or any other relevant authority under the Competition Act or any other claim by any other party under the Competition Act or any adverse publicity that may be generated due to scrutiny or prosecution under the Competition Act, including by way of financial penalties, our business and reputation may be materially and adversely affected.

The Companies Act, 2013 has effected significant changes to the existing Indian company law framework, which may subject us to higher compliance requirements and increase our compliance costs.

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

The Companies Act, 2013 has introduced certain additional requirements which do not have corresponding provisions under the Companies Act, 1956. Accordingly, we may face challenges in interpreting and complying with such requirements due to limited jurisprudence in respect of the relevant provisions. In the event our interpretation of such provisions of the Companies Act, 2013 differs from, or contradicts, any judicial pronouncements or clarifications issued by the Government in the future, we may face regulatory actions or we may be required to undertake remedial steps. Additionally, some of the provisions of the Companies Act, 2013 overlap with other existing laws and regulations (such as the corporate governance norms and insider trading regulations issued by the SEBI). The SEBI has also issued revised corporate governance guidelines which have been effective from October 1, 2014. We may face difficulties in complying with any such overlapping requirements. Further, we cannot currently determine the impact of provisions of the Companies Act, 2013 which are yet to come in force. Any increase in our compliance requirements or in our compliance costs may have an adverse effect on our business, results of operations, cash flows and financial condition.

Risk Factors Related to the Equity Shares

If we are classified as a passive foreign investment company ("PFIC") for U.S. Federal income tax purposes, U.S. investors may incur adverse tax consequences.

Under U.S. Federal income tax laws, U.S. investors are subject to special tax rules if they invest in passive foreign investment companies, or PFICs. While the Bank does not believe that it is, or will become in the foreseeable future, a PFIC, since the applicable PFIC rules are complex, and, to a certain extent, unclear, there is a risk that we are or may become a PFIC in the future. If we are or become a PFIC, U.S. investors generally will not be subject to the regular U.S. Federal income tax rules applicable to dividends and capital gains, but will be subject to complex PFIC rules that could result in additional taxation upon certain distributions by us and/or upon a sale or disposition of Equity Shares.

A further discussion of the PFIC rules can be found under the heading "Taxation–Material United States Federal Income Tax Considerations–Passive Foreign Investment Company Considerations" in this Placement Document.

We or other intermediaries may be required to withhold U.S. tax on payments made on our Equity Shares to certain non-U.S. financial institutions after December 31, 2016.

Sections 1471 through 1474 of the Code (provisions commonly known as the "Foreign Account Tax Compliance Act," or "FATCA") impose certain reporting and due diligence requirements on foreign financial institutions and potentially require such foreign financial institutions to deduct a 30% withholding tax from (i) certain payments from sources within the United States, and (ii) "foreign passthru payments" (which is not yet defined in current guidance) made after December 31, 2016, to certain non-U.S. financial institutions that do not comply with such reporting and due diligence requirements or certain other payees that do not provide required information. The United States has entered into a number of intergovernmental agreements with other jurisdictions with respect to FATCA ("IGAs") which may modify the operation of such withholding. The Bank as well as relevant intermediaries such as custodians and depository participants are classified as financial institutions for these purposes. Given that India has reached an "agreement in substance" with the United States on FATCA and is expected to sign a Model 1 IGA with the United States for giving effect to FATCA, Indian financial institutions such as the Bank are also being instructed to become fully FATCA compliant, based on the terms of its IGA and relevant rules.

Under current guidance it is not clear whether or to what extent payments on Equity Shares will be considered "foreign passthru payments" subject to FATCA withholding or the extent to which withholding on "foreign passthru payments" will be required under the applicable IGA. Investors should consult their own tax advisors on how the FATCA rules may apply to payments they receive in respect of the Equity Shares.

Should any withholding tax in respect of FATCA be deducted or withheld from any payments arising to any investor, neither the Bank nor any other person will pay additional amounts as a result of the deduction or withholding.

Holders of Equity Shares could be restricted in their ability to exercise pre-emptive rights under Indian law and could thereby suffer future dilution of their ownership position.

Under the Companies Act, a company incorporated in India must offer holders of its equity shares pre-emptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless the pre-emptive rights have been waived by the adoption of a special resolution by holders of three-fourths of the equity shares who have voted on such resolution. However, if the law of the jurisdiction that you are in does not permit the exercise of such pre-emptive rights without us filing an offering document or registration statement with the applicable authority in such jurisdiction, you will be unable to exercise such pre-emptive rights unless we make such a filing. We may elect not to file a registration statement in relation to pre-emptive rights otherwise available by Indian law to you. To the extent that you are unable to exercise pre-emptive rights granted in respect of the Equity Shares, you may suffer future dilution of your ownership position and your proportional interests in us would be reduced.

There may be less information available about entities listed on Indian stock exchanges than entities listed on stock markets in other countries.

The Equity Shares will be publicly listed on the Stock Exchanges and will not be listed on any stock exchange in any other country other than India. While the SEBI has issued regulations on disclosure requirements, insider trading and other matters, there may be less publicly available information about Indian entities than is regularly made available by public entities in many other countries. As a result, you may have access to less information about our business, result of operations and financial condition, and those of our competitors listed on Indian stock exchanges, on an ongoing basis, than entities subject to the reporting requirements of other countries.

Conditions in Indian stock exchanges may affect the price or liquidity of our Equity Shares

Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities and other problems that have affected the market price and liquidity of the securities of Indian entities. These problems have included temporary closure of the Stock Exchanges to manage extreme market volatility, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and imposed margin requirements. If similar problems occur in the future, the market price and liquidity of our Equity Shares could be adversely affected. For more information on the securities market in India, see the section "Indian Securities Market".

Economic developments and volatility in securities markets in other countries may cause the price of our Equity Shares to decline.

The Issue Price may not necessarily be indicative of the market price of the Equity Shares after this Issue is complete. The price of Equity Shares on the NSE and the BSE may fluctuate after this Issue as a result of several factors, including:

- volatility in the Indian and the global securities market or in the rupee's value relative to the U.S.;
- our profitability and performance;
- perceptions about our future performance or the performance of Indian companies in general;
- performance of our competitors and the perception in the market about investments in the banking and finance sector;
- adverse media reports about us or the Indian banking and finance sector;
- a comparatively less active or illiquid market for equity shares;
- changes in the estimates of our performance or recommendations by financial analysts;
- significant developments in India's economic liberalization and deregulation policies;
- significant developments in India's fiscal regulations; and
- any other political or economic factors.

There can be no assurance that an active trading market for the equity shares will be sustained after this Issue, or that the price at which Equity Shares have historically traded will correspond to the price at which the Equity Shares are offered in this Issue or the price at which Equity Shares will trade in the market subsequent to this Issue.

Currency exchange rate fluctuations may affect the value of the Equity Shares.

The exchange rate between the Rupee and other foreign currencies, including the U.S. Dollar, the British Pound, the Euro, the Emirati Dirham, the Hong Kong Dollar, the Singapore Dollar and the Japanese Yen, has changed substantially in recent years and may fluctuate substantially in the future. If you purchase Rupees to purchase our Equity Shares, fluctuations in the exchange rate between the Rupee and the foreign currency with which you purchased the Rupees may affect the value of your investment in our Equity Shares, including, specifically, such foreign currency equivalent of:

- the Rupee trading price of our Equity Shares in India;
- the proceeds that you would receive upon the sale in India of any of our Equity Shares; and
- cash dividends, if any, on our Equity Shares, which will be paid only in Rupees.

For information on certain historical exchange rates between the Rupee and the U.S. Dollar, see the section "Certain Conventions, Presentation of Financial, Industry and Market Data, Currency of Presentation and Exchange Rates – Exchange Rates".

Future issuances or sales of the Equity Shares could significantly affect the trading price of the Equity Shares.

The future issuance of Equity Shares by us, including pursuant to the ESOP 2007, the proposed preferential allotment to our Promoters (which is subject to approval by our shareholders), or the disposal of Equity Shares by any of our major shareholders, including by our Promoters in order to comply with the RBI's directions to reduce their shareholding, or otherwise or the perception that such issuance or sales may occur significantly affect the trading price of the Equity Shares. In addition such issuances could dilute your shareholding. Except for the restrictions described in "Placement", "Description of the Shares" and "Regulations and Policies", there is no restriction on our ability to issue Equity Shares or the ability of any of our shareholders to dispose of, pledge or otherwise encumber their Equity Shares, and there can be no assurance that we will not issue Equity Shares or that our shareholders will not dispose of, pledge or otherwise encumber their Equity Shares. For further information with respect to the ESOP 2007, see the section "Board of Directors and Management".

An investor will not be able to sell any of our Equity Shares purchased in the Issue other than on a recognized Indian stock exchange for a period of one year from the date of issue of such Equity Shares.

Pursuant to the ICDR Regulations, for a period of one year from the date of the issue of our Equity Shares in the Issue, investors purchasing our Equity Shares in the Issue may only sell their shares on the NSE or the BSE and may not enter into any off-market trading in respect of their Equity Shares. We cannot assure that these restrictions will not have an impact on the market price of any Equity Shares purchased by you.

Investors may be subject to Indian taxes arising out of capital gains on the sale of our Equity Shares.

Capital gains arising from the sale of our Equity Shares are generally taxable in India. Any gain realized on the sale of our Equity Shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if the securities transaction tax, or STT, has been paid on the transaction. The STT will be levied on and collected by an Indian stock exchange on which our Equity Shares are sold. Any gain realized on the sale of our Equity Shares held for more than 12 months to an Indian resident, which are sold other than on a recognized stock exchange and as a result of which no STT has been paid, will be subject to capital gains tax in India. Further, any gain realized on the sale of our Equity Shares held for a period of 12 months or less will be subject to capital gains tax in India. Capital gains arising from the sale of our Equity Shares will be exempt from taxation in India in cases where an exemption is provided under a treaty between India and the country of which the seller is a resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdictions on gains arising from a sale of Equity Shares. For more information, see the section "Taxation".

Certain approvals required for the listing of the Equity Shares to be issued pursuant to the Issue may not be obtained in a timely manner or at all, in which event you may not be able to obtain ownership over any Equity Shares allotted to you.

In accordance with applicable Indian laws and regulations and the requirements of the Stock Exchanges, in principle and final approvals for the listing and trading of the Equity Shares to be issued pursuant to the Issue will not be applied for by us or granted by the Stock Exchanges until after such Equity Shares have been issued and allotted by us on the Closing Date. If there is a failure or a delay in obtaining such approvals, we may not be able to credit Equity Shares allotted to you to your Depository Participant account or assure ownership of such Equity Shares by you in any manner promptly after the Closing Date or at all. In any such event, your ownership over Equity Shares allotted to you and your ability to dispose of any such Equity Shares may be restricted. For further information on issue procedure, see the section "Issue Procedure".

SEBI operates an index-based market-wide circuit breaker. Any operation of a circuit breaker may adversely affect a shareholder's ability to sell, or the price at which it can sell, the Equity Shares at a particular point in time.

We are subject to an index-based market-wide circuit breaker generally imposed by the SEBI on Indian stock exchanges. This may be triggered by an extremely high degree of volatility in the market activity, among other things. As such, there can be no assurance that shareholders will be able to sell Equity Shares at their preferred price or at all at any particular point in time. For further details, please see the section entitled "Indian Securities Market".

MARKET PRICE INFORMATION

The Equity Shares are listed and traded on the BSE and the NSE. The stock market data presented below is given for the BSE and the NSE separately.

(i) The following tables set forth the reported high and low closing prices of the Equity Shares and the total trading volume on the BSE and the NSE during the fiscal years ended March 31, 2013, March 31, 2014 and March 31, 2015:

BSE

Year ending March 31	High (₹)	Date of High	Volume on date of high (Number of Equity Shares)	Low (₹)	Date of Low	Volume on date of low (Number of Equity Shares)	Average price for the year (₹)
2013	442.75	19-02-2013	67,755	295.35	04-06-2012	30,007	365.22
2014	529.20	27-05-2013	223,404	338.05	20-08-2013	415,017	431.80
2015	943.95	02-03-2015	205,932	476.80	02-05-2014	84,843	673.55

Source: www.bseindia.com

NSE

Year ending March 31	High (₹)	Date of High	Volume on date of high (Number of Equity Shares)	Low (₹)	Date of Low	Volume on date of low (Number of Equity Shares)	Average price for the year (₹)
2013	442.70	19-02-2013	447,005	295.55	04-06-2012	536,738	365.33
2014	529.35	27-05-2013	2,357,861	337.30	20-08-2013	5,187,529	431.86
2015	944.50	02-03-2015	1,263,167	476.55	02-05-2014	1,233,076	673.80

Source: www.nseindia.com

(ii) The following tables set forth the reported high and low closing prices of the Equity Shares and the total trading volume on the BSE and the NSE during the last six months:

BSE

Month, Year	High (₹)	Date of High	Volume on date of high (Number of Equity Shares)	Low (₹)	Date of Low	Volume on date of low (Number of Equity Shares)	Average price for the month (₹)
December 2014	802.55	31-12-2014	72,105	759.95	17-12-2014	64,691	778.85
January 2015	876.40	29-01-2015	58,425	792.65	07-01-2015	54,221	831.39
February 2015	915.95	28-02-2015	182,863	825.30	09-02-2015	51,122	862.59
March 2015	943.95	02-03-2015	205,932	862.30	26-03-2015	74,883	892.83
April 2015	948.35	13-04-2015	64,021	820.25	27-04-2015	99,247	882.33
May 2015	874.70	29-05-2015	85,732	795.15	07-05-2015	158,372	835.58

Source: www.bseindia.com

NSE

Month, Year	High (₹)	Date of High	Volume on date of high (Number of Equity Shares)	Low (₹)	Date of Low	Volume on date of low (Number of Equity Shares)	Average price for the month (₹)
December 2014	802.45	31-12-2014	1,270,958	759.90	17-12-2014	1,101,172	779.14
January 2015	876.05	29-01-2015	687,051	791.95	07-01-2015	737,973	831.71
February 2015	916.55	28-02-2015	1,388,891	825.15	09-02-2015	573,650	862.77
March 2015	944.50	02-03-2015	1,263,167	860.35	26-03-2015	2,107,203	893.53
April 2015	949.75	13-04-2015	847,695	823.05	27-04-2015	1,087,851	882.62
May 2015	873.95	29-05-2015	739,227	795.20	07-05-2015	1,753,181	835.75

Source: www.nseindia.com

(iii) The following tables set forth the details of the number of Equity Shares traded and the turnover during the last six months and the fiscal years ended March 31, 2013, March 31, 2014 and March 31, 2015 on the Stock Exchanges:

Number of Equity Shares Traded

Period	BSE	NSE
Year ended March 31, 2013	28,800,559	188,684,801
Year ended March 31, 2014	75,224,028	564,560,501
Year ended March 31, 2015	23,991,249	246,344,806
December 2014	1,826,069	16,363,079
January 2015	2,054,528	20,711,275
February 2015	1,488,101	15,452,805
March 2015	1,751,540	18,613,412
April 2015	2,897,013	25,490,956
May 2015	2,188,071	18,971,769

Source: www.bseindia.com, www.nseindia.com

Turnover

(₹ in million)

Period	BSE	NSE
Year ended March 31, 2013	11,412	72,784
Year ended March 31, 2014	32,002	238,955
Year ended March 31, 2015	15,825	160,563
December 2014	1,422	12,739
January 2015	1,714	17,296
February 2015	1,285	13,325
March 2015	1,576	16,649
April 2015	2,560	22,481
May 2015	1,817	15,750

Source: www.bseindia.com, www.nseindia.com

(iv) The following table sets forth the market price on the Stock Exchanges on April 17, 2015, the first working day following the approval of the Board of Directors for the Issue:

Date April 17, 2015	**BSE**				**NSE**			
	Open	**High**	**Low**	**Close**	**Open**	**High**	**Low**	**Close**
Price of the Equity Shares (₹)	937.70	937.70	872.85	875.85	936.00	936.00	873.15	876
Volume on the Date (number of Equity Shares)	341,935				2,706,290			

Source: www.bseindia.com, www.nseindia.com

Notes:

1) High, low and average price are of the daily closing prices.

USE OF PROCEEDS

The gross proceeds from the issue and sale of 51,218,640 new Equity Shares by us as described in this Placement Document are approximately ₹43,279.75million. The net proceeds from the Issue are estimated to be approximately ₹ 42,732.31 million. We will apply the net proceeds primarily to meet the needs of our growing business, including long term capital requirements for pursuing our growth plans and to enhance our capital adequacy ratio, to increase our capacity to lend and for general corporate purposes.

None of our Promoters or Directors are making any contribution either as part of the Issue or separately in furtherance of the objects of the Issue, other than pursuant to the proposed preferential allotment of Equity Shares to our Promoters, which is subject to approval by our shareholders.

CAPITALIZATION AND INDEBTEDNESS

The following table shows, as of March 31, 2015:

- our actual capitalization and indebtedness; and
- our capitalization as adjusted for the Issue.

This table should be read in conjunction with the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes thereto contained elsewhere in this Placement Document.

	As of March 31, 2015	
	Actual	**As adjusted for the Issue**
	(₹ in million)	
Shareholders' funds		
A. Capital	5,294.50	5,806.69
B. Employee stock options outstanding	140.53	140.53
C. Reserves and surplus	101,010.31	143,230.43
D. Total shareholders' funds (A+B+C)	**106,445.34**	**149,177.65**
Liabilities		
E. Deposits	741,343.64	741,343.64
F. Subordinated debt	8,439.00	8,439.00
G. Other borrowings (unsecured)	197,741.56	197,742.56
H. Total Liabilities (E+F+G)	**947,524.2**	**947,524.2**
Total capitalization (D+H)	**1,053,969.54**	**1,096,701.85**

We had no secured borrowings as of March 31, 2015.

Since March 31, 2015 and until June 30, 2015, 1,743,528 Equity Shares have been allotted pursuant to the exercise of options granted under the ESOP 2007.

CAPITAL STRUCTURE

Our Equity Share capital as of the date of this Placement Document is set forth below:

(₹ in million)

		Aggregate value at face value
A	**AUTHORIZED SHARE CAPITAL**	
	600,000,000 Equity Shares of ₹10 each	6,000
B	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL BEFORE THE ISSUE**	
	531,193,737 Equity Shares ₹10 each	5,311.9
C	**PRESENT ISSUE IN TERMS OF THIS PRELIMINARY PLACEMENT DOCUMENT**	
	51,218,640 Equity Shares aggregating to ₹43,279.75 million (1)	512.2
D	**PAID-UP CAPITAL AFTER THE ISSUE**	
	582,412,377 Equity Shares	5,824.1
E	**SECURITIES PREMIUM ACCOUNT**	
	Before the Issue	58,461.2
	After the Issue	100,681.3

(1) The Issue was authorized and approved by our Board of Directors on April 16, 2015 and by our shareholders pursuant to a resolution adopted by way of postal ballot on June 8, 2015.

Equity Share Capital History of the Bank

We are unable to trace copies of certain prescribed forms filed by us with the Registrar of Companies in respect of, *inter-alia*, the allotment of Equity Shares since our incorporation until March 30, 2007. While we believe that these forms were duly filed, we have not been able to obtain copies of these documents, including from the Registrar of Companies. See the section "Risk Factors – Some of our corporate records relating to certain filings made with the Registrar of Companies for the period between 1994 and 2007 are not traceable".

The following is the history of the Equity Share capital of the Bank:

Date of Allotment	No. of Equity Shares Allotted	Face Value per Equity Share (₹)	Issue price per Equity Share (`)	Consideration
February 4, 1994	16	10	10	Cash
April 12, 1994	60,000,000	10	10	Cash
September 14, 1994	39,999,984	10	10	Cash
May 22, 1995	20,000,000	10	50	Cash
December 24, 1997	40,000,000	10	45	Cash
July 29, 2003*	100,000,000	10	Not applicable	Other than cash
July 29, 2003**	(39,773,017)	10	Not applicable	Not applicable
July 28, 2004***	70,474,853	10	Not applicable	Other than cash
March 24, 2005****	(384,200)	10	Not applicable	Not applicable
March 30, 2007	29,490,300	10	49.49	Cash
June 24, 2008	35,192,064	10	63.14	Cash
August 17, 2009	54,897,140	10	87.50	Cash
October 21, 2009	49,500	10	50.60	Cash
January 8, 2010	270,680	10	38.95, 50.60	Cash
January 22, 2010	148,400	10	38.95, 48	Cash
February 10, 2010	27,610	10	38.95	Cash
February 25, 2010	35,750	10	38.95	Cash
March 5, 2010	18,960	10	38.95	Cash
March 18, 2010	6,600	10	38.95	Cash
April 07, 2010	41,250	10	38.95, 50.60	Cash
April 16, 2010	267,830	10	38.95 to 50.60	Cash
April 29, 2010	51,340	10	38.95	Cash

Date of Allotment	No. of Equity Shares Allotted	Face Value per Equity Share (₹)	Issue price per Equity Share (`)	Consideration
May 25, 2010	12,100	10	38.95, 44.00	Cash
June 05, 2010	43,760	10	38.95, 44.00	Cash
July 7, 2010	9,000	10	44	Cash
July 20, 2010	120,100	10	38.95 to 50.60	Cash
July 30, 2010	20,600	10	44.00, 50.60	Cash
August 25, 2010	71,710	10	38.95 to 50.60	Cash
September 6, 2010	101,700	10	38.95, 44.00	Cash
September 22, 2010	24,750	10	100.05	Cash
September 24, 2010	50,000,000	10	234.55	Cash
October 4, 2010	31,050	10	38.95 to 100.05	Cash
October 12, 2010	2,892,980	10	48.00 to 100.05	Cash
October 18, 2010	187,265	10	38.95 to 100.05	Cash
November 9, 2010	332,190	10	38.95 to 50.60	Cash
November 23, 2010	6,160	10	38.95	Cash
December 2, 2010	9,200	10	38.95, 50.60	Cash
December 21, 2010	229,810	10	38.95 to 50.60	Cash
January 4, 2011	460,660	10	38.95, 44.00	Cash
February 2, 2011	336,350	10	38.95, 50.60	Cash
February 7, 2011	26,800	10	38.95	Cash
February 28, 2011	35,640	10	38.95, 140.15	Cash
March 22, 2011	6,950	10	140.15	Cash
April 1, 2011	7,260	10	38.95	Cash
May 4, 2011	7,230	10	38.95 to 140.15	Cash
May 12, 2011	3,200	10	38.95 to 140.15	Cash
May 25, 2011	169,360	10	44.00	Cash
June 9, 2011	6,600	10	44.00	Cash
June 21, 2011	1,500	10	44.00	Cash
July 22, 2011	139,381	10	38.95 to 196.50	Cash
August 3, 2011	200,000	10	48.00	Cash
August 10, 2011	138,179	10	38.95 to 196.50	Cash
August 23, 2011	10,375	10	44.00, 196.50	Cash
September 2, 2011	75,875	10	38.95 to 196.50	Cash
September 16, 2011	29,700	10	100.05	Cash
October 3, 2011	18,810	10	100.05, 196.50	Cash
October 21, 2011	108,780	10	38.95 to 196.50	Cash
November 11, 2011	12,320	10	38.95 to 196.50	Cash
November 21, 2011	18,077	10	100.05, 196.50	Cash
December 1, 2011	10,692	10	38.95, 196.50	Cash
December 15, 2011	1,000	10	38.95	Cash
January 3, 2012	267,960	10	38.95 to 196.50	Cash
January 18, 2012	50,035	10	38.95, 196.50	Cash
February 3, 2012	36,975	10	38.95, 196.50	Cash
February 15, 2012	101,882	10	38.95 to 220.45	Cash
March 2, 2012	72,340	10	38.95 to 220.45	Cash
March 19, 2012	248,635	10	38.95 to 220.45	Cash
April 10, 2012	3,300	10	196.50	Cash
April 20, 2012	142,980	10	38.95 to 220.45	Cash
May 8, 2012	22,467	10	38.95 to 220.45	Cash
May 16, 2012	962,197	10	44.00 to 220.45	Cash
May 31, 2012	56,855	10	38.95 to 220.45	Cash
June 22, 2012	36,880	10	38.95 to 196.50	Cash
July 4, 2012	60,699	10	38.95 to 253.60	Cash
July 20, 2012	48,150	10	44.00 to 253.60	Cash
August 6, 2012	211,339	10	38.95 to 253.60	Cash
August 21, 2012	63,354	10	44.00 to 253.60	Cash
August 30, 2012	282,111	10	38.95 to 253.60	Cash
September 21, 2012	132,396	10	38.95 to 274.80	Cash
October 5, 2012	47,660	10	38.95 to 253.60	Cash
October 17, 2012	65,776	10	38.95 to 274.80	Cash
November 2, 2012	136,964	10	38.95 to 253.60	Cash

Date of Allotment	No. of Equity Shares Allotted	Face Value per Equity Share (₹)	Issue price per Equity Share (`)	Consideration
November 20, 2012	31,375	10	38.95 to 274.80	Cash
December 5, 2012	52,100,000	10	384	Cash
December 7, 2012	73,082	10	38.95 to 274.80	Cash
December 21, 2012	71,504	10	38.95 to 253.60	Cash
January 7, 2013	74,270	10	38.95 to 253.60	Cash
January 22, 2013	29,530	10	38.95 to 253.60	Cash
February 1, 2013	40,265	10	140.15 to 253.60	Cash
February 25, 2013	167,785	10	38.95 to 262.25	Cash
March 11, 2013	206,961	10	38.95 to 274.80	Cash
March 21, 2013	99,805	10	38.95 to 253.60	Cash
April 4, 2013	9,125	10	44.00 to 262.25	Cash
April 22, 2013	60,770	10	44.00 to 253.60	Cash
May 3, 2013	16,270	10	196.50 to 253.60	Cash
May 16, 2013	236,967	10	38.95 to 262.25	Cash
June 3, 2013	44,870	10	196.50 to 253.60	Cash
June 18, 2013	204,747	10	50.60 to 262.25	Cash
July 9, 2013	412,982	10	38.95 to 254.90	Cash
July 22, 2013	116,958	10	38.95 to 253.60	Cash
July 25, 2013	17,000	10	220.45	Cash
August 7, 2013	200,940	10	38.95 to 262.25	Cash
August 19, 2013	56,417	10	38.95 to 343.25	Cash
August 23, 2013	25,680	10	196.50 to 343.25	Cash
September 4, 2013	35,430	10	38.95 to 304.05	Cash
September 23, 2013	24,167	10	196.50 to 253.60	Cash
October 7, 2013	28,840	10	44.00 to 253.60	Cash
October 17, 2013	16,010	10	196.50 to 345.60	Cash
November 7, 2013	38,461	10	196.50 to 253.60	Cash
November 21, 2013	54,180	10	196.50 to 343.25	Cash
December 5, 2013	28,867	10	38.95 to 345.60	Cash
December 19, 2013	30,585	10	38.95 to 253.60	Cash
January 8, 2014	103,470	10	38.95 to 253.60	Cash
January 21, 2014	509,549	10	44.00 to 253.60	Cash
February 10, 2014	62,708	10	38.95 to 319.05	Cash
February 13, 2014	300,000	10	48.00	Cash
February 20, 2014	41,315	10	196.50 to 304.55	Cash
March 4, 2014	68,640	10	196.50 to 253.60	Cash
March 25, 2014	23,830	10	196.50 to 253.60	Cash
April 9, 2014	11,450	10	38.95 to 253.60	Cash
April 17, 2014	357,930	10	196.50 to 262.25	Cash
May 6, 2014	158,235	10	44.00 to 319.05	Cash
May 22, 2014	64,882	10	196.50 to 262.25	Cash
June 5, 2014	72,750	10	38.95 to 343.25	Cash
June 20, 2014	40,929	10	196.50 to 343.25	Cash
July 7, 2014	68,798	10	196.50 to 304.55	Cash
July 17, 2014	1,169,566	10	38.95 to 253.60	Cash
July 31, 2014	177,353	10	196.50 to 453.90	Cash
August 14, 2014	304,827	10	38.95 to 453.90	Cash
September 1, 2014	74,087	10	100.05 to 453.90	Cash
September 12, 2014	89,299	10	38.95 to 478.45	Cash
September 25, 2014	57,327	10	196.50 to 453.90	Cash
October 10, 2014	40,045	10	140.15 to 453.90	Cash
October 27, 2014	41,390	10	140.15 to 453.90	Cash
November 7, 2014	113,049	10	50.60 to 478.45	Cash
November 19, 2014	73,710	10	38.95 to 478.45	Cash
December 4, 2014	88,462	10	38.95 to 453.90	Cash
December 12, 2014	6,000	10	220.45	Cash
December 18, 2014	51,947	10	140.15 to 453.90	Cash
January 2, 2015	545,590	10	38.95 to 453.90	Cash
January 15, 2015	38,378	10	38.95 to 453.90	Cash
January 30, 2015	44,785	10	196.50 to 453.90	Cash

Date of Allotment	No. of Equity Shares Allotted	Face Value per Equity Share (₹)	Issue price per Equity Share (`)	Consideration
February 16, 2015	84,380	10	38.95 to 453.90	Cash
February 26, 2015	43,085	10	196.50 to 478.45	Cash
March 13, 2015	79,352	10	196.50 to 453.90	Cash
March 27, 2015	106,119	10	196.50 to 453.90	Cash
April 9, 2015	76,340	10	38.95 to 490.30	Cash
April 24, 2015	6,780	10	196.50 to 453.90	Cash
May 14, 2015	243,438	10	48.00 to 478.45	Cash
May 29, 2015	1,416,970	10	48.00 to 453.90	Cash
Total	**531,193,737**			

** Pursuant to scheme of arrangement of IndusInd Enterprises and Finance Limited with the Bank.*
*** 39,773,017 Equity Shares were cancelled pursuant to a scheme of amalgamation of IndusInd Enterprises and Finance Limited with the Bank.*
**** Pursuant to scheme of arrangement of Ashok Leyland Finance Limited with the Bank.*
***** Forfeiture of Equity Shares.*

In the last one year preceding the date of this Placement Document, the Bank has not made any allotments for consideration other than cash.

For details relating to the employee stock options issued by the Bank, see the sections “Capitalization and Indebtedness” and “Board of Directors and Management”.

DIVIDEND POLICY

We generally declare and pay dividends in the fiscal year following the year as to which they relate. Under the Companies Act, 2013, an Indian company may pay dividends only upon a recommendation by its board of directors and approval by a majority of its shareholders at the AGM. Shareholders may decrease, but not increase, the amount of dividend recommended by the board of directors. Under the Companies Act, 2013, a company may pay dividends only out of its profits in the year in which the dividend is declared or out of the undistributed profits or reserves of prior fiscal years or out of both.

Payment of dividends is also subject to restrictions under the Banking Regulation Act. Section 15(1) of the Banking Regulation Act states that no banking company may pay any dividend on its shares until all its capitalized expenses (including preliminary expenses, organization expenses, share-selling commissions, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off. In addition, Section 17(1) of the Banking Regulation Act requires every banking company to create a reserve fund and, out of the balance of the profit of each year as disclosed in the profit and loss account, transfer a sum equivalent to not less than 20% of such profit to the reserve fund before declaring any dividend. Pursuant to a notification dated March 25, 2015, the Central Government has stated that the provisions of Section 15(1) of the Banking Regulation Act shall not apply to the amortization of any shortfall arising out of the sale of non-performing assets to securitization companies or reconstruction companies between February 26, 2014 and March 31, 2015 in accordance with provisions of the "Framework for Revitalising Distressed Assets in the Economy - Refinancing of Project Loans, Sale of NPA and Other Regulatory Measures" issued by the RBI on February 26, 2014.

The RBI has also placed certain restrictions on the payment of dividends by banks which are summarized as follows:

a) Only banks with a CRAR of at least 9% in each of the prior two completed years together with the accounting year for which it proposes to declare a dividend and with net NPAs of less than 7% are eligible to declare a dividend. In the event that any bank does not meet the above CRAR requirement, but has a CRAR of at least 9% for the accounting year for which it proposes to declare dividend and a net NPA ratio of less than 5%, it would be eligible to declare a dividend.

b) The bank should comply with the provisions of Sections 15 and 17 of the Banking Regulation Act.

c) The bank should comply with the prevailing regulations and guidelines issued by the RBI, including creating adequate provisions for impairment of assets and staff retirement benefits, transfer of profits to statutory reserves, etc.

d) Any dividend can only be paid out of profit in the year in which the dividend is to be paid.

e) The maximum permissible dividend pay-out ratio is 40% of net profit in the year in which the dividend is to be paid.

f) The RBI should not have placed any explicit restrictions on the bank for declaration of dividends.

g) 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 which 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 pay-out ratio.

h) The dividend pay-out is linked to a matrix of maximum permissible range of our CRAR and NPA ratios as follows:

		Net NPA Ratio			
		Zero	**More than zero but less than 3%**	**From 3% to less than 5%**	**From 5% to less than 7%**
Category	**CRAR**	**Range of Dividend Pay-out Ratio (of the current year's net profit)**			
A	11% or more for each of the last 3 years	up to 40	up to 35	up to 25	up to 15
B	10% or more for each of the last 3 years	up to 35	up to 30	up to 20	up to 10
C	9% or more for each of the last 3 years	up to 30	up to 25	up to 15	up to 5
D	9% or more in the current year	up to 10	up to 10	up to 5	Nil

The table below sets forth the details of the dividends declared by us on our Equity Shares during the last three fiscal years:

Fiscal Year	**No. of shares**	**Dividend per Equity Share (₹)**	**Total Amount of Dividend Declared (₹ in millions)***
2015**	529,450,209	4.0	2,117.80
2014	525,446,484	3.50	1,839.06
2013	522,677,706	3.0	1,568.03

Note: 1) The Bank has a policy of paying dividend on all outstanding Equity Shares as of the record date, at the rates approved in the AGM. Hence, Equity Shares allotted after the date of the balance sheet until the record date for declaration of dividend are also paid dividend.
**Note: Amounts do not include dividend distribution tax.*
*** Note: The declaration and payment of dividend for Fiscal Year 2015 is subject to the approval of the shareholders of the Bank at the next AGM.*

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future. The form, frequency and amount of future dividends will depend on our revenues, cash flows, financial condition (including capital position) and other factors and shall be at the discretion of our Board and subject to the approval of our shareholders.

For a summary of certain Indian and United States federal tax consequences of dividend distributions to shareholders, see the section “Taxation”.

SELECTED STATISTICAL INFORMATION

The following unaudited information should be read together with our financial statements included in this Placement Document and the section "Management's Discussion and Analysis of Financial Condition and Results of Operations". Our financial statements have been prepared in accordance with Indian GAAP. Footnotes appear at the end of each related section of tables. Certain information included in this section has been derived from the periodic returns filed with the RBI which are based on our books of account and underlying records.

Average Balance Sheet

The table below presents the average balances for interest-earning assets and interest-bearing liabilities together with the related interest income and expense amounts, resulting in the presentation of the average yields and cost for each period. The average yield on average interest-earning assets is the ratio of interest income 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 provisions for credit losses. We have not recalculated tax exempt income on a tax equivalent basis.

	Year ended March 31,								
	2013			2014			2015		
	Average Balance[1]	Interest Income/ Expense	Average Yield/ Cost (%)	Average Balance[1]	Interest Income/ Expense	Average Yield/ Cost (%)	Average Balance[1]	Interest Income/ Expense	Average Yield/ Cost (%)
	(in ₹ million, except percentages)								
Interest earning assets:									
Advances	410,228.90	56,103.00	13.68%	492,827.82	66,273.54	13.45%	593,254.32	77,169.08	13.01%
Investments	167,988.43	12,824.98	7.63%	194,510.30	14,770.26	7.59%	224,753.11	16,804.20	7.48%
Others[2]	15,579.04	904.34	5.80%	22,458.52	1,491.54	6.64%	42,008.17	2,946.36	7.01%
Total interest earning assets	**593,796.37**	**69,832.32**	**11.76%**	709,796.64	**82,535.34**	**11.63%**	**860,015.60**	**96,919.64**	**11.27%**
Non-interest earning assets:									
Fixed assets	7,031.67			7,927.60			10,951.50		
Other assets[3]	50,398.94			61,481.86			72,293.85		
Total non-interest earning assets	**57,430.61**			**69,409.46**			**83,245.35**		
Total assets	**651,226.98**	**69,832.32**	**10.72%**	**779,206.10**	**82,535.34**	**10.59%**	**943,260.95**	**96,919.64**	**10.27%**
Interest bearing liabilities:									
Deposits	475,066.50	40,267.83	8.48%	535,001.05	43,824.05	8.19%	661,696.15	51,720.60	7.82%
Borrowings[4]	89,827.08	7,235.83	8.06%	134,538.01	9,804.17	7.29%	145,324.35	10,996.28	7.57%
Total interest bearing liabilities	**564,893.58**	**47,503.66**	**8.41%**	**669,539.06**	**53,628.22**	**8.01%**	**8,07,020.50**	**62,716.88**	**7.77%**
Other liabilities[5]	25,993.77			25,079.68			36,300.27		
Capital and reserves	60,339.63			84,587.36			99,940.18		
Total non-interest bearing liabilities and capital	**86,333.40**			**109,667.04**			**136,240.45**		
Total capital and liabilities	**651,226.98**	**47,503.66**	**7.29%**	**779,206.10**	**53,628.22**	**6.88%**	**943,260.95**	**62,716.88**	**6.65%**

(1) Average Balance is computed as the simple average of the monthly balances extracted from the monthly returns in Form X filed with the RBI which is from books of accounts.
(2) Excludes balances with RBI held for CRR which do not carry interest.
(3) Includes balances with RBI held for CRR which do not carry interest.
(4) Includes subordinate debt in nature of Tier II bonds and Upper Tier II bonds issued.
(5) Excludes subordinate debt in nature of Tier II bonds and Upper Tier II bonds.

Analysis of Changes in Interest Income and Interest Expense by Volume and Rate

The following tables set forth, for the periods indicated, the analysis of the changes in our interest income and interest expense due to changes in average volume and changes in average rates.

Fiscal year ended March 31, 2014 as compared to Fiscal year ended March 31, 2013:

	Year ended March 31, 2013			Year ended March 31, 2014			Year ended March 31, 2014 vs. Year ended March 31, 2013		
	Interest Income/ Expense	Average Balance	Average Yield/ Cost (%)	Interest Income/ Expense	Average Balance	Average Yield/ Cost (%)	Net Change in Interest Income / Expense	Increase (Decrease) due to change in Average Volume	Increase (Decrease) due to change in Average Rate
	(in ₹ million, except percentages)								
Interest income:									
Advances	56,103.00	410,228.90	13.68%	66,273.54	492,827.82	13.45%	10,170.54	11,299.53	(1,128.99)
Investments	12,824.98	167,988.43	7.63%	14,770.26	194,510.30	7.59%	1,945.28	2,023.62	(78.34)
Others	904.34	15,579.04	5.80%	1,491.54	22,458.52	6.64%	587.20	399.01	188.19
Total interest earning assets	**69,832.32**	**593,796.37**	**11.76%**	**82,535.34**	**709,796.64**	**11.63%**	**12,703.02**	**13,722.16**	**(1,019.14)**
Interest expenses:									
Deposits	40,267.83	475,066.50	8.48%	43,824.05	535,001.05	8.19%	3,556.22	5,082.45	(1,526.23)
Borrowings, including subordinated Tier II and Upper Tier II bonds	7,235.83	89,827.08	8.06%	9,804.17	134,538.01	7.29%	2,568.34	3,603.70	(1035.36)
Total interest bearing liabilities	**47503.66**	**564,893.58**	**8.41%**	**53,628.22**	**669,539.06**	**8.01%**	**6,124.56**	**8,686.15**	**(2,561.59)**
Change in Net Interest Income							**6,578.46**	**5,036.01**	**1,542.45**

Average Balance is computed as the simple average of the monthly balances extracted from the monthly returns in Form X filed with the RBI which is from books of accounts.
The changes in net interest income between periods have been reflected as attributed either to volume or rate changes.
Change in Average Volume represents the difference between the Average Balance for the year ended March 31, 2014 over the Average Balance for the year ended March 31, 2013.
Increase (Decrease) due to change in Average Volume represents the Change in Average Volume multiplied by the Average Yield / Cost (%) for the year ended March 31, 2013.
Increase (Decrease) due to change in Average Rate is the difference between Net Change in Interest Income / Expense and the Increase (Decrease) due to change in Average Volume.

Fiscal year ended March 31, 2015 as compared to Fiscal year ended March 31, 2014:

	Year ended March 31, 2014			Year ended March 31, 2015			Year ended March 31, 2015 vs. Year ended March 31, 2014		
	Interest Income/ Expense	Average Balance	Average Yield/ Cost (%)	Interest Income/ Expense	Average Balance	Average Yield/ Cost (%)	Net Change in Interest Income/ Expense	Increase (Decrease) due to change in Average Volume	Increase (Decrease) due to change in Average Rate
	(in ₹ million, except percentages)								
Interest income:									
Advances	66,273.55	492,827.82	13.45%	77,169.08	593,254.32	13.01%	10,895.54	13,507.36	(2,611.83)
Investments	14,770.26	194,510.30	7.59%	16,804.20	224,753.11	7.48%	2,033.94	2,295.43	(261.49)
Others	1,491.54	22,458.52	6.64%	2,946.36	42,008.17	7.01%	1,454.82	1,298.10	156.72
Total interest-earning assets	**82,535.34**	**709,796.64**	**11.63%**	**96,919.64**	**860,015.60**	**11.27%**	**14,384.30**	**17,100.89**	**(2,716.60)**
Interest expenses:									
Deposits	43,824.05	535,001.05	8.19%	51,720.60	661,696.15	7.82%	7,896.55	10,376.33	(2,479.78)
Borrowings, including subordinate debt in nature of Tier II and Upper Tier II bonds	9,804.17	134,538.01	7.29%	10,996.28	145,324.35	7.57%	1,192.11	786.32	405.79
Total interest-bearing liabilities	**53,628.22**	**669,539.06**	**8.01%**	**62,716.88**	**807,020.50**	**7.77%**	**9,088.66**	**11,162.65**	**(2,073.99)**
Change in Net Interest Income							**5,295.64**	**5,938.24**	**(642.60)**

Average Balance is computed as the simple average of the monthly balances extracted from the monthly returns in Form X filed with the RBI which is from books of accounts.
The changes in net interest income between periods have been reflected as attributed either to volume or rate changes.
Change in Average Volume represents the difference between the Average Balance for the year ended March 31, 2015 over the Average Balance for the year ended March 31, 2014.
Increase (Decrease) due to change in Average Volume represents the Change in Average Volume multiplied by the Average Yield / Cost (%) for the year ended March 31, 2014.
Increase (Decrease) due to change in Average Rate is the difference between Net Change in Interest Income / Expense and the Increase (Decrease) due to change in Average Volume.

Financial indicators

The following table sets forth, for the periods indicated, the yields, spreads, interest margins and other financial indicators.

	Year ended March 31,		
	2013	2014	2015
	(in ₹ million, except percentages)		
Average interest earning assets [1]	593,796.37	709,796.64	860,015.60
Average interest bearing liabilities[2]	564,893.58	669,539.06	807,020.50
Average total assets[3]	651,226.98	779,206.10	943,260.95
Average shareholders' equity[4]	59,699.69	80,316.28	93,373.09
Average interest-earning assets as a percentage of average total assets (%)	91.18%	91.09%	91.17%
Average interest-bearing liabilities as a percentage of average total assets (%)	86.74%	85.93%	85.56%
Average interest-earning assets as a percentage of average interest-bearing liabilities (%)	105.12%	106.01%	106.57%

	Year ended March 31,		
	2013	2014	2015
	(in ₹ million, except percentages)		
Yield (%) [5]	11.76%	11.63%	11.27%
Cost of Funds (%)[6]	8.41%	8.01%	7.77%
Spread (%)[7]	3.35%	3.62%	3.50%
Net Interest Margin (%)[8]	3.43%	3.71%	3.63%
Return on Assets (%) [9]	1.63%	1.81%	1.90%
Return on Equity (%) [10]	17.78%	17.53%	19.21%
Cost to Income Ratio (%) [11]	48.84%	45.71%	46.80%
Revenue per Employee[12]	3.1	3.1	3.0

(1) Average interest earning assets is the simple average of the monthly balances of interest earning assets, extracted from the monthly returns in Form X filed with the RBI which is from books of accounts
(2) Average interest bearing liabilities is the simple average of the monthly balances of interest bearing liabilities, extracted from the monthly returns in Form X filed with the RBI which is from books of accounts
(3) Average total assets is the simple average of the monthly total assets, extracted from the monthly returns in Form X filed with the RBI which is from books of accounts
(4) Average shareholders' equity is the simple average of the balances of shareholders' equity at the beginning and at the end of the period. Shareholders' equity consists of Share Capital, ESOS outstanding, Reserves and Surplus excluding Revaluation Reserves.
(5) Yield is the ratio of interest income to average interest earning assets.
(6) Cost of Funds is the ratio of interest expense to average interest bearing liabilities.
(7) Spread is the absolute difference between Yield and Cost of Funds.
(8) Net Interest Margin is the ratio of Net Interest Income to the average total assets. Net Interest Income is the excess of interest income over interest expense.
(9) Return on Assets is the ratio of Net Profit to average total assets.
(10) Return on Equity is the ratio of Net Profit to average shareholders' equity.
(11) Cost to Income Ratio is the ratio of Operating Expenditure to Total Revenue. Operating Expenditure does not include Interest Expenditure or Provisions and Contingencies. Total Revenue is the sum of Net Interest Income and Other Income.
(12) Revenue per Employee is computed by dividing Total Revenue into the number of employees as at the end of the period.

Deposits

The following table sets forth, for the dates indicated, our outstanding deposits and the percentage composition by each category of deposits.

	As of March 31,					
	2013		2014		2015	
	Amount	%	Amount	%	Amount	%
	(in ₹ million, except percentages)					
Current Accounts (CA)	88,345.56	16.32%	97,756.64	16.16%	123,560.25	16.66%
Savings Accounts (SA)	70,328.02	13.00%	99,152.50	16.39%	129,435.69	17.46%
CASA	**158,673.58**	**29.32%**	**196,909.14**	**32.55%**	**252,995.94**	**34.13%**
Term deposits	382,493.57	70.68%	408,113.71	67.45%	488,347.70	65.87%
Total Deposits	**541,167.15**	**100.00%**	**605,022.85**	**100.00%**	**741,343.64**	**100.00%**

Borrowings

The following table sets forth, for the periods indicated, information related to our borrowings, which comprised primarily of money-market borrowings and refinances mainly from NABARD and SIDBI. Borrowings exclude deposits and securities sold under repurchase agreements.

	Year ended March 31,		
	2013	**2014**	**2015**
	(in ₹ million, except percentages)		
Year end balance	94,595.56	147,619.57	206,180.56
Average balance during the year[(1)]	89,827.08	134,538.01	145,324.35
Interest expense	7,235.83	9,804.17	10,996.28
Average interest rate during the year[(2)] (%)	8.06%	7.29%	7.57%

(1) Average is the simple average of the monthly balances of borrowings, extracted from the monthly returns in Form X filed with the RBI (which is from books of accounts).

(2) Represents the ratio of interest expense on borrowings to the average balances of borrowings.

Subordinated Debt

We obtain funds from the issuance of unsecured non-convertible subordinated debt securities, which qualify as Tier II capital under RBI guidelines for assessing capital adequacy. As of March 31, 2015, our outstanding subordinated debt aggregated ₹5,350.00 million.

The following table sets forth information with respect to subordinated Tier II bonds issued by us, and are outstanding as of March 31, 2015:

Date of Allotment	Rate of Interest	Date of Redemption	Amount *(in ₹ million)*
December 30, 2005	8.40%	May 30, 2015	1,150.00
March 31, 2010	9.50%	June 30, 2015	4,200.00
Total			**5,350.00**

Upper Tier II Capital

We have issued Upper Tier II instruments qualifying for Tier II capital to increase our capital adequacy ratio and fund our growing operations. As of March 31, 2015, we had ₹3,089.00 million of aggregate amounts of Upper Tier II instruments outstanding which qualified as Tier II capital.

The following table sets forth information with respect to Upper Tier II instruments issued by us, and outstanding as of March 31, 2015:

Date of Allotment	Number of Debentures	Rate of Interest	Date of Redemption	Amount (in ₹ million)
March 31, 2006	1,000	9.60% p.a. up to first 10 years and 10% p.a from 11th year	March 30, 2021	1,000.00
September 30, 2006	802	10.25% p.a. up to first 10 years and 10.75% p.a from 11th year	September 30, 2021	802.00
December 23, 2006	1,287	9.75% p.a. up to first 10 years and 10.25% p.a from 11th year	December 23, 2021	1,287.00
Total	3,089			**3,089.00**

Investment Portfolio

The following tables set forth, as of the dates indicated, information related to book value of our net investments:

	As of March 31, 2013			As of March 31, 2014			As of March 31, 2015		
	Held to Maturity	**Available for Sale**	**Held for Trading**	**Held to Maturity**	**Available for Sale**	**Held for Trading**	**Held to Maturity**	**Available for Sale**	**Held for Trading**
					(₹ million)				
Government securities	120,609.1	20,473.5	-	126,225.9	27,574.2	-	112,592.1	66,469.2	-
Other approved securities	-	-	-	-	-	-	-	-	-
Shares	47.5	532.8	-	47.5	479.4	-	47.5	232.2	-
Debentures and bonds	-	7,538.5	-	-	13,903.1	-	-	16,256.6	-
Subsidiaries and joint ventures	5.0	-	-	5.0	-	-	5.0	-	-
Others - Deposits under RIDF scheme with NABARD, Security Receipts/Pass Through Certificates, investment in units of Mutual Funds, Commercial Paper, etc.	13,829.5	33,505.8	-	16,432.6	30,961.8	-	19,810.3	33,180.8	-
Total	**134,491.1**	**62,050.6**	-	**142,711.0**	**72,918.5**	**-**	**132,454.9**	**116,138.8**	**-**

Asset Liability Gap

The following table sets forth our asset-liability gap position with respect to INR assets and liabilities as of March 31, 2015 prepared in line with RBI guidelines on asset liability management:

OUT FLOWS	Next Day	2 days to 7 days	8 days to 14 days	15 days to 28 days	29 days and up to 3 months	Over 3 months & up to 6 months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
						(in ₹ million)					
Capital	-	-	-	-	-	-	-	-	-	5,576.87	5,576.87
Reserves & Surplus	-	-	-	-	-	-	-	-	-	100,260.12	100,260.12
Deposits	4,035.49	32,258.51	22,292.56	22,005.60	148,345.95	65,730.28	91,014.37	80,063.19	21,592.52	223,604.79	710,943.27
Borrowings	0.20	30,501.00	-	-	1,750.00	10,291.91	26,666.67	57,036.64	-	8,089.00	134,335.43
Other Liabilities*	4,370.26	4,436.95	253.18	55.20	1,131.60	157.32	3,113.29	6,008.94	-	11,431.97	30,958.71
A. Total Outflows	**8,405.95**	**67,196.46**	**22,545.73**	**22,060.80**	**151,227.55**	**76,179.52**	**120,794.33**	**143,108.77**	**21,592.52**	**348,962.75**	**982,074.39**

IN FLOWS	Next Day	2 days to 7 days	8 days to 14 days	15 days to 28 days	29 days and up to 3 months	Over 3 months & up to 6 months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Cash	6,711.98	-	-	-	-	-	-	-	-	-	6,711.98
Balances with RBI	-	-	-	,966.81	979.84	6,683.33	3,113.79	4,052.60	3,564.98	11,278.09	33,639.44
Balances with other Banks	4,538.37	3,218.20	223.30	410.80	1,995.40	5,124.60	26,170.44	14,334.55	1,547.50	-	57,563.16
Investments	-	26,334.57	66,727.37	-	36,006.97	13,972.38	33,488.63	30,638.49	44,532.30	63,903.01	315,603.72
Advances	7,357.37	27,935.67	26,005.05	6,693.48	32,918.96	35,943.12	58,902.76	288,355.00	66,395.86	53,120.16	603,627.43
Fixed Assets	-	-	-	-	-	-	-	-	-	11,575.77	11,575.77
Other Assets*	5,091.04	2.17	8,623.29	-	423.35	1,877.93	1,738.99	566.64	-	3,386.79	21,710.19
B. Total Inflows	**23,698.76**	**57,490.62**	**101,579.01**	**11,071.09**	**72,324.52**	**63,601.36**	**123,414.61**	**337,947.28**	**116,040.63**	**143,263.83**	**1,050,431.70**
C - GAP (B-A).........	**15,292.81**	**(9,705.84)**	**79,033.28**	**(10,989.71)**	**(78,903.03)**	**(12,578.16)**	**2,620.27**	**194,838.52**	**94,448.11**	**(205,698.92)**	**68,357.31**

* Other Liabilities and Other Assets do not include interest accrued

Loan Portfolio

As of March 31, 2015, our gross loan portfolio was ₹691,406.44 million. As of each date, almost all our gross loans are to borrowers in India and are denominated in Indian Rupees. For a description of our corporate and retail loan products, see "Our Business".

The following table sets forth, for the dates indicated, our net loan portfolio classified by product groups:

	As of March 31,		
Classification of Loans and Advances	**2013**	**2014**	**2015**
		(in ₹ Million)	
Cash credits, overdrafts and loans repayable on demand	107,752.23	144,967.42	177,349.92
Term loans	323,925.17	385,570.98	492,286.98
Bills purchased and discounted	11,528.70	20,479.96	18,245.09
Total	**443,206.10**	**551,018.36**	**687,881.99**

Business Unit-wise Yield on Loans

The following table sets forth, for the periods indicated, our net loan portfolio and yield on loans for the fiscal year, for each of our client segments:

	Loans March 31, 2013[(1)]	**Yield Fiscal year 2012-13[(2)]**	**Loans March 31, 2014[(1)]**	**Yield Fiscal year 2013-14[(2)]**	**Loans March 31, 2015[(1)]**	**Yield Fiscal year 2014-15[(2)]**
Corporate and Commercial Banking	219,195.70	11.57%	303,172.03	11.60%	403,757.55	11.01%
Consumer Finance Division	224,010.40	16.02%	247,846.34	15.63%	284,124.44	15.95%

(1) Loans represent the amount of net loans outstanding as of the date specified.

(2) Yield is the ratio of interest earned during the fiscal year to the Average Balance of net loan outstanding, where Average Balance is computed as the simple average of the monthly balances extracted from the monthly returns in Form X filed with the RBI which is from books of accounts.

Concentration of Loans

Our total loan portfolio consists of two broad segments: corporate loans, including loans to small and medium enterprises, or SMEs, and consumer finance loans, including vehicle financing loans. Year-wise distribution of the loans according to the above segments is as follows:

	As of March 31,					
	2013		2014		2015	
	Loans	%	Loans	%	Loans	%
	(in ₹ million, except percentages)					
Consumer Finance Division	224,010.40	50.54%	247,846.33	44.98%	284,124.44	41.30%
Corporate and Commercial Banking	219,195.70	49.46%	303,172.03	55.02%	403,757.55	58.70%
Total Outstanding Net Loans	**443,206.10**	**100.00%**	**551,018.36**	**100.00%**	**687,881.99**	**100.00%**

The following table sets forth, at the dates indicated, our outstanding gross fund-based loans categorized by activity.

	As of March 31,					
Customers	2013		2014		2015	
	Loans	%	Loans	%	Loans	%
	(in ₹ million, except percentages)					
Commercial vehicles	1,217,800	27%	1,168,543	21%	1,257,139	18%
Multi Utility vehicles	179,667	4%	206,023	4%	202,798	3%
Construction equipment	272,377	6%	287,218	5%	282,927	4%
Cars	206,136	5%	265,010	5%	315,718	5%
Two wheelers	194,946	4%	254,759	5%	285,283	4%
Infrastructure	163,511	4%	144,657	3%	269,379	4%
Construction	119,673	3%	175,046	3%	153,260	2%
Chemicals	134,619	3%	116,434	2%	115,331	2%
Textiles	31,736	1%	52,059	1%	49,884	1%
Sugar, tea, food processing	26,737	1%	78,076	1%	77,604	1%
Others	1,916,961	43%	2,806,033	51%	3,904,742	56%
Total loans outstanding	**4,464,163**	**100%**	**5,553,858**	**100%**	**6,914,064**	**100%**

Recognition of Non-Performing Assets

As a commercial bank operating in India, we recognize NPAs strictly in accordance with the RBI's guidelines. The guidelines require Indian banks to classify their NPAs into three categories, as described below, based on the period for which the asset has remained non-performing and the estimated realization of amounts due in relation to such asset. Further, the NPA classification is at the borrower level, rather than at the facility level, and, accordingly, if one of the loans granted to a borrower becomes non-performing, such borrower is classified as non-performing and all loans due from it are so classified.

Substandard Assets

An asset becomes non-performing if interest and/or instalment of principal in relation thereto remain overdue for more than 90 days (an exception to this rule is that loans to agricultural borrowers are classified as non-performing only if the loan remains overdue for more than two harvest seasons). With effect from March 31, 2005, and in accordance with RBI guidelines, a substandard asset is an asset that has remained non-performing for a period of up to 12 months.

Doubtful Assets

With effect from March 31, 2005, in accordance with RBI guidelines, a doubtful asset is an asset that has remained non-performing for a period exceeding one year. Further, with effect from March 31, 2005, doubtful assets are to be classified further into Doubtful-I, Doubtful-II and Doubtful-III, depending on the period such assets has been classified as doubtful, in the following manner:

(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; and
(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

In accordance with the RBI guidelines, a loss asset is an asset that is considered irrecoverable with little or no salvage value.

In cases of serious credit impairment, an asset is required to be immediately classified as doubtful or as a loss asset, as appropriate. Further, erosion in the value of the security provided may also be considered significant when the realizable value of the security is less than 50% of the value as assessed by us or as accepted by the RBI at the time of the last inspection of the security, as the case may be. In such a case, the assets secured by such impaired security may immediately be classified as doubtful. If the realizable value of the security, as assessed by our appraisers or by the RBI, is less than 10% of the amount outstanding from the borrower providing such security, the value of the security is ignored and the asset is immediately classified as a loss, which is either written off or fully provided for.

The table below sets forth our NPA position as of the dates specified.

	As of March 31,		
	2013	2014	2015
	(in ₹ million, except percentages)		
Sub-standard loans:			
Amount	2,408.92	2,744.67	1,980.29
As a percentage of total NPAs	52.62%	44.21%	35.18%
Doubtful loans:			
Amount	2,727.11	3,187.02	3,373.12
As a percentage of total NPAs	46.47%	51.34%	59.92%
Loss loans:			
Amount	41.74	276.17	275.79
As a percentage of total NPAs.....	0.91%	4.45%	4.90%
Gross NPAs	**4,577.77**	**6,207.86**	**5,629.21**

The following table sets forth, for the periods indicated, information about our NPA portfolio:

	As of or for the year ended March 31,								
	2013			2014			2015		
	(in ₹ million, except percentages)								
	Total	**CCB**	**CFD**	**Total**	**CCB**	**CFD**	**Total**	**CCB**	**CFD**
Opening balance at the beginning of the period	3,470.76	1,092.56	2,378.20	4,577.77	1,987.64	2,590.13	6,207.86	3,093.41	3,114.45
Additions during the period	4,466.21	2,177.82	2,288.38	6,242.41	1,686.56	4,555.85	8,872.99	4,005.12	4,867.86
Less: Reductions during the period on account of recovery and write-offs	3,359.20	1,282.74	2,076.46	4,612.33	580.79	4,031.53	9,451.63	4,754.19	4,697.44
Gross NPAs at the close of the period	4,577.77	1,987.64	**2,590.13**	6,207.86	3,093.41	3,114.45	5,629.21	2,344.34	3,284.87
Net NPAs	1,367.60			1,840.49			2,104.76		
Gross loans[(1)]	446,416.28			555,385.72			691,406.44		
Net loans[(2)]	443,206.10			551,018.36			667,881.99		
Gross NPAs / Gross loans (%)	1.03%			1.12%			0.81%		
Net NPAs / Net Loans (%)	0.31%			0.33%			0.31%		
Total provisions as a percentage of gross NPAs (%)	**70.13%**			**70.35%**			**62.61%**		

(1) Gross loans is the total loan outstanding as of a date without reducing the provisions made for non-performing assets.
(2) Net loans is the total loan outstanding as of a date reduced by the provisions made for non-performing assets.

Analysis of Non-Performing Loans by Industry Sector

		As of March 31,					
		2014			2015		
		(in ₹ million, except percentages)					
S. No.	Sector	Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances	Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances
A	**Priority Sector**						
1	Agriculture and allied activities	52,165.6	583.4	1.12%	79,847.3	551.2	0.69%
2	Advances to industries sector eligible as priority sector lending	5,623.2	60.8	1.08%	10,824.0	5.5	0.05%
	Of which:						
a)	*Gems and Jewellery*	69.5	-	-	*3,274.3*	-	-
b)	*Construction (Other than Infrastructure)*	12.2	-	-	*19.5*	-	-
c)	*Power*	-	-	-	*5.6*	-	-
3	Services	124,288.2	1,502.9	1.21%	138,995.5	1,677.7	1.21%
4	Personal loans	627.4	21.1	3.36%	506.2	47.6	9.40%
	Sub-total (A)	182,704.4	2,168.2	1.19%	230,173.0	2,282.0	0.99%
B	**Non Priority Sector**						
1	Agriculture and allied activities	-	-	-	-	-	-
2	Industry	117,495.4	1,707.0	1.45%	133,010.7	1,037.0	0.78%
	Of which:						
a)	*Gems and Jewellery*	*10,882.4*	*348.0*	*3.20%*	*13,326.2*	*348.0*	*2.61%*
b)	*Construction (Other than Infrastructure)*	*17,492.4*	*463.5*	*2.65%*	*15,326.0*	*115.5*	*0.75%*
c)	*Power*	*10,491.2*	-	-	*24,389.7*	-	-
3	Services	235,099.5	1,198.7	0.51%	300,177.6	1,210.7	0.40%
4	Personal loans	20,086.5	1,134.0	5.65%	28,045.1	1,099.5	3.92%
	Sub-total (B)	372,681.4	4,039.7	1.08%	461,233.4	3,347.2	0.73%
	Total (A+B)	**555,385.8**	**6,207.9**	**1.12%**	**691,406.4**	**5,629.2**	**0.81%**

The table below sets out product-wise Gross NPAs in our consumer finance division as of the dates specified.

	As of March 31,					
	2013		2014		2015	
	(in ₹ million, except percentages)					
	Outstanding Total Advances	Gross NPAs	Outstanding Total Advances	Gross NPAs	Outstanding Total Advances	Gross NPAs
Commercial Vehicles	1,012.27	1.01%	1,334.72	1.38%	1,355.38	1.27%
Utility Vehicles	158.23	0.88%	179.50	0.87%	219.48	1.08%
Construction Equipment	318.86	1.17%	372.88	1.30%	408.11	1.44%
Small Commercial Vehicles	179.80	0.84%	179.24	0.92%	170.48	0.92%
2-Wheelers	574.75	2.95%	636.91	2.50%	720.69	2.53%
Car	150.23	0.73%	138.12	0.52%	176.82	0.56%

Gross NPA in percentage terms is computed as Gross NPA as percentage to Gross Advances of the respective products of consumer finance division.

Provisions for NPAs

The following table sets forth, for the periods indicated, movements in our provisions against NPAs:

Particulars	For the year ended March 31,		
	2013	2014	2015
	(in ₹ million, except percentages)		
NPA Provisions:			
Total NPA provisions at the beginning of the year	2,524.1	3,210.2	4,367.4
Additions during the year	2,517.5	3,568.5	6,845.5
Reductions during the year on account of recovery and write-offs	1,831.4	2,411.3	7,688.5
Total NPA provisions at the end of the year	**3,210.2**	**4,367.4**	**3,524.4**

Non Accrual Policy

When an asset is classified as non-performing, interest accrual thereon is stopped and the unrealized interest is reversed by a debit to our profit and loss account. In accordance with RBI guidelines, interest realized on NPAs may be credited as income, provided that the interest does not come out of additional credit facilities sanctioned to the borrower. The RBI has also stipulated that in the absence of a clear agreement between us 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, our policy is to appropriate the same against interest. If any of a borrower's loans are classified as an NPA, all loans to such borrower are classified as NPAs.

For more information on the recognition and provisioning of NPAs, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Advances".

Policy for making Provisions for Non-Performing Assets

The RBI policy on provisioning for NPAs is described below.

Substandard assets......................................	15% of the amount outstanding and in respect of "unsecured exposures" identified as "substandard" an additional provision of 10% of the amount outstanding
Doubtful assets...	Doubtful-I — 100% of the unsecured portion and 25% of the secured portion Doubtful-II — 100% of the unsecured portion and 40% of the secured portion Doubtful-III — 100% of the unsecured portion and 100% of the secured portion
Loss assets..	100% to be provided or written-off.

We follow the policy on NPA provisioning prescribed by the RBI.

The tables below set out our credit cost as of the dates specified.

	As of March 31,		
	2013	2014	2015
	(in ₹ million, except percentages)		
A. Bad debts written off and provisions for NPA – corporate loan book	1,165.1	937.0	1,437.2
B. Bad debts written off, diminution in value/loss on sale of repossessed vehicles and provisions for NPA – consumer finance loan book	1,031.0	1,699.7	1,951.9
Total credit costs (A+B)	**2,196.1**	**2,636.7**	**3,389.1**
Credit costs (basis points on net advances)	**50**	**48**	**49**

Floating provisions

As on March 31, 2015, we do not carry any floating provision in our books.

Provisions on standard loans

In accordance with RBI guidelines, general provision on standard assets is made at the following rates:

(a) At 1% on standard advances to Commercial Real Estate Sector;
(b) At 0.25% on standard direct advances to SME and Agriculture; and
(c) At 0.40% of the balance outstanding in other standard assets.

Standard assets provision also includes additional provision made on restructured standard assets in compliance with RBI guidelines.

As per RBI guidelines from fiscal year 2015 Bank has also created provision on Unhedged Foreign Currency Exposure on account of the risk of loss arising out of adverse movements in foreign exchange rates affecting both on-balance sheet and off-balance sheet exposures of the customers

NPA Strategy

We have utilized the SARFAESI Act to enforce our security charged to us in case of defaulting borrowers as well to take appropriate portfolio intervention such as the sale of non-performing loans to specialized asset reconstruction companies. We have also restructured loans to customers who have faced cash flow problems causing delay or default in servicing their loan obligations.

Restructuring of Debt

In case of restructured or rescheduled accounts we make provisions for the sacrifice against erosion diminution in fair value of restructured loans, in accordance with the general framework of restructuring of advances issued by the RBI.

The erosion in fair value of advances is computed as difference between the fair values of the loan before and after restructuring.

The fair value of the loan before restructuring is computed as the present value of cash flows representing the interest at the existing rate charged on the advance before restructuring and the principal, discounted at a rate equal to our BPLR or Base Rate as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring.

The fair value of the loan after restructuring is computed as the present value of cash flows representing the interest at the rate charged on the advance on restructuring and the principal, discounted at a rate equal to our BPLR or Base Rate as of the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring.

	As on March 31, 2013		As on March 31, 2014		As on March 31, 2015	
Particulars	**No. of accounts**	**Amount**	**No. of accounts**	**Amount**	**No. of accounts**	**Amount**
	(in ₹ million, except percentages and number of restructured advances)					
Restructured Advances	10	1,141.68	12	1,843.94	15	3,669.08
Net Advances		443,206.10		551,018.37		687,881.99
% of Restructured Advances to Net Advances		0.26%		0.33%		0.53%

Network

Following table sets forth, the extent of our branch and ATM network, on the dates specified:

	March 31, 2013	March 31, 2014	March 31, 2015
Branch Network*	500	602	801
ATMs	882	1,110	1,487

* includes 44 specialized branches in March 31, 2013 and March 31, 2014 and 58 specialized branches in March 31, 2015

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

The following discussion and analysis of our financial condition and results of operations is based on our audited financial statements as of and for the years ended March 31, 2015, March 31, 2014 and March 31, 2013, which appear elsewhere in this Placement Document. Our audited financial statements as of and for the year ended March 31, 2015 are subject to adoption by our shareholders in accordance with applicable law at the next annual general meeting.

You should read this discussion of our financial condition and results of operations together with the financial statements included elsewhere in this Placement Document, along with the section "Selected Statistical Information", which presents important statistical information about our business. Our actual results and the timing of selected events could differ materially from those anticipated in forward-looking statements contained in this discussion as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this Placement Document. See the section "Forward-Looking Statements".

Our fiscal year ends on March 31 of each year, so all references to a particular "fiscal year" are to the 12-month period ended March 31 of that year. For a description of our business, see the section "Our Business". The following discussion is based on our financial statements, which have been prepared by us in accordance with Indian GAAP, which change from time to time. Certain information included in this section has been derived from the periodic returns filed with the RBI which are based on our books of account and underlying records. We do not provide a reconciliation of our financial statements to IFRS or U.S. GAAP and we have not otherwise quantified or identified the impact of the differences between Indian GAAP and IFRS and U.S. GAAP as applied to our financial statements. As there are significant differences between Indian GAAP and IFRS and U.S. GAAP, there may be substantial differences in our results of operations, cash flows and financial condition if we were to prepare our financial statements in accordance with IFRS or U.S. GAAP instead of Indian GAAP.

Overview

We are a private sector bank in India and provide a wide range of banking and financial products and services to individual consumers and corporate and commercial entities ranging from small businesses to large companies and government entities. Our activities are organized into the following business units:

- Consumer banking;
- Corporate and commercial banking;
- Global markets; and
- Transaction banking.

We provide a wide range of products and services aimed at different kinds of consumers and companies. We serve individual consumers and corporate and commercial entities ranging from small businesses to large companies and government entities and offer deposit and lending products and services and fee-based products and services. In addition, we seek to obtain new customer relationships through branch network expansion and scale our business through the expansion of our products and services and implementation of a customer-friendly environment that is responsive to the customer's needs. We are a leading financier of certain categories of commercial vehicles and we provide financial services across the vehicle supply chain, including vehicle purchasers, manufacturers, dealers and suppliers. Our emphasis remains on enhancing our consumer banking franchise, including retail banking and vehicle financing, and adding and developing fee income businesses such as distribution of insurance, mutual funds and third-party mortgages, investment banking, foreign exchange and structured products, as well as higher margin lending businesses, such as credit cards, loans against property, business loans, personal loans, and loan against gold and gold jewellery, so as to expand our universal banking offering. We also seek to enter other banking businesses based on market demand and profitability. We also seek to continue to improve the quality of our balance sheet by maintaining a balanced mix of fixed rate loans, largely in our consumer finance division for financing vehicle purchases and in our consumer banking unit for certain loan products, and floating rate loans in our corporate and commercial business unit, and by managing our asset-liability maturity gap, while also right-pricing assets. We believe that this helps us to withstand interest rate volatility and also pass on interest rate movements to our floating rate loan customers. We also seek to continue to improve the ratio of our current and savings account deposits to total deposits, expressed as a percentage (or CASA percentage) by attracting additional retail customers and increasing current and savings account deposits, thereby reducing the cost of deposits and our reliance on bulk deposits and maintaining our credit deposit ratio.

We were established in 1994 as part of the select group of nine "New Private Sector Banks" licensed by the Government of India as part of its programme of economic liberalization. As of June 30, 2015, we were one of seven "New Private Sector Banks" operating in India.

In 2003, IndusInd Enterprises & Finance Limited, a non-banking financial company and one of our promoters at the time, merged with us. In 2004, Ashok Leyland Finance Limited, a non-banking financial company controlled by the Hinduja Group, merged with us. Such mergers served to expand our capital base. In addition, as a result of the merger with Ashok Leyland Finance Limited, we obtained a leadership position in consumer finance.

Several members of our senior management team joined us in February 2008, including our Managing Director & Chief Executive Officer and other members who joined us from a competitor foreign bank in India. The team formulated our growth strategy, which emphasized restructuring our balance sheet and business mix, improving operating efficiency, leveraging our distribution network and resources, deepening existing customer relationships, increasing our hiring of employees to support our strategy and expansion and improving our brand. Our current strategy is to gain market share in strategically-selected target businesses, customer segments and geographies while improving our productivity, profitability and efficiency parameters. We continue to focus on expanding our branch network, increasing our customer base and cross-selling products and services, maintaining our ratio of advances to deposits, maintaining our focus on asset quality, delivering innovative products and services and enhancing responsiveness in all aspects of our business.

Besides our financial statements, we use a variety of key metrics to measure our financial performance. We continue to measure our performance through our productivity, profitability and efficiency parameters. The following table sets out certain key metrics in our performance over the past three fiscal years:

	Fiscal year ended March 31,		
	2013	**2014**	**2015**
Net interest margin[1]	3.43	3.71	3.62
Cost to income[2]	48.84	45.71	46.80
Net NPAs[3]	0.31	0.33	0.31
Return on assets[4]	1.63	1.81	1.90
Return on equity[5]	17.78	17.53	19.21
Revenue per employee[6] (₹ million)	3.13	3.07	3.05

1. Net interest margin is the ratio of net interest income to average total assets, expressed as a percentage. Net interest income equals the difference in amount of interest income from interest-earning assets and the amount of interest expense for interest-bearing liabilities. The average total assets is the simple average of the monthly balances of total assets, extracted from the monthly returns in Form X filed with the RBI which is from books of accounts.
2. Cost to income is the ratio of operating expenses (which does not include interest paid or provisions and contingencies) to the sum of net interest income and other income, expressed as a percentage.
3. Net NPAs is the ratio of net NPAs to net advances, expressed as a percentage.
4. Return on assets is the ratio of net profit to average total assets, expressed as a percentage. The average total assets is the simple average of the monthly balances of total assets, extracted from the monthly returns in Form X filed with the RBI which is from books of accounts.
5. Return on equity is the ratio of net profit to average equity, expressed as a percentage. Equity includes share capital plus reserves and surplus plus employee stock options, minus revaluation reserves. Average equity is the simple average of the equity at the beginning and at the end of the period.
6. Revenue per employee is the ratio of the sum of net interest income and other income during the period divided by the number of our employees as of the end of such period.

We intend to continue to increase and diversify our customer base and delivery channels. We had 500, 602 and 801 branches as of March 31, 2013, March 31, 2014 and March 31, 2015, respectively. We plan to continue to increase the number of our branches over the next few years. We have also submitted applications to the RBI for opening an international finance service centre banking unit at Gujarat International Finance Tec-City, Gandhinagar, Gujarat and additional offices abroad.

In the fiscal years ended March 31, 2013, March 31, 2014 and March 31, 2015, our total income was ₹83,461.93 million, ₹101,440.63 million and ₹120,958.37 million, respectively, representing a CAGR of 20.39% for the three-year period ended on March 31, 2015. In the fiscal years ended March 31, 2013, March 31, 2014 and March 31, 2015, our net profit was ₹10,611.83 million, ₹14,080.22 million and ₹17,937.15 million, respectively, representing a CAGR of 30.01% for the three-year period ended on March 31, 2015. Our total assets have increased from ₹733,065.15 million as of March 31, 2013, to ₹870,259.31 million as of March 31, 2014, to ₹1,091,159.19 million as of March 31, 2015, representing a CAGR of 22.00% from March 31, 2013 to March 31, 2015.

Total Income

Our total income consists of interest earned and other income.

Interest earned includes interest on advances, income on investments and interest on balances with the RBI and other inter-bank funds. Income on investments consists of interest from securities and our other investments. We also earn interest income from deposits that we maintain with other banks. Our investment portfolio consists primarily of Government and state government securities. We meet SLR requirements through investments in these and other approved securities. We also hold debentures and bonds issued by companies, commercial paper, mutual fund units and security receipts issued by asset reconstruction companies. Our deposits under the Rural Infrastructure Development Fund scheme are also included under our investments. Our interest income is affected by fluctuations in interest rates as well as the volume of the activity. Interest rates are highly sensitive to many external factors beyond our control, including growth rates in the economy, inflation, money supply, the RBI's monetary policies, competition, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors.

Our other income consists principally of fee-based income, such as trade fees, commissions, processing fees, incidental charges such as account maintenance fees and sundry charges, net profit on the sale of investments, net profit on the sale of land, buildings and other assets, foreign exchange and brokerage income, including net profit from the sale of currency and interest rate derivatives and other structured products, income earned from dividends from companies in India and miscellaneous income which includes recovery from written-off accounts. Fee-based income includes income from activities of our global markets business unit which handles foreign exchange and derivative transactions, fees and charges for services in our transactional banking business unit, such as cash management services, remittance services, documentary credits, letters of credit and issuance of guarantees and general banking charges, service charges, processing fees on customer accounts, joining fees transaction fees on debit cards and credit cards. Fee-based income also includes commissions on sales of third-party products, such as insurance, third-party mortgage products and mutual funds and commissions on the sale of gold bullion and gold coins, however, we ceased the sale of gold coins in August 2013 after the RBI issued a circular prohibiting the import of gold coins. Our other income also includes account maintenance fees charged to our customers and processing fees on loans to customers, including on our newer loan products such as personal loans, gold loans, business loans and loans against property. We also earn fee-based income from investment banking services, which include origination, syndication and restructuring of debt, mergers and acquisitions advisory services, private equity placement and structured finance (including customized structured trade finance) provided to large and medium sized companies.

Expenditure

Our expenditure consists of interest expended, operating expenses and provisions and contingencies.

Our interest expended consists of the interest paid on deposits and borrowings, including on the RBI and other inter-bank borrowings, refinance from NABARD, SIDBI and other institutions, and on our subordinate debt and senior unsecured long-term infrastructure bonds. As part of our liquidity management, we seek financing from institutions such as SIDBI and NABARD from time to time in order to obtain a stable source of financing. Such sources are typically longer tenor borrowings on a fixed rate basis. Our interest expended is affected by fluctuations in interest rates, our deposit mix and business volumes. Our non-interest expenditure consists principally of operating expenses, which includes expenses for wages and employee benefits, lease rentals and related expenses such as electricity charges paid on premises, depreciation on fixed assets, insurance, repairs and maintenance, printing and stationery, advertising and publicity, auditors' and directors' professional fees and expenses, legal charges, postage and telecommunications and other expenses which include fees paid to third-party and outsourcing service providers. Our provisions towards standard assets, including for advances to clients with unhedged foreign currency exposure, provisions towards non-performing assets and write-off of bad loans, depreciation and provisions on investments and towards operational losses, including frauds, and income tax and other taxes are included in provisions and contingencies.

Financial Performance Indicators

Besides our financial statements, we use a variety of indicators to measure our financial performance. These indicators are presented in tables in the section "Selected Statistical Information". Our net interest income represents the difference in the amount of interest income earned from interest-earning assets and the amount of interest expense incurred on interest-bearing liabilities. Net interest margin for any given period represents the ratio of net interest income to average total assets, expressed as a percentage. The average total assets is the simple average of the monthly balances of total assets, extracted from the monthly returns in Form X filed with the RBI. We calculate, among others, (i) the yield on the average of advances, (ii) the yield on the average of investments, (iii) the cost of the average of deposits and (iv) the cost of the average of borrowings. Our cost of funds is our interest expended divided by our average total liabilities, expressed as a percentage. Interest expense includes the interest cost of the unsecured subordinated bonds that we issued for Tier II capital adequacy purposes. In our financial statements, these bonds are accounted for as subordinated debt and form part of our borrowings.

Factors Affecting Our Financial Results

The majority of our income comprises interest earned on credit facilities to clients, interest earned on investments and fee income. Our major expenses comprise interest expense on deposits and short-term borrowings and loans from banks and financial institutions, operating expenses and provisions and contingencies.

Our financial results will be influenced by macroeconomic factors, including growth and inflation in the Indian economy, and, in particular, factors affecting the transportation sector. We are also vulnerable to interest rate volatility and changes in banking regulation and fiscal policy. Our results will also depend on our ability to attract new customers and additional business volumes from existing and new customers. Our business is subject to various other risks and uncertainties, including those discussed in the section "Risk Factors".

The following is a discussion of certain factors that have had, and we expect will continue to have, a significant effect on our financial results.

Availability of cost-effective funding sources

Our current and savings account deposits as of March 31, 2013, March 31, 2014 and March 31, 2015 were ₹158,673.58 million, ₹196,909.15 million and ₹252,995.94 million, respectively, resulting in CASA percentages as of March 31, 2013, March 31, 2014 and March 31, 2015 of 29.32%, 32.55% and 34.13%, respectively. We continue to be relatively dependent on corporate term deposits and inter-bank funding. Within our low cost current and savings account deposits, we expect that growth in savings account deposits will outweigh growth in current account deposits in future, in part due to increased adoption of various electronic fund transfer methods available to potential customers contributing to a decrease in our current account deposits.

Our number of branches increased from 500 as of March 31, 2013 to 602 as of March 31, 2014 and further increased to 801 branches as of March 31, 2015. We plan to continue to increase the number of our branches over the next few years.

Our ability to meet demand for new loans and lower our cost of funding will depend on our ability to continue to broadbase our deposit profile, including by using our branch expansion strategy, our ability to attract and retain new customers to existing and new branches, and our continued access to term deposits from the retail, corporate and inter-bank market. Our debt service costs and cost of funds depend on many external factors, including competitive factors and developments in the Indian credit markets and, in particular, interest rate movements and the existence of adequate liquidity in the inter-bank markets. Internal factors that will impact our cost of funds include changes in our credit ratings, available credit limits and our ability to mobilize low-cost deposits, particularly from retail customers.

Ability to build scale and scope in our businesses while maintaining or increasing profitability

Our ability to grow our business and increase profitability, including by increasing our net interest income and fee income, will depend on a variety of factors. These include our ability to effectively manage our branch network expansion while scaling up our offerings across customer segments; our ability to identify and harness new areas of growth and to anticipate and respond to the needs of our customers and successfully cross-sell our products and services to them; our ability to maintain and improve the quality of our customer service and brand effectively across businesses; our ability to control costs and operating expenses with the growth of our business and the expansion of our branch network; our ability to introduce and successfully implement technology initiatives and customer friendly innovations; the efficacy of our risk management methods to accurately assess the risks related to our growth and in newer businesses, and to address risk on a larger scale and with respect to a more varied group of customers and businesses; our ability to monitor the quality of our balance sheet through our centralized processing methods for corporate and consumer lending and deposit activities; our ability to manage our NPAs; and our ability to successfully integrate and manage any acquired businesses.

Impact of interest rate volatility

Our results of operations depend to a great extent on our net interest income. Net interest income represents the excess of interest earned from interest-bearing assets (performing assets and investments) over the interest paid on customer deposits and borrowings. Volatility in interest rates affect the interest rates we charge on our interest-earning assets and that we pay on our interest-bearing liabilities. Loans disbursed by our consumer finance division and certain categories of loan products disbursed to retail customers are typically on a fixed rate basis, while our corporate loans are largely on a floating rate basis. As of March 31, 2015, our consumer banking advances, including loans disbursed by our consumer finance division, represented 41.30% of our total net advances and our corporate and commercial banking advances represented 58.70% of our total net advances. Therefore, if interest rates were to increase, we may not be able to pass on our increased cost of funds to all our loan customers in the form of higher interest rates quickly and, conversely, if interest rates were to decrease, our overall yield on our advances may lag such decreases, although other factors, including regulation and competition, may also impact these trends. In addition, since the maturities of our loans and investments tend to be more long-term than our deposits, any faster increase or slower decrease in the interest rates that we must pay our depositors relative to the interest rates we charge our borrowers, may cause our net interest income to decrease. Interest rates are highly sensitive to many external factors beyond our control, including growth rates in the economy, inflation, money supply, the RBI's monetary policies, competition, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. Our ability to withstand interest rate volatility will depend on our success in maintaining our asset mix of fixed rate and floating rate loans and in managing our asset-liability maturity gap while also right-pricing assets. For further information, see "Selected Statistical Information – Asset Liability Gap".

Ability to achieve operating efficiencies

We use several methods to achieve operating efficiencies, such as centralizing our processing (including with respect to account-opening for current, savings and fixed deposits, processing of trade finance transactions and remittance transactions, expense-related processing and customer maintenance transactions, including the issue of cheque books and updating customer records), upgrading and rationalizing infrastructure and technology, adopting continuous process and system improvement measures such as implementation of new core banking, treasury and trade finance systems, creating alternative channels to service customers enabling our customer facing relationship staff to spend more time on sales and customer relationship management, tracking and improving cost efficiency, streamlining documentation and business process management through technology, recruitment and training of our workforce, particularly in customer-facing businesses, and by outsourcing certain activities related to consumer finance business sourcing, collection and operations, off-site ATM operations, transaction processing in respect of credit cards and microfinance sourcing, monitoring and collection activities. On the other hand, our operating costs continue to rise owing to our growth strategy as we significantly widen our branch network and hire more employees. Our ability to sustain our growth strategy and increase the yield on our investments will depend on our continued success at achieving reductions in these costs and achieving operating efficiencies.

Ability to monitor asset quality and manage risk

Our total assets have grown from ₹733,065.15 million as of March 31, 2013 to ₹1,091,159.19 million as of March 31, 2015. We monitor credit risk at the transaction level as well as the portfolio level. Our net NPAs were ₹1,367.60 million, ₹1,840.49 million and ₹2,104.76 million as of March 31, 2013, March 31, 2014, March 31, 2015 respectively, while our gross NPAs were ₹4,577.77 million, ₹6,207.86 million and ₹5,629.21 million, respectively, as of the same dates. Our net NPA ratio was 0.31%, 0.33% and 0.31% as of March 31, 2013, March 31, 2014 and March 31, 2015, respectively, while our gross NPA ratio was 1.03%, 1.12% and 0.81%, respectively, as of the same dates. Our ability to contain the NPAs at these levels has improved our financial performance over the aforementioned periods. We have enterprise-wide risk management systems to manage credit risk, market risk and operational risk.

As the average size of corporate loans in our loan portfolio is substantially larger than the average size of our retail loans, any major defaults in our corporate loans can significantly impact our overall portfolio of assets. Accordingly, our ability to manage NPAs is directly related to our ability to effectively manage the composition of our advances and monitor our asset quality. In respect of NPAs sold to securitization or reconstruction companies at a price below the net book value, we are permitted, under the current RBI regulations, to amortize the shortfall to our profit and loss account over a period of two years. For example, we have sold such NPAs in the fiscal year ended March 31, 2015 and are so amortizing the loss on such sale as further discussed below. We may also acquire loan portfolios from time to time which may impact our asset quality. For example, in April 2015, we entered into an agreement to acquire the diamond and jewellery financing business with a loan portfolio and a related deposit portfolio of The Royal Bank of Scotland N.V. in India, which is subject to regulatory approvals. Our ability to reduce or contain the level of our gross and net NPA ratios may also be impacted by a number of factors beyond our control, such as depressed economic conditions, including with respect to specific industries to which we are exposed, decreases in agricultural production, increases or decreases in commodity prices, adverse fluctuations in interest and exchange rates or adverse changes in Indian policies, laws or regulations, increased competition and also on our ability to manage our risk.

Our ability to manage risk also depends on our ability to monitor off-balance sheet items, which include liabilities on account of outstanding derivative contracts, liabilities on account of outstanding forward exchange contracts and guarantees given on behalf of constituents. Our contingent liabilities on account of outstanding derivative contracts increased from ₹295,401.47 million as of March 31, 2013 to ₹792,176.71 million as of March 31, 2015 and on account of outstanding forward exchange contracts increased from ₹794,386.55 million as of March 31, 2013 to ₹961,873.12 million as of March 31, 2015. Our contingent liabilities on account of guarantees given on behalf of constituents increased from ₹193,810.09 million as of March 31, 2013 to ₹279,879.22 million as of March 31, 2015. If the liabilities on account of outstanding derivative contracts and liabilities on account of outstanding forward exchange contracts were to materialize due to a counterparty default, we may incur a loss to the extent of the difference between the contracted price and the trade price on the date of settlement. Our ability to manage risks from guarantees given on behalf of constituents depends on our ability to realize collateral related to such transactions.

Ability to grow our fee income

Our ability to increase profitability will depend, among other factors, on our success in increasing our fee income from existing businesses related to and broadly independent of our base of deposits and advances, as well as adding such new businesses while properly assessing related risks. Non-fund based offerings such as trade letters of credit, financial and performance bank guarantees, forward exchange contracts, and currency and interest rate derivative products are significant activities from which we earn fee income. Our contingent liability on account of outstanding forward exchange contracts increased from ₹794,386.55 million as of March 31, 2013 to ₹961,873.12 million as of March 31, 2015, representing a CAGR of 10.04% and our contingent liability on account of outstanding derivative contracts increased from ₹295,401.47 million to ₹792,176.71 million as of March 31, 2015, representing a CAGR of 63.76%. We also earn commissions and other income from sales of third-party products. Our ability to increase profitability will depend on our ability to sustain and grow non-fund based businesses, while assessing and managing the attendant credit, business and other risks. However, the increasing sophistication of our customers, offerings of similar products and services by our competitors, changes in the regulatory environment impacting our operations or marketability of certain third-party products as well as our decision to restrict or cease to offer any such product or services based on our assessment of the costs and benefits may adversely impact our ability to grow our fee income.

In addition, changes in regulation may adversely affect our ability to earn commissions and other income from the sales of existing and new third-party products. For example, by its guidelines dated June 28, 2010, the IRDAI stipulated limits on fees and charges associated with certain insurance products, commonly known as unit-linked insurance plans (ULIPs), in which the policy value at any time varies with the value of the underlying assets. In addition, the SEBI has prohibited entry loads and any additional management fees for mutual funds schemes and limited the amount that asset management companies can pay to distributors of mutual funds. In February 2015, the Association of Mutual Funds of India, a self-regulatory organization of mutual funds, suggested voluntary caps on certain distribution fees. Any related regulations or guidelines framed, including by the SEBI, may have an adverse impact on our fee income from the distribution of mutual funds. Further, in October 2012, the IRDAI released the draft Insurance Regulatory and Development Authority (Licensing of Bancassurance Entities) Regulations, 2012 that propose to cap the amount paid or contracted to be paid as commission to bancassurance agents at 85% of the limit specified in Section 40A of the Insurance Act, 1938 and the maximum amount to be paid for sharing of the infrastructure, cost of training and incentive to specified persons at 2.50% of the annualized premium, which if enacted, would adversely affect our fee income in this business. In May 2015, the IRDAI released a revised exposure draft of the Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015, pursuant to which it is proposed to permit banks to enter into arrangements with a maximum of three life insurers, three general insurers and three health insurers. However, the final form or effect of such regulations and restrictions on dealing with more than one insurer are as yet uncertain. Further, pursuant to the Insurance Regulatory and Development Authority (Linked Insurance Products) Regulations, 2013 and the Insurance Regulatory and Development Authority (Non-Linked Insurance Products) Regulations, 2013, the IRDAI stipulated restrictions on the maximum amount payable as commissions or remuneration in respect of certain linked and non-linked insurance policies. The impact of these regulations is as yet uncertain. In 2013, the IRDAI imposed a penalty of ₹0.5 million on us for receiving payment above the permissible commission limits from Aviva Life Insurance Company India Limited as reimbursement for the use of our infrastructure. Because of such regulatory changes and actions, as well as any regulation in the future that would reduce or impose caps on fees and charges on, or otherwise impact the marketability of, third-party products, including insurance and mutual funds, our fee income from the sales of such products may be adversely affected.

Economic growth and its impact on our business

Our financial condition and results of operations are influenced by the general economic conditions prevailing in India. Real GDP growth in India was 4.5%, 4.7% and 5.9% for the fiscal years ended March 31, 2013, March 31, 2014 and March 31, 2015, respectively, according to the Economic Survey of India 2014-15. In addition, the economic growth of India is also affected by the global economy, and we may be impacted to the extent we service businesses that depend largely on cross-border economic activity and on the global economy generally.

In its Second Bi-monthly Monetary Policy Statement, 2015-16 announced in June 2015, the RBI noted that the global recovery was still slow and getting increasingly differentiated across regions. The RBI noted the shrinking of the United States economy in the first quarter, the easing of the financial conditions in the Euro area, the surprising growth in Japan and the continued deceleration in China. For most emerging market economies, the RBI believes that the macroeconomic conditions remain challenging due to domestic fragilities, exacerbated by bouts of financial market turbulence. The RBI also noted that even without a decisive economic recovery or adverse geopolitical shocks, oil prices appeared to be volatile. The volatility of the global financial markets was also noted, with risk-on risk-off shifts induced by changing perceptions of monetary policies in the advanced economies. Volatility in global bond markets has increased with a number of factors such as: unwinding of European assets by investors due to the Greek crisis; rapidly changing expectations around the United States Federal Reserve's forward guidance; sharp movements in crude prices; and market corrections due to changes in risk tolerance.

The RBI noted that the Central Statistics Office of India had revised downwards its estimate of India's gross value added (GVA) at basic prices for 2014-2015 by 30 basis points from its advance estimates. Domestic economic activity remained moderate in the three month period ended June 30, 2015. Agricultural activity was adversely affected by unseasonal rains and hailstorms in north India during March 2015, impinging on an estimated 9,400,000 hectares of area sown under the *rabi* crop. Reflecting this, the third advance estimates of the Ministry of Agriculture indicated a contraction in food grains production by more than 5% in relation to the preceding year's level. Successive estimates point to a worsening of the situation, with the damage to crops like pulses and oilseeds – where buffer food stocks are not available in the central pool – posing an upside risk to food inflation. For the *kharif* season, the outlook is clouded by the first estimates of the India Meteorological Department which predicted that the southwest monsoon will be 7% below the long period average and by the confirmation provided by Australian Bureau of Meteorology regarding the onset of El Nino. Industrial production has been recovering, albeit unevenly. The sustained weakness of consumption spending, especially in rural areas as indicated in the slowdown in sales of two-wheelers and tractors, continued to operate as a drag. The RBI noted mixed signals from the service sector. In April 2015, retail inflation measured by the consumer price index decelerated for the second month in a row, supported by favorable base effects (of about (-)0.8%) that moderated the rise in the price index for the fourth successive month. Food inflation softened to a contra-seasonal four-month low, with the impact of unseasonal rains yet to show up. Vegetables inflation continued to ease, along with that of other sub-groups such as cereals, oil, sugar and spices. On the other hand, protein items, especially milk and pulses, continued to indicate upward inflationary pressures. The RBI remained concerned on the risk of inflation due to the prediction of a below-normal southwest monsoon, crude price firming up amidst considerable volatility and volatility in the external environment.

The growth prospects of our business, including the quality of our assets and our ability to grow our asset portfolio and deposit base and implement our strategy, are influenced by the growth rate of the economy as a whole. The level of credit disbursed, recovery of loans and demand for vehicles are all affected by these factors. Any slowdown in the growth of the Indian economy or the economies of other countries, coupled with inflationary pressures, could adversely impact our business.

Regulations and policies for Indian banks

Our operations are regulated by the RBI. The Government, through the RBI, is actively involved in the management of the Indian economy and in implementing their social policies. Accordingly, we are subject to changes in regulations relating to reserve requirements (designed to maintain the strength of the Indian banking sector but also to reduce liquidity and therefore the availability of credit) and requirements to lend to certain priority sectors and requirements discouraging lending in certain specified sectors, such as real estate, commodities and capital markets, etc. We are also subject to periodic inspection by the RBI. See the section "Regulations and Policies" for details.

RBI cash and liquidity requirements:

Commercial banks in India are subject to two kinds of statutory reserve requirements: Cash Reserve Ratio ("CRR") and Statutory Liquidity Ratio ("SLR"). Currently, the RBI requires a CRR of 4.0% of our NDTL. The RBI is vested with the power to prescribe CRR without any ceiling limits and is not obliged to pay interest on CRR, which has adversely impacted our profitability. The CRR on our NDTL was 4.75% in April 2012 which was reduced to 4.50% in September 2012 and 4.25% in February 2013. Subsequently, the CRR was reduced to the current level of 4.0% in March 2013.

The RBI is empowered to increase the SLR up to 40% of a bank's NDTL, and has the discretion to fix the floor and ceiling levels of the SLR. Currently, the RBI requires an SLR of 21.50%. Although the SLR is intended as a measure to maintain the liquidity of banks, it has adverse implications for the banks' ability to expand credit. Changes in interest rates also impact the valuation of our SLR portfolio and thereby affect our profitability.

With effect from January 1, 2015, the RBI has introduced a requirement for commercial banks in India to maintain a Liquidity Coverage Ratio ("LCR"). The LCR measures the bank's ability to manage and survive for 30 days under a significant stress scenario that combines an idiosyncratic as well as a market-wide shock that would result in accelerated withdrawal of deposits from retail as well as wholesale depositors, partial loss of secured funding, increase in collateral requirements and unscheduled draw down of unused credit lines. At least 60% of the net cash outflows in the next 30 days, computed with these assumptions of a stressed scenario, are required to be supported by High Quality Liquid Assets ("HQLA"). The requirement to maintain HQLA will be progressively increased to 70% with effect from January 1, 2016, 80% with effect from January 1, 2017, 90% with effect from January 1, 2018 and 100% with effect from January 1, 2019. Such requirement to maintain HQLA has adversely impacted our profitability and any increase in the requirement will further adversely impact the profitability.

RBI norms relating to general provisioning and provisioning against NPAs:

The RBI sets prudential norms in respect of income recognition, asset classification and provisioning.

In October 2009, the RBI directed banks to augment their provisioning cushions consisting of specific provisions against NPAs, as well as floating provisions, and ensure that their total provisioning coverage ratio, or PCR, including floating provisions, is not less than 70% by not later than September 30, 2010. In April 2011, the RBI relaxed this requirement and stated that banks should maintain a minimum PCR of 70% with reference to the gross NPA position as of September 30, 2010 and that the surplus of the provision under the applicable prudential norms should be segregated into an account called the "countercyclical buffer", which can be used by the banks for making specific provisions for NPAs during any system-wide downturn with the prior approval of the RBI. In February 2014, the RBI allowed banks to utilize countercyclical buffer and floating provisions to meet with the shortfall, if any, on sale of NPAs to asset reconstruction companies.

As of March 31, 2015, our provisioning coverage ratio was 62.61%. Any changes in the regulatory framework regarding provisioning for NPAs could adversely affect our profitability and consequently our net worth. In March 2012, the RBI introduced a discussion paper on dynamic provisioning, which if implemented in its current form may require significantly higher "expected loan loss" provisions as compared to the current level of provision on standard assets at 0.40% of standard assets. In February 2014, the RBI indicated that banks should develop necessary capabilities to compute their long term average annual expected loss for different asset classes, to enable switching over to the dynamic provisioning framework. The final timing or form of such requirements is as yet uncertain.

RBI norms on CRAR and Basel III compliance:

We are currently required to maintain a CRAR of 9% in relation to our total risk-weighted assets. With effect from January 1, 2013, the Basel III capital regulations as specified by the RBI in accordance with the capital adequacy norms announced by the Basel Committee on Banking Supervision are being implemented in a phased manner. Under the Basel III capital requirements, banks are required to improve the quantity, quality and transparency of Tier 1 capital and meet heightened liquidity requirements. By March 2019, when the Basel III norms are fully implemented, the capital funds together with capital conservation buffer ("CCB") are required to be 11.5% of risk weighted assets. As of March 31, 2015, our Core Equity Tier 1 capital ratio was 11.22% and our CRAR was 12.09%. The capital adequacy requirements prescribed by Basel III norms are more stringent than the requirements prescribed by the earlier norms and compliance with such requirements will have an impact on our financial results, including certain key indicators of financial performance, such as the return on equity.

Revision to Indian GAAP:

The Institute of Chartered Accountants of India has issued a set of Indian Accounting Standards ("Ind-AS") that are in convergence with the International Financial Reporting Standards ("IFRS"). On January 2, 2015, the Ministry of Corporate Affairs, Government of India, announced through a press release the revised roadmap for implementation of Ind-AS for companies other than banking companies, insurance companies and non-banking finance companies. It is uncertain as to how the convergence with the new accounting standards, once applicable, will impact the financial results reported by Indian banks.

Income Computation and Disclosure Standards with regard to Income Tax in India:

The Government of India has issued a set of Income Computation and Disclosure Standards ("ICDS") that are required to be applied in computing taxable income and payment of income taxes thereon, effective from April 1, 2015. This is the first time such specific standards have been issued for income taxes in India, and the impact of the ICDS on our tax incidence is uncertain.

Critical Accounting Policies

Our financial statements are prepared under the historical cost convention and conforming to the statutory provisions and practices within the banking industry in India. The preparation of the financial statements in conformity with Indian GAAP requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the years ended on the date of the financial statements. Differences between the actual results and estimates are recognized in the year in which the results are known or have materialized. Our significant accounting policies are more fully described under the notes to our financial statements in the section "Financial Statements". The following are our critical accounting policies, in accordance with the applicable accounting standards read with the RBI guidelines issued in this regard, and in general conformity with the statutory provisions and practices prevailing within the banking industry in India:

Transactions involving foreign exchange

Monetary assets and liabilities denominated in foreign currency are translated as at the balance sheet date at the closing rates of exchange notified by the Foreign Exchange Dealers' Association of India ("FEDAI") and the resulting gains or losses are recognized in the profit and loss account. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined. All foreign exchange contracts outstanding as at the balance sheet date are re-valued on present value basis and the resulting gains or losses are recognized in the profit and loss account. The swap cost arising on account of foreign currency swap contracts to convert foreign currency funded liabilities and assets into rupee liabilities and assets is charged to the profit and loss account as "interest – others" by amortizing over the underlying swap period. Income and expenditure denominated in a foreign currency are translated at the rates of exchange prevailing on the date of the transaction. Contingent liabilities at the balance sheet date on account of outstanding forward foreign exchange contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currency are stated at the closing rates of exchange notified by the FEDAI.

Investments

In accordance with RBI guidelines we classify our investment portfolio at the time of purchase into one of the following three categories:

- Held to maturity ("HTM") – Securities acquired by us with the intention to hold till maturity.
- Held for trading ("HFT") – Securities acquired by us with the intention to trade.
- Available for sale ("AFS") – Securities which do not fall within the above two categories.

Subsequent re-characterization among the categories is done in accordance with RBI guidelines.

Classification of investments:

For the purposes of disclosure in our balance sheet, we divide our investments into six groups: (i) Government securities, (ii) other approved securities, (iii) shares, (iv) debentures and bonds, (v) investments in subsidiaries and joint Ventures, and (vi) other investments.

Acquisition cost:

- Broken period interest on debt instruments is treated as a revenue item.
- Brokerage, commission, etc. pertaining to investments, paid at the time of acquisition is charged to the profit and loss account.
- Cost of investments is computed based on the weighted average cost method.

Valuation of investments:

- HTM –Each security in this category is carried at its acquisition cost. Any premium on acquisition of the security is amortized over the balance period to maturity. The amortized amount is classified under "interest earned – income on investments". The book value of the security is reduced to the extent of amount amortized during the relevant accounting period. Diminution, other than temporary, in the value of such investments is determined and provided for each investment individually.

- HFT – Securities are valued scrip-wise and depreciation or appreciation is aggregated for each classification. Net appreciation in each classification is ignored, while net depreciation is provided for.

- AFS – Securities are valued scrip-wise and depreciation or appreciation is aggregated for each classification. Net appreciation in each classification, is ignored, while net depreciation is provided for.

- The market value of government securities (excluding treasury bills) is determined on the basis of the prices or yield to maturity ("YTM") declared by the Primary Dealers Association of India ("PDAI") jointly with the Fixed Income Money Market and Derivatives Association ("FIMMDA").

- Treasury bills are valued at carrying cost, which includes discount amortized over the period to maturity.

- The fair value of other debt securities is determined based on the yield curve and spreads provided by the FIMMDA.

- Quoted equity shares are valued at cost or the closing price on a recognized stock exchange, whichever is lower. Unquoted equity shares are valued at their break-up value or at Re. 1 per company where the latest balance sheet is not available.

- Units of schemes of mutual funds are valued at the lower of cost and net asset value ("NAV") provided by the respective schemes of mutual funds.

- Investments in equity shares formerly held as long-term investments by IndusInd Enterprises & Finance Limited and Ashok Leyland Finance Limited prior to their mergers (since merged with us) are valued at cost and classified as part of the HTM category. Provision towards diminution in the value of such long-term investments is made only if the diminution in value is not temporary in the opinion of management.

- Security receipts ("SRs") are valued at the lower of redemption value or the NAV obtained from the securitization or reconstruction company.

- Trade date method of accounting is followed for purchase and sale of investments, except for Government of India and State Government securities where settlement date method of accounting is followed in accordance with the RBI guidelines.

- Provision for non-performing investments is made in conformity with RBI guidelines.

- Repurchase ("Repo") or reverse repurchase ("Reverse Repo") transactions (except transactions under liquidity adjustment facility ("LAF") with the RBI) are accounted for as borrowing and lending, respectively. On completion of the second leg of the Repo or Reverse Repo transaction, the difference between the consideration amounts is reckoned as Interest Expenditure or Income. Amounts outstanding in Repo or Reverse Repo accounts as at the balance sheet date are shown as part of borrowings or money at call and at short notice, respectively, and the accrued expenditure or income until the balance sheet date is recognized in the profit and loss account.

- In respect of repo transactions under LAF with the RBI, monies borrowed from the RBI are credited to investment account and reversed on maturity of the transaction. Costs thereon are accounted for as interest expense. In respect of reverse repo transactions under LAF, monies lent to the RBI are debited to the investment account and reversed on maturity of the transaction. Revenues thereon are accounted for as interest income.

- In respect of the short sale transactions in Central Government dated securities, the short position is covered by outright purchase of an equivalent amount of the same security within a maximum period of three months including the day of trade. The short position is reflected as the amount received on sale in a separate account and is classified under "Other Liabilities". The short position is marked to market and loss, if any, is charged to the profit and loss account, while gain, if any, is not recognized. Profit or loss on settlement of the short position is recognized in the profit and loss account.

- Profit in respect of investments sold from the HTM category is included in the profit on sale of investments and an equivalent amount (net of taxes, if any, and transfer to statutory reserves as applicable to such profits) is appropriated from the profit and loss appropriation account to capital reserve account.

- In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the profit and loss account and an equivalent amount (net of taxes, if any, and net of transfer to statutory reserves as applicable to such excess provisions) is appropriated to an investment reserve account ("IRA").

  The balance in the IRA account is used to meet provisions on account of depreciation in the AFS and HFT categories by transferring an equivalent amount to the profit and loss appropriation account, as and when required.

Derivatives

Derivative contracts are designated as hedging or trading and accounted for as follows:

- The hedging contracts comprise forward rate agreements, interest rate swaps and currency swaps undertaken to hedge interest rate and currency risk on certain assets and liabilities. The net interest receivable or payable is accounted on an accrual basis over the life of the swaps. However, where the hedge is designated with an asset or liability that is carried at market value or lower of cost and market value, then the hedging instruments is also marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated assets or liabilities.

- The trading contracts comprise trading in interest rate swaps, interest rate futures and currency futures. The gain or loss arising on unwinding or termination of the contracts, is accounted for in our profit and loss account. Trading contracts outstanding as at the balance sheet date are re-valued at their fair value and resulting gains or losses are recognized in the profit and loss account.

- Gains or losses on the termination of hedge swaps are deferred and recognized over the shorter of the remaining life of the hedge swap or the remaining life of the underlying asset or liability.

- Premiums paid and received on currency options are accounted when due in the profit and loss account.

- Provisioning for overdue customer receivables on derivative contracts is made in accordance with the RBI guidelines.

Advances

- Advances are classified, in accordance with the RBI guidelines, into standard, sub-standard, doubtful and loss assets after considering subsequent recoveries to date.

- Specific provisions for non-performing advances and floating provisions are made in conformity with the RBI guidelines.

- A general provision on standard assets is made in accordance with the RBI guidelines. Provision made against standard assets is included in "Other Liabilities and Provisions".

- Advances are disclosed in the balance sheet, net of provisions and interest suspended for non-performing advances, and floating provisions.

- Advances exclude derecognized securitized advances, inter-bank participation certificates issued and bills rediscounted.

- Amounts recovered during the year against bad debts written off in earlier years are recognized in the profit and loss account.

- Provisions no longer considered necessary in the context of the current status of the borrower as a performing asset, are written back to the profit and loss account to the extent such provisions were charged to the profit and loss account.

- For restructured or rescheduled assets, provision is made in accordance with the guidelines issued by the RBI, which requires the diminution in the fair value of the assets to be provided at the time of restructuring. The restructured accounts are classified in accordance with the RBI guidelines, including special dispensation wherever allowed.

Securitization transactions and direct assignments

- We transfer our loan receivables both through direct assignment route as well as transfer to special purpose vehicles ("SPV").

- The securitization transactions are without recourse to us. The transferred loans and such securitized receivables are de-recognized as and when these are sold (true sale criteria being fully met) and the consideration has been received by us. Gains or losses are recognized only if we surrender the rights to the benefits specified in the loan contracts.

- In terms of the RBI guidelines, profit or premium arising on account of sale of standard assets, being the difference between the sale consideration and book value, is amortized over the life of the securities issued by the SPV. Any loss arising on account of the sale is recognized in the profit and loss account in the period in which the sale occurs.

- In case of sale of non-performing assets through securitization route to the securitization or reconstruction companies by way of assignment of debt against issuance of SRs, the recognition of sale and accounting of profit and loss thereon is done in accordance with the applicable RBI guidelines. Generally, the sale is recognized at the lower of redemption value of SR and the net book value ("NBV") of the financial asset sold, and the surplus is recognized in the profit and loss account; shortfall, if any, is charged to the profit and loss account subject to regulatory forbearance, if any, allowed from time to time.

- Profit or loss realized on ultimate redemption of the SR is recognized in the profit and loss account.

Fixed assets and depreciation

7.1 Fixed assets are stated at cost (except in the case of premises which were re-valued based on values determined by approved valuers) less accumulated depreciation and impairment, if any. Cost includes incidental expenditure incurred on the assets before they are ready for intended use.

7.2 The appreciation on account of revaluation is credited to the revaluation reserve. Depreciation relating to revaluation is adjusted against the revaluation reserve.

7.3 Depreciation is provided over the useful life of the assets, *pro rata* for the period of use, on a straight-line method. The useful life estimates prescribed in Part C of Schedule II to the Companies Act, 2013 are generally adhered to, except in respect of asset classes where, based on technical evaluation, a different estimate of useful life is considered suitable. Pursuant to this policy, the useful life estimates in respect of the following assets are as follows:

(a) Computers at 3 years
(b) Application software and perpetual software licences at 5 years
(c) Printers, scanners, routers, switch at 5 years
(d) ATMs at 7 years
(e) Network cabling, electrical installations, furniture and fixtures, other office machinery at 10 years.
(f) Vehicles at 5 years
(g) Buildings at 60 years

The useful life of an asset class is periodically assessed taking into account various criteria such as changes in technology, changes in business environment, utility and efficacy of an asset class to meet with intended user needs, etc. Whenever there is a revision in the estimated useful life of an asset, the unamortized depreciable amount is charged over the revised remaining useful life of the said asset.

7.4 The carrying amount of fixed assets is reviewed as at each balance sheet date to determine if there are any indications of impairment based on internal or external factors. In case of impaired assets, the impairment loss i.e. the amount by which the carrying amount of the asset exceeds its recoverable value is charged to the profit and loss account to the extent the carrying amount of assets exceeds its estimated recoverable amount.

Revenue recognition

7.5 Interest and discount income on performing assets is recognized on accrual basis. Interest and discount income on non-performing assets is recognized on realization.

7.6 Interest on Government securities, debentures and other fixed income securities is recognized on a period proportion basis. Income on discounted instruments is recognized over the tenor of the instrument on a straight-line basis.

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

7.8 Commission (except for commission on deferred payment guarantees which is recognized over the term on a straight line basis), exchange and brokerage are recognized on a transaction date and net off directly attributable expenses.

7.9 Fees are recognized on an accrual basis, except in cases where we are uncertain of realization.

7.10 Income from distribution of third party products is recognized on the basis of business booked.

Operating leases

7.11 Lease rental obligations in respect of assets taken on operating lease are charged to the profit and loss account on a straight-line basis over the lease term.

7.12 Assets given under leases in respect of which all the risks and benefits of ownership are effectively retained by us are classified as operating leases. Lease rentals received under operating leases are recognized in the profit and loss account in accordance with the terms of the contracts.

Employee benefits

7.13 Our gratuity scheme is a defined benefit scheme and the expense for the year is recognized on the basis of actuarial valuation as at the balance sheet date. The present value of the obligation under such benefit plan is determined based on independent actuarial valuation using the projected unit credit method which recognizes each period of service that gives rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Payment obligations under the group gratuity scheme are managed through purchase of appropriate policies from insurers.

7.14 Provident fund contributions are made under trusts separately established for the purpose and the scheme administered by the regional provident fund commissioner ("RPFC"), as applicable. The rate at which the annual interest is payable to the beneficiaries by the trusts is being administered by the government. We have an obligation to make good the shortfall, if any, between the return from the investments of the trusts and the notified interest rates. Actuarial valuation of this provident fund interest shortfall is done as per the guidance note on valuation of interest rate guarantees on exempt provident funds under AS 15 (Revised) issued by the Institute of Actuaries of India, and such shortfall, if any, is provided for.

7.15 Provision for compensated absences is made on the basis of actuarial valuation as at the balance sheet date. The actuarial valuation is carried out using the projected unit credit method.

7.16 Intrinsic value method is applied to account for the compensation cost of ESOP granted to our employees. Intrinsic value is the amount by which the quoted market price of the underlying shares on the grant date exceeds the exercise price of the options. Accordingly, such compensation cost is amortized over the vesting period.

Segment reporting

In accordance with the guidelines issued by the RBI, we have adopted segment reporting as under:

(a) Treasury includes all investment portfolios, profit or loss on sale of investments, profit or loss on foreign exchange transactions, equities, income from derivatives and money market operations. The expenses of this segment consist of interest expenses on funds borrowed from external sources as well as internal sources and depreciation or amortization of premium on HTM category investments.

(b) Corporate or wholesale banking includes lending to and deposits from corporate customers and identified earnings and expenses of the segment.

(c) Retail banking includes lending to and deposits from retail customers and identified earnings and expenses of the segment**.**

(d) Other Banking Operations includes all other operations not covered under treasury, corporate or wholesale banking and retail banking.

Unallocated includes capital and reserves, employee stock options (grants) outstanding and other unallocable assets, liabilities, income and expenses.

Debit and credit card reward points liability

The liability towards credit card reward points is computed based on an actuarial valuation and the liability towards debit card reward points is computed on the basis of management estimates considering past trends.

Bullion

We import bullion including precious metal bars on a consignment basis for selling to our customers. The imports are on a back-to-back basis and are priced to the customer based on the prevailing price quoted by the supplier and the local levies related to the consignment such as customs duty etc. The profit earned is included in commission income. We sell gold coins to our customers. The difference between the sale price to customers and purchase price is reflected under commission income.

Income-tax

Tax expenses comprise of current and deferred taxes. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted as at the balance sheet date. Deferred tax assets are recognized, in general, only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized; where there are unabsorbed depreciation and/or carry forward of losses under tax laws, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realized against future taxable income. Unrecognized deferred tax assets of earlier years are re-assessed and recognized to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

Earnings per share

Earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding as at end of the year.

Provisions, contingent liabilities and contingent assets

A provision is recognized when there is an obligation as a result of past event, and it is probable that an outflow of resources will be required to settle the obligation, and in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation as at the balance sheet date. These are reviewed as at each balance sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

(a) a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within our control; or
(b) a present obligation arising from a past event which is not recognized as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

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 recognized or disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the assets and related income are recognized in the period in which the change occurs.

Cash and cash equivalents

Cash and cash equivalents consists of cash in hand and balances with the RBI and balances with banks and money at call and short notice.

Summary of Our Financial Results

The following sets forth a summary of our financial results containing significant items of our income and expenditure derived from our audited financial statements annexed to the auditors' report as of and for the fiscal years ended March 31, 2015, March 31, 2014 and March 31, 2013 as set out in "Financial Statements":

Profit and Loss Account

	Fiscal year ended March 31,		
	2013	**2014**	**2015**
		(₹ million)	
Income			
Interest earned	69,832.32	82,535.34	96,919.64
Other income	13,629.61	18,905.29	24,038.73
Total income	**83,461.93**	**101,440.63**	**120,958.37**
Expenditure			
Interest expended	47,503.66	53,628.21	62,716.88
Operating expenses (excluding depreciation)	16,829.29	20,871.35	25,990.84
Depreciation on our property	734.34	981.48	1,268.49
Provisions and contingencies (excluding provision for tax)	2,631.05	4,676.30	3,890.46
Tax provision (income tax/wealth tax/deferred tax)	5,151.76	7,203.07	9,154.55
Total expenditure	**72,850.10**	**87,360.41**	**103,021.22**
Net profit for the year	**10,611.83**	**14,080.22**	**17,937.15**

Fiscal year ended March 31, 2015 compared to the fiscal year ended March 31, 2014

Income

Our total income increased by 19.24% from ₹101,440.63 million for the fiscal year ended March 31, 2014 to ₹120,958.37 million for the fiscal year ended March 31, 2015 mainly due to an increase in interest income, fee income and profit on the sale of certain investments.

Interest earned

	Fiscal year ended March 31,	
	2014	**2015**
	(₹ million)	
Interest/discount on advances/bills	66,273.55	77,169.09
Income on investments	14,770.26	16,804.20
Interest on balances with RBI and other inter-bank funds	1,485.02	2,773.00
Others	6.51	173.35
Total	**82,535.34**	**96,919.64**

Interest earned on advances and discount income on bills discounted increased by 16.44% from ₹66,273.55 million for the fiscal year ended March 31, 2014 to ₹77,169.09 million for the fiscal year ended March 31, 2015, due to an increase in average loan assets from ₹492,827.82 million to ₹593,254.32 million, representing a growth of 20.38%, and a decrease in yields on advances from 13.45% to 13.01% over the same period, mainly due to lower interest rates prevailing in the market and higher growth rate in our corporate advances as compared to higher yielding fixed rate commercial vehicle loans. The average loan assets increased on account of an increase in corporate advances and other retail loans, including loans against property, and increased demand, albeit at a lower rate of growth, for our commercial vehicle loans, primarily due to weaker demand in the commercial vehicle industry. Although our overall loan portfolio grew during fiscal year ended March 31, 2015, both fiscal years ended March 31, 2014 and March 31, 2015 were characterized by lower demand of credit offtake in our commercial vehicle loans.

Interest on investments increased by 13.77% from ₹14,770.26 million for the fiscal year ended March 31, 2014 to ₹16,804.20 million for the fiscal year ended March 31, 2015. Our investments are predominantly to meet the SLR requirements and, in line with the increase in the business, average investments increased by 15.55% from ₹194,510.30 million for the fiscal year ended March 31, 2014 to ₹224,753.10 million for the fiscal year ended March 31, 2015; the yield on investments marginally declined from 7.59% to 7.48% due to the decreasing interest rate environment that prevailed during the period.

Interest on balances with the RBI and other inter-bank funds increased by 86.73% from ₹1,485.02 million for the fiscal year ended March 31, 2014 to ₹2,773.0 million for the fiscal year ended March 31, 2015, due to increased placement of surplus funds with the RBI and lending in the inter-banking market as a liquidity management measure.

Over the same period, our other interest earnings, which primarily consisted of interest on income-tax refunds, also increased from ₹6.51 million to ₹173.35 million.

Other income

Our other income increased by 27.15% from ₹18,905.29 million for the fiscal year ended March 31, 2014 to ₹24,038.73 million for the fiscal year ended March 31, 2015, mainly because of an increase in fee income, including commissions and exchange and brokerage fees and profit on foreign exchange and derivative transactions.

Beginning with our audited financial statements as of and for the fiscal year ended March 31, 2015, in order to better align our financial results with our business units, we have changed the way the components of other income are disclosed in our annual financial statements in that the "profit or loss on derivatives" was combined with "profit on foreign exchange transactions" instead of with "profit on sale of investments". Accordingly, the table below sets out the components of our "other income" for the fiscal year ended March 31, 2015 from our audited financial statements and, on a regrouped basis, for the fiscal year ended March 31, 2014:

	Fiscal year ended March 31,	
	2014	**2015**
	(₹ million)	
Commission, exchange and brokerage	11,705.90	15,484.38
Profit on sale of investments	1,281.67	1,177.36
Profit/ (Loss) on sale of land, buildings and other assets (net)	1.70	(19.15)
Profit / (Loss) on foreign exchange transactions and derivatives	5,400.07	7,203.89
Income earned by way of dividend from companies in India	32.59	34.10
Miscellaneous Income	483.36	158.15
Total	**18,905.29**	**24,038.73**

Commissions, exchange and brokerage

Income from commissions and exchange and brokerage fees increased by 32.28% from ₹11,705.90 million for the fiscal year ended March 31, 2014 to ₹15,484.38 million for the fiscal year ended March 31, 2015, due to increases in all the major components of fee income. The income from distribution of third-party products including insurance and mutual fund products increased by 51.92% from ₹2,544.93 million for the fiscal year ended March 31, 2014 to ₹3,866.25 million for the fiscal year ended March 31, 2015, and investment banking fees increased by 31.11% from ₹2,474.61 million to ₹3,244.55 million during the same period. Loan processing fees increased by 29.20% from ₹3,056.32 million for the fiscal year ended March 31, 2014 to ₹3,948.86 million for the fiscal year ended March 31, 2015 primarily due to an increase in volume of loans disbursed. Our foreign exchange income increased by 22.61% from ₹4,348.80 million to ₹5,532.04 million during the same period primarily due to higher transaction flows in our global markets business unit.

Profit on sales of investments

Profit on sales of investments (net) decreased marginally by 8.14% from ₹1,281.67 million for the fiscal year ended March 31, 2014 to ₹1,177.36 million for the fiscal year ended March 31, 2015. A significant part of our investment portfolio is in fixed income Government securities and the movement in interest rates has an inverse impact on the price of such securities.

Profit or loss on sale of land, buildings and other assets

We incurred a net loss of ₹19.15 million on sale of certain fixed assets, which included vehicles, items of furniture and fixtures, owned by us in the fiscal year ended March 31, 2015 as compared to a marginal net profit of ₹1.70 million earned during the fiscal year ended March 31, 2014.

Profit or loss on foreign exchange transactions and derivatives

Profit on foreign exchange transactions and derivatives increased by 33.40% from ₹5,400.07 million for the fiscal year ended March 31, 2014 to ₹7,203.89 million for the fiscal year ended March 31, 2015 primarily due to an increase in business volumes of our global markets business unit arising out of client transactions including higher transaction flows, forward exchange contracts and other structured derivative products, and to a smaller extent, due to proprietary market making operations.

Income earned by way of dividend from companies in India

We earned a dividend of ₹34.10 million from our investments in Indian companies for the fiscal year ended March 31, 2015 as compared to dividend of ₹32.59 million for the fiscal year ended March 31, 2014.

Miscellaneous income

Miscellaneous income decreased by 67.28% from ₹483.36 million for the fiscal year ended March 31, 2014 to ₹158.15 million for the fiscal year ended March 31, 2015. This decrease was mainly on account of decrease in bad debts recovered in the fiscal year ended March 31, 2015 which was ₹157.42 million as compared to bad debts recovered of ₹357.24 million in the fiscal year ended March 31, 2014.

Expenditure

Interest expended

	Fiscal year ended March 31,	
	2014	**2015**
	(₹ million)	
Interest on deposits	43,824.05	51,720.60
Other interest, including interest on Reserve Bank of India/inter-bank borrowings/ Subordinated debts and upper Tier II bonds	9,804.16	10,996.28
Total	**53,628.21**	**62,716.88**

Our interest expended increased by 16.95% from ₹53,628.21 million for the fiscal year ended March 31, 2014 to ₹62,716.88 million for the fiscal year ended March 31, 2015 as average interest bearing liabilities consisting of deposits and borrowings increased from ₹669,539.06 million to ₹807,020.50 million during the same period.

Interest on deposits

Interest paid on deposits increased by 18.02% from ₹43,824.05 million for the fiscal year ended March 31, 2014 to ₹51,720.60 million for the fiscal year ended March 31, 2015. Over the same period, average deposits increased by 23.68% from ₹535,001.05 million to ₹661,696.15 million due to increases in new deposits, while average cost of deposits decreased from 8.19% to 7.82%. The interest rates decreased during the year due to various economic and market factors, such as the RBI's monetary policy actions amid a fall in inflation and reduction in international oil prices, which contributed to an improvement in the current account deficit and partly due to an increase in low cost current and savings account deposits. Our CASA percentage to total deposits increased from 32.55% as of March 31, 2014 to 34.13% as of March 31, 2015.

Other interest, including interest on Reserve Bank of India/inter-bank borrowings/Tier II bonds

Other interest, including interest on borrowings from the RBI, inter-bank borrowings, refinance from institutions, including SIDBI and NABARD (under which CRR and SLR requirements are not applicable to funds raised from such institutions, thereby releasing additional funds that can be deployed for our lending business), and Tier II bonds increased by 11.85% from ₹9,804.16 million for the fiscal year ended March 31, 2014 to ₹10,966.28 million for the fiscal year ended March 31, 2015, due to an increase in average borrowings by 8.02% from ₹134,538.01 million to ₹145,324.35 million and an increase in the cost of borrowings from 7.29% to 7.57% due to a higher proportion of long-term refinancing as compared to short-term call and inter-bank borrowings.

Operating expenses (excluding depreciation)

Our operating expenses (excluding depreciation) increased by 24.53% from ₹20,871.35 million for the fiscal year ended March 31, 2014 to ₹25,990.84 million for the fiscal year ended March 31, 2015 mainly due to an increase in payments to and provisions for employees by 21.15% from ₹8,092.95 million to ₹9,804.79 million, as a result of an increase in headcount from 15,590 as of March 31, 2014 to 19,121 as of March 31, 2015 primarily to staff the 199 new branches that opened during the fiscal year ended March 31, 2015. Our operating expenses also increased due to an increase in other administrative expenses, excluding depreciation, by 26.67% from ₹12,778.40 million for the fiscal year ended March 31, 2014 to ₹16,186.05 million for the fiscal year ended March 31, 2015 mainly due to an increase in business volumes, expenditure incurred in connection with our branch network expansion such as additional rent, expenditure incurred on technology initiatives including system upgrades in our business units, service provider fees paid to our associate company, IndusInd Marketing and Financial Services Private Limited and fees paid to other third parties such as business correspondents involved with the activities of our inclusive banking division.

Depreciation on our property and other fixed assets

Depreciation on our property and other fixed assets increased by 29.24% from ₹981.48 million for the fiscal year ended March 31, 2014 to ₹1,268.49 million for the fiscal year ended March 31, 2015 reflecting an increase in capital spending on our branches and other infrastructure facilities.

Provisions and contingencies

Our total provisions and contingencies increased by 9.81% from ₹11,879.37 million for the fiscal year ended March 31, 2014 to ₹13,045.01 million for the fiscal year ended March 31, 2015, and the components of our provisions and contingencies are indicated below:

	Fiscal year ended March 31,	
	2014	**2015**
	(₹ million)	
Depreciation on investments (including premium amortized on held-to-maturity investments)	875.64	(664.26)
Provision for NPAs including bad debts written off	3,136.68	3,389.11
Provision towards standard assets	648.24	1,040.00
Income tax/wealth tax/deferred tax/fringe benefit tax	7,203.07	9,154.55
Other provisions and contingencies towards write-off of other assets/contingent obligations	15.74	125.61
Total	**11,879.37**	**13,045.01**

In the fiscal year ended March 31, 2014, the prices for fixed income Government securities fell sharply on account of the specific market intervention by the RBI in July 2013 to stabilize highly volatile Rupee exchange rates. Accordingly, we had to make a significant marked-to-market provision in respect of available for sale investments in the fiscal year ended March 31, 2014. Due to the stabilization in interest rates during the fiscal year ended March 31, 2015, a significant portion of the provisions made in the previous year was reversed during the year; thus, the provision for depreciation on investments amounted to a net reversal of ₹664.26 million in the fiscal year ended March 31, 2015 as against an incremental provision of ₹875.6 million in the fiscal year ended March 31, 2014.

In accordance with the RBI's circular dated February 26, 2014, in respect of assets sold by us to securitization or reconstruction companies during the three months ended March 31, 2015, the loss on sale, which is computed by deducting sale consideration and provisions held as of the date of sale from the outstanding amount, is being amortized over a period of two years. Accordingly, we have charged to the profit and loss account and made a provision (under provisions for NPAs including bad debt written off) for an amount of ₹ 320.9 million during the three months ended March 31, 2015, and the remaining loss of ₹2,246.00 million will be so charged to our profit and loss account during the fiscal years ended March 31, 2016 and March 31, 2017. Further, as permitted by this RBI circular, floating provisions of ₹500 million were used to partially offset the write off of NPA and balance of loss on sale of NPA to securitization or reconstruction companies in the fiscal year ended March 31, 2015.

Effective April 1, 2014, the RBI has mandated that commercial banks assess the risk arising out of such unhedged foreign currency exposure ("UFCE") of their clients and make an additional provision for the standard advances of such clients. Foreign exchange risk is the risk of loss arising out of adverse movements in foreign exchange rates affecting both on-balance sheet and off-balance sheet exposures. The foreign exchange positions that are not effectively hedged either by way of natural hedge or through derivatives and forward contracts expose our clients to the risk of loss due to volatility in foreign exchange rates. On account of this RBI requirement, we made an additional provision towards standard assets of ₹320.00 million during the fiscal year ended March 31, 2015. Our provisions for standard assets increased from ₹648.24 million for the fiscal year ended March 31, 2014 to ₹1,040.00 million for the fiscal year ended March 31, 2015.

Profit before Tax

As a result of the factors stated above, our profit before tax increased by 27.29% from ₹21,283.29 million for the fiscal year ended March 31, 2014 to ₹27,091.70 million for the fiscal year ended March 31, 2015.

Provision for Taxation

Our provision for taxes, including income tax, wealth tax and deferred tax increased by 27.09% from ₹7,203.07 million for the fiscal year ended March 31, 2014 to ₹9,154.55 million for the fiscal year ended March 31, 2015, mainly due to an increase in our profit. Our effective rate of tax decreased marginally from 33.84% to 33.79%.

Profit after Tax

As a result of the foregoing factors, our net profit increased by 27.39% from ₹14,080.22 million for the fiscal year ended March 31, 2014 to ₹17,937.15 million for the fiscal year ended March 31, 2015. Return on assets ("RoA"), which is computed as the ratio of our net profit to average total assets, expressed as a percentage, improved to 1.90% for the fiscal year ended March 31, 2015 from 1.81% for the fiscal year ended March 31, 2014.

Fiscal year ended March 31, 2014 compared to the fiscal year ended March 31, 2013

Income

Our total income increased by 21.54% from ₹83,461.93 million for the fiscal year ended March 31, 2013 to ₹101,440.63 million for the fiscal year ended March 31, 2014 mainly due to an increase in net interest income and fee income.

Interest earned

	Fiscal year ended March 31,	
	2013	**2014**
	(₹ million)	
Interest/discount on advances/bills	56,103.00	66,273.55
Income on investments	12,824.98	14,770.26
Interest on balances with RBI and other inter-bank funds	854.99	1,485.02
Others	49.35	6.51
Total	**69,832.32**	**82,535.34**

Interest earned on advances and discount income on bills discounted increased by 18.13% from ₹56,103.0 million for the fiscal year ended March 31, 2013 to ₹66,273.55 million for the fiscal year ended March 31, 2014, due to an increase in average loan assets by 20.13% from ₹410,228.90 million to ₹492,827.82 million, which was partially offset by a decrease in the yields on advances from 13.68% to 13.45% over the same period due to general economic and market conditions and an increase in the percentage of our corporate advances as compared to our retail advances in part due to slower growth in advances for commercial vehicle loans. Average loan assets increased due to an increase in corporate advances, vehicle loans and other retail loans including loans against property.

Income on investments increased by 15.17% from ₹12,824.98 million for the fiscal year ended March 31, 2013 to ₹14,770.26 million for the fiscal year ended March 31, 2014. Our investments are predominantly to meet the requirements of SLR maintenance and in line with the growth of our business, average investments increased by 15.79% from ₹167,988.43 million for the fiscal year ended March 31, 2013 to ₹194,510.30 million for the fiscal year ended March 31, 2014; the yield on investments marginally decreased from 7.63% to 7.59% over the same period.

Interest on balances with the RBI and other inter-bank funds increased by 73.69% from ₹854.99 million for the fiscal year ended March 31, 2013 to ₹1,485.02 million for the fiscal year ended March 31, 2014 due to increased placement of surplus funds with the RBI and lending in the inter-banking market as a liquidity management measure.

Over the same period, our other interest earnings, which primarily consisted of interest on income-tax refunds, declined from ₹49.35 million to ₹6.51 million.

Other income

Our other income increased by 38.71% from ₹13,629.61 million for the fiscal year ended March 31, 2013 to ₹18,905.29 million for the fiscal year ended March 31, 2014, on account of increase in all major components of our other income.

Beginning with our audited financial statements as of and for the fiscal year ended March 31, 2015, in order to better align our financial results with our business units, we have changed the way the components of other income are disclosed in our annual financial statements in that the "profit or loss on derivatives" was combined with "profit on foreign exchange transactions" instead of with "profit on sale of investments". Accordingly, the table below sets out the components of our "other income" for the fiscal year ended March 31, 2013 and March 31, 2014, on a regrouped basis.

	Fiscal year ended March 31,	
	2013	**2014**
	(₹million)	
Commission, Exchange and Brokerage	9,470.46	11,705.90
Profit on Sale of Investments	411.07	1,281.67
Profit/ (Loss) on Sale of Land, Buildings and Other Assets (Net)	54.50	1.70
Profit on exchange transactions and derivatives	3,513.45	5,400.07
Income earned by way of dividend from companies in India	29.55	32.59
Miscellaneous Income	150.58	483.36
Total	**13,629.61**	**18,905.29**

Commissions, exchange and brokerage

Income from commissions and exchange and brokerage fees increased by 23.60% from ₹9,470.46 million for the fiscal year ended March 31, 2013 to ₹11,705.90 million for the fiscal year ended March 31, 2014, due to an increase in all components of fee income such as loan processing fees, card fees, account maintenance fees, fee earned on distribution of third party products such as insurance, mutual funds, home loans and equity broking, trade and remittance fees including LC and bank guarantee commissions. General banking fees increased by 76.73% from ₹840.70 million to ₹1,485.77 million. Investment banking income increased by 71.92% from ₹1,439.37 million for the fiscal year ended March 31, 2013 to ₹2,474.61 million for the fiscal year ended March 31, 2014. During the same period, the foreign exchange income increased by 52.43% from ₹2,853.0 million to ₹4,348.8 million, income from trade and remittance increased by 27.12% from ₹1,686.76 million to ₹2,144.26 million and loan processing fees increased by 27.25% from ₹2,401.87 million to ₹3,056.32 million.

Profit on sales of investments

Profit on sales of investments (net) increased by 211.79% from ₹411.07 million for the fiscal year ended March 31, 2013 to ₹1,281.67 million for the fiscal year ended March 31, 2014 mainly due to the sale of Government securities in the three months ended June 30, 2013 as a result of opportunities to sell such securities in a decreased interest rate environment.

Profit on sale of land, buildings and other assets

We earned a net profit of ₹1.70 million on sale of certain fixed assets, including vehicles, items of furniture and fixtures, owned by us in the fiscal year ended March 31, 2014 as compared to a net profit of ₹54.50 million during the fiscal year ended March 31, 2013.

Profit on foreign exchange transactions and derivatives

Profit on foreign exchange transactions and derivatives increased by 53.70% from ₹3,513.45 million for the fiscal year ended March 31, 2013 to ₹5,400.07 million for the fiscal year ended March 31, 2014 primarily due to an increase in business volumes arising out of client transactions and to a smaller extent, proprietary market making operations of our global markets business unit. The increase in business volumes arising out of client transactions was due to higher transaction flows, forward exchange contracts and other structured derivative products.

Income earned by way of dividend from companies in India

We earned dividend income of ₹32.59 million during the fiscal year ended March 31, 2014 as compared to ₹29.55 million during the fiscal year ended March 31, 2013.

Miscellaneous income

Miscellaneous income increased by 221% from ₹150.58 million for the fiscal year ended March 31, 2013 to ₹483.36 million for the fiscal year ended March 31, 2014 due to an increase in recovery of bad debts.

Expenditure

Interest expended

	Fiscal year ended March 31,	
	2013	2014
	(₹ million)	
Interest on deposits	40,267.83	43,824.05
Other interest, including interest on Reserve Bank of India/inter-bank borrowings/Subordinated debts and upper Tier II bonds	7,235.83	9,804.16
Total	**47,503.66**	**53,628.21**

Our interest expended increased by 12.89% from ₹47,503.66 million for the fiscal year ended March 31, 2013 to ₹53,628.21 million for the fiscal year ended March 31, 2014 as average interest bearing liabilities consisting of deposits and borrowings increased from increased from ₹564,893.58 million to ₹669,539.06 million during the same period.

Interest on deposits

Interest paid on deposits increased by 8.83% from ₹40,267.83 million for the fiscal year ended March 31, 2013 to ₹43,824.05 million for the fiscal year ended March 31, 2014. Over the same period, average deposits increased by 12.62% from ₹475,066.50 million to ₹535,001.05 million while average cost of deposits decreased from 8.48% to 8.19% due to softening interest rates over the year and partly due to an increase in low cost current and savings account deposits. Our CASA percentage to total deposit increased from 29.32% as of March 31, 2013 to 32.55% as of March 31, 2014.

Other interest, including interest on Reserve Bank of India/inter-bank borrowings/Tier II bonds

Other interest, including interest on borrowings from the RBI, inter-bank borrowings, refinance from institutions, including SIDBI and NABARD, and Tier II bonds, increased by 35.49% from ₹7,235.83 million for the fiscal year ended March 31, 2013 to ₹9,804.16 million for the fiscal year ended March 31, 2014, due to an increase in average borrowings by 49.77% from ₹89,827.08 million to ₹134,538.01 million which was partially offset by the decrease in the cost of borrowings from 8.06% to 7.29% over the period.

Operating expenses (excluding depreciation)

Our operating expenses (excluding depreciation) increased by 24.02% from ₹16,829.29 million for the fiscal year ended March 31, 2013 to ₹20,871.35 million for the fiscal year ended March 31, 2014 mainly due to an increase in payments to and provisions for employees by 22.35% from ₹6,614.62 million to ₹8,092.95 million caused by an increase in headcount from 11,502 as of March 31, 2013 to 15,590 as of March 31, 2014 primarily to staff the 102 new branches that were opened during the year and an increase in other administrative expenses by 25.10% from ₹10,214.67 million for the fiscal year ended March 31, 2013 to ₹12,778.40 million for the fiscal year ended March 31, 2014 mainly due to an increase in business volumes and expenditure incurred in connection with our branch network expansion as well as investments in technology and service provider fees paid to our associate company, IndusInd Marketing and Financial Services Private Limited.

Depreciation on our property and other fixed assets

Depreciation on our property and other fixed assets increased by 33.65% from ₹734.34 million for the fiscal year ended March 31, 2013 to ₹981.48 million for the fiscal year ended March 31, 2014 on account of the increased capital expenditure in new branches and other offices, and investments in computer systems and IT platforms.

Provisions and contingencies

Our total provisions and contingencies increased by 52.64% from ₹7,782.81 million for the fiscal year ended March 31, 2013 to ₹11,879.37 million for the fiscal year ended March 31, 2014.

The components of our provisions and contingencies are as indicated below:

	Fiscal year ended March 31,	
	2013	**2014**
	(₹ million)	
Depreciation on investments (including premium amortized on held-to-maturity investments)	13.04	875.64
Provision for NPAs including bad debts written off	2,196.09	3,136.68
Provision towards standard assets	354.90	648.24
Income tax/wealth tax/deferred tax/fringe benefit tax	5,151.76	7,203.07
Other provisions and contingencies towards write-off of other assets/contingent obligations	67.02	15.74
Total	**7,782.81**	**11,879.37**

In order to curb volatility in the foreign exchange markets, the RBI announced certain policy measures in July 2013, which included restricting access to funds under the LAF while simultaneously increasing the marginal standing facility ("MSF") rate by 200 basis points. These steps led to tightening of liquidity including an increase in bank rates by 300 basis points to 10.25% in July 2013 which further resulted in an increase in the interest rates. On account of the specific market intervention by the RBI to stabilize the exchange rates, the prices for fixed income Government securities fell sharply. Accordingly, we had to make a significant marked-to-market provision in respect of available for sale investments in the fiscal year ended March 31, 2014 due to which the depreciation on investments including marked-to-market provisions amounted to ₹ 875.6 million for the fiscal year ended March 31, 2014 as compared to ₹13.04 million during the previous fiscal year ended March 31, 2013.

In view of the higher profit on sale of Government securities during the first quarter of the fiscal year ended March 31, 2014, we had created a floating provision of ₹500 million during the three month period ended June 30, 2013 which remained in place through the fiscal year ended March 31, 2014. The provision for NPAs and the amount of bad debts written off increased by 42.83% from ₹2,196.09 million for the fiscal year ended March 31, 2013 to ₹3,136.68 million for the fiscal year ended March 31, 2014 due to write-off of certain corporate loans in addition to retail loans. Provision for standard assets increased from ₹354.90 million to ₹648.24 million during the same period.

Profit before Tax

As a result of the factors stated above, our profit before tax increased by 35.02% from ₹15,763.59 million for the fiscal year ended March 31, 2013 to ₹21,283.29 million for the fiscal year ended March 31, 2014.

Provision for Taxation

Our provision for taxes, including income tax, wealth tax and deferred tax increased by 39.82% from ₹5,151.76 million for the fiscal year ended March 31, 2013 to ₹7,203.07 million for the fiscal year ended March 31, 2014 mainly because of an increase in our profit. Our effective rate of tax marginally increased to 33.84% from 32.68% over the same period.

Profit after Tax

As a result of the foregoing, our net profit increased by 32.68% from ₹10,611.83 million for the fiscal year ended March 31, 2013 to ₹14,080.22 million for the fiscal year ended March 31, 2014. RoA increased to 1.81% for the fiscal year ended March 31, 2014 from 1.63% for the fiscal year ended March 31, 2013.

Related Party Transactions

We enter into transactions with related parties in the normal course of business. The principal related parties and the nature of our transactions with such parties are: (a) IndusInd Marketing and Financial Services Private Limited, our associate company, which provides us low cost manpower to service our vehicle financing business, (b) our Subsidiary, which is under liquidation and which maintains an account with us and (c) our Managing Director, who is paid remuneration by us. All significant transactions in relation to our business are conducted on an arm's length basis. Our Board of Directors has approved a policy on transactions with related parties pursuant to the listing agreement with stock exchanges, which is available on our website at http://www.indusind.com/ content/home/important-links/other-useful-information.html. During the fiscal years ended March 31, 2013, March 31, 2014 and March 2015, we have not entered into any significant transaction with related parties, which are not in the ordinary course of our business or at prices other than on an arm's length basis. For further information, see Note 11.3 in the Notes on Accounts in our audited financial statements as of and for the year ended March 31, 2015 in the section "Financial Statements".

Liquidity and Capital Resources

Cash Flows

	Fiscal year ended March 31,		
	2013	2014	2015
		(₹ million)	
Cash flow (used in) operating activities	(4,857.63)	(41,057.58)	(3,214.33)
Cash flow (used in) investing activities	(1,739.75)	(1,737.02)	(2,761.56)
Cash flow generated from financing activities	19,688.49	42,001.68	46,072.89
Cash and cash equivalents at the end of the year	68,487.32	67,694.42	107,791.42

We need cash primarily to finance lending to new borrowers and meet capital requirements. We fund these requirements through a variety of sources, including deposits, cash from interest income, short-term borrowings and long-term borrowings such as debentures, refinancing from financial institutions and banks and securitization transactions as well as equity issuances. Greater deployment of funds to provide loans generally results in decreasing our cash flow.

Operating Activities

We used net cash from operating activities of ₹4,857.63 million, ₹41,057.58 million and ₹3,214.33 million in the fiscal years ended March 31, 2013, March 31, 2014 and March 31, 2015, respectively. The increase in net cash flow into operating activities was to meet the needs of higher volumes of business. We derive our cash inflow from operating activities, principally from the receipt of interest income and other income, including fee income, as well as net proceeds from deposits and short-term borrowings. Our cash outflow from operating activities principally comprises the disbursement of loans to customers, the funding of investments made by us, deposits with the RBI, the payment of interest on deposits and borrowings and general operating expenses.

Investing Activities

We used net cash in investing activities of ₹1,739.75 million, ₹1,737.02 million and ₹2,761.56 million in the fiscal years ended March 31, 2013, March 31, 2014 and March 31, 2015, respectively, to acquire fixed assets during such periods in the ordinary course of our business and in connection with our branch expansion strategy.

Financing Activities

We generated net cash from financing activities of ₹19,688.49 million, ₹42,001.68 million and ₹46,072.89 million in the fiscal years ended March 31, 2013, March 31, 2014 and March 31, 2015 respectively. During the fiscal year ended March 31, 2013, our financing activities consisted mainly of raising share capital at a premium through issuance of Equity Shares through a qualified institutions placement under the ICDR Regulations. During the fiscal year ended March 31, 2015, we raised long-term finance through the issuance of infrastructure bonds. During the fiscal years ended March 31, 2013, March 31, 2014 and March 31, 2015, we used cash to pay dividends, interest on our Tier II bonds and to repay our

Tier II bonds upon maturity. We did not raise any capital through share issuances or debt in the fiscal year ended March 31, 2014.

Liquidity

We regularly monitor our funding levels to ensure we are able to satisfy the requirements of our loan disbursements and those that would arise upon maturity of our liabilities. We maintain diverse sources of funding and liquid assets to facilitate flexibility in meeting our liquidity requirements. Liquidity is provided principally by deposits and borrowings from banks and financial institutions, deposits from customers and retained earnings. See also " – Factors affecting our results of operations – Regulations and policies for Indian banks – RBI cash and liquidity requirements."

Surplus funds, if any, are invested in accordance with our investment policy. As of March 31, 2015, our total net investment portfolio was ₹248,593.70 million.

In addition, we monitor and manage our asset-liability gap with respect to our maturing assets and liabilities. As of March 31, 2015, our liabilities maturing between two days and seven days exceeded our assets maturing during the same period by ₹9,705.84 million. As of the same date, our assets maturing between eight and fourteen days exceeded liabilities maturing within the same period by ₹79,033.28 million, liabilities maturing between fifteen and twenty-eight days exceeded assets maturing within the same period by ₹10,989.71 million, liabilities maturing between twenty-nine days and three months exceeded assets maturing within the same period by ₹78,903.03 million, liabilities maturing between three and six months exceeded assets maturing within the same period by ₹12,578.16 million, and assets maturing between six months and one year exceeded liabilities maturing within the same period by ₹2,620.27 million.

For further information, see the section "Selected Statistical Information".

Interest Rate Risk

Since we have a substantial portion of fixed rate Rupee liabilities and a mix of floating and fixed rate assets, movements in domestic interest rates constitute the main source of interest rate risk. We assess and manage the interest rate risk on our balance sheet through the process of asset-liability management. Our asset liability management policy, which has been approved by our Board of Directors and adopted by our asset and liability management committee, sets forth the broad guidelines for asset liability management activities. The asset liability management function categorizes all rate sensitive assets and liabilities into various time period categories according to interest rate sensitivity. We follow RBI guidelines for managing our asset and liability position. Our cost of deposits and cost of borrowings have been and will be negatively impacted by an increase in interest rates. Exposure to fluctuations in interest rates is measured primarily by way of gap analysis, providing a static view of the maturity profile of our assets and liabilities. An interest rate sensitivity report is prepared by classifying all assets and liabilities into various categories according to interest rate sensitivity for reporting on a monthly basis to the asset liability management committee, our board of directors and the RBI. The difference between the amounts of assets and liabilities maturing in any maturity category provides a measure of the extent to which we are exposed to the risk of potential changes in the margins on new assets and liabilities.

Our asset and liability management committee meets on a monthly basis and reviews our interest rate and liquidity gap positions, formulates a view on interest rates, reviews the business profile and its impact on asset liability management and determines the asset liability management strategy, in light of the then-current and expected business environment.

For further information, see the section "Selected Statistical Information".

Liquidity Risk

Liquidity risk arises from the absence of liquid resources, when funding loans, and repaying deposits and borrowings. This could be due to a decline in the expected collection, or our inability to raise adequate resources at an appropriate price. This risk is minimized through a mix of strategies, including increasing current account and savings deposits and following a forward-looking deposit mobilization and borrowing programme based on projected loans and maturing obligations.

We monitor liquidity risk through our asset liability management function aided by liquidity gap reports. This involves the categorization of all assets and liabilities in different maturity profiles, and evaluating them for any mismatches in any particular maturities, especially in the short term. The asset liability management policy is based on RBI guidelines and our asset and liability management committee's guidelines and establishes the maximum allowed mismatches in the various maturities.

With effect from January 1, 2015, the RBI has introduced a requirement for commercial banks in India to maintain an LCR (which measures the bank's ability to manage and survive for 30 days under a significant stress scenario). According to the RBI guidelines, at least 60% of the net cash outflows in the next 30 days computed with these assumptions of a stressed scenario, are required to be supported by HQLA. The requirement to maintain HQLA will be progressively increased to 70% with effect from January 1, 2016, 80% with effect from January 1, 2017, 90% with effect from January 1, 2018 and 100% with effect from January 1, 2019. Our LCR, computed in accordance with the applicable RBI guidelines, was 61.74% as of March 31, 2015.

Exchange Rate Risk

Most of our assets are in Rupees and, therefore, we have minimal exchange rate risk on our asset portfolio. However, we have some non-resident deposits in foreign currency and some borrowings in foreign currency, mainly in U.S. Dollars. Since the quantum and tenor of our foreign currency assets are different from that of our foreign currency liabilities, we hedge the open position with other banks. As a financial intermediary, we are exposed to exchange rate risk on our merchant and proprietary transactions, which we manage through methods such as maintaining limits on uncovered positions specified by our board of directors. See also "-Off-Balance Sheet Items - Contingent liabilities" below.

Credit Ratings

Our certificates of deposit are rated by CRISIL (a subsidiary of S&P) and our debt is rated investment-grade by ICRA, India Ratings and Research (the Indian subsidiary of Fitch, formerly known as Fitch Ratings India Private Limited) and CARE. The ratings are as follows:

Rating Agency	**Rating**	**Debt type**
ICRA	ICRA AA+	Lower Tier II subordinate debt
ICRA	ICRA AA	Upper Tier II subordinate debt
CRISIL	CRISIL A1+	Certificates of deposit
CARE	CARE AA+	Lower Tier II subordinate debt
India Ratings and Research	Ind A1+	Short term debt instruments
India Ratings and Research	Ind AA+	Lower Tier II subordinate debt
India Ratings and Research	Ind AA	Upper Tier II subordinate debt
India Ratings and Research	Ind AA+	Senior unsecured bonds

Financial Condition

Our net worth (consisting of share capital, ESOPs outstanding and reserves and surplus, but excluding revaluation reserves, and adjusted for the loss on sale of NPAs yet to be charged to the profit and loss account), increased by 16.00% from ₹86,456.9 million as of March 31, 2014 to ₹100,289.3 million as of March 31, 2015.

Assets

The following table sets forth the principal components of our assets:

	As of March 31,		
	2013	**2014**	**2015**
		(₹ million)	
Cash and balances with the Reserve Bank of India	32,498.44	44,139.16	40,351.43
Balances with banks and money at call and short notice	35,988.88	23,555.26	67,439.99
Investments	196,541.66	215,629.53	248,593.70
Advances	443,206.10	551,018.36	687,881.99
Fixed assets	7,561.42	10,164.47	11,575.77
Other assets	17,268.65	25,752.53	35,316.31
Total assets	**733,065.15**	**870,259.31**	**1,091,159.19**

Our total assets increased by 18.72% from ₹733,065.15 million as of March 31, 2013 to ₹870,259.31 million as of March 31, 2014 and further increased by 25.38% to ₹1,091,159.19 million as of March 31, 2015, primarily due to the increase in advances as a result of an increase in our business activities described above.

Our investments primarily include investments in Government securities as required by the RBI and surplus funds held in short-term liquid investments. Our net investments increased by 9.71% from ₹196,541.66 million as of March 31, 2013 to ₹215,629.53 million as of March 31, 2014 and further increased by 15.29% to ₹248,593.70 million as of March 31, 2015.

Our net advances increased by 24.33% from ₹443,206.10 million as of March 31, 2013 to ₹551,018.36 million as of March 31, 2014 and further increased by 24.84% to ₹687,881.99 million as of March 31, 2015.

Other assets, which include interest accrued, tax paid in advance/tax deducted at source (net of provisions), stationery stamps and others, increased by 49.13% from ₹17,268.65 million as of March 31, 2013 to ₹25,752.53 million as of March 31, 2014 and further increased by 37.13% to ₹35,316.31 million as of March 31, 2015. These increases were principally due to a higher volume of business.

Capital and Liabilities

The following table sets forth the components of our capital and liabilities:

	As of March 31,		
	2013	**2014**	**2015**
		(₹ million)	
Capital	5,228.70	5,256.39	5,294.50
Employee stock options outstanding	107.12	110.20	140.53
Reserves and surplus	70,966.72	85,063.04	101,010.31
Deposits	541,167.15	605,022.85	741,343.64
Borrowings	94,595.56	147,619.57	206,180.56
Other liabilities and provisions	20,999.90	27,187.26	37,189.64
Total capital and liabilities	**733,065.15**	**870,259.31**	**1,091,159.19**

Our total liabilities increased by 18.72% from ₹733,065.15 million as of March 31, 2013 to ₹870,259.31 million as of March 31, 2014 and further increased by 25.38% to ₹1,091,159.19 million as of March 31, 2015. These increases were mainly due to the increase in our deposit base and borrowings as a result of the growth of our business.

Other liabilities and provisions include sundry creditors, interest accrued on deposits and provisions for expenses. The increases in other liabilities was mainly on account of an increase in dividends payable (including dividend tax), interest accrued and outstanding expenses payable due to an increase in business volumes.

Off-Balance Sheet Items

Contingent liabilities

The following table sets forth the principal components of our contingent liabilities:

	As of March 31,		
	2013	**2014**	**2015**
		(₹ million)	
Contingent Liabilities			
Claims against the Bank not acknowledged as debts	4,308.91	5,358.26	5,477.40
Liability on account of outstanding forward exchange contracts	794,386.55	784,912.12	961,873.12
Liability on account of outstanding derivative contracts	295,401.47	453,916.27	792,176.71
Guarantees given on behalf of constituents			
a) In India	193,810.09	185,023.31	279,879.22
b) Outside India	0.00	0.00	0.00
Acceptances, endorsements and other obligations	43,621.86	48,832.68	50,199.32
Other items for which the Bank is contingently liable	17,500.00	0.00	125.25
Total	**1,349,028.88**	**1,478,042.64**	**2,089,731.02**

Our total contingent liabilities increased by 9.56% from ₹1,349,028.88 million as of March 31, 2013 to ₹1,478,042.64 million as of March 31, 2014 and further increased by 41.39% to ₹2,089,731.02 million as of March 31, 2015. This increase in contingent liabilities was principally due to an increase in liabilities on account of outstanding forward exchange contracts and liabilities on account of outstanding derivative contracts reflecting increased customer business in our global markets business unit.

Claims against us not acknowledged as debts include liabilities in respect of disputed tax liabilities as well as in respect of other proceedings, which increased by 24.35% from ₹4,308.91 million as of March 31, 2013, to ₹5,358.26 million as of March 31, 2014 and by 2.22% to ₹5,477.40 million as of March 31, 2015. These disputed tax liabilities pertain to certain income tax claims principally relating to depreciation on leased assets, interest accrued but not due on investments and deductibility of expenditure incurred for earning income exempt from tax. For further information, see "Legal Proceedings – Income tax cases".

Contingent liabilities on account of outstanding forward exchange contracts decreased by 1.19% from ₹794,386.55 million as of March 31, 2013 to ₹784,912.12 million as of March 31, 2014 and increased by 22.55% to ₹961,873.12 million as of March 31, 2015. Contingent liabilities on account of outstanding derivative contracts increased by 53.66% from ₹295,401.47 million as of March 31, 2013 to ₹453,916.27 million as of March 31, 2014 and by 74.52% to ₹792,176.71 million as of March 31, 2015. These contracts consist of merchant as well as proprietary trading in interest rate swaps and other derivative contracts, which are marked-to-market for accounting purposes.

Other contingent liabilities include guarantees given on behalf of constituents and acceptances, endorsements and other obligations which have arisen in the normal course of our business and certain other items for which we are contingently liable, such as amounts transferred to the Depositor Education and Awareness Fund.

Capital Adequacy

We are subject to the capital adequacy requirements of the RBI. We are required to maintain a minimum capital adequacy ratio of 9% prescribed by RBI guidelines based on total capital to risk weighted assets.

Our capital adequacy ratios are as follows:

	As of March 31,		
	2013	**2014**	**2015**
		(₹ million)	
Capital Funds			
Common Equity Tier 1/ Tier I Capital	73,445.39	85,509.13	99,750.29
Tier 2/Tier II Capital	8,409.33	7,539.45	7,758.01
Total Capital Funds	**81,854.72**	**93,048.58**	**107,508.30**
Risk weighted assets			
RWA under Credit Risk	462,681.30	586,119.60	767,177.72
RWA under Market Risk	23,454.00	25,169.07	43,558.17
RWA under Operational Risk	46,698.70	61,309.50	78,553.87
Total Risk Weighted Assets	**532,834.00**	**672,598.16**	**889,289.75**
Capital Adequacy Ratio			
CET1/Tier 1Capital to RWA (%)	13.78%	12.71%	11.22%
Tier 2/Tier II Capital to RWA (%)	1.58%	1.12%	0.87%
Capital to Risk-Weighted Assets Ratio (CRAR)	**15.36%**	**13.83%**	**12.09%**

The Basel III capital regulations have become applicable to us with effect from April 1, 2013. In the table above, the capital adequacy ratio as of March 31, 2013 has been computed under the Basel II new capital adequacy framework of the RBI and as of March 31, 2014 and March 31, 2015, under the Basel III capital regulations of the RBI.

As of March 31, 2015, our risk weighted assets for credit risk included credit valuation adjustments ("CVA") under the Basel III requirements, which were implemented during the fiscal year ended March 31, 2015. We believe that factors that contributed to the decrease in our CRAR over the three-years ended March 31, 2015, include additional capital requirements under Basel III capital regulations.

During the fiscal year ended March 31, 2013, we issued 52.10 million Equity Shares in a qualified institutions placement under the ICDR Regulations raising proceeds of ₹20,006.4 million. During the fiscal year ended March 31, 2015, we raised ₹5,000.0 million through the issue of senior unsecured long-term infrastructure bonds.

Capital Expenditure (Purchase of fixed assets, including capital work in progress)

Our fixed assets mainly comprise owned assets such as furniture, office equipment, computers and vehicles. Based on cash flow, our capital expenditure in the fiscal year ended March 31, 2015 was ₹2,786.26 million.

Interest Coverage Ratio

Our interest coverage ratio (equal to the total of cash profit after tax plus interest paid divided by interest paid) as of March 31, 2013, March 31, 2014 and March 31, 2015 is set forth in the table below:

	As of March 31,		
	2013	**2014**	**2015**
		(₹ million)	
(i) Net profit after tax	10,611.83	14,080.22	17,937.15
(ii) Depreciation on Bank's Property	734.34	981.48	1,268.49
(iii) Interest Expended	47,503.66	53,628.21	62,716.89
(iv) Total	58,849.83	68,689.91	81,922.53
Interest Coverage (v = iv/iii)	**123.88%**	**128.09%**	**130.62%**

Changes in accounting policies during the last three fiscal years

We adopt a consistent set of accounting policies for the preparation of our financial statements in compliance with the Banking Regulation Act, applicable RBI guidelines, Companies Act and mandatory Accounting Standards. In general, a change in an accounting policy is made when it is warranted by a statute or under RBI or other regulatory guidelines or when it enables a more appropriate presentation of financial statements. The following are the major changes to our accounting policies during the fiscal years ended March 31, 2013, March 31, 2014 and March 31, 2015, respectively.

Fiscal year ended March 31, 2014

During the fiscal year ended March 31, 2014, we aligned our accounting policy on valuation of investments under HFT and AFS categories in line with RBI guidelines pursuant to Master Circular DBOD No.BP.BC.8/21.04.141/2013-14 dated July 01, 2013. Accordingly, the securities have been valued scrip-wise and depreciation or appreciation is aggregated for each classification. Net appreciation in each classification was ignored, while net depreciation was provided for. As a result of this change, the provision for depreciation on AFS securities was lower by ₹140.5 million and consequently, the net profit was higher by ₹92.7 million.

Fiscal year ended March 31, 2015

There was no change in the accounting policies during the year that had any impact on our net profit or the reserves.

Material Developments

In the opinion of our board of directors, other than as described in this Placement Document, there has not arisen, since the date of the last financial statements included in this Placement Document, any circumstances that materially and adversely affect our profitability or the value of our assets or our ability to pay our liabilities within the next 12 months.

Recent Developments

On April 10, 2015, we entered into an agreement with Royal Bank of Scotland N.V. to acquire its diamond and jewellery financing business (comprising a loan portfolio of approximately ₹45,000 million and a related deposit portfolio), subject to certain regulatory approvals. Until the acquisition has been completed, the day-to-day management of the loan portfolio will remain with The Royal Bank of Scotland N.V. Upon completion of the transaction, our advances and deposits will increase to the extent of the acquisition.

On May 30, 2015, upon maturity of the Tier II bonds, we repaid an amount of ₹1,150.0 million to the bondholders, together with applicable interest thereon.

Our board of directors have recommended a dividend of ₹4.0 per Equity Share for the fiscal year ended March 31, 2015, the declaration and payment of which is subject to the approval of the shareholders of the Bank at the next AGM.

Pursuant to its resolution dated June 11, 2015, our Board of Directors has approved, subject to approval by the RBI and our shareholders, a preferential allotment of Equity Shares to our Promoters up to 1.5% of our authorized share capital (within the limit of 10% of our authorized share capital as approved by our shareholders pursuant to their resolution adopted by way of postal ballot on June 8, 2015), such that the aggregate shareholding of our Promoters is maintained at 15% post the Issue and preferential allotment. The price at which Equity Shares will be allotted under the preferential allotment shall be in accordance with Chapter VII of the ICDR Regulations, however, such price shall not be less than the price at which the Equity Shares are allotted to QIBs in the Issue.We have received the in-principle approval of the RBI for undertaking a preferential allotment of Equity Shares to our Promoters through a letter dated June 17, 2015. We have sought the approval of our shareholders through a notice of postal ballot dated June 25, 2015.

INDUSTRY OVERVIEW

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government of India and its various ministries, the RBI and the Indian Banks' Association, and has not been prepared or independently verified by us or any of the Lead Managers. Wherever we have relied on figures published by the RBI, unless stated otherwise, we have relied on the RBI Annual Report 2013-14, Profile of Banks 2012-13 and Report on Trend and Progress of Banking in India 2013-14 and the accompanying explanatory notes.

Indian Economy

The Indian economy is one of the largest economies in the world with a GDP at current prices of ₹105.40 trillion for the fiscal year ended March 31, 2014 (*Source: Ministry of Statistics and Programme Implementation, Annual Report 2013-14*). India is one of the fastest-growing major economies in the world, with an estimated GDP growth rate at constant prices of 7.5% for the quarter ended March 31, 2015 (*Source: Central Statistics Office*). In 2014, China and India sustained real GDP growth rates of 7.4% and 7.2%, respectively, which are among the highest of any economy in the world. The following table shows India's economic growth in comparison to other economies:

Growth /Real GDP*	2010	2011	2012	2013	2014	2015 (Estimated)	2016 (Estimated)	2020 (Estimated)
World	5.4	4.2	3.4	3.4	3.4	3.5	3.8	4.0
Australia	2.3	2.7	3.6	2.1	2.7	2.8	3.2	2.8
Brazil	7.6	3.9	1.8	2.7	0.1	(1.0)	1.0	2.5
China	10.4	9.3	7.8	7.8	7.4	6.8	6.3	6.3
India	**10.3**	**6.6**	**5.1**	**6.9**	**7.2**	**7.5**	**7.5**	**7.8**
Japan	4.7	(0.5)	1.8	1.6	(0.1)	1.0	1.2	0.7
Mexico	5.1	4.0	4.0	1.4	2.1	3.0	3.3	3.8
Russian Fed.	4.5	4.3	3.4	1.3	0.6	(3.8)	(1.1)	1.5
UK	1.9	1.6	0.7	1.7	2.6	2.7	2.3	2.1
USA	2.5	1.6	2.3	2.2	2.4	3.1	3.1	2.0

*Annual percentage change in GDP at constant prices; on a calendar year basis
Source: International Monetary Fund, World Economic Outlook Database

Per capita GDP at factor cost (at constant prices) in India has grown from around ₹27,273 for the year 1991 at the time of liberalization to ₹84,404 for the year 2014 (*Source: International Monetary Fund, World Economic Outlook Database*). This increase in per capita income has created increasing wealth and positively affected disposable incomes. This has had a significant investment multiplier effect on the economy, leading to increasing consumerism and wealth creation, and positively impacting savings.

Overall, India attracted FDI of approximately US$ 36,860 million in fiscal year 2013, US$ 36,396 million in fiscal year 2014 and US$ 44, 877 million in fiscal year 2015, as compared to an average of US$ 24, 563 million per year from Fiscal 2001 through Fiscal 2015 (*Source: Reserve Bank of India Bulletin, Department of Industrial Policy and Promotion, Ministry of Commerce & Industry, Government of India –FDI Statistics*).

Indian Banking Industry

Until the 1980s, 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 program, 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, (the Narasimham Committee I). Following the first phase, reports were submitted in 1998 by other committees, such as the second Committee on Banking Sector Reform (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. Subsequently, the deregulation of interest rates, the emergence of a liberalized domestic capital market, and the entry of new private sector banks have progressively intensified the competition among banks.

Banks in India may be categorized as scheduled banks and non-scheduled banks, the former of which are banks that are included in the second schedule to the RBI Act. Scheduled banks comprise scheduled commercial banks and scheduled co-operative banks. Scheduled commercial banks may further be classified as public sector banks, private sector banks, foreign banks and regional rural banks.

The average population coverage by a commercial bank branch was 10,200 per office and the credit to deposit ratio of all commercial banks was 76.4% as of December 31, 2014 *(Source: RBI, "Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks" as of December 2014)* The focus of commercial banks in India has largely been on meeting the short-term financing needs of industry, trade and agriculture. As of December 31, 2014, there were 151 commercial banks in the country out of which 146 were scheduled commercial banks. Commercial banks have a nationwide network of 123,184 offices with 64.7% of the offices in rural and semi-urban areas as on December 31, 2014.

Scheduled commercial banks had approximately ₹79,557,212.2 million of deposits and approximately ₹62,820,824.3 million of advances as of March 31, 2014. In the year ended December 31, 2014, aggregate deposits for all scheduled commercial banks registered an annual growth rate of 10.9% while the aggregate advances for all scheduled commercial banks increased by 10.1% from the previous year.

As of March 31, 2014, public sector banks in India had total deposits of approximately ₹58,951,894.2 million and advances of approximately ₹46,047,664.2 million, while the private sector banks in India had total deposits of approximately ₹14,967,939.0 million and advances of approximately ₹12,213, 341.4 million.

Constituents of the Indian Banking Industry

The RBI

The RBI is the central regulatory and supervisory authority for the Indian banking sector. Besides regulating and supervising the banking system, RBI performs the following important functions:

- acts as the central bank and the monetary authority;
- issuer of currency;
- debt manager for the central and state governments;
- regulator and supervisor for NBFCs;
- manages the country's foreign exchange reserves;
- manages the capital account of the balance of payments;
- designs and operates payment systems;
- operates grievance redressal scheme for bank customers through the Banking Ombudsmen and formulates policies for fair treatment of banking customers; and
- develops initiatives like financial inclusion and the strengthening of the credit delivery mechanisms for agriculture, and small and micro-enterprises, especially in rural areas.

The RBI issues guidelines on various issues relating to the financial reporting of entities under its supervision. These guidelines regulate exposure standards, income recognition practices, asset classification, provisioning for non-performing and restructured assets, investment valuation and capital adequacy. All the institutions under the purview of the RBI are required to furnish information relating to their businesses on a regular basis.

Public Sector Banks

Public sector banks are scheduled commercial banks with significant Government of India shareholding and constitute the largest category in the Indian banking system in terms of business parameters and balance sheet size. These include 26 banks (not including the regional rural banks) and the State Bank of India ("SBI") and its five associate banks. These 26 banks had 75,779 offices across India and SBI and its associates had 21,301 offices as of March 31, 2013.

As at March 31, 2014, public sector banks in India had total deposits of approximately ₹58,951,894.2 million and loans and advances of approximately ₹46,047,664.2 million. SBI and its associates accounted for approximately 21.5% of the total deposits and approximately 22.1% of the loans and advances and nationalized banks accounted for approximately 52.4% of the total deposits and approximately 51.1% of the loans and advances of the scheduled commercial banks. The public sector banks, in total, accounted for approximately 73.9% of the deposits and approximately 73.2% of the advances of the scheduled commercial banks. These figures do not include regional rural banks. *(Source: Statistical Tables Relating to Banks in India, 2013-14).*

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 laborers. The NABARD is responsible for regulating and supervising the functions of the regional rural banks. As of December 31, 2014, there were 56 regional rural banks in India.

Private Sector Banks

After bank nationalization was completed in 1969 and 1980, the majority of Indian banks were public sector banks. Some of the existing private sector banks, which 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 by the private sector into the banking system. This resulted in the emergence of nine private sector banks. These banks are collectively known as the "New Private Sector Banks". There were seven New Private Sector Banks operating as of March 31, 2013 with 9,718 offices. In addition, 13 private sector banks existing prior to July 1993 were operating as of March 31, 2013 with 6,283 offices. These are collectively known as the "Old Private Sector Banks".

As of March 31, 2014, private sector banks accounted for approximately 18.7% of the deposits and approximately 19.9% of the advances of the scheduled commercial banks. These figures do not include regional rural banks. *(Source: Statistical Tables Relating to Banks in India, 2013-14.)*

The Union Finance Minister in his budget speech for 2010-2011 noted the need to extend the geographic coverage of banks and improve access to banking services. Following the budget announcement, the guidelines for the licensing of new banks in the private sector were issued by the RBI in February 2013 specifying that select entities or groups in the private sector, entities in the public sector and non-banking financial companies with a successful track record of at least 10 years would be eligible to promote banks. Further, the RBI published certain criteria for ascertaining whether a bank is 'fit and proper' for the grant of a license. The new banks can be set up only through a non-operative financial holding company registered with the RBI and the initial minimum paid up equity voting capital requirements for the applicants in ₹5.0 billion, with foreign shareholding not exceeding 49.0% for the first five years. The applicants were required to submit applications for these licenses to the RBI by July 1, 2013 and 26 applications were reviewed by the RBI. These applications were screened by the RBI and forwarded to the RBI's High Level Advisory Committee, which submitted its recommendations to the RBI on February 25, 2014.

On April 2, 2014, the RBI granted "in-principle" approval to two applicants (IDFC Limited and Bandhan Financial Services Private Limited) to set up banks under the guidelines for the licensing of new banks in the private sector. The "in-principle" approval is valid for a period of 18 months and the applicants will not be permitted to engage in banking business until a regular license is issued after satisfaction of the conditions stipulated by the RBI. In the future, the RBI intends to issue licenses on an on-going basis, subject to the RBI's qualification criteria.

Further, on November 27, 2014, the RBI released the final guidelines for the licensing of payments banks and for the licensing of small finance banks in the private sector, which are aimed at expanding the banking space and paving the way for corporate entities to enter these two segments.

Foreign Banks

As of March 31, 2013, there were 43 foreign banks with 334 offices operating in India. Foreign banks accounted for approximately 4.1% of deposits and approximately 4.3% of aggregate advances of scheduled commercial banks (not including regional rural banks) as of March 31, 2014. *(Source: Statistical Tables Relating to Banks in India, 2013-14.)*

As part of the liberalization process, the RBI has permitted foreign banks to operate more freely, subject to requirements largely similar to those imposed on domestic banks. Foreign banks operate in India through branches of the parent bank. The primary activity of most foreign banks in India has been in the corporate segment. However, in recent years, some of the larger foreign banks have started to put a greater emphasis on consumer financing based on perceived growth opportunities in India.

In July 2012, the RBI revised priority sector lending norms and mandated foreign banks with 20 branches or more in India to meet priority lending norms as prescribed for domestic banks. In April 2015, the RBI revised priority sector lending norms and introduced priority sector lending targets for foreign banks with less than 20 branches, to be implemented in a phased manner.

In November 2013, the RBI issued a scheme for setting up wholly-owned subsidiaries by foreign banks in India. The scheme envisages that foreign banks that commenced business in India after August 2010, or do so in the future, would be permitted to do so only through wholly-owned subsidiaries if certain specified criteria apply to them. These criteria include incorporation in a jurisdiction which gives legal preference to home country depositor claims in case of a winding up proceeding, among others.

Co-operative Banks

Co-operative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban, semi-urban and rural areas of India. The state land development banks and the primary land development banks provide long-term credit for agriculture. The wide network of co-operative banks, both rural and urban, supplements the commercial banking network for deepening financial intermediation by bringing a large number of depositors and borrowers under the formal banking network.

The Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004, which came into effect from September 24, 2004, specifies that all multi-state co-operative banks are under the supervision and regulation of the RBI. Accordingly, the RBI is currently responsible for the supervision and regulation of urban co-operative societies, NABARD, state co-operative banks and district central co-operative banks.

Key Banking Industry Trends in India

The growth of the Indian banking sector slackened in fiscal year 2014. The overall profitability of banks declined due to higher provisioning on banks' delinquent loans and lackluster credit growth. While the asset size of non-deposit taking, systemically important non-banking financial companies (NBFCs) increased, the asset quality of such NBFCs deteriorated during fiscal year 2014. *(Source: Financial Stability Report (Including Trend and Progress of Banking in India 2013-14) December 2014.)*

The current weak global growth outlook may prolong an easy monetary policy stance in most advanced economies. In India, macroeconomic vulnerabilities have abated in recent months on the back of an improvement in growth outlook, a decrease in inflation, recovery in the external sector and increased political stability. However, growth in the banking sector and activity in primary capital markets remain subdued due to moderate investment intentions. Sustaining the turnaround in business sentiment remains contingent on outcomes on the ground. *(Source: Financial Stability Report (Including Trend and Progress of Banking in India 2013-14) December 2014).*

Consumer Credit

The consumer credit market in India has undergone a significant transformation over the last decade and experienced rapid growth due to consumer credit becoming cheaper, more widely available and increasingly a more acceptable avenue of funding for consumers. The market has changed dramatically due to the following factors:

- increased focus by banks and financial institutions on consumer credit resulting in a market shift towards regulated players from unregulated moneylenders/financiers;
- increasing desire by customers to acquire assets such as cars, consumer durable goods and houses on credit;
- fast emerging middle class and growing number of households in our target segment;
- improved terms of credit;
- increasing importance for credit bureaus given the regulatory requirement for all lenders to share client data with the credit bureaus resulting in a positive impact on the quality of consumer credit;
- legislative changes that offer greater protection to lenders against fraud and potential default increasing the incentive to lend; and
- growth in assignment and securitization arrangements for consumer loans has enabled non-deposit based entities to access wholesale funding and compete in the market, based on the ability to originate, underwrite and service consumer loans.

Despite the high loan growth in consumer financing, it remains an underpenetrated market. We believe the demand for consumer loans will increase going forward in view of low household gearing and rapidly rising disposable income.

Credit availability, affordability and consumer confidence are the key drivers for consumer loan growth. India continues to provide opportunities for the growth of consumer credit due to the rise of the Indian middle class. In addition, the younger population not only has more purchasing power, but also is more open to acquiring personal debt than previous generations. Improving consumer purchasing power will continue to contribute to the growth of India's consumer credit market.

Commercial Banking Trends

Credit

As of fiscal year 2014, the credit-deposit ratio for scheduled commercial banks was 78.9% as compared to 79.1% at the end of fiscal year 2013. The aggregate deposits increased by 14.9% while loans and advances increased by 14.5% in fiscal year 2014. *(Source: Statistical Tables Relating to Banks in India, 2013-14).*

The growth in aggregate non-food bank credit continued decelerating in fiscal year 2015. This trend was in consonance with the overall slowdown observed in the growth of loans and advances in banks' consolidated balance sheet. Sluggish growth performance of the domestic economy due to cyclical and structural factors partly explains the slowdown in credit off-take. While credit to agriculture and allied activities and personal loans showed an improved growth, the industry sector and services saw a decline in comparison to fiscal year 2014.

Given that a majority of the personal loans are long-term in nature, growth in personal loans assumes special significance, especially against the backdrop of the increase in NPAs during fiscal year 2014. On a year-on-year basis, the growth in personal loans improved during fiscal year 2015 compared with the previous year.

Non-food Bank Credit - Sectoral Deployment (Amounts in Rupees billion)

Sr. No.		Sector/Industry	Outstanding as on March 20, 2015	Outstanding as on March 21, 2014	Y-o-Y Growth (%) 2014-15	Y-o-Y Growth (%) 2013-14	Y-o-Y Growth (%) 2012-13
		Non-food Credit	**60,430**	**55,660**	**8.6%**	**13.6%**	**14.0%**
1.		Agriculture and Allied Activities	7,700	6,694	15.0%	13.0%	8.1%
2.		Industry (Micro & Small, Medium and Large)	26,651	25,229	5.6%	12.4%	15.7%
3.		Services, of which:	14,120	13,370	5.6%	15.5%	13.7%
	(a)	Transport Operators	881	895	-1.6%	12.2%	4.5%
	(b)	Professional Services	747	707	5.7%	25.6%	18.5%
	(c)	Trade	3,619	3,228	12.1%	15.9%	23.6%
	(d)	Commercial Real Estate	1,680	1,544	8.8%	22.4%	11.9%
	(e)	Non-Banking Financial Companies (NBFCs)	3,136	2,946	6.4%	12.6%	14.7%
	(f)	Computer Software	167	176	-5.1%	4.1%	18.2%
	(g)	Tourism Hotel & Restaurants	364	392	-7.1%	11.0%	9.0%
	(h)	Shipping	100	99	1.0%	13.8%	8.8%
	(i)	Other Services	3,426	3,375	1.5%	14.6%	7.4%
4.		Personal Loans, of which:	11,958	10,367	15.3%	14.6%	14.5%
	(a)	Consumer Durables	153	128	19.5%	52.4%	18.3%
	(b)	Housing (Including Priority Sector Housing)	6,309	5,408	16.7%	17.0%	14.6%
	(c)	Advances against Fixed Deposits	629	641	-1.9%	4.6%	7.5%
	(d)	Advances to Individuals against share & bonds	47	38	23.7%	22.6%	3.3%
	(e)	Credit Card Outstanding	305	249	22.5%	-1.6%	24.0%
	(f)	Education	634	600	5.7%	8.9%	10.0%
	(g)	Vehicle Loans	1,505	1,304	15.4%	17.0%	25.0%
	(h)	Other Personal Loans	2,376	1,998	18.9%	12.4%	11.3%

Note : 1. Data are provisional and relate to select banks which cover 95% of total non-food credit extended by all scheduled commercial banks
2.Gross bank credit data include bills rediscounted with the RBI, Exim Bank, other financial institutions and inter-bank participations
Source: Reserve Bank of India Bulletin, May 2015

Following the overall acceleration in credit growth, credit to infrastructure also grew at 10.1%. As at the end of March 2015, the power sector accounted for more than half of total infrastructure credit. Further, the growth of credit to the power sector was higher than the overall growth of credit to infrastructure.

There was a sharp rise in the growth of priority sector credit in fiscal year 2014 to 22.0% as compared to previous year's growth of 8.4%. The growth in priority sector credit was higher than the growth in overall credit for the corresponding period.

In fiscal year 2014, credit to priority sectors by public and private sector banks was 39.4% and 43.9% of adjusted net bank credit or credit equivalent of off-balance sheet exposure, whichever is higher, respectively, indicating a shortfall against the overall priority sector lending target of 40.0%. *(Source: RBI Annual Report 2014).* In addition, advances to agriculture and weaker sectors by both public and private sector banks were less than 18% and 10%, respectively, at the aggregate level.

Microfinance and Financial Inclusion

The microfinance sector in India is a sizable industry today, with significant year on year growth in fiscal year 2015. This is despite the near grounding the industry faced after the Andhra Pradesh crisis in 2010, when funding to the sector stopped and portfolio quality deteriorated across the country.

The board of directors of the RBI, at its meeting held on October 15, 2010, formed a sub-committee of the board of directors, the Malegam Committee, to study the issues and concerns in the microfinance sector in so far as they are related to the entities regulated by the RBI. In May 2011, the RBI accepted the recommendations of the Malegam Committee Report and subsequently issued the NBFC-MFI Directions on December 2, 2011 creating and recognizing a separate category of NBFCs, namely, NBFC-MFIs. Subsequent to the crisis, the monitoring role of the RBI has been strengthened and supported by the emergence of a functional self -regulatory organization, the Microfinance Institutions Network (MFIN). The feeding of client-level data into the credit bureau infrastructure has addressed not only any multiple financing concerns but also reflected the indebtedness of borrowers better.

Over the last year, the RBI has introduced several measures aimed at furthering financial inclusion. For example, the RBI granted permission to NBFCs to act as business correspondents, widened the number of sectors termed as “priority sector”, and introduced new classes of banks in the financial system (such as small finance banks and payment banks). In addition to such changes on the regulatory front, the structural thrust brought about by the government through the introduction of financial inclusion schemes like simplified savings accounts (Pradhan Mantri Jan-Dhan Yojana), accidental death and life insurances (Pradhan Mantri Suraksha Bima Yojana and Pradhan Mantri Jeevan Jyoti Yojana), and pension schemes (Pradhan Mantri Atal Pension Yojana) aimed at the bottom of the pyramid presents a unique opportunity for players in the sector to develop a strong network of loyal customers on the back of a comprehensive product suite.

Further, in April 2015, the Government launched the Pradhan Mantri MUDRA (Micro Units Development and Refinance Agency) Yojana. Pursuant to the scheme, the government proposed to set up the Micro Units Development and Refinance Agency (MUDRA) Bank, to regulate and refinance all micro-finance institutions which are in the business of lending to micro or small business entities engaged in manufacturing, trading and services activities. The Micro Units Development and Refinance Agency was formed in April 2015 as a non-banking financial company, and is proposed to be converted into a bank in the future.

Interest Rates and Inflation

The monetary policy stance of the RBI changed significantly over three distinct phases during fiscal year 2014. The first phase, monetary easing, that started in fiscal year 2013 continued until the middle of July 2013. During the second phase of fiscal year 2014, the RBI undertook exceptional monetary measures in order to address exchange market pressures. However, these monetary measures were normalized by the end of November 2013. In the third phase, monetary policy became increasingly anti-inflationary as a result of CPI inflation and inflation expectations persisting at elevated levels. The monetary policy framework witnessed key changes during the year reflecting implementation of some of the recommendations of the Expert Committee to Revise and Strengthen the Monetary Policy Framework, i.e. the Urjit Patel Committee. Those recommendations include: adopting the CPI (combined) as the key metric of inflation for conducting monetary policy, explicit communication of a glide path for disinflation, transition to a bi-monthly monetary policy cycle beginning in fiscal year 2015, progressive reduction in access to overnight liquidity under the liquidity adjustment facility at the fixed repo rate and a corresponding increase in access to liquidity through term repos and introduction of variable tenor term repos. *(Source: RBI Annual Report 2014.)*

According to the most recently available data, WPI inflation was recorded at -2.3% in March 2015, further decelerating from a -2.1% in February 2015. It is the lowest rate since October 2009, mainly due to a fall in the prices of food and petrol. Further, CPI inflation also slowed for the second consecutive month to 5.2% in March 2015, from a 5.4% in February 2015. This also is the lowest rate on record and is largely a result of lower food prices. *(Source: RBI Bulletin dated May 11, 2015.)*

Earlier, in response to increased inflation, in fiscal years 2011 and 2012, the RBI had increased its policy rates 13 times, enacting gradual increases in the repo rate from 5.00% on 31 March 2010 to a peak of 8.50% with effect from October 25, 2011. However, the RBI cut the repo rate to 8.00% effective April 17, 2012 and to 7.75% effective January 29, 2013.

RBI again decreased the repo rate to 7.50% on March 19, 2013 and then to 7.25% effective May 3, 2013. However, RBI reversed the trend on September 20, 2013 by raising the repo rate to 7.50% in response to the high inflation. RBI further increased the repo rate to 7.75% and 8.00% on October 29, 2013 and January 28, 2014, respectively, and reduced it to 7.75% effective January 15, 2015. The reverse repo rate has been pegged at 1.0% below the repo rate since March 2011 and thus has followed a similar trend since that time. The RBI reduced the marginal standing facility (MSF) by 125 basis points in three tranches from 10.25% to 9.00%, the last tranche being effective from January 28, 2014. The MSF rate stood at 8.75% in line with the drop in the repo rate effective January 15, 2015. During fiscal year 2011, the RBI increased the cash reserve ratio (CRR) from 5.75% to 6.00%, but in fiscal year 2012, it lowered the CRR to 4.75% and on January 29, 2013, to 4.00% with effect from February 9, 2013. *(Source: RBI Notifications available at http://www.rbi.org.in.)*

In the first bi-monthly monetary policy statement for fiscal 2015 announced on April 1, 2014, the RBI kept the repo rate unchanged at 8.0%. The liquidity provided under the seven day and 14 day term repos was increased from 0.5% of demand and time liabilities to 0.75%. In the second bi-monthly monetary policy statement announced on June 3, 2014, the RBI reduced the statutory liquidity ratio by 50 basis points from 23.0% to 22.5% of demand and time liabilities while keeping the repo rate and cash reserve ratio unchanged at 8.0% and 4.0%, respectively. In the third bi-monthly monetary policy statement announced on August 5, 2014, the RBI further reduced the statutory liquidity ratio by 50 basis points to 22.0% of demand and time liabilities and kept the repo rate and cash reserve ratio unchanged. Also, the holding of total government securities forming part of statutory liquidity ratio in the held-to-maturity category were reduced from 24.5% of net demand and time liabilities to 24.0% with effect from August 9, 2014. In its press release dated January 15, 2015, the RBI announced a reduction of the repo rate to 7.75% with immediate effect. On February 10, 2015, RBI reduced the statutory liquidity ratio (SLR) of scheduled commercial banks by 50 basis points from 22.0 per cent to 21.5 per cent of their NDTL with effect from the fortnight beginning February 7, 2015. Subsequently, on March 10, 2015 the RBI announced a 25 basis points reduction in repo rate with immediate effect, reducing it to 7.5% and further in the second bi-monthly monetary policy announcement for fiscal 2016, released on June 2, 2015, the RBI reduced the repo rate by another 25 basis points to 7.25% while keeping the cash reserve ratio constant at 4% of NDTL.

As proposed in the Second Quarter Review of Monetary Policy 2010-11, a discussion paper on deregulation of savings bank deposit rates was prepared and placed on the RBI website on April 28, 2011 for suggestions or feedback from the general public. Based on the feedback received and after examining the pros and cons of such deregulation, on balance, the RBI decided to deregulate the savings bank deposit interest rate, effective October 25, 2011, subject to the following two conditions:

- First, each bank will have to offer a uniform interest rate on savings bank balances up to ₹100,000, irrespective of the amount in the account within this limit.

- Second, for savings bank balances over ₹100,000, a bank may provide differential rates of interest, if it so chooses. However, there should not be any discrimination from customer to customer on interest rates between similar deposits accepted on same date.

Asset Quality

During fiscal year 2014, the deteriorating asset quality of the banking sector emerged as a major concern, with gross NPAs of banks registering a sharp increase. The spurt in NPAs could be attributed to the slowdown prevailing in the domestic economy as well as inadequate appraisal and monitoring of credit proposals.

The deterioration in asset quality was more pronounced in the case of public sector banks. During fiscal year 2014, the gross NPAs of public sector banks increased at a higher rate as compared with the growth rate of NPAs at a system-wide level.

In recent years, restructuring of advances has been one of the important channels used by banks to contain the deterioration in asset quality caused by burgeoning NPAs. Consequent to the slowdown in domestic economy, banks, especially public sector banks, actively resorted to restructuring their advances under the special dispensation scheme of the RBI announced during 2008. The scheme enabled banks to retain the status of standard accounts even after restructuring. The steep increase in gross NPAs during fiscal year 2014 was accompanied by a considerable increase in the growth of restructured advances. This was mainly due to the steep increase in restructured advances by public sector banks.

In line with the acceleration in growth of gross NPAs as well as a lower provisioning coverage, net NPAs registered higher growth. Net NPA ratios were on the higher side for public sector banks, as compared with private sector and foreign banks.

Bank Group-wise NPA Ratios

Bank Group	End March	Gross NPAs to Gross Advances	Net NPAs to Net Advances	Restructured Standard Advance to Total Standard Advances
Public Sector Banks	2012	3.2	1.5	5.7
	2013	3.8	2.0	7.2
	2014	4.7	2.7	7.2
Private Sector Banks	2012	2.0	0.5	1.9
	2013	1.9	0.5	1.9
	2014	1.9	0.7	2.3
Foreign Banks	2012	2.7	0.6	0.1
	2013	3.0	1.0	0.2
	2014	3.9	1.1	0.1
Aggregate	**2012**	**2.9**	**1.2**	**4.7**
	2013	**3.4**	**1.7**	**5.8**
	2014	**4.1**	**2.2**	**5.9**

Source: RBI Annual Report 2012-13 and 2013-14

The gross NPA ratio of scheduled commercial banks increased to 4.5% in September 2014 from 4.1% in March 2014. The net NPA ratio also increased to 2.5% in September 2014 from 2.2% in March 2014. Stressed advances (defined as gross NPAs plus restructured standard advances) increased to 10.7% of total advances from 10.0% between March and September 2014. Public sector banks continued to record the highest level of stressed advances at 12.9% of their total advances in September 2014, followed by private sector banks at 4.4%.

Of the total number of cases referred to, or approved under corporate debt restructuring (CDR), 49% have been successfully implemented till end of December 2014. Further, the number of cases referred to the CDR cell has fallen in recent months. One of the reasons for this reduction could be the RBI's move to allow banks to restructure their large credits with aggregate exposure of ₹1000 million and above outside CDR under the Joint Lenders' Forum, which became effective on April 1, 2014.

Five sub-sectors (infrastructure, iron and steel, textiles, mining (including coal) and aviation) had significantly higher levels of stressed assets and thus these sub-sectors were identified as "stressed" sectors. These five sub-sectors had 52% of total stressed advances of all SCBs as of June 2014, whereas, in the case of public sector banks, total stressed advances was at 54%. The data on exposure to infrastructure as of September 2014 shows that the exposure of SCBs to the sector further increased to 15.6% of their total loans. Exposure to the energy segment, largely comprising of electricity, oil and gas, constituted the major portion (around 58%) of banks' aggregate exposure to infrastructure sectors, followed by transport (around 21%) and telecommunications (around 10%). Among bank groups, exposure of public sector banks to infrastructure stood at 17.5% of their gross advances as of September 2014. This was significantly higher than that of private sector banks (at 9.6%) and foreign banks (at 12.1%). *(Source: Financial Stability Report (Including Trend and Progress of Banking in India 2013-14) December 2014.)*

Income and profitability

During fiscal year 2014, the growth in net profits of SCBs, which had been on a declining trend since fiscal year 2012, turned negative. SCBs as a whole reported net profits of approximately ₹809 billion, indicating a decline of 11.3% compared to the previous year. This decline in net profits was primarily the result of higher provisioning on banks' delinquent loans, which registered an increase of nearly 34% coupled with growth in interest expenses of around 12% during the year. This, in turn, impacted banks' return on assets (RoA) and return on equity (RoE). In addition, banks also witnessed a decline in their spread and net interest margin.

Following a contraction in net profit during fiscal year 2014, SCBs as a whole recorded positive growth in net profit of 10.0% in September 2014 as a result of significantly lower growth in both provisioning and write-offs. The RoA of all SCBs remained at 0.8% as of December 2014, while the RoE of all SCBs improved to 9.9% as of September 2014 from 9.5% as of March 2014. *(Source: Financial Stability Report (Including Trend and Progress of Banking in India 2013-14) December 2014.)*

Future Developments in the Banking Sector and Expected Domestic Reforms

Implementation of the Basel III Capital Regulations

In December 2010, the Basel Committee on Banking Supervision (BCBS) issued a comprehensive reform package of capital regulations, 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 April 1, 2013. However, the reform package and guidelines will be implemented in a phased manner. On December 31, 2013, the RBI further extended the implementation of credit valuation adjustment risk to April 1, 2014; and, on March 27, 2014, extended the deadline for full implementation of Basel III requirements to March 31, 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 March 27, 2013.)*

Under Basel III, total capital of a bank in India must be at least 9.00% of RWAs (8.00% as specified by the BCBS), Tier I capital must be at least 7.00% of RWAs (6.00% as specified by the BCBS) and Common Equity Tier I capital must be at least 5.50% of RWAs (4.50% as specified by 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% of RWAs. Under the RBI Basel III Guidelines, total capital with CCB has been fixed at 11.50% 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% of RWAs in period of high credit growth as precaution for downturn. Further, as per the RBI's release on "*Framework for Dealing with Domestic Systemically Important Banks (D-SIBs)*" dated 22 July 2014, D-SIBs must have incremental capital of 0.2% to 0.8% and the quantum of capital required is dependent upon size, interconnectedness, substitutability and complexity of the bank.

Further, 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% during a parallel run period from January 1, 2013 to January 1, 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%. Banks whose leverage is below 4.50% have been advised to achieve this target as early as possible. This leverage ratio requirement is yet to be finalized and will be finalized 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% as of January 1, 2015, increasing in equal annual steps to 100% by January 1, 2019.

Further, 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% 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 occurrence of the 'Point of Non-Viability' trigger. The RBI has also fixed the base at the nominal amount of capital instruments outstanding on January 1, 2013, and their recognition will be capped at 90.00% from April 1, 2013, with the cap reducing by 10.00% points in each subsequent year.

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 provisioning 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 countercyclical (dynamic) provisioning framework.

The dynamic provisioning framework is based on the concept of expected loss. The average level of losses a bank can reasonably expect to experience is referred to as expected loss, and is considered the cost of doing business. It is generally covered by provisioning and pricing. The objective of dynamic provisioning is to smoothen the impact of incurred losses on the results of operations through the cycle, and not to provide general provisioning cushion for expected losses. More specifically, the dynamic provisioning created during a year will be the difference between long run average expected loss 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 data of Indian banks. The discussion paper suggested that Banks that have the capability to calibrate their own parameters may, with the prior approval of the RBI, introduce a dynamic provisioning framework using the theoretical model indicated by the RBI. Other banks would have to use the standardized 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 March 30, 2012.)*

The RBI, in its circular dated February 7, 2014, has decided that, as a countercyclical measure, a bank may utilize up to 33% of the countercyclical provisioning buffer/floating provisions held by it as of March 31, 2013 for making specific provisions for non-performing assets, as per the policy approved by the bank's Board of Directors. The RBI further clarified that the use of the countercyclical provisioning buffer/floating provisions under this measure may be over and above the use of the countercyclical provisioning buffer/floating provisions for the purpose of making accelerated or additional provisions as proposed in the RBI's press release of 30 January 2014 on "Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery for Lenders: Framework for Revitalizing Distressed Assets in the Economy." The February 2014 circular also emphasizes that, while the dynamic provisioning framework is expected to be in place with improvement in the system, all banks should develop 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 utilize the same during a downturn.

Proposed Bankruptcy Code

The Union Finance Minister made an announcement in his budget speech for 2015-2016 identified bankruptcy law reform as a key priority and stated that the government proposed to introduce a comprehensive bankruptcy code that will meet global standards and provide necessary judicial capacity.

Way Forward For Banks in India

Going forward, the RBI has stated that 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 go up. 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 fiscal year 2013 and 2014, NPAs rose. The slippage ratio of the banking system, which showed a declining trend during fiscal years 2005-2008, further increased during fiscal years 2009-2014. The RBI has stated that banks need to not only utilize 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 minimize and mitigate the problem of increasing NPAs in fiscal 2015 and beyond.

Going ahead, the RBI has stated that banks need to tap into untapped business opportunities for resources to power the growth engine. This requires harnessing resources and fortune at the bottom of the pyramid, including small customers. The challenge before banks is to make the best use of technology and innovation to bring down intermediation costs while protecting their bottom lines. The RBI has stated that recent regulatory initiatives like the deregulation of savings bank deposit interest rates and opening up government business to more banks, imminent steps, such as licensing of new banks and subsidiarization of the foreign bank branches, on the one hand, and the changing profile and simultaneously rising aspirations and expectations of customers on the other, should make the industry more competitive and increasingly, a buyers' market. As the Indian banking sector is propelled forward, banks have to strive to remain relevant in the changing economic environment by reworking their business strategy, designing products with the customer in mind and focusing on improving the efficiency of their services. The RBI has stated that the challenge for Indian banks is to reduce costs and pass on the benefits to both depositors and lenders.

Digitization is profoundly impacting businesses across the world. The RBI has stated that India and Indian banks will have to embrace this change. India is already the third largest country in terms of internet users in the world. Digitization opens up significant potential to redefine and transform traditional models of client engagement and client lifecycle management. Business intelligence can improve front line productivity and in turn customer engagement. Banks can reduce transaction costs by moving brick and mortar transactions to cloud and spectrum media. Banks can also serve certain segments like the bottom of the pyramid customers which may not be viable through traditional banking models. In order to realize these potential benefits, traditional business model needs to undergo a significant change. Banks need to create a different DNA within the Bank to drive this process.

Financial Sector Legislative Reforms Commission (FSLRC)

The FSLRC was constituted in March 2011 to redraft and harmonize different legislations related to the financial sector. *(Source: RBI Report on Trend and Progress of Banking in India 2011-12.)* In its approach paper released on October 1, 2012, the FSLRC has proposed a two-agency model with the RBI as the monetary authority, banking regulator and payment systems regulator, and a single regulator for the rest of the financial sector. This is currently in draft form. *(Source: FSLRC, Ministry of Finance, Approach Paper and Press Release.)*

The FSLRC submitted its final report to the Government on March 22, 2013. As per this report, the FSLRC recommended a non-sectoral, principle-based, legislative architecture for the financial sector by restructuring and/or upgrading existing regulatory agencies and creating new agencies wherever necessary for better governance. On September 30, 2014, the Government announced the establishment of four new task forces to lay the roadmap for the upgrade of existing agencies and establishment of new agencies namely Financial Sector Appellate Tribunal, Resolution Corporation, Public Debt Management Agency and Financial Data Management Centre. *(Source: Government of India, Ministry of Finance, Department of Economic Affairs Press Release dated September 30, 2014.)*

Bank Holding Company (BHC) or Financial Holding Company (FHC)

In June 2010, the RBI constituted a working group to, inter alia, examine the different holding company structures prevalent internationally in the financial sector and to examine the feasibility of introducing an FHC structure in the Indian context. FHCs are companies that own or control one or more banks or non-bank financial companies. Currently, banks in India are organized under a bank-subsidiary model (BSM) in which the bank is the parent of all the subsidiaries of the group. In May 2011, the RBI released the working group's recommendation that stated, among others, that the FHC model should be pursued as a preferred model for the financial sector in India and that the RBI should be designated as the regulator for FHCs. *(Source: RBI Report of the Working Group on Introduction of Financial Holding Company Structure in India and Press Release.)* The RBI issued the Guidelines for Licensing of New Banks in the Private Sector in February 2013 and the Guidelines for Licensing of Small Finance Banks in the Private Sector in November 2014. Pursuant to such guidelines, promoters are permitted to set up such banks only through wholly-owned, non operative financial holding companies. Since April 2014, such financial holding companies have been required by the RBI to be registered as a separate category of NBFCs.

Grant of new bank licenses after the amendment of the Banking Regulation Act

The Union Finance Minister announced in his budget speech for fiscal year 2011 that there was a need to extend the geographic coverage of banks and improve access to banking services and the RBI was considering granting of additional banking licenses to private sector players, and that NBFCs could also be considered if they met the required eligibility criteria.

Following the budget announcement, the RBI issued guidelines for licensing of new banks in the private sector in February 2013 specifying that select entities or groups in the private sector, entities in the public sector and non-banking financial companies would be eligible to promote banks. The applicants were required to submit applications for these licenses to the RBI by July 1, 2013, and 26 applications were reviewed by the RBI. These applications were screened by the RBI before being forwarded to the RBI's High Level Advisory Committee (HLAC) for further scrutiny, which submitted its recommendations to the RBI on February 25, 2014.

On April 2, 2014, the RBI granted "in-principle" approval to two applicants (IDFC Limited and Bandhan Financial Services Private Limited) to set up banks under the Guidelines for Licensing of New Banks in the Private Sector. The "in-principle" approval is valid for a period of 18 months and the applicants will not be permitted to engage in banking business until a regular license is issued after satisfaction of the conditions stipulated by the RBI in this respect. In the future, the RBI intends to issue licenses on an on-going basis, subject to the RBI's qualification criteria.

On November 27, 2014, RBI released the guidelines for the "Licensing of Small Finance Banks in the Private Sector", which are aimed at furthering financial inclusion by (a) provision of savings vehicles, and (ii) supply of credit to small business units, small and marginal farmers, micro and small industries, and other unorganized sector entities, through high technology-low cost operations. The RBI also issued the guidelines for "Licensing of Payments Banks", which are aimed at furthering financial inclusion by providing (i) small savings accounts, and (ii) payments/remittance services to the migrant labor workforce, low income households, small businesses, other unorganized sector entities and other users. The guidelines prescribed promoter eligibility and capital requirement, scope of activity, ownership restrictions, prudential norms and application process. *(Source: RBI Press Release available at http://www.rbi.org.in dated November 27, 2014.)* A total of 72 applications for Small Finance Banks and 41 applications for Payment Banks were received by RBI. The RBI announced setting of a 4-member External Advisory Committee (EAC) for each of Small Finance Banks and Payments Banks to evaluate the applications. *(Source: RBI Press Release dated February 4, 2015)*

Foreign banks setting up wholly-owned subsidiaries in India

In November 2013, the RBI issued a scheme for setting up wholly-owned subsidiaries by foreign banks in India. The scheme envisages that foreign banks that commenced business in India after August 2010, or do so in the future, would be permitted to do so only through wholly-owned subsidiaries if certain specified criteria apply to them. These criteria include incorporation in a jurisdiction which gives legal preference to home country depositor claims in case of a winding up proceeding, among others.

Further, a foreign bank that has set up operations in India through the branch mode after August 2010 will be required to convert its operations into a subsidiary if it is considered to be systemically important. A bank would be considered to be systemically important if the assets on its Indian balance sheet (including credit equivalent of off-balance sheet items) equals 0.25% of the total assets (inclusive of credit equivalents of off-balance sheet items) for all scheduled commercial banks in India as of March 31 of the preceding year. Establishment of a subsidiary would require approval of the home country regulator/supervisor and the RBI, which would be subject to various factors including economic and political relations with the country of incorporation of the parent bank and reciprocity with the home country of the parent bank. The regulatory framework for a subsidiary of a foreign bank would be substantially similar to that applicable to domestic banks, including with respect to priority sector lending and branch expansion. Wholly-owned subsidiaries of foreign banks may, after further review, be permitted to enter into merger and acquisition transactions with Indian private sector banks, subject to adherence to the foreign ownership limit of 74.0% that is currently applicable to Indian private sector banks.

International Banking Units

In April 2015, the RBI allowed banks in India to set up banking units in the proposed international finance service centres (“IFSC”). The regulatory guidelines for IFSC Banking Units (“IBUs”) will be at par with overseas branch of a bank and each eligible bank would be permitted to establish one IBU in each IFSC.

The Government of India has already announced setting up of the first IFSC in Gujarat, namely, Gujarat International Finance Tec-City (GIFT) in Gandhinagar, Gujarat.

Lending to Infrastructure and Affordable Housing Sectors

In the Union Budget 2014-2015, the Finance Minister announced that in order to ease constraints in long-term financing for infrastructure, banks would be permitted to raise long-term funds for lending to the infrastructure sector with minimum regulatory pre-emption. In July 2014, the RBI issued guidelines for the issue of long-term bonds by banks for the financing of the infrastructure and affordable housing sectors and guidelines for the flexible structuring of long-term project loans to the infrastructure and core industries sectors. Under the guidelines, banks are permitted to issue long-term fully paid, redeemable and unsecured bonds with a minimum maturity of seven years to enable lending to long-term projects in certain specified infrastructure sub-sectors, and the affordable housing sector in accordance with the guidelines. To encourage lending to these sectors, banks have been permitted to exclude these long-term bonds from the CRR and SLR requirements and such lending from the ANBC computation for the purposes of their priority sector lending targets.

The guidelines will help banks to be able to better compete with NBFCs, particularly in lending to infrastructure projects and affordable housing segments. In addition, in November 2014, the RBI announced asset classification and provisioning norms for NBFCs to be aligned to banks in a phased manner. Further, the RBI committees (the Usha Thorat Committee and the Nachiket Mor Committee) in their reports have also recommended increased disclosures and supervisory rigor for NBFCs, possibly through risk based supervision as carried out for banks.

Amendment to the Banking Law

The Ministry of Finance, Government of India notified the Banking Laws (Amendment) Act, 2012 in January 2013 making certain important amendments to the Banking Regulation Act. Some of the key changes include amendment to Section 12 enabling banks to issue preference shares, subject to the guidelines to be framed by the RBI. The amendment to Section 12 also provides power to the RBI for increasing the ceiling for exercise of voting rights on poll from 10% to 26% in a bank, in a phased manner. Prior to the amendment, the RBI did not have such power and voting rights were restricted to 10% of the total voting rights. In addition, a new Section 12B has been inserted which restricts acquisition of shares or voting rights in a bank, directly or indirectly, in excess of 5% of the paid-up share capital of bank, either individually or together with any other person or banking company or associate enterprise, without the prior approval of the RBI.

Further, a new Section 36ACA empowers the RBI to supersede the powers of the board of directors a bank for a period not exceeding 6 months, if the affairs of such bank are conducted in a manner detrimental to the interests of public or its deposit holders, in consultation with the Central Government. This period may be extended, however it cannot exceed 12 months in total.

Priority Sector Lending Guidelines

The RBI issued the master circular on priority sector lending in July 2014 with detailed guidelines and directives, including classification and description of activities categorized to be included under priority sector and the targets required to be achieved for each category. Agriculture, micro and small Enterprises, education, housing, export credit and others were the six categories identified for priority sector. On April 23, 2015, the RBI announced that in addition to the existing categories, medium enterprises, social infrastructure and renewable energy would also be included in the priority sector. In addition, the distinction between direct and indirect agriculture was dispensed with. The RBI also specified the target dates for the foreign banks to adhere to the priority sector lending targets.

Any shortfall in the lending to priority sector targets or sub-targets needs to be met through contributions to the Rural Infrastructure Development Fund (RIDF) established by NABARD and other funds with NABARD, NHB, SIDBI and other financial institutions, as decided by the RBI from time to time. In the April 2015 amendments announced by the RBI, it changed the assessment period for the non-achievement to quarterly average basis at the end of the respective year from 2016-2017 onwards, as compared to on an annual basis. Further, the concept of a tradable Priority Sector Lending Certificate (PSLC) has also been introduced, which would enable the ‘deficit’ banks to buy these certificates from ‘surplus’ banks to meet their targets and such certificates would be eligible for classification under respective categories of priority sector, provided the assets are originated by banks, and are eligible to be classified as priority sector advances and fulfil the RBI guidelines on priority sector lending certificates.

Debt Recovery Regulations in India

Debt Recovery Tribunals (“DRT”)

DRTs have been established for the recovery of debts in accordance with the Banks and Financial Institutions Act, 1993, as amended, for the expeditious adjudication and recovery of debts that are owed to banks and financial institutions. The amendments made in 2000 and 2003 to the Act and the Rules framed in accordance with it have further strengthened the functioning of the DRTs. As on March 2014, a total of 150,503 cases involving approximately ₹2601 billion were filed with the DRTs by the SCBs, and approximately ₹427 billion was recovered.

SARFAESI Act

The SARFAESI Act passed in Parliament in 2002 gives powers of “seize and desist” to banks. Banks can give a 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. The SARFAESI Act also provides for the establishment of asset reconstruction companies regulated by the RBI to acquire assets from banks and financial institutions. The constitutionality of the SARFAESI Act was challenged in *Mardia Chemicals Limited v. Union of India*, AIR 2004 SC 2371. The Supreme Court upheld the validity of the SARFAESI Act, except Section 17(2), which it struck down on the ground that the requirement of making a deposit of 75% of the amount claimed at the time of making a petition or an appeal to the DRT in order to challenge the measures taken by the creditor was unreasonable. Out of 140,991 notices involving approximately ₹353 billion issued in 2011-12, approximately ₹101 billion was recovered. In addition to the SARFAESI Act, several states also have revenue recovery legislation and *lok adalats* (people’s courts).

Corporate Debt Restructuring ("CDR")

The RBI devised the CDR system to serve as an institutional mechanism for the restructuring of corporate debt. The CDR system is a voluntary, non-statutory mechanism based on debtor-creditor and inter-creditor agreements. Any lender with a minimum 20% exposure in term loans or working capital in a concerned corporate entity may access the CDR forum.

Of the total number of cases referred to, or approved under CDR, 49% have been successfully implemented till end of December 2014. Further, the number of cases referred to the CDR cell has fallen in recent months. One of the reasons for this reduction could be the RBI's move to allow banks to restructure their large credits with aggregate exposure of ₹1000 million and above outside CDR under the Joint Lenders' Forum, which became effective on April 1, 2014.

OUR BUSINESS

Overview

We are a private sector bank in India and provide a wide range of banking and financial products and services to individual consumers and corporate and commercial entities ranging from small businesses to large companies and government entities. We are a leading financier of certain categories of commercial vehicles. For 2014, we were recognized as the "Best Medium-Sized Bank" and "Fastest Growing Medium-Sized Bank" by *Business World* in its BW-PwC Best Bank Survey, "Best Mid-Sized Bank" by *Business Today* in its BT-KPMG Best Bank Survey and 19th "Most Valuable Indian Brand" by the BrandZ Top 50 Most Valuable Indian Brands (a study published by WPP and conducted by Millward Brown). Our activities are organized into the following business units:

- Consumer banking;
- Corporate and commercial banking;
- Global markets; and
- Transaction banking.

In the fiscal years ended March 31, 2013, March 31, 2014 and March 31, 2015, our total income was ₹83,461.93 million, ₹101,440.63 million and ₹120,958.37 million, respectively, representing a compounded annual growth rate (CAGR) of 20.39% for the three-year period ended on March 31, 2015. In the fiscal years ended March 31, 2013, March 31, 2014 and March 31, 2015, our net profit was ₹10,611.83 million, ₹14,080.22 million and ₹17,937.15 million, respectively, representing a CAGR of 30.01% for the three-year period ended on March 31, 2015. Our total assets have increased from ₹733,065.15 million as of March 31, 2013, to ₹870,259.31 million as of March 31, 2014, to ₹1,091,159.19 million as of March 31, 2015, representing a CAGR of 22.00% from March 31, 2013 to March 31, 2015.

As of March 31, 2015, we had a customer base of approximately 6.84 million customers and had a presence in locations spread across India, including 801 branches, 1,487 ATMs (of which 868 were off-site ATMs) and 950 marketing outlets operated by our associate company, IndusInd Marketing and Financial Services Private Limited. In addition, we have representative offices in Dubai, London and Abu Dhabi and correspondent banking relationships with various banks worldwide. We have submitted applications to the RBI for opening an international finance service centre banking unit at Gujarat International Finance Tec-City, Gandhinagar, Gujarat and additional offices abroad. We also have arrangements with certain banks in the Middle East and the United States and certain exchange houses in the Middle East and Asia Pacific to enhance our capability in providing international remittance services.

Effective August 20, 2013, our base rate, which is the lowest rate at which we can lend, is 11%. Our certificates of deposit are rated by CRISIL (a subsidiary of S&P) and our debt is rated investment-grade by ICRA, India Ratings and Research (the Indian subsidiary of Fitch, formerly known as Fitch Ratings India Private Limited) and CARE. The ratings are as follows:

Rating Agency	Rating	Debt type
ICRA	ICRA AA+	Lower Tier II subordinate debt
ICRA	ICRA AA	Upper Tier II subordinate debt
CRISIL	CRISIL A1+	Certificates of deposit
CARE	CARE AA+	Lower Tier II subordinate debt
India Ratings and Research	Ind A1+	Short term debt instruments
India Ratings and Research	Ind AA+	Lower Tier II subordinate debt
India Ratings and Research	Ind AA	Upper Tier II subordinate debt
India Ratings and Research	Ind AA+	Senior unsecured bonds

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

History

We were established in 1994 as part of the group of nine "New Private Sector Banks" licensed by the Government of India as part of its economic liberalization programme. As of June 30, 2015, we were one of seven "New Private Sector Banks" operating in India. For further information on "New Private Sector Banks", please see "Industry Overview".

Our promoters are IndusInd International Holdings Ltd. and its subsidiary, IndusInd Ltd. Both our promoters are organized in Mauritius. As of March 31, 2015, our promoters held 15.09% of our Equity Shares.

In 2003, IndusInd Enterprises & Finance Limited, a non-banking financial company and one of our promoters at the time, merged with us. In 2004, Ashok Leyland Finance Limited, a non-banking financial company controlled by the Hinduja Group, merged with us. Such mergers served to expand our capital base. In addition, as a result of the merger with ALFL, we established our leadership position in consumer finance.

Our Equity Shares are listed on the BSE and the NSE and our global depositary receipts, each representing one Equity Share, are listed on the Luxembourg Stock Exchange. In August 2009, we issued 54,897,140 Equity Shares at an offer price of ₹87.50 per Equity Share to certain qualified institutional investors in a qualified institutions placement in reliance on Chapter XIII-A of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, as amended, aggregating approximately ₹4,803.50 million. In September 2010, we issued 50,000,000 Equity Shares at an offer price of ₹234.55 per Equity Share to certain qualified institutional investors in a qualified institutions placement in reliance on Chapter VIII of the ICDR Regulations, aggregating approximately ₹11,727.50 million. In December 2012, we issued 52,100,000 Equity Shares at an offer price of ₹384.00 per Equity Share to certain qualified institutional investors in a qualified institutions placement in reliance on Chapter VIII of the ICDR Regulations, aggregating approximately ₹20,006.40 million.

As of March 31, 2015, we had one wholly-owned subsidiary, ALF Insurance Services Private Limited, which has had no operations since its incorporation. Our Board of Directors, having resolved not to commence an insurance broking services business, resolved to wind up the subsidiary by resolutions dated July 9, 2010. Pursuant to shareholder resolutions at an extraordinary general meeting held on March 30, 2011, the subsidiary initiated proceedings for voluntary winding up and a liquidator has been appointed. The financial results of this subsidiary are not consolidated with our financial statements.

We have undertaken acquisitions as part of our growth strategy. For example, in 2011, we acquired the Indian operations of the credit cards business of Deutsche Bank AG. In April 2015, we entered into an agreement to acquire the diamond and jewellery financing business (comprising a loan portfolio and a related deposit portfolio) from The Royal Bank of Scotland N.V. in India, the completion of which is subject to regulatory approvals.

Several members of our senior management team joined us in February 2008, including our Managing Director & Chief Executive Officer and other members who joined us from a competitor foreign bank in India. The team formulated our growth and risk management strategy, which emphasized restructuring our balance sheet and business mix, improving operating efficiency, leveraging our distribution network and resources, deepening existing customer relationships, increasing our hiring of employees to support our strategy and expansion and improving our brand. Our current strategy for growth and expansion is to increase market share in strategically-selected target businesses, customer segments and geographies while improving our productivity, profitability and efficiency parameters.

Our Competitive Strengths

We believe that the following strengths distinguish us in a competitive Indian financial services market:

Experienced management team – Most members of our senior management team have been with us since 2008, thereby enabling continuity in our strategy and execution. Our senior management team has guided our growth and risk management strategies, including through the worldwide economic crisis and an economic slowdown and volatile interest rate environment in India. The team's focus on executing growth strategies while maintaining profitability, setting measurable targets benchmarked to market leaders and monitoring performance against such targets, anticipating customer demand and adding new products and services, investing in technology and building our brand have contributed to an overall improvement in our key metrics since 2008, including net interest margin, cost to income, net NPAs, return on assets and return on equity, as well as our CASA percentage. We believe the success of our Bank's integration of acquisitions is reflected in growth in such areas and exemplifies the ability of our senior management team to successfully identify and manage acquisitions of new businesses. For example, in our credit cards business (which we acquired in June 2011), the number of credit card issued increased from 181,000 as of June 1, 2011 to 340,312 as of March 31, 2015. Our senior management team continues to formulate, adapt and implement our growth strategy, including the key areas relating to the strategic expansion of our branch network and the addition of new and complementary businesses.

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

Leadership in vehicle financing – We are a leading financier of certain categories of commercial vehicles. This business was a legacy business of Ashok Leyland Finance Limited prior to its merger with us in 2004 and features a distribution network of 950 marketing outlets as of March 31, 2015, which are operated by our associate company, IndusInd Marketing and Financial Services Private Limited. Our business model focuses primarily on new vehicle financing for retail customers, many of whom are small road transport operators, and covers urban, semi-urban and smaller centres across India. Our reputation and background in this business, along with our positioning as a well-capitalized financier with a pan-India presence, enables us to compete effectively for market share against our main competitors such as banks and non-banking financial companies. We have preferred, non-exclusive relationships with certain vehicle manufacturers whereby they recommend us to their customers to finance loans for the products purchased, and we gain access to a customer base to which we can market our vehicle loans, as well as significant leveraging opportunities to provide our products and services across the manufacturers' supply chain to dealers and suppliers. Our total outstanding net commercial vehicle loans amounted to 22.50%, 17.45% and 15.44% of our total net advances, as of March 31, 2013, March 31, 2014 and March 31, 2015, respectively. Yields on advances in our consumer finance division have been higher than in our corporate and commercial banking business unit in each of the fiscal years ended March 31, 2013, March 31, 2014, March 31, 2015. Our vehicle financing customer base provides opportunities to cross-sell products and services, such as savings accounts, vehicle insurance, gold loans and personal accident insurance. A significant portion of our vehicle financing business qualifies for and helps us meet RBI priority sector lending requirements without decreasing our yields on advances. We believe there are significant barriers to entry that competitors need to overcome in order to compete effectively against us in this business. We have made and continue to make significant investments in assets, infrastructure and technology required to adequately service a market characterized by small loan sizes, large volumes and diverse locations, and such aspects of our portfolio have also helped protect our asset quality and withstand the recent downturn in the commercial vehicle industry. Our relationships with customers in the vehicle finance business typically extends over multiple purchase cycles, which we believe engenders customer loyalty and helps us to better understand such customers' needs in order to offer other customized products and services to them, such as used vehicle finance.

Efficient distribution of products and services – We emphasize efficiency in our distribution of products and services – our own, including loans against property, credit cards, general banking services, gold loans, personal loans, business loans, loans against securities, remittance services and foreign exchange products, including prepaid forex cards, and that of third parties, including life, general and health insurance, mutual funds, retail securities trading and mortgage products. We consider it important to our mission to try to meet all needs of our target customer segments. Therefore, we regularly evaluate opportunities to introduce new products and services. We provide third-party products and, if we believe we can maintain our customer service levels and derive more value, we may enter a new business through third-party arrangements. For example, we have entered into business correspondent arrangements with certain local microfinance partners in order to better reach microfinance customers. We believe positioning our branches as a single point of distribution for these various products and services has helped us achieve relatively more success than single-product locations operated by such third parties, as it has allowed us to leverage relationships with our consumer and corporate banking customers. As a result, our fee income has grown faster than our advances to our consumer and corporate banking customers in the fiscal years ended March 31, 2013, March 31, 2014 and March 31, 2015. Other income, which consists substantially of fee income, constituted 41.3% of our total revenue (comprising net interest income and other income) in the fiscal year ended March 31, 2015. We believe that maintaining our focus on profitability while introducing newer products and services across our branches has helped increase our fee income. As part of our fee income growth, we have also expanded our business in inbound and outbound international remittance services through our technology platform and our arrangements with certain banks in the Middle East and the United States and exchange houses in the Middle East and Asia Pacific.

Wide distribution network and expanding customer base – We are able to provide access to banking and financial products and services through our large multi-channel distribution network. This network includes 801 branches and 1,487 ATMs (including 868 off-site ATMs) spread across India as of March 31, 2015. In addition to customer service, our distribution network focuses on building our deposit base, providing advances to corporate and consumer banking customers and growing our fee income. Our vehicle finance business is run from 950 marketing outlets across India operated by our associate company, IndusInd Marketing and Financial Services Private Limited, which primarily originate and service vehicle loans. We had a customer base of approximately 6.84 million customers as of March 31, 2015, which we believe provides us with significant fee income growth opportunities through the cross-selling of products and services, including our own and that of third parties. Our non-branch delivery channels, such as the Internet, mobile banking and our "video branch" initiative, our contact centres and our national processing hubs in Mumbai and Chennai, also provide customers with access to our banking products and services. Our technology platform for analytics, customer relationship management and sales force automation allows us to track our relationships with customers and offer additional products and services.

Responsive innovation driven by technology – We have focused on customer-friendly innovation in our products and services to attract and retain customers and to build our brand. These innovations recognize that simplicity, convenience and engagement with customers are important factors that drive a customer's choice of banking products and services provider. We emphasize and have invested in technology in our business to improve business operations, enhance competitive advantages and create a customer-friendly interface. We have set up a dedicated solution delivery group to focus on responsive innovation. Our "Cash on Mobile" service enables customers to use their mobile phones to withdraw funds from our ATMs without using any cards. Certain premium customers in our consumer banking business can access direct-to-human telephone customer service through "Direct Connect" without waiting for interactive-voice-response system prompts. Certain of our credit card customers can redeem reward points on individual transactions instantly through their mobile phones. Our "My Account My Number" service helps customers choose an account number of their choice. Our "video branch" initiative allows customers to make video calls to our customer care executives and branch or relationship manager who can service most queries and requests. We were awarded the "Best Branchless Banking" award at the BFSI Leadership Summit 2015 for our "video branch" initiative. All users, including non-customers, can use our ATMs to withdraw cash in a choice of denominations. Certain branches are open 365 days a year for the convenience of our customers. Our banking customers can view scanned images of deposited cheques in periodical statements. We also participate in e-procurement and payment gateways, in response to digitization initiatives by governments in India.

Advanced and stringent risk management systems – We have established enterprise-wide risk management systems encompassing credit risk, market risk and operational risk. At the branch level, we rely on internal and external databases to profile potential customers. Our relationship managers also focus on acquiring business from corporate customers with appropriate credit histories. Our credit appraisal and approval processes are predominantly centralized and our credit decisions are typically made by committees. We seek to proactively monitor customer accounts for early warning signals and adverse credit events. We seek to continue to optimize our balance sheet with a balanced mix of consumer banking and corporate and commercial banking loans, fixed and floating rate loans and by managing our asset-liability maturity gap, while also right-pricing assets. We use our risk management capabilities in deciding the timing and manner of our entry into new businesses. We seek to progressively adopt best international practices in risk management and are compliant with Basel III capital adequacy norms applicable to banks in India. We have also recently upgraded our software in our treasury operations to better manage risk. We have also set up a Mid Office Group for independent and enhanced due diligence and risk analytics. Our market risk management systems manage our market risk through tools such as mark-to-market, duration analysis, sensitivity analysis, stress tests, PV01, value-at-risk and operational limits such as stop-loss limits, exposure limits, deal size limits and maturity ladders. We believe that our efforts in strengthening risk management have improved the quality of our assets. As a result of our risk management efforts, our gross and net NPA ratios have decreased from 3.04% and 2.27%, respectively, as of March 31, 2008 to 0.81% and 0.31%, respectively, as of March 31, 2015.

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

Our Strategy

Our strategy is to gain market share in strategically-selected target businesses, customer segments and geographies while improving our productivity, profitability and efficiency parameters. The amount of our total advances as of March 31, 2015 was approximately 1.01% of the aggregate loans, cash credits and overdrafts by scheduled banks in India as of April 3, 2015, according to the RBI's press release 2014-2015/2178 dated April 15, 2015. Accordingly, we believe that the banking market in India continues to be a significant opportunity for us to increase our market share. We seek to further build market share by leveraging our competitive strengths and continuing to offer new and enhanced products, services and capabilities that are relevant to our target customer segments in an evolving banking market. We expect to continue pursuing our strategies, which we believe have helped in our growth trajectory and have been tested across economic and market cycles, and intend to continue to scale up our branch network, customer base and balance sheet.

Focus on profits – We seek to increase profitability across business segments, in part by introducing new products and enhancing existing products that we believe will better target the needs of our customer base and, at the same time, will increase our yields on advances and our fee income. We seek to introduce new products to our existing customers or enhance existing products, targeting the needs of our customer base. In our consumer finance division, we seek to scale up existing products such as loans secured by property and credit cards. We have recently added new products such as personal loans; unsecured business loans to small business owners; loans secured by credit card receivables; "kisan" credit cards, which cater to the credit needs of farmers; loans secured by securities; and gold loans. As an experienced vehicle financier, particularly for commercial vehicles, we seek to build on our existing market share by leveraging our longstanding experience and consistent approach in this segment, and have also commenced offering financing for tractors in select states in India and intend to expand to more locations. In our corporate and commercial banking business unit, we seek to build market share in select customer segments, industries and product verticals such as Government and public sector customer segment, healthcare and renewable energy related industries and investment banking and e-commerce related product offerings; organically and also through acquisitions such as our recent agreement to acquire the diamond and jewellery loan portfolio of The Royal Bank of Scotland N.V. in India, subject to regulatory approvals; we believe this acquisition will also provide us the opportunity to build specialization in trade finance for this sector. We seek to continue to focus on efficient distribution of third-party products such as life insurance, health insurance, non-life insurance, mutual funds, 3-in-1 broking accounts and mortgages delivered by our multiple partnerships that enable us to generate revenue by deepening existing customer relationships and find new customers. We regularly re-evaluate and assess such arrangements and market opportunities. Where we believe that we can improve profitability by, for example, offering new products or services or changing an existing product or service or working with new or other third-parties, we will consider doing so. We also intend to expand existing services and offer new services in our global markets business unit to both corporate and retail customers. Our strategy is to aim to further broad base and augment our potential sources of revenue, thereby reducing our dependence on any particular business. On the expenses side, we propose to continue to focus on efficiency and productivity in growing our business and delivering services by optimizing of our front and back office operations. We standardize processes, such as account opening, procurement and vendor management; we centralize certain processes, such as account reconciliation and processing of trade finance transactions; we outsource processes such as ATM operations, credit card processing and microfinance loan origination and collections; and we use energy conservation initiatives, such as solar-powered ATMs, to create operating efficiencies and reduce our operating costs.

Focus on customers – One of our goals is to be responsive to customers in all our businesses by anticipating their needs and offering a full suite of products and services to deepen customer engagement and relationships. We endeavour to increase the number of products and services that our customers use, and thereby increase recurring revenues. We segment our customer base in a manner that allows us to serve the needs of each segment in a targeted manner. We seek to provide differentiated and customized offerings for targeted customer segments, and also draw on our experience with our customers to offer newer but related lending products. For example, we offer financing for used commercial vehicles to existing customers that have an established track record with us in new commercial vehicle financing. We have been successful in niche businesses, such as mid-cap investment banking, inclusive banking through microfinance partnerships and transaction banking services for customer segments that address government and public sector enterprises and small business customers, and intend to further develop our capabilities in more areas, such as project underwriting and advisory services, asset reconstruction loans and investments and lending to select real estate corporate customers. We also intend to grow our rural banking business division by targeting select rural and agriculture-sector customers with products such as loans secured by property and crop loans. We intend to continue to introduce and upgrade customer-friendly innovations driven by technology that make our products and services easier and more convenient to use, which we believe increases our brand visibility, engenders customer loyalty and also helps to attract new customers. We intend to continue innovative offerings using technology, such as our "video branch" and "digital" branch initiatives, which seek to create a platform for us to better find, serve and engage with customers. Our risk management model emphasizes a high level of contact with customers across our business units across our distribution network in order to monitor business and collateral risks, and supported by technology-based capabilities to track and analyze customer relationships. In order to inculcate a customer responsiveness culture and to promote cross-selling of our products and services, we seek to attract, retain and nurture qualified and talented personnel for our sales, service delivery and operations.

Focus on branches and other delivery channels – Our strategy is to widen and leverage our branch and non-branch delivery channels, including our branch network, ATMs, Internet and mobile phone banking, marketing outlets, telephone sales representatives and our contact centre to increase and further diversify our customer base. We added 199 branches during the fiscal year ended March 31, 2015. We aim to ensure that our new branches perform well to reach break-even in the short term. We believe this strategy helps manage the pace of growth of our branch network, which is dependent on our ability to maintain cost efficiencies and increase revenues from new branches. Our branch network strategy is to cater to each geographical region of India instead of treating India as one market. As part of this approach, we are focused on emerging as a bank with a leading branch presence in select Tier 2 and Tier 3 cities by, in part, building a higher density of branches. We believe this will enable us to address more customer segments per branch and thereby increase our CASA percentage and fee income per branch in such markets. As part of our efforts to enhance our non-branch delivery channels, our customer care centres now offer multiple language capabilities and our recently launched "video branch" initiative combines a brick-and-mortar experience of a branch with digital servicing and allows customers to make video calls to our customer care executives and branch or relationship manager. We seek to adapt to and anticipate evolving market expectations for banking services by increasing our focus on our technology-driven platform, including through digital marketing, delivery channel innovation, data analytics, process redesign and product development.

Our Business Units

Our activities are organized into the following business units: consumer banking, corporate and commercial banking, global markets and transaction banking. While our consumer banking and corporate and commercial banking business units correspond to our two major customer segments, our global markets and transaction banking business units offer specialized products and services to these two customer segments. The following table shows the composition of our asset book by business unit as of March 31, 2013, March 31, 2014 and March 31, 2015:

	As of March 31, In ₹ million except percentages					
	2013		2014		2015	
	Advances	**% of Total Advances**	**Advances**	**% of Total Advances**	**Advances**	**% of Total Advances**
Consumer banking	224,010.40	50.54	247,846.34	44.98	284,124.44	41.30
Corporate and commercial banking	219,195.70	49.46	303,172.03	55.02	403,757.55	58.70
Total Advances	**443,206.10**	**100.00**	**551,018.37**	**100.00**	**687,881.99**	**100.00**

In the fiscal years ended March 31, 2013, March 31, 2014 and March 31, 2015, our net interest income was ₹22,328.66 million, ₹28,907.13 million and ₹34,202.75 million, respectively, representing a CAGR of 23.77% for the three-year period ended on March 31, 2015. In the fiscal years ended March 31, 2013, March 31, 2014 and March 31, 2015, our other income, which includes fee income from our four business units, was ₹13,629.61 million, ₹18,905.29 million and ₹24,038.73 million, respectively, representing a CAGR of 32.80% for the three-year period ended on March 31, 2015.

Consumer banking

Our consumer banking business unit provides a range of services to retail customers, including consumer finance, branch banking, distribution of third-party products such as insurance, mutual funds and third party mortgages (or "white-label" mortgages), loans secured by property, credit cards and online securities trading, and manages our distribution network, including our branches and non-branch delivery channels. As of March 31, 2014 and March 2015, we had total loan assets of ₹247,846.34 million and ₹ 284,124.44 million, respectively, in our consumer banking business unit, which represented 44.98% and 41.30% of our total net advances, respectively.

Consumer finance

Our consumer finance business is a legacy business from Ashok Leyland Finance Limited, a non-banking financial company that merged with us in 2004. We offer a wide range of loans for purchase of commercial vehicles (including tractors and other farm equipment), construction, earth-moving and material handling equipment, small commercial vehicles, two-wheelers, utility vehicles and cars. Such loans are typically secured by hypothecation of, or a charge over, the vehicles or equipment so purchased. We source our business through long-standing and preferred, non-exclusive vendor relationships with various vehicle manufacturers and dealers and through our distribution network that includes the marketing outlets operated by our associate, IndusInd Marketing and Financial Services Private Limited. Through our preferred, non-exclusive relationships with certain vehicle manufacturers, we are recommended to their customers to finance loans for the products purchased, and we collaborate with these manufacturers in promoting sales of their products in our key role as financial services provider. We conduct credit appraisals of all customers before granting any loans. As of March 31, 2015, our vehicle finance portfolio (consisting of loans for medium and heavy commercial vehicles (including tractors and farm equipment), construction, earth-moving and material-handling equipment, small commercial vehicles, utility vehicles, cars and two-wheelers) constituted 81.83% of our consumer finance advances. We also offer loans secured by property to retail and small business customers and credit cards. During the last two years, we have also added new loan products such as personal loans, business loans, loans against credit card receivables, affordable loan products for farmers (kisan cards), loans against shares and gold loans.

Commercial vehicles:

This segment is the largest part of our consumer banking advances portfolio. We provide loans for the purchase of a wide range of new and used commercial vehicles, including medium and heavy commercial vehicles and light commercial vehicles, with flexible payment options. Since June 2014, we have also started providing loans for the purchase of tractors and other equipment, which are generally used in and around farming centres in rural areas, with flexible payment options. For the fiscal year ended March 31, 2015, the average loan size in this division was approximately ₹1.17 million for heavy and medium commercial vehicles and ₹0.56 million for light commercial vehicles, with typical tenure of up to four years. As of March 31, 2015, our total net outstanding commercial vehicle loans amounted to ₹106,178.20 million representing 15.44% of our total net advances.

Construction, earth-moving and material handling equipment:

We provide loans for the purchase of various construction, earth-moving and material handling equipment, which includes excavators, cranes, rollers, tippers and loaders. For the fiscal year ended March 31, 2015, the average loan size in this segment was approximately ₹1.60 million, with typical tenure of up to four years. As of March 31, 2015, our total net outstanding construction, earth-moving and material handling equipment loans amounted to ₹28,162.58 million, representing 4.09% of our total net advances.

Small commercial vehicles:

We provide loans for the purchase of small commercial vehicles, which mainly consist of entry-level four wheelers with carrying capacity of less than 2 tons and three-wheelers used for intra-city transport of goods and passengers. For the fiscal year ended March 31, 2015, the average loan size in this division was approximately ₹0.17 million, with typical tenure of up to three years. As of March 31, 2015, our total net outstanding small commercial vehicle loans amounted to ₹18,432.12 million, representing 2.68% of our total net advances.

Utility vehicles:

We provide loans for the purchase of multi-utility vehicles, which are generally used in interior parts of the country, with flexible payment options. For the fiscal year ended March 31, 2015, the average loan size in this division was approximately ₹0.53 million, with typical tenure of up to four years. As of March 31, 2015, our total net outstanding utility vehicle loans amounted to ₹20,170.70 million, representing 2.93% of our total net advances.

Cars:

We provide loans to purchase new and used passenger cars with instalment payment options structured to meet the customer's needs. For the fiscal year ended March 31, 2015, the average loan size in this division was approximately ₹0.31 million, with typical tenure of up to four years. As of March 31, 2015, our total net outstanding car loans amounted to ₹31,461.85 million, representing 4.57% of our total net advances.

Two-wheeler vehicles:

We provide loans to purchase two-wheeler vehicles (scooters and motorcycles). For the fiscal year ended March 31, 2015, the average loan size in this division was approximately ₹0.038 million, with typical tenure of up to two years. As of March 31, 2015, our total net outstanding two-wheeler vehicle loans amounted to ₹28,081.64 million, representing 4.08% of our total net advances.

Geographical distribution of vehicle finance portfolio:

The following table sets forth the geographical distribution of our vehicle finance portfolio (consisting of loans for medium and heavy commercial vehicles (including tractors and farm equipment), construction, earth-moving and material-handling equipment, small commercial vehicles, utility vehicles, cars and two-wheelers) across states and union territories in India as of March 31, 2015:

State / Union Territory	% of vehicle finance portfolio
Andhra Pradesh	4.84%
Assam	2.32%
Bihar	1.58%
Chandigarh	0.20%
Chhattisgarh	2.98%
Dadra & Nagar Haveli	0.00%
Delhi	1.98%
Goa	0.73%
Gujarat	5.52%
Haryana	6.10%
Himachal Pradesh	0.83%
Jammu & Kashmir	0.17%
Jharkhand	3.27%
Karnataka	3.32%
Kerala	10.23%

State / Union Territory	% of vehicle finance portfolio
Madhya Pradesh	5.17%
Maharashtra	5.37%
Manipur	0.00%
Meghalaya	0.19%
Mizoram	0.26%
Nagaland	0.00%
Odisha	2.81%
Puducherry	0.48%
Punjab	3.79%
Rajasthan	11.32%
Sikkim	0.25%
Tamil Nadu	9.75%
Telangana	3.34%
Tripura	0.54%
Uttar Pradesh	6.12%
Uttaranchal	0.40%
West Bengal	6.13%

Loans against property:

Since April 2011, we have provided multi-purpose loans to salaried or self-employed individuals and small businesses, including proprietorships, partnership firms and companies, which are secured by residential or commercial property. For the fiscal year ended March 31, 2015, the average loan size was approximately ₹9.18 million with a maximum tenure of ten years. As of March 31, 2015, our total net outstanding loans against property amounted to ₹37,836.4 million, representing 5.50% of our total net advances.

Credit cards:

In June 2011, we acquired the Indian operations of the credit cards business of Deutsche Bank AG. We currently offer various credit cards catering to the different needs of our customers. Most of our credit cards offer holders the ability to earn and redeem reward points for transactions undertaken using their credit cards. We offer co-branded credit cards, including with Jet Airways and with Chelsea FC, through which our customers can earn frequent flyer miles and purchase Chelsea FC merchandise, respectively, using their points. We have outsourced certain transaction processing activities related to our credit cards business. As of March 31, 2015, our total outstanding credit card advances amounted to ₹6,978.94 million, representing 1.01% of our total net advances.

Other loan products:

We also provide personal loans, unsecured business loans, loans against gold ornaments, "Kisan" term loans and overdraft facilities to cater to the credit needs of farmers and other persons engaged in agriculture and allied businesses, loans against card receivables, loans against shares and overdraft against demat shares. As of March 31, 2015, such other loans aggregated to ₹6,776.24 million, representing 0.99% of our total net advances.

Branch banking

We provide comprehensive banking services through our branches and ATMs, as well as other delivery channels. We use our branch network for customer acquisition and deposits and asset mobilization and to distribute third-party products, such as insurance, mutual funds, third party mortgage products and online securities trading. Our deposit products include the following:

- Savings accounts, which are on-demand deposit and cheque accounts designed primarily for individuals. In October 2011, the RBI deregulated the interest rate on savings bank deposits for resident Indians. Banks are required to provide a uniform interest rate on savings bank deposits up to ₹100,000, irrespective of the amount in the account within this limit. For deposits above ₹100,000, banks are permitted to provide differential rates of interest, provided that the bank does not discriminate in the matter of interest rates between similar deposits accepted on the same date. With effect from May 1, 2015, we revised the interest rate applicable to daily balances in the savings accounts held by our resident savings bank customers to 4% p.a. for daily balances up to ₹100,000, 5% p.a. for balances between ₹100,000 and ₹1.0 million and 6% p.a. for daily balance above ₹1.0 million.

- Current accounts, which are non-interest-bearing cheque accounts designed primarily for businesses. Customers have a choice of regular and premium product offerings with different minimum average quarterly account balance requirements.

- Fixed or term deposits, which pay a fixed return over a pre-determined time period ranging from seven days to ten years. We also offer specialized products such as recurring deposits, where the customer deposits a pre-determined amount periodically, and liquid deposits that allow for automatic transfers from the customer's savings account to one or more fixed deposits.

The regional distribution of our deposits relative to our total deposits, as of March 31, 2013, March 31, 2014 and March 31, 2015, is set out in the table below (deposits as at respective dates are as per the financial records disaggregated by regions as follows):

	As of March 31,					
	2013		**2014**		**2015**	
	(₹ in million)	**(as a percentage of total deposits)**	**(₹ in million)**	**(as a percentage of total deposits**	**(₹ in million)**	**(as a percentage of total deposits**
Northern India	105199.04	19.44%	1,28,890.43	21.30%	197,091.88	26.59%
Eastern India	42,681.78	7.89%	31,521.64	5.21%	54,657.78	7.37%
North-East India	1,282.85	0.24%	3,088.41	0.51%	2,299.94	0.31%
Central India	29,962.82	5.54%	24,291.25	4.01%	34,430.75	4.64%
Western India	315,462.01	58.30%	3,56,924.85	58.99%	379,703.70	51.22%
Southern India	46,578.65	8.60%	60,306.27	9.97%	73,159.59	9.87%
Total	**541,167.15**	**100.00%**	**605,022.85**	**100.00%**	**741,343.64**	**100.00%**

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

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

The demographic distribution of our deposits according to metropolitan, semi-urban, urban and rural areas under the RBI's Branch Authorization Policy as of March 31, 2013, March 31, 2014 and March 31, 2015 is set out in the table below:

	As of March 31,					
	2013		**2014**		**2015**	
	(₹ in million)	**(as a percentage of total deposits)**	**(₹ in million)**	**(as a percentage of total deposits)**	**(₹ in million)**	**(as a percentage of total deposits)**
Rural	5,879.58	1.09%	8,990.08	1.49%	10,896.71	1.47%
Semi-urban	15,783.69	2.92%	19,337.15	3.20%	26,090.14	3.52%
Urban	69,966.21	12.93%	111,927.52	18.50%	161,262.39	21.75%
Metropolitan	449,537.67	83.06%	464,768.10	76.82%	543,094.40	73.26%
Total	**541,167.15**	**100.00%**	**605,022.85**	**100.00%**	**741,343.64**	**100.00%**

Our current and savings account deposits and the corresponding CASA percentages as of March 31, 2013, March 31, 2014 and March 31, 2015 are set out in the table below:

	As of March 31,					
	2013		**2014**		**2015**	
	₹ million (except percentages)					
Current account deposits	88,345.56	16.32%	97,756.65	16.16%	123,560.25	16.67%
Saving account deposits	70,328.02	13.00%	99,152.50	16.39%	129,435.69	17.46%
Total	**158,673.58**	**29.32%**	**196,909.15**	**32.55%**	**252,995.94**	**34.13%**

We offer a range of asset and deposit retail banking products targeting specific customer segments, including sub-HNI households, business owners, non-resident Indians, or NRIs, salaried corporate professionals and trusts, associations, societies and corporations.

Our personal banking division offers various banking products and services to retail customers, including savings and current accounts, fixed deposits, locker facilities, demat securities accounts and loan products, and distributes a range of third-party products and services for which we earn fee income, including life insurance through our corporate agency arrangement with Aviva Life Insurance Company India Limited; general insurance, including asset and accident protection insurance, through our corporate agency arrangement with Cholamandalam MS General Insurance Company Limited; health insurance through our corporate agency arrangement with Religare Health Insurance Company Limited; mortgage products offered by HDFC Limited, whereby any related advances are made by HDFC Limited and not by us; mutual funds; and online securities trading through our "3-in-1" proposition whereby our customer maintains savings and demat securities accounts with us and a trading account with Kotak Securities Limited. We target sub-HNI customers through client service managers and customer acquisition teams supported by relationship managers stationed at each branch, and HNI customers through dedicated relationship managers. We also target NRI salaried professionals to offer NRE/NRO savings and current accounts compliant with Indian foreign exchange regulations, international remittance services, and third-party products such as gold and mutual funds. Our HNI offerings include premier banking programs such as Indus Select and Indus Exclusive. We acquired approximately 237,000, 502,000 and 526,000 new CASA accounts during the fiscal years ended March 31, 2013, March 31, 2014 and March 31, 2015, respectively.

Our emerging corporate business group division targets small and medium-sized businesses with a range of current account products, transaction banking services and global markets products. The business relationships are leveraged with escrow collection services for initial public offerings.

Our government business group division caters to the Government of India and state governments, as well as government authorities and bodies, such as municipal corporations. We focus on the e-tendering business, payment gateways and other cash management system products involving various authorities under the State Government. We are empaneled to provide government business in the states of Haryana, Bihar, Madhya Pradesh, Andhra Pradesh and Tamil Nadu. We are also active in conducting government business in the states of Punjab, Rajasthan, Himachal Pradesh, Arunachal Pradesh, Jharkhand and Karnataka. We are in the process of obtaining mandates for the states of Maharashtra, Goa, Uttar Pradesh and West Bengal. We have also applied for mandates to collect direct and indirect taxes, which is pending policy decision by the Ministry of Finance. We are developing this business in order to mobilize substantial liability deposits.

Our customers benefit from our network of 801 branches and 868 off-site ATMs, as of March 31, 2015. Our retail banking customers can also access alternative banking channels, including door-step banking services such as cash delivery and pick-up and cheque and document pick-up as well as services offered under our "video branch" initiative, access to other domestic banks' ATMs and VISA's international ATM and point-of-sale network through VISA debit cards and online and mobile phone services for banking transactions, online securities trading, utility bill payments, ticket bookings for transportation and other online payments. As of March 31, 2015, we had issued approximately 4.52 million debit cards to customers, out of which approximately 1.54 million were active (*i.e.*, used at least once and not expired or cancelled). We offer a range of debit cards on which customers can earn rewards points that can be redeemed on request, including through their mobile phones. We also offer travel foreign exchange prepaid cards in any of eight currencies, namely U.S. dollar, British pound sterling, Euro, Australian dollar, Singapore dollar, Saudi riyal, Canadian dollar and UAE dirham, for which we earn fee income based on the exchange rate conversion and transaction fees. We also use technology for customer relationship management, analytics and business process management to better serve our customers. We have also engaged IBM to provide technology to enable us to deepen customer relationship by delivering personalized, location-based recommendations and offers in real-time. We seek to regularly engage with our customers and use the Talisma customer requests management system and a customer grievance redressal mechanism to monitor and address complaints and manage our service quality across all channels through which our customers access our products and services.

Corporate and commercial banking

Our corporate and commercial banking business unit has a customer-focused approach and we endeavor to place our relationship managers in proximity to our customers. The unit comprises four business divisions according to customer segment: corporate and investment banking, commercial banking group, public sector and financial institutions group and business banking.

Corporate and investment banking

Our corporate and investment banking division caters to the banking needs of large corporate customers in India and has operations in Andhra Pradesh, Chandigarh, New Delhi, Gujarat, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu and West Bengal. This division is the largest part of our corporate and commercial banking loan portfolio and has consistently grown over the last few years. As of March 31, 2015, our total outstanding loans provided to corporate banking customers amounted to ₹199,648 million, representing 29% of our total net advances. The outstanding loans provided to corporate banking customers as on March 31, 2014 and March 31, 2013 were ₹150,860 million and ₹118,413 million, respectively. This division also originated 7.40% of total term deposits as of March 31, 2015.

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

Commercial banking group

Our commercial banking group focuses on companies in the mid-market segment, inclusive banking, agriculture finance and supply chain finance requirements of corporate customers. The inclusive banking and agriculture finance-related operations of this division help us in meeting the RBI priority sector lending requirements. For the fiscal year ended March 31, 2015, this division's contribution to our total net advances eligible under the priority sector requirements increased to 21% from 16.5% for the fiscal year ended March 31, 2014.

This division focuses on companies in the mid-market segment and has operations in 16 locations across India in Andhra Pradesh, Chandigarh, New Delhi, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu, West Bengal and Uttar Pradesh. This group focuses on cross-selling products developed by our transaction banking business unit, our global markets business unit and our investment banking team. This division also includes the inclusive banking group, which focuses on business correspondent arrangements with microfinance partners and operates in ten states.

Our "agri" business team provides post-harvest commodity finance services to farmers, traders and processors secured by agricultural commodities stored in warehouses. We conduct such lending from a number of locations and finance a wide range of commodities. We engage collateral managers to monitor our collateral in warehouses that they own or manage. Our "agri" business team also offers specialized products, such as agriculture project finance, trade finance and infrastructure finance to small and medium enterprises in the agricultural sector.

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

As of March 31, 2015, our total outstanding loans provided to commercial banking customers amounted to ₹114,547 million, representing 16.65% of our total net advances. Our total outstanding loans provided to commercial banking customers as of March 31, 2014 and March 31, 2013 were ₹96,938 million and ₹64,841 million, respectively. This division originated 3.77% of our total term deposits as of March 31, 2015.

Public sector units (PSU)

Our PSU division provides services mainly to government-controlled companies, which covers most Miniratnas (central public sector enterprises that have satisfied eligibility criteria on profitability and net worth as evaluated by the Government) and Navaratnas (certain Miniratnas and specified other central public sector enterprises that have satisfied performance parameters as evaluated by the Government). This division is managed through relationship managers in locations across India. This division originated 17.32% of our total term deposits as of March 31, 2015.

Financial Institutions Group (FIG)

Our FIG division manages relationships with both domestic and overseas banks through its relationship managers based in Mumbai. This division actively engages in regular and structured trade transactions among other transactions in cash management. This division also has relationships with brokers and exchanges and provides the following services. From our branch at Fort, Mumbai, we provide clearing and settlement banking services for major capital, commodity and currency exchanges in India, including the BSE, the NSE, the NCDEX, the MCX, the NMCE and the Indian Energy Exchange. We open and maintain clearing bank accounts with these exchanges and other clearing bank members to provide electronic fund transfer facilities. We earn fee income by providing these services to the clearing and settlement bank members. We also provide clearing and settlement banking services for the currency derivatives segments of the

NSE, the BSE and the MCX-SX, and we are also a clearing bank for the Indian Energy Exchange. We also manage and provide funded and non-funded facilities to brokers who work on these exchanges.

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

Business banking

Our business banking division typically provides loans to small and medium enterprises. As of March 31, 2013, March 31, 2014 and March 31, 2015, our total small and medium enterprise loans outstanding was ₹25,885.11 million, ₹34,099.07 million and ₹46,133.10 million, respectively. This division has operations in Tamil Nadu, Karnataka, Kerala, Andhra Pradesh, Maharashtra, Odisha, West Bengal, Madhya Pradesh, Uttar Pradesh, Gujarat, Rajasthan, Haryana, Chandigarh, Punjab, Delhi, Himachal Pradesh, Jharkhand, Chhattisgarh, Daman and Diu, Puducherry, Uttarakhand, Assam, Bihar and Dadra and Nagar Haveli. This division is managed by our consumer banking business unit for certain customer categories.

With an objective of increasing sales and market share, this division is organized into specialist teams: (a) business banking – branch, which focuses on business from the branch network and seeks to bring more synergy among different business verticals; (b) strategic client - business banking, which exclusively manages clients with facilities from us exceeding ₹100 million; and (c) express business banking, which focuses on acquisition of clients requiring credit facilities up to ₹20 million.

As of March 31, 2015, our total outstanding loans provided to business banking customers amounted to ₹46,133.10 million, representing 6.71% of our total net advances. This division originated 1.43% of our total deposits as of March 31, 2015.

Global markets

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

Client risk solutions and fixed income sales

The client risk solutions, or CRS, and fixed income sales team seeks to offer customized derivatives products to our corporate and retail customers, including foreign exchange forward contracts and currency or interest rate swaps, currency options and futures. The sales team is present in 12 locations in India, namely Mumbai, Gurgaon, Kolkata, Chennai, Bengaluru, Hyderabad, Ahmedabad, Coimbatore, Jaipur, Lucknow, Ludhiana and Pune to provide proximity to our customers. Our exchange traded currency futures desk that commenced operations in 2011 caters to our retail customer needs. Our electronic dealing platforms, Indus Fast Remit (IFR) and Reuters' Electronic Trading (RET), enable our customers to track spot market movements in real time and to undertake online transactions to hedge underlying trade and remittance receivables and payables. Foreign exchange forward contracts, currency or interest rate swaps, options and futures and other derivative products are non-fund-based products that generate fee income without increasing the size of our balance sheet. Our income from profit on exchange transactions / derivatives (net), handled by our global markets business unit, increased by 105% from ₹3,513.44 million for the fiscal year ended March 31, 2013 to ₹7,203.89 million for the fiscal year ended March 31, 2015. This was primarily due to an increase in demand from large Indian companies for hedging interest and currency risk solutions in relation to loans provided by us as well as multilateral agencies. Our fixed income sales team acts as arrangers for bond transactions by corporate customers, including structured and AA or A rated bonds.

Proprietary trading

Our proprietary trading desk transacts in foreign exchange, spot and forwards, derivatives including market making in foreign exchange options, fixed income securities, structured credit, options and interest rate and currency swaps. We have set up a MIFOR trading desk. We also set up a bond trading desk in 2013 and have since increased our presence in the SLR, non-SLR and interest rate futures market. The proprietary trading desk works together with our fixed income sales team to develop new business.

Money markets and ALM

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

Derivatives

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

Transaction banking

Our transaction banking business unit provides various services, including cash management services, remittance services, electronic banking, trade services, commodity finance and supply chain finance to customers in our corporate and commercial banking and consumer banking business units.

Cash management services

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

In April 2011, we received the approval of the RBI to set up a currency chest. Our first currency chest was opened in Thane in June 2012. We also opened currency chests in New Delhi and Chennai in February 2013 and June 2014, respectively. Our currency chests cater to the requirements of customers who transact large quantities of cash. We use the currency chests to manage excess cash from nearby branches and to service customers with higher cash deposits for a fee, while meeting a part of our statutory cash reserve ratio requirements.

Remittance services

We facilitate international remittance services for our domestic and non-resident Indian customers. We currently offer remittance services from 14 countries through our partner arrangements. We earn fee income by providing such international remittance services to these overseas exchange houses or licensed money transfer operators which receive funds and remit such funds to India. We also have an international remittance service arrangement with Western Union and MoneyGram Payment Systems. Our Internet-based "Indus Fast Remit" platform enables online customer remittances by non-resident Indians from the United States, the United Kingdom, Canada and Australia to India.

We have also partnered with Worldpay, a global payment gateway provider, to obtain technology support in respect of our domestic card acquiring services for transactions by select global merchants.

Trade services and supply chain finance

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

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

We endeavour to offer our customers robust, secure, efficient and technologically advanced platforms that meet all their banking transaction needs. We are also in the process of implementing technology upgrades to our trade finance platform.

Gems and Jewellery

Our gems and jewellery division has been set up to exclusively cater to the financing needs of customers in the gems and jewellery industry. We have been awarded the "Best Bank Financing the Industry Highest Growth of Limits Sanctioned" award rated on "Excellence with Ethics" for the year 2013-2014 by the Gem and Jewellery Export Promotion Council.

In April 2015, we entered into an agreement to acquire the diamond and jewellery financing business (comprising a loan portfolio and a related deposit portfolio) from The Royal Bank of Scotland N.V. in India and concurrently entered into a partnership agreement with ABN AMRO Bank N.V. for co-operation in diamond and jewellery financing. The completion of this acquisition is currently subject to regulatory approvals.

Rural banking

Our rural banking segment provides rural and agriculture-linked products to rural customers in a cost-effective manner through efficiently staffed branches by operating through a hub-and-spoke model. We provide affordable term loans and overdraft facilities to customers and our "Indus Kisan" loan product caters to the short-term and long-term credit needs of farmers for undertaking agriculture and allied activities. We also offer commercial vehicle financing to rural customers through our vehicle finance division.

Distribution Network

We have a distribution network comprising branches and non-branch delivery channels, including off-site ATMs, Internet and mobile phone banking channels, our "video branch", representatives at our marketing outlets and vehicle dealerships and contact centres, which provide access to, and market, our retail banking products and services.

The composition of our distribution network as of March 31, 2013, March 31, 2014 and March 31, 2015 is set out in the table below:

	As of March 31,		
	2013	**2014**	**2015**
Branches	500	602	801
ATMs	882	1,110	1,487
Marketing outlets(1)	795	879	950

(1) Operated by our associate company, IndusInd Marketing and Financial Services Private Limited

Branches:

Our branch network is fundamental to how we engage and interface with our customers. Our branches are fully-networked and connected to a central database in Mumbai on a real-time basis with an off-site back-up facility in Chennai. All branches are licensed by the RBI to lend and to accept deposits, except 58 specialized consumer finance lending branches where we do not accept deposits. Any demand for loan products arising at the new branches will be addressed through our existing processes, including centralized credit sanction and credit administration for corporate loans.

One of our key strategies has been, and continues to be, to expand our branch network, particularly in geographies and markets where we believe we can capture market share profitably. We intend to open an additional 68 branches across India from the existing branch expansion plans and continue to increase the number of our branches over the next few years. We have also submitted an application to the RBI to set up an international finance service centre banking unit at Gujarat International Finance Tec-City City, Gandhinagar, Gujarat. Under the current branch licensing policy of the RBI, we are not required to obtain a license from the RBI for opening branches in Tier 1 to Tier 6 cities, subject to reporting and certain other conditions. The RBI has also mandated that 25% of the new branches opened during a financial year should be in unbanked rural centres and total number of branches opened in Tier 1 centres during a financial year cannot exceed the total number of branches opened in Tier 2 to Tier 6 centres and all centres in the North Eastern States.

We have outsourced the establishment, maintenance and operations of all our off-site ATMs and the maintenance of all branch ATMs to one service provider. We have also outsourced the transaction processing operations for our credit cards business.

We use centralized processing hubs to achieve efficiencies in order to enable our branches to focus on customer-facing activities such as sales and customer service. We have implemented centralized processing to facilitate account-opening for current, savings and fixed deposits, processing of trade finance related activities, expense-related processing and handling remittances. We have also centralized a significant portion of customer maintenance transactions, including the issue of cheque books and updating customer records.

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

The distribution of our branches across India by region as of March 31, 2013, March 31, 2014 and March 31, 2015 is set out in the following table:

	As of March 31,		
	2013	**2014**	**2015**
Northern India	122	135	217
Southern India	117	133	138
Western India	96	120	179
Eastern India	72	88	95
Central India	80	111	143
North-East India	13	15	29
Total branches	**500**	**602**	**801**

Non-branch delivery channels:

ATMs: We had 882, 1,110 and 1,487 ATMs as of March 31, 2013, March 31, 2014 and March 31, 2015, respectively. As of March 31, 2015, we had 1,487 ATMs, of which 868 were off-site ATMs, with the rest located within our branches. Our ATMs are part of the VISA, MasterCard and National Finance Switch shared payment networks. In addition, VISA and MasterCard cardholders who have accounts with other banks can access their accounts using our ATM network. We commenced operations of solar-powered ATMs in December 2009 and, as of March 31, 2015, we had 100 solar-powered ATMs in India.

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

Contact centre: Our contact centres operate out of Mumbai and Chennai and attend to customer request and queries on phone and by video calls and e-mail. It has multiple language capabilities. Our premium customers can use our Direct Connect service to access assigned contact centre executives without waiting for interactive-voice-response system prompts.

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

Marketing outlets: We used 795, 879 and 950 marketing outlets as of March 31, 2013, March 31, 2014 and March 31, 2015, respectively. We have outsourced the operations of our marketing outlets, which originate substantially all our vehicle loan business, to our associate company, IndusInd Marketing and Financial Services Private Limited. During the term of our outsourcing arrangement, which expires in May 2017, IndusInd Marketing and Financial Services Private

Limited is required to obtain our prior permission before accepting any assignment from any other body corporate or bank.

Investments

As of March 31, 2015, the total value of our gross investments was ₹248,862.20 million and the total value of our net investments was ₹248,593.70 million. The average yield on net investments was 7.48% for the fiscal year ended March 31, 2015.

Under the RBI guidelines, we are required to maintain 21.50% of our net demand and time liabilities in Government and other approved securities and 4.0% of our net demand and time liabilities in a deposit account with the RBI. As of March 31, 2015, Government securities constituted 72.03% of our net investments, compared with 71.33% as of March 31, 2014 and 71.75% as of March 31, 2013.

For further information, see "Selected Statistical Information – Investment Portfolio."

Priority Sector Lending and Financial Inclusion

The RBI requires all domestic commercial banks in India to allocate a minimum of 40% of their adjusted net bank credit as of March 31 of the applicable prior year ("ANBC") to the "priority sector", which includes, inter-alia, loans to the agricultural sector, loans to micro, small and medium enterprises, loans to individuals for educational purposes, housing loans, loans for building social infrastructure and loans for renewable energy sector. The RBI also specifies sub-allocation requirements, including a minimum of 18% of ANBC to the agricultural sector (within this, 8% of ANBC must be allocated to small and marginal farmers, in a phased manner (7% from March 2016 and 8% from March 2017)), 7.5% of the ANBC to micro enterprises in a phased manner (7% by March 2017 and 7.5% by March 2017) and 10% of the ANBC to weaker sections.

If our lending falls below the RBI's directed lending requirements, we are required to fulfil our obligations by contributing to the Rural Infrastructure Development Fund established by the National Bank for Agriculture and Rural Development or funds with other financial institutions specified by the RBI. These deposits have a maturity ranging up to seven years and carry interest rates linked to the bank rate. During the year ended March 31, 2015, we met our priority sector lending RBI requirements by taking into consideration the existing outstanding investments of ₹17,188.0 million made by us in the past in these schemes.

Our ANBC as of March 31, 2015 was ₹565,363.77 million. Also, as of the last day of March 2015, our gross lending to priority sectors was ₹230,173.0 million, which constituted 40.71% of our ANBC. In addition, 14.12% of our ANBC (or ₹79,847.32 million) was lent to the agricultural sector and the remaining 26.50% of our ANBC (or ₹149,819.46 million) was lent to other priority sectors, including economically-weaker sections of the community, micro and small enterprises and Rural Infrastructure Development Fund deposits. Some of our existing businesses, including commercial vehicle finance and other loans to agricultural sector customers, qualify as eligible agricultural sector lending under the RBI's priority sector lending requirements. As of the last day in March 2015, net advances to economically weaker sections were ₹474.51 million, which constituted 8.39% of our ANBC.

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

A breakdown of our priority sector lending position as of the last day of March of each of the last three fiscal years is as follows:

(₹ in million)

	As of the last day of					
	March 2013		**March 2014**		**March 2015**	
	Amount	**% of ANBC**	**Amount**	**% of ANBC**	**Amount**	**% of ANBC**
Agriculture advances	43,475.00	12.31%	66,511.48	14.50%	79,847.32	14.12%
Small scale industry and services and others	99,760.70	28.25%	130,538.80	28.45%	150,325.72	26.59%
Total	**143,235.70**	40.56%	**197,050.28**	42.95%	**230,173.04**	40.71%
ANBC for computing Priority Sector Lending	**353,163.50**		**458,803.70**		**565,363.77**	

Under the RBI's guidelines for promoting financial inclusion, we are present in under-banked and rural or semi-urban locations as part of our existing branch network and consumer finance marketing outlets. In addition, we offer a "no frills" basic savings bank deposit account with no minimum balance requirement and simplified KYC procedures for account opening.

We seek to make banking services available to economically-weaker sections and low-income groups across 22 states in India. Our customers in this division are provided "RuPay" debit cards introduced by the National Payment Corporation of India. We also organize financial literacy and enrolment camps at regular intervals. We also offer such customers account-related services under three social security schemes launched by the Government: the Atal Pension Yojana, the Pradhan Mantri Jeevan Jyoti Bima Yojana and the Pradhan Mantri Suraksha Bima Yojana.

We have also entered into business correspondent arrangements with certain local microfinance partners to offer credit as well as savings products to microfinance customers. Origination, collection and servicing of the loan are undertaken by the business correspondent entities. As of March 31, 2015, we had 720,331 active loans to 1.7 million women entrepreneurs through business correspondents totalling ₹8,789.06 million in loans outstanding, which were spread across 10 states in 13,000 villages and represented 1.28% of our total net advances.

We were awarded the "Best Private Sector Bank – Priority Sector Lending" award by Dun & Bradstreet – Polaris Financial Technology Banking Awards 2013.

Risk Management

Risk Management Department

Our risk management department is responsible for identifying, measuring, monitoring and controlling risks across our business units, encompassing credit risk, market risk (including asset-liability management) and operational risk, and ensuring functional independence of our business units. The head of the department reports to our Chief Risk Officer, who in turn reports to our Managing Director & Chief Executive Officer. There are separate committees for asset-liability management, credit risk management, market risk management and operational risk management, which review our risk management policies, our risk appetite, exposure limits and risk values and make recommendations. Further, the risk management committee, which is a committee of our board of directors, oversees our risk management framework. The department is responsible for determining the amount of capital to hold against each class of our assets, for undertaking stress tests to evaluate the strength of our portfolio and for ensuring compliance with applicable regulations. Policies are periodically reviewed and revised to address changes in the economy and the banking sector and our risk profile. We have policies on credit risk, bank risk, country risk, market risk, asset-liability management, operational risk, business continuity planning and on other aspects of risk management. Our internal capital adequacy assessment policy addresses material risks faced, the control environment, risk management processes, risk measurement techniques, capital adequacy and capital planning.

Credit risk

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

We manage credit risk at the transaction level and the portfolio level. At the transaction level, we use customer segment-specific internal credit rating models equipped with transition matrix capabilities, and the ratings grades ranging from IB1 to IB10 in decreasing order of creditworthiness. The table below sets forth the distribution of our internally rated portfolio of exposure (including fund based and non-fund based facilities) across various rating grades, segregated into secured and unsecured portion, in proportion to total rated exposure as of March 31, 2015:

Rating Grades	Fund Based		Non Fund Based		Total
	Secured	Unsecured	Secured	Unsecured	
IB1	3.77%	0.00%	7.86%	0.03%	**11.67%**
IB2+	1.66%	0.96%	3.26%	5.27%	**11.15%**
IB2	0.59%	0.00%	0.57%	0.83%	**1.99%**
IB2-	0.25%	0.00%	2.86%	6.44%	**9.56%**
IB3+	2.07%	0.32%	0.93%	2.64%	**5.96%**
IB3	1.46%	0.41%	1.04%	1.05%	**3.96%**
IB3-	5.61%	2.23%	2.76%	2.07%	**12.65%**
IB4+	4.40%	0.15%	3.52%	0.66%	**8.73%**
IB4	4.64%	0.79%	2.45%	0.15%	**8.02%**

Rating Grades	Fund Based		Non Fund Based		Total
	Secured	Unsecured	Secured	Unsecured	
IB4-	12.51%	0.29%	1.95%	0.75%	**15.51%**
IB5+	2.60%	0.03%	0.33%	0.00%	**2.96%**
IB5	1.87%	0.01%	0.49%	0.00%	**2.37%**
IB5-	1.09%	0.01%	0.16%	0.00%	**1.26%**
IB6	2.01%	0.03%	0.40%	0.00%	**2.45%**
IB7	0.66%	0.02%	0.03%	0.00%	**0.70%**
IB8	0.62%	0.00%	0.39%	0.00%	**1.01%**
IB10	0.03%	0.01%	0.00%	0.00%	**0.05%**
Total	**45.83%**	**5.25%**	**29.02%**	**19.90%**	**100.00%**

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

Our credit portfolio-level risk management mechanism monitors concentration risk from exposure under all our business units and under the following categories: exposure to a single borrower or affiliated borrowers (or group borrowers), certain RBI-specified sensitive sectors, industry, unsecured loans, borrower's credit rating, off balance sheet exposure and lending product. We specify exposure limits at the portfolio level. Our retail and consumer finance loans (which provide wider diversification benefits) comprise 41.30% of our total net advances as of March 31, 2015. Our exposure to corporate customers is diversified across industries with a view to mitigate our loan portfolio from industry cycles. The table below provides information on our funded exposure by major industry as of March 31, 2015.

Industry	Funded exposure (Rs. million)	Percentage of total funded exposure
Airlines	4,968	0.72%
Auto Ancillaries	4,235	0.62%
Construction related to Infra – EPC	7,512	1.09%
Contract Construction – Civil	9,039	1.31%
Engineering and Machinery	3,667	0.53%
Fertiliser	2,634	0.38%
Food Beverages and Food Processing	11,275	1.64%
Food Credit	7,261	1.06%
Gems and Jewellery	16,466	2.39%
Hotels	1,803	0.26%
Housing Finance Companies	11,806	1.72%
Lease Rental	26,935	3.92%
Media, Entertainment and Advertisement	12,595	1.83%
NBFCs (other than HFCs) /NBFC-MFI	15,507	2.25%
Paper	6,655	0.97%
Petroleum & Products	4,889	0.71%
Pharma	3,662	0.53%
Plastic and Plastic products	2,912	0.42%
Power Distribution	1,250	0.18%
Power Generation	12,801	1.86%
Power Transmission	3,048	0.44%
Real Estate Developer (Non Residential)	26,511	3.85%
Real Estate Developer (Residential)	7,171	1.04%
Roads/Other Infra Projects	3,119	0.45%
Rubber and Rubber products	7,708	1.12%
Services	13,877	2.02%
Steel	9,365	1.36%
Telecom – Cellular	13,928	2.02%
Other Industry	157,580	22.91%
Credit Cards	6,979	1.01%
Consumer Finance Division	270,724	39.36%

The table below provides information on loans outstanding from our top ten borrowers (measured by funded exposure) as of March 31, 2015.

Borrower's industry	Loans outstanding (₹ million)	Percentage of total loans outstanding
Telecom – Cellular	11,962.79	1.74%
Rubber and Rubber products	7,415.43	1.08%
Real Estate-Commercial Const	6,866.54	1.00%
Real Estate-Commercial Const	6,400.00	0.93%
Construction related to Infra – EPC	5,158.82	0.75%
Housing Finance Companies	5,074.10	0.74%
Media, Entertainment and Advertisement	5,000.00	0.73%
Petroleum and Products	4,635.99	0.67%
Services	4,400.00	0.64%
Housing Finance Companies	4,113.04	0.60%

Market risk

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

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

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

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

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

Operational risk

We manage operational risk by addressing risks associated with people, processes and systems and risks arising from the external environment, such as riots and floods. We assess operational risk using tools such as key risks indicators, score cards, risk events, loss data, near miss events and risk and control self-assessment. Our audit mechanism comprises periodic on-site audits, concurrent audits and on-site and off-site surveillance enabled by our technology infrastructure. We also conduct operational risk assessments for our new products or processes whereby such new products or processes are assessed for associated risks pursuant to which risk mitigating measures are recommended for such products and processes.

To address systems risk, we have in place a business continuity plan to ensure the continuity of our critical business functions and banking services to our customers. We also have a disaster recovery site at an undisclosed location in Chennai, which facilitates online real-time replication of data. We have also stipulated an information technology security policy to safeguard the security and integrity of our data.

Asset-liability management

Our asset-liability management committee is responsible for liquidity risk and interest rate risk management. The committee monitors liquidity risk through structural liquidity gaps, dynamic liquidity position, LCR, analysis of other liquidity ratios, under stock approach and behavioural analysis, with limits for negative gaps in various time buckets. The committee monitors interest rate sensitivity through limits for rate-sensitive gaps and other risk parameters. Interest rate risk is constantly reassessed, in line with market movements and expectations. The committee aims to meet frequently, and met 13 times during the year ended March 31, 2015.

We generally fund our customer assets with customer deposits. Most of our liabilities and assets are short to medium-term. To manage our funding mismatches, we borrow in the short-term money market.

For statutory liquidity purposes, we maintain a substantial portfolio of liquid Government securities. As of March 31, 2015, our portfolio of Government securities (excluding pledged securities) was ₹175,185.56 million which constituted 70.47% of our total net investments. While the market for Government securities generally provides adequate liquidity, the interest rates at which funds are available can sometimes be volatile. As of March 31, 2015, the duration of our investment portfolio was approximately 5 years.

We have a structural liquidity management system which measures our liquidity positions on an on-going basis and also scrutinizes the reasons behind liquidity requirements evolving under different assumptions. For measuring net funding requirements, we prepare regular maturity gap analyses and use a maturity ladder to calculate the cumulative surplus or deficit of funds at selected maturity dates. The analysis facilitates us in our strategies for repricing our assets and liabilities.

Credit Department

All credit proposals originated by our corporate and commercial banking business unit are appraised by our credit department, which reports to our Chief Risk Officer, and then submitted to an appropriate credit committee for approval. We have separate credit committees according to the level of our exposure and decisions are taken hierarchically at the branch, zonal, corporate office and executive levels depending on the amount of the loan. Our credit approval committees are independent of customer-facing teams and have no volume or profit targets to achieve. If any member of such a committee disapproves of the application for credit, the application is referred to a higher committee for a final decision. However, if the Executive Credit Committee disapproves of the application for credit, the proposal is referred to the committee of the board of directors if the Managing Director & Chief Executive Officer and the Chief Risk Officer are in favour of the proposal.

Credit Quality Assurance and Loan Review

We have a separate credit quality assurance team, which reports directly to our Chief Risk Officer and is independent of our credit approval process. The team assesses the quality of an advance, the effectiveness of our loan administration, compliance with our internal policies and regulatory requirements and overall portfolio quality. It also tracks the deterioration in our internal credit rating for any customer subsequent to the credit approval process.

Financial Restructuring and Reconstruction

This group focuses on restructuring and recovering non-performing corporate loans and is present at various branches across India. It takes over the management of any loan account in the corporate and commercial banking business unit as soon as the account is declared an NPA. This group also handles standard accounts under restructuring, including through the corporate debt restructuring mechanism.

As of March 31, 2015, our net non-performing customer advances comprised 0.31% of our customer advances. Our net NPAs for the three fiscal years ended March 31, 2013, March 31, 2014 and March 31, 2015 are reflected in the information set out in the table below:

Items	Year ended March 31, 2013	2014	2015
	(in ₹million, except percentages)		
(i) Net NPAs to Net Advances (%)	0.31%	0.33%	0.31%
(ii) Movement in NPAs (Gross)			
a) Opening Balance	3,470.80	4,577.80	6,207.90
b) Additions during the year	5,277.70	6,242.40	8,872.90
c) Reductions during the year	4,170.70	4,612.30	9,451.60
d) Closing Balance	4,577.80	6,207.90	5,629.20
(iii) Movement in Net NPAs			
a) Opening Balance	946.70	1,367.60	1,840.50
b) Additions during the year	2,760.20	2,673.90	2,027.40

Items	Year ended March 31, 2013	2014	2015
c) Reductions during the year	2,339.30	2,201.00	1,763.10
d) Closing Balance	1,367.60	1,840.50	2,104.80
(iv) Movement in provisions for NPAs (excluding provisions on standard assets)			
a) Opening Balance	2,524.10	3,210.20	4,367.40
b) Provisions made during the year	2,517.50	3,568.50	6,845.50
c) Write-off/write-back of excess provisions	1,831.40	2,411.30	7,688.50
d) Closing Balance	3,210.20	4,367.40	3,524.40

For further information on our management of our NPAs, see the sections "Selected Statistical Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Internal Audit

Our internal audit department is an independent function and the head of our audit department functionally reports to the audit committee of our board of directors and administratively to the Managing Director & Chief Executive Officer. The department conducts an internal audit of all our branches at a frequency linked to the risk rating assigned to each branch in accordance with RBI requirements. Each of these branches is also given a risk rating based on the audit findings. Our risk-based internal auditing system, which complies with RBI requirements on risk-based supervision, also conducts audits of various corporate office functions.

The internal audit department also monitors the concurrent audits assigned by the internal audit department to external chartered accountant firms. As of March 31, 2015, the concurrent audit coverage was adequate under RBI guidelines, covering more than 50% of our advances and deposits. In addition to larger branches, concurrent audits are also performed on centralized corporate advances at four zones, depository operations, integrated treasury operations, centralized account opening process at the central processing unit in Mumbai, and our centralized retail assets processing unit in Chennai. The scope of coverage of various audits is reviewed from time to time and the quality of coverage is monitored.

The internal audit department undertakes action in response to findings in the RBI inspection reports and internal audit reports.

Compliance

Our compliance department is independent and centralized. It is headed by our Chief Compliance Officer who reports to our Chief Executive Officer. Our Chief Compliance Officer has the right to report serious compliance matters directly to our board of directors. The department monitors compliance with various laws, regulations and guidelines, rules of self-regulatory bodies and industry associations and our internal policies. We aim to embrace best practices and follow a higher standard of compliance than that required by law.

As of March 31, 2015, we had obtained all licences and approvals required by law for the conduct of our business. We have submitted applications to the RBI for opening an international finance service centre banking unit at Gujarat International Finance Tec-City, Gandhinagar, Gujarat and additional offices abroad.

Capital Adequacy

As of March 31, 2015, our capital adequacy ratio was 12.09% (as per Basel III), compared with 13.83% (as per Basel III) as of March 31, 2014 and 15.36% as of March 31, 2013(as per Basel II) and our Tier I capital ratio as of March 31, 2015 was 11.22% (Basel III), compared with 12.71% (Basel III) as of March 31, 2014 and 13.78% (Basel II) as of March 31, 2013. The RBI requires a minimum capital adequacy ratio of 9% and a minimum total Tier I capital ratio of 7%.

The table below sets out our capital adequacy ratios as of March 31, 2013, March 31, 2014 and March 31, 2015.

	As of March 31,		
	2013 (Basel II)	**2014 (Basel III)**	**2015 (Basel III)**
	(in ₹million, except percentages)		
Paid-up capital	5,228.70	5,256.39	5,294.50
Reserve and surplus (excluding revaluation reserves and including employee stock option outstanding)	68,946.95	81,200.53	97,240.76
Capital adequacy ratio (%)	15.36%	13.83%	12.09%
Capital adequacy ratio – Tier I capital (%)	13.78%	12.71%	11.22%

Competition

We face strong competition in all our principal lines of business. Our primary competitors are government-controlled public sector banks, major private sector banks, foreign banks with operations in India and, for certain products, non-banking financial institutions. In February 2013, the RBI also released guidelines on the issue of new banking licences to private sector entities, including NBFCs. Subsequently, in April 2014, the RBI granted in-principle approvals to IDFC Limited and Bandhan Financial Services Private Limited to set up banks under such guidelines. In November 2014, the RBI released guidelines on the licensing of small finance banks in the private sector and payments banks.

Consumer banking and consumer finance

In retail banking, our principal competitors are public sector banks, other “New Private Sector Banks”, certain “Old Private Sector Banks”, foreign banks and, for retail loan products, non-banking financial companies as well. Some foreign banks have a significant share of the non-resident Indian market for international remittances and deposits and also compete for non-branch-based products such as vehicle loans. We also have significant competition from other “New Private Sector Banks”, foreign banks and certain public sector banks in offering credit cards and loans against property. In mutual fund sales, insurance distribution and other investment-related products, our principal competitors are broking houses, foreign banks, private sector banks and public sector banks.

Corporate and commercial banking

Our principal competitors in corporate and commercial banking are certain public sector banks, private sector banks and foreign banks. Large public sector banks have traditionally been market leaders in this segment. Foreign banks have focused primarily on serving the needs of multinational companies and larger Indian companies with cross-border financing requirements, including trade, transactional and foreign exchange services. Large public sector banks typically have extensive branch networks and large local currency funding capabilities.

Global markets and transaction banking

In our treasury advisory services for corporate customers, we compete principally with foreign banks, private sector banks and public sector banks in the foreign exchange and money markets businesses.

Information Technology

We use advanced information technology in our operations.

Our current core banking software solution is the Finacle core banking software solution from Infosys, and our global markets operations are enabled by the OPICS Plus system. We are currently in the process of replacing our existing treasury system enabled by the OPICS Plus system with a system provided by Calypso Technology. We also use risk management for banking software and analytical tools from SAS. We have recently implemented a fraud monitoring and anti-money laundering software to address operational risk. We use software from Polaris for our trade finance products and Reuters’ RET platform for our foreign exchange-related trade finance services. We are in the process of migrating from the current trade finance system to “Trade Innovation” from Misys. We also use Newgen’s iWorks BPM, a business process management system, in order to provide various services to our customers, including account opening, insurance purchases, mutual funds purchases, accounts payable processing, trade finance, kisan loans, gold loan processing and cheque referral process. We use Biz$core Enterprise, a business intelligence solution developed by iCreate Software to measure and track our business performance and operational efficiency and to manage our regulatory reporting. Our corporate customers are able to use Indus Online, our corporate Internet banking portal, which enables the use of account services, balance and transaction reporting, trade services and management information systems reporting services in a secure online environment, as well as Indus Direct, an Internet-based corporate payment channel to securely initiate instructions for internal, NEFT, RTGS and IMPS funds transfers and to print customized current account cheques and demand drafts. Our retail banking customers are able to securely initiate internal and NEFT funds transfers, review balances and mutual fund portfolios, pay utility and other bills and insurance premiums and by using IndusNet, our electronic retail banking system. We upgrade our software and hardware periodically to leverage advances in technology in our businesses. During the fiscal year ended March 31, 2015, we also launched our "video branch" initiative and our "digital" branch.

Our critical systems are hosted at a production data centre at Mumbai and our disaster recovery program is at a third-party location in Chennai. Our branches have back-up links to ensure connectivity in the event of interruptions. Our contact centres, which are enabled by the Talisma CRM software and the Aspect interactive-voice-response solution, provides our retail banking customers with an IVR system.

We were recognized at the IDRBT (Institute for Development and Research in Banking Technology) Banking Technology Excellence Awards 2013-14 with the "Best Bank Award for Managing IT Risk" among the small banks category (the classification was based on business as on March 31, 2013). We have also received the "Excellence in Service Innovation" award in the Asia Trailblazer awards in 2015. We have received the ISO 27001 certification for our information technology operations from BSi which is valid until November 2015.

Our information technology security policy set out our procedures in relation to information security and confidentiality. All our employees are required to agree to the procedures set out in the policy.

Corporate Social Responsibility

In 2010, we unveiled our green office project campaign entitled *Hum aur Hariyali* as part of our comprehensive plan to reduce our carbon footprint. We have also published a sustainability report disclosing our key sustainability performance indicators of water, waste, carbon footprint and energy consumption. Under our environmental policy, we have undertaken server virtualization and progressive environmental management initiatives. As a result, we secured the 12th position among Indian companies and the second position within the financial services sector in the Carbon Disclosure Project in 2014. As of March 31, 2015, 100 of our ATMs were primarily powered by solar panels. We are committed to the Prime Minister's Swachh Bharat Abhiyaan (a campaign to clean India) and continue to foster financial inclusion by means of financial outreach. We received the Asia Corporate Excellence & Sustainability Award 2014 in the category of Top 10 CSR Advocates in Asia. In February 2015, our Palm Spring branch located in Gurgaon received a "LEED gold certification for commercial interiors" in recognition of its sustainable design.

We have constituted a corporate social responsibility committee to comply with the requirements of the Companies Act, 2013. We incurred an expenditure of ₹175.40 million in the fiscal year ended March 31, 2015 on corporate social responsibility initiatives through projects in rural development, inclusiveness, environment sustainability, preventive healthcare and education.

Insurance

We maintain insurance policies with respect to our premises, information technology assets, other office equipment, banker's indemnity and cash in premises, at ATMs, in transit and on account payments. We do not have insurance for business interruption or key man insurance.

Properties

We own our registered office in Pune, our secretarial and investor services office in Mumbai, our consumer finance division's administrative office in Chennai, and our retail banking central processing centre and an advanced record storage facility in Chennai. Our corporate office in Mumbai is located on leased premises. The administrative office of our consumer banking business unit operates from leased premises in Gurgaon in the National Capital Region. Our currency chest operations are conducted from leased premises at Thane, Maharashtra, New Delhi and Chennai, Tamil Nadu. As of March 31, 2015, 788 of our 801 branches were in leased premises and 13 were in owned premises. We lease our data centre in Mumbai.

Employees

As of March 31, 2013, March 31, 2014 and March 31, 2015, we had 11,502, 15,590 and 19,121 employees, respectively. Our headcount increased due to the general growth in our business and from new hires in our customer-facing business units. The following table lists net profit and operating expenses on a per employee basis over the fiscal years ended March 31, 2013, March 31, 2014 and March 31, 2015.

	For the year ended March 31,		
	2013	**2014**	**2015**
		(₹'000 per employee)*	
Net profit per employee	922	903	938
Operating expenses per employee (excluding employee costs)	952	883	913

* Net profit per employee and operating expenses per employee (excluding employee costs) have been computed based on the number of employees at the end of the periods indicated.

Almost all our employees are located in India. We consider our relations with our employees to be good. Our employees do not belong to any union.

We use a structured compensation package for employees and have established a performance-based bonus scheme under which permanent employees have a variable pay component in their compensation. In addition to basic compensation, employees are eligible for basic retirement benefits. Under the ESOP 2007, the maximum number of options that may be granted to any one eligible employee in a financial year cannot, without the approval of the Board of Directors, exceed 0.20% of our paid-up equity capital at the time of such grant of options and the aggregate of all such options granted to eligible employees cannot exceed 7% of our paid-up equity capital on the date of such grant of options. As of March 31, 2015, we had granted options to purchase, in the aggregate, approximately 34.57 million Equity Shares to members of our senior management and other employees, including new hires, out of which approximately 17.45 million options have been exercised. The remaining unexercised vested and unvested options to purchase approximately 15.55 million Equity Shares represented approximately 2.93% of our paid up and issued Equity Shares as of that date. The options typically vest over a period of three years from the date of the grant and are not tied to any performance requirements, and may typically be exercised over a period of five years. As of the date of the Preliminary Placement Document, options that may be exercised to purchase 9.38 million Equity Shares have vested. For further information with respect to the ESOP 2007, see the section "Board of Directors and Management".

We engage with our employees in relation to their attendance, leave, goal setting and performance management through our human resources information system. We focus on continuously training our employees, including by using online training programs for self-learning and evaluation. We also endeavour to offer a good working environment for our employees.

REGULATIONS AND POLICIES

The primary 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 and any other law for the time being in force. Another significant legislation that governs banks is the Reserve Bank of India Act, 1934. The RBI, from time to time, issues guidelines, regulations, policies, notifications, press releases and circulars to be followed by banks. Other important statutes include the Negotiable Instruments Act, 1881, the Bankers' Books Evidence Act, 1891, the Prevention of Money Laundering Act, 2002, the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and the Recovery of Debts due to Banks and Financial Institutions Act, 1993. Compliance with applicable regulatory requirements is evaluated with respect to financial statements under Indian GAAP, as well as through periodic inspection and audit. The regulations set out below are not exhaustive, are only intended to provide general information to investors and are neither designed nor intended to be a substitute for professional legal advice.

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. Prior to granting the licence, the RBI must be satisfied that certain conditions are complied with, including (i) that the bank has the ability to pay its present and future depositors in full as their claims accrue; (ii) that 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) that the bank has adequate capital and earnings prospects; and (iv) that the public interest will be served if such licence is granted to the bank. The RBI can cancel the licence if the bank fails to meet any of the above conditions or if the bank ceases to carry on banking operations in India.

We have obtained a banking licence from the RBI and are regulated and supervised by the RBI. The RBI requires us to furnish statements, information and certain details relating to our business and it has issued guidelines for commercial banks on recognition of income, classification of assets, 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 ("BFS"), under the chairmanship of the Governor of the RBI. The primary objective of the BFS is to undertake consolidated supervision of the financial sector comprising commercial banks, financial institutions and non-banking finance companies.

As with all scheduled commercial banks, the RBI annually conducts an inspection which examines all matters addressing our banking operations. During the course of finalizing this inspection, the RBI inspection team shares its findings and recommendations with us and provides us an opportunity to provide clarifications and additional information. The RBI incorporates such findings in its final inspection report and requires that we take certain actions to its satisfaction, failing which the RBI may require us to make provisions, impose internal limits on lending to certain sectors, tighten controls and compliance measures and restrict our lending and investment activities and the payment of dividends. These actions and any failure to meet other RBI requirements could materially and adversely affect our reputation, business, financial condition, results of operations, pending applications or requests with the RBI and our ability to obtain the regulatory permits and approvals required to expand our business.

Regulations relating to the Opening of Branches

Under Section 23 of the Banking Regulation Act, banks are required to obtain the prior approval of the RBI to open new branches. Permission is granted based on factors such as overall financial position of the bank, the history of the bank, the general character of its management, the adequacy of its capital structure, its earning prospects and public interest.

The RBI issued a new branch authorization policy in September 2005 under which the existing system of granting authorisations for opening individual branches has been replaced by a system of aggregated approvals on an annual basis. The term "branch" for this purpose has been defined to include a full-fledged branch including a specialized branch, a satellite or mobile office, an extension counter, an off-site ATM (Automated Teller Machine), administrative office, controlling office, service branch (back office or processing centre) and credit card centre. A call centre will not be treated as a branch. A call centre is one where only accounts or product information is provided to the customer through tele-banking facility and no banking transaction may be undertaken through such centres. Also, no direct interface with customers or clients is permitted at call centres.

While processing authorisation requests, the RBI will review the bank's expansion strategies and plans over the medium term and will give importance to the nature and scope of banking services, particularly in under-banked areas, actual credit flow to priority sectors, pricing of products and efforts to promote financial inclusion including the introduction of appropriate new products, the enhanced use of technology for delivery of banking services, the need to induce enhanced competition in the banking sector, the bank's regulatory compliance, quality of corporate governance, proper risk management, internal controls and relationships with subsidiaries and affiliates and associates.

An authorization granted by the RBI to open a new branch is valid for one year from the date of the issue of the letter of authorization. However, if a bank is unable to open a branch due to genuine reasons during the validity period, it may approach the RBI for an extension of time for a further period not exceeding one year.

With effect from September 19, 2013, the RBI has granted a general permission to domestic scheduled commercial banks (other than regional rural banks ("RRBs")) to open branches, administrative offices, central processing centres and services branches in Tier 1 to Tier 6 centres (with population up to 99,999 under the 2001 Census) and in rural, semi urban and urban centres in North Eastern States and Sikkim and to open mobile branches in Tier 3 to Tier 6 centres (with population up to 49,999 under the 2001 Census) and in rural, semi-urban and urban centres in North Eastern States and Sikkim without permission from the RBI in each case, subject to reporting and certain conditions.

The RBI has further stated that, under the annual branch expansion plan, banks are required to allocate at least 25% of the total number of branches proposed to be opened during a year in unbanked rural centres (*i.e.*, a rural (Tier 5 and Tier 6) centre that does not have a brick and mortar structure of any scheduled commercial bank for customer-based banking transactions) and that, total number of branches opened by a bank in Tier 1 centres during the financial year cannot exceed the total number of branches opened in Tier 2 to Tier 6 centres and all centres in the North Eastern States and Sikkim.

Domestic scheduled commercial banks (other than regional rural banks ("RRBs")) are permitted to open extension counters, satellite offices, mobile branches, central processing centres, service branches and administrative offices without the permission of the RBI. Such branches are not are not counted towards the calculations described above.

Scheduled commercial banks are permitted to install off-site or mobile ATMs at centres or places identified by such banks without the permission of the RBI.

Capital Adequacy Requirements

We are subject to the capital adequacy requirements of the RBI, which are based on the guidelines of the Basel Committee on Banking Supervision. With a view to adopting the Basel Committee framework on capital adequacy norms which takes into account the elements of credit risk in various types of assets in the balance sheet as well as off-balance sheet business and also to strengthen the capital base of banks, the RBI decided in April 1992 to introduce a risk asset ratio system for banks (including foreign banks) in India as a capital adequacy measure. This requires us to maintain a minimum ratio of capital to risk weighted assets and off balance sheet items of 9%, at least 7% of which must be Tier I capital.

The RBI issued guidelines on implementation of Basel III capital regulations in India on May 2, 2012, with effect from April 1, 2013.

Under the Basel III capital regulations, the capital funds of a bank are classified into Common Equity Tier I ('CET-I'), Additional Tier I ('AT-I') and Tier II capital. Tier I capital, comprises of CET-I and AT-I. CET-I capital comprises of paid- up equity capital and reserves consisting of any statutory reserves, free reserves and capital reserves. AT-I capital comprises of innovative perpetual debt instruments eligible for inclusion as AT-I capital. Regulatory adjustments/deductions such as equity investments in financial subsidiaries, intangible assets, deferred tax assets, gaps in provisioning and losses in the current period and those brought forward from the previous period are required to be deducted from CET-I capital in a phased manner over a period of three years.

Tier II capital comprises the revaluation reserves at a discount of 55%, general provisions and loss reserves (allowed up to a maximum of 1.25% of credit risk weighted assets), hybrid debt capital instruments (which combine certain features of both equity and debt securities) such as perpetual cumulative preference shares and debt capital instruments (which are required to be fully paid up, with a fixed maturity of minimum 10 years and should not contain clauses that permit step-ups or other incentives to redeem). Capital instruments which no longer qualify as non-common equity Tier I capital or Tier II capital (such as capital debt instruments with step-ups) are being phased-out in a gradual manner beginning January 1, 2013.

The Basel III framework places a total capital charge on counterparty credit risks covering the default risk as well as the credit migration risks (reflected in mark-to-market losses on the expected counterparty risk), termed credit value adjustments. Credit value adjustments are adjustments to the mid-market valuation of the portfolio of trades with a counterparty. Such adjustment reflects the market value of the credit risk due to any failure to perform on contractual agreements with a counterparty. Such capital charges currently apply when banks enter into bilateral OTC derivative transactions. The credit value adjustment system was implemented from April 1, 2014.

Risk adjusted assets considered for determining the capital adequacy ratios are the aggregation of risk weighted assets of credit risk, market risk and operational risk.

In respect of credit risk, the 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 percentage weights are 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 weight and/or conversion factor to arrive at risk-adjusted values of assets and off-balance sheet items. Standby letters of credit and general guarantees are treated similar to funded exposures and are subject to a 100% 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% while that for short-term self-liquidating trade-related contingencies such as documentary credits collateralized by the underlying shipments is 20%. The credit conversion factor for other commitments such as formal standby facilities and credit lines is either 20% or 50%, based on the original maturity of the facility. Differential risk weights for credit exposures linked to their external credit rating or asset class have been prescribed.

The RBI, with effect from June 2013, prescribed a risk weight of 50% for residential mortgage loans of less than ₹2 million with loan-to-value ratios of up to 90% and for loans with values of more than ₹2 million but less than ₹7.5 million with loan-to-value ratios of up to 80% and a risk weight of 75% for mortgage loans above ₹7.5 million with loan-to-value ratios of up to 75%. Previously, the risk weight for residential mortgage loans of less than ₹3 million with loan-to-value ratios of up to 75% was 50% and for loans with values of more than ₹3 million but less than ₹7.5 million with loan-to-value ratios of up to 75% was 75%, for mortgage loans below ₹7.5 million with loan-to-values greater than 75% the risk weight was 100% and that for residential mortgage loans of ₹7.5 million and above, irrespective of the loan to value ratio, was 125%. Consumer credit and advances that are included in capital market exposure carry a risk weight of 125% or higher corresponding to the rating of the exposure. Exposure to venture capital funds are risk weighted at 150%. Other loans/credit exposures are risk weighted based on their ratings or turnover. The RBI has also prescribed detailed guidelines for the capital treatment of securitization exposures.

A capital charge for operational risk equal to the average of 15% of a bank's annual gross income (excluding extraordinary income) for the previous three years, where positive, has been prescribed. Banks are required to maintain a capital charge for market risks on their trading books in respect of securities included under the held-for-trading and available-for-sale categories, open gold position, open foreign exchange position limits, trading positions in derivatives and derivatives entered into for hedging trading book exposures. With effect from the fiscal year ended March 31, 2015, banks are also required to quantify incurred credit valuation adjustment losses and standard credit valuation adjustment capital charge on their derivatives portfolio.

The Basel III capital regulations require a bank to maintain a minimum CET-I capital ratio of 5.5%, a minimum Tier I capital ratio of 7% and a capital conservation buffer of 2.5% of its risk weighted assets with the minimum overall capital adequacy ratio of 9% of its risk weighted assets. The transitional arrangements for the implementation of Basel III capital regulations in India began from April 1, 2013 and the guidelines will be fully implemented by March 31, 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.) will also continue to apply until March 31, 2017 on the remainder of regulatory adjustments not treated in terms of Basel III rules. In September 2014, the RBI reviewed its guidelines on Basel III capital regulations with a view to facilitate issuance of non-equity regulatory capital instruments by banks under Basel III framework. Accordingly, certain specific eligibility criteria of such instruments were amended.

The RBI has issued guidelines on liquidity risk management on November 7, 2012 in accordance with the BCBS's Principles for Sound Liquidity Risk Management and Supervision. The RBI has prescribed certain ratios that it considers as critical to the management of liquidity risk, which are required to be defined internally and monitored by the boards of directors of banks. These ratios are designed to measure, *inter alia*, the extent to which volatile money supports the bank's basic earning assets, the extent to which assets are funded through a stable deposit base, the degree of illiquidity embedded in the balance sheet and the extent of available liquid assets. The guidelines also prescribe enhanced reporting requirements with respect to structural liquidity by banks. Banks are also required to adhere to certain prescribed limits to reduce the extent of concentration of their liabilities. Further, banks are required to submit statements of structural liquidity at varying intervals for (i) domestic currency Indian operations; (ii) foreign currency Indian operations; (iii) combined Indian operations; (iv)overseas operations; and (v) consolidated bank operations.

Asset Classification and Provisioning

In April 1992, the RBI issued guidelines on income recognition, asset classification, provisioning standards and valuation of investments applicable to banks, applicable from Fiscal 1993. These guidelines are revised from time to time. These guidelines are applied for the calculation of impaired assets under the generally accepted accounting principles followed in India.

The basis for treating various credit facilities as non-performing assets under these guidelines are set forth below.

Non-Performing Assets

An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank.

A non-performing asset (NPA) is a loan or an advance where:

- In respect of a term loan, interest and/or repayment of principal has remained outstanding for a period of more than 90 days;

- In respect of an overdraft or cash credit, the account has remained "out-of-order" for a period of more than 90 days;

- In respect of bills purchased and discounted, the bill remained overdue for a period of more than 90 days;

- In respect of short duration crops, the instalment of principal or interest thereon remains overdue for two crop seasons. In respect of long duration crops, if the instalment of principal or interest thereon remains overdue for one crop season (crops with crop season longer than one year are long duration crops, and crops, that are not long duration crops are treated as short duration crops);

- In respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment; and

- In respect of a securitization transaction undertaken in terms of the guidelines on securitisation dated February 1, 2006, the amount of liquidity facility remains outstanding for more than 90 days.

Banks should, classify an account as NPA only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter.

Once the account has been classified as a non-performing asset, the unrealized interest and other income already debited to the account is derecognized and further interest is not recognized or credited to the income account unless collected in cash.

"Out-of-Order" Status

An account is treated as "out-of-order" if the outstanding balance remains continuously in excess of the sanctioned drawing limit for a period of 90 days. In circumstances where the outstanding balance in the principal operating account is less than the sanctioned limit or drawing power, but (i) there are no credits continuously for a period of 90 days from the date of our last balance sheet or (ii) the credits are not sufficient to cover the interest debited during the same period, these accounts are treated as "out-of-order".

Asset Classification

Pursuant to the RBI's master circular on income recognition, asset classification and provisioning pertaining to advances portfolio of banks, issued in July 2014, assets are classified as below:

- <u>Standard Assets</u>: Assets that do not disclose any problems and which do not carry more than the normal risk attached to the business are classified as standard assets.

- Sub-Standard Assets: A sub-standard asset is one which has remained as an NPA for a period less than or equal to 12 months.

- Doubtful Assets: An asset is classified as doubtful if it remains in the sub-standard category for 12 months.

- Loss Assets: Assets on which losses have been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been wholly written off.

There are separate guidelines for projects under implementation, which are based on the achievement of financial closure and the date of approval of the project financing.

All the facilities granted by a bank to a borrower and investment in all the securities issued by the borrower will have to be treated as NPA and not the particular facility/investment or part thereof which has become irregular

Asset classification of accounts under consortium should be based on the record of recovery of the individual member banks and other aspects having a bearing on the recoverability of the advances.

Corporate Debt Restructuring Mechanism ("CDR System")

The RBI has developed a corporate debt restructuring system, to serve as an institutional mechanism for the restructuring of corporate debt. Guidelines on corporate debt restructuring issued by the RBI specify that for debt amounts of ₹100 million and above, 60% of the creditors by number and 75% of creditors by value can decide to restructure the debt and that such a decision would be binding on the remaining creditors. If we own 25% or less of the debt of a borrower, we could be forced to agree to an extended restructuring of debt which may not be in our interests. In January and June 2014, the RBI issued guidelines on the framework for revitalizing distressed assets in the economy. These guidelines envisage formation of a joint lenders' forum and the taking of a corrective action plan in relation to delinquent accounts where the overdues are between 61 and 90 days and the aggregate exposure of all lenders in an account is ₹1,000 million or above. Such accounts may be restructured under the joint lenders' forum or the corporate debt restructuring mechanism. In June 2015, the RBI issued the strategic debt restructuring scheme, pursuant to which the joint lenders' forum was authorized to permit banks to convert a whole or a part of the loan and interest outstanding into equity shares in the borrower company, so as to acquire a majority shareholding in such borrower company. All such decisions of the joint lenders' form are required to be documented and approved by a minimum of 75% of the creditors by value and 60% of the creditors by number. Further, a bank acquiring any such shareholding in a borrower company pursuant to such scheme is required to (i) hold such shares in accordance with the limits prescribed under the Banking Regulation Act; and (ii) divest such shareholding as soon as possible.

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 for standard assets at the following rates is made for the funded outstanding amount on a global loan portfolio basis:

(a) direct advances to agricultural and SME sectors at 0.25%;
(b) advances to Commercial Real Estate (CRE) Sector at 1.00%;
(c) advances to Commercial Real Estate – Residential Housing Sector at 0.75%;
(d) housing loans extended at teaser rates and restructured advances subject to conditions as provided by the RBI; and
(e) all other advances and advances not included in (a), (b) and (c) at 0.40%.

- Sub-Standard Assets: A general provision of 15% on total outstanding should be made without making any allowance for guarantee cover provided by the Export Credit Guarantee Corporation of India, or ECGC and securities available. The 'unsecured exposures' which are identified as 'substandard' would attract an additional provision of 10%, *i.e.*, a total of 25% on the outstanding balance.

- Doubtful Assets: A 100% provision/write-off of the portion of the advance which is not covered by realizable value of the security, to which the bank has a valid recourse and the realizable value is estimated on a realistic basis. In cases where there is a secured portion of the asset, depending upon the period for which the asset remains doubtful, a 25% to 100% provision is required to be made against the secured asset as follows:

Period for which advance remained in "Doubtful" category	Provision requirement (%)
Up to one year	25%
One to three years	40%
More than three years	100%

- Loss Assets: The entire asset is required to be written off or provided for. If loss assets are permitted to remain in the books for any reason, 100% of the outstanding should be provided for.

- Restructured Assets: The RBI has also issued separate guidelines for restructured loans.

In June 2006, the RBI issued prudential norms on the creation and utilization of floating provisions (provisions which should not be made in respect of specific NPAs or are made in excess of regulatory requirements for provisions for standard assets). Floating provisions cannot be reversed by credit to the profit and loss account. They can only be utilized for making specific provisions in extraordinary circumstances. Until the utilization of such provisions, they can be netted off from gross NPAs to arrive at disclosure of net, or, alternatively, can be treated as part of Tier II capital within the overall ceiling of 1.25% of credit risk-weighted assets. Further, floating provisions would not include specific voluntary provisions made by banks for advances at rates which are higher than the stipulated rates.

Pursuant to the Second Quarter Review of the Monetary Policy for the year 2009-10 issued on October 27, 2009, the RBI directed banks to augment their provisioning cushions consisting of specific provisions against NPAs as well as floating provisions, and ensure that their total provisioning coverage ratio, including floating provisions, is not less than 70%. Provisioning Coverage Ratio ("PCR") is the ratio of provisioning to gross non-performing assets and indicates the extent of funds a bank has kept aside to cover loan losses. Banks were required to achieve this norm not later than September 30, 2010. Pursuant to a circular dated April 21, 2011, the RBI relaxed this requirement and stated that banks should maintain a minimum PCR of 70% with reference to the gross NPA position as of September 30, 2010 and that the surplus of the provision under PCR vis-à-vis as required under the applicable prudential norms should be segregated into an account called the "countercyclical buffer", which can be used by the banks for making specific provisions for NPAs during any system-wide downturn with the prior approval of the RBI. The PCR should be disclosed in the notes to accounts to the balance sheet. In February 2014, the RBI, as a countercyclical measure, permitted banks to utilize up to 33% of countercyclical provisioning buffer or floating provisions held by them as on March 31, 2013, to make specific provisions for non-performing assets.

While the provisions indicated above are mandatory, banks may make higher provisions over and above the mandatory level.

In March 2012, the RBI issued a discussion paper on the introduction of dynamic loan loss provisioning framework for banks in India. Due to the recent global financial crisis, the impairment accounting framework for financial assets has come under criticism and the BCBS has sought to address the financial issues by introducing a number of new measures, including promoting forward looking provisions. Under the Basel III reforms, the BCBS has suggested a change in the accounting standards on an expected loss approach by reflecting actual losses more transparently and reducing the pro-cyclical "incurred loss" approach that is followed currently. It has also recommended that its supervisory guidance should be updated to be consistent with the move towards an "expected loss" approach and stronger provisioning in the regulatory capital framework should be incentivized. In February 2014 the RBI indicated that banks should develop necessary capabilities to compute their long term average annual expected loss for different asset classes, to enable switching over to the dynamic provisioning framework.

In January and June, 2014, the RBI issued guidelines on the framework for revitalizing distressed assets in the economy. These guidelines envisage formation of a joint lenders' forum and the taking of a corrective action plan in relation to delinquent accounts where the overdues are between 61 and 90 days and the aggregate exposure of all lenders in an account is ₹1,000 million or above. Such accounts may be restructured under the joint lenders' forum or corporate debt restructuring mechanism.

Capital and provisioning requirements for bank's exposures to entities with unhedged foreign currency exposure

In January 2014, the RBI introduced incremental provisioning and capital requirements for bank exposure to entities with unhedged foreign currency exposure. These guidelines are applicable with effect from April 1, 2014. Under these requirements, banks are required to collect specific information from their customers, ascertain the extent of the unhedged foreign currency exposure of such customers and estimate the loss that is likely to arise from such exposure due to fluctuations in currency exchange rates. Banks are then required to incrementally provide for such likely losses in accordance with these guidelines.

Regulations Relating to Making Loans

The provisions of the Banking Regulation Act govern the making of loans by banks in India. Some of the significant guidelines of RBI that are in effect are set forth below:

- The RBI has prescribed norms for banks lending to non-banking financial companies and financing of public sector disinvestment.

- The banks should charge interest on loans/advances/cash credits/overdrafts or any other financial accommodation granted/provided/renewed by them or discount usance bills in accordance with the directives on interest rates on advances issued by RBI from time to time.

- Prior to July 1, 2010, banks advanced loans in accordance with it benchmark prime lending rate. Banks were free to determine their own lending rates but each bank had to declare its benchmark prime lending rate as approved by its board of directors. Benchmark prime lending rate was determined on the basis of various parameters, which inter alia, include actual cost of funds, operating expenses, a minimum margin to cover the regulatory requirement of provisioning / capital charge and profit margin. Each bank was also required to indicate the maximum spread over the benchmark prime lending rate for all credit exposures other than retail loans over ₹200,000. The interest charged by banks on advances up to ₹200,000 to any one entity (other than most retail loans) could not exceed the benchmark prime lending rate. Banks were also given freedom to lend at a rate below the prime lending rate in respect of creditworthy borrowers and exporters on the basis of a transparent and objective policy approved by their boards. Interest rates for certain categories of advances are regulated by the RBI. Banks were also free to stipulate lending rates without reference to their own benchmark prime lending rates in respect of certain specified categories of loans.

- Since July 1, 2010, other than in respect of certain exempted categories, the Base Rate is required to be the minimum rate for all loans and banks are not permitted to resort to any lending below the Base Rate. In order to give banks some time to stabilize the system of Base Rate calculation, banks were permitted to change the benchmark and methodology any time until June 30, 2011. The Base Rate system is aimed at enhancing transparency in lending rates of banks and enabling better assessment of transmission of monetary policy. Base Rate shall include all those elements of the lending rates that are common across all categories of borrowers. Banks may choose any benchmark to arrive at the Base Rate for a specific tenor that may be disclosed transparently. Banks may determine their actual lending rates on loans and advances with reference to the Base Rate and by including such other customer specific charges as considered appropriate. There can be only one Base Rate for each bank. Banks have the freedom to choose any benchmark to arrive at a single Base Rate which should be disclosed transparently and any changes in the Base Rate are required to be communicated to the general public through appropriate channels. Banks are required to review the Base Rate at least once in every quarter with the approval of the board of directors or the asset and liability management committees in accordance with the bank's practices**.** Even after introduction of the Base Rate system, banks have the freedom to offer all categories of loans on fixed or floating rates. Where loans are offered on fixed rate basis, notwithstanding the quarterly review of the Base Rate, the rate of interest on fixed rate loans will continue to remain the same subject to the condition that such fixed rate should not be below the Base Rate at the time of the sanction.

- In terms of Section 20(1) of the Banking Regulation Act, a bank cannot grant any loans and advances on the security of its own shares. A bank is also prohibited from entering into any commitment for granting any loans or advances to or on behalf of any of its directors, or any firm in which any of its directors is interested as partner, manager, employee or guarantor, or any company (not being a subsidiary of the banking company or a company registered under Section 25 of the Companies Act, 1956, 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 which the RBI may specify by general or special order as not being a loan or advance for the purpose of such Section.

However, the RBI may, subject to conditions as it may deem fit to impose, exempt any banking company from the restriction on lending to the subsidiary, holding company or any other company in which any of the directors of the banking company is a director, managing agent, manager, employee, guarantor or in which such person holds substantial interest.

The RBI has 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.

There are guidelines on loans secured by shares, debentures and bonds, money market mutual funds, fixed deposits receipts issued by other banks, bullion/primary gold etc. in respect of amount, margin requirement and purpose.

Lending to Infrastructure and Affordable Housing Sectors

In the Union Budget 2014-2015, the Union Finance Minister announced that in order to ease constraints in long term financing for infrastructure, banks would be permitted to raise long term funds for lending to the infrastructure sector with minimum regulatory pre-emption. In July 2014, the RBI issued guidelines for the issue of long term bonds by banks for the financing of the infrastructure and affordable housing sectors and guidelines for the flexible structuring of long term project loans to the infrastructure and core industries sectors. Under the guidelines, banks are permitted to issue long-term fully paid, redeemable and unsecured bonds with a minimum maturity of seven years to enable lending to long term projects in certain specified infrastructure sub-sectors, and the affordable housing sector in accordance with the guidelines. To encourage lending to these sectors, banks have been permitted to exclude these long-term bonds from the reserve requirements and such lending from the ANBC computation for the purposes of their priority sector lending targets.

Regulations Relating to Sale of Assets to Asset Reconstruction Companies

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (the "SARFAESI Act") provides for sale of financial assets by banks and financial institutions to securitisation companies and/or reconstruction companies. The RBI's master circular dated July 1, 2014 provides guidelines to banks on the process to be followed for the sale of financial assets to asset reconstruction companies. These guidelines provide that a bank may sell financial assets to an asset reconstruction company provided the asset is a non-performing asset. A bank may sell a standard asset only where the asset is under a consortium or multiple banking arrangements where at least 75% by value of the asset is classified as a non-performing asset in the books of other banks or FIs and at least 75% by value of the banks and FIs in the consortium or multiple banking arrangement agree to the sale of the asset. 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. Further, 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 realized by the asset reconstruction company in the future. While 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% 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 financial assets.

The Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act, 2012 (the "SARFAESI Amendment Act") was notified on January 4, 2013 and, inter alia, amends certain provisions of the SARFAESI Act.

The RBI issued guidelines for the securitization of standard assets in 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' special purpose vehicle ("SPV") in return for immediate cash payment 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. Further, for enabling 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 arms' length relationship shall be maintained between the originator and the SPV and the SPV should be entirely independent of the originator.

In May 2012, the RBI issued a revision to the securitization guidelines that provided for a minimum holding period (MHP) and minimum retention requirements (MRR). Under the revised guidelines, originating banks can securitize loans only after a MHP counted from the date of full disbursement of loans for any activity or purpose, acquisition of asset by the borrower or the date of completion of project, as the case may be. The RBI has also prescribed the minimum number of instalments to be paid by the borrower before the loan can be securitized. The RBI prescribed the MRR to ensure that the originating banks have a continuing stake in the performance of securitized assets so as to ensure that they carry out proper due diligence of loans to be securitized. These guidelines also set out prudential treatment of transfer of assets through direct assignment of cash flows and underlying securities, if any.

Guidelines on Sale and Purchase of NPAs

The RBI has also issued guidelines in relation to sale or purchase of NPAs in July 2005 which apply to banks, financial institutions and NBFCs purchasing or selling NPAs, from or to other banks or financial institutions or NBFCs (excluding securitisation companies or reconstruction companies). These guidelines set out the procedure for purchase or sale of non-performing financial assets by banks, including valuation and pricing aspects and prudential norms in the following areas: (a) asset classification norms, (b) provisioning norms, (c) accounting of recoveries, (d) capital adequacy norms, and (e) exposure norms as well as the disclosure requirements. 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. In February 2014, the RBI issued guidelines pursuant to which the requirement of the NPAs having been held for a minimum period of two years by the seller in relation to sale transactions with other banks, financial institutions and non-banking finance companies, was removed. Further, the RBI also reduced the requirement of the holding period by the purchasing bank to 12 months before such purchasing bank is permitted to sell the assets to another bank, financial institution or non-banking finance company. To incentivize banks to recover appropriate value in respect of their NPAs promptly, the RBI allowed banks to reverse the excess provision on sale of NPAs if the sale was for a value higher than the net book value to the profit and loss account in the year the amounts were received. Further, as an incentive for early sale of NPAs, banks were allowed to spread over any shortfall due to sale value being lower than the net book value over a period of two years. This facility of spreading over the shortfall on sale of NPAs was notified for NPAs sold up to March 31, 2015. Pursuant to a circular dated May 21, 2015 such this benefit was extended until March 31, 2016.

Certain regulatory norms for capital adequacy, valuation, profit and loss on sale of assets, income recognition and 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.

Classification of SMEs

The Government passed the Micro, Small & Medium Enterprises Development Act, 2006 in June 2006 to promote, develop and enhance the competitiveness of SMEs and to create uniformity in the way that banks classify SMEs. Entities are divided into micro, small or medium sized entities. Micro-sized entities comprise manufacturing companies with investments in plant and machinery of up to ₹2.5 million or service companies with investments in equipment of up to ₹1 million. Small-sized entities comprise manufacturing companies with investments in plant and machinery of over ₹2.5 million but less than ₹50 million and service companies with investments in equipment of over ₹1 million but less than ₹20 million. Medium-sized entities comprise manufacturing companies with investments in plant and machinery of over ₹50 million but less than ₹100 million and service companies with investments in equipment of over ₹20 million but less than ₹50 million.

Directed Lending

Priority Sector Lending

The RBI requires commercial banks to lend a certain percentage of their adjusted net bank credit or credit equivalent amount of off-balance sheet exposure, whichever is higher to specific sectors (known as priority sectors) such as agriculture, micro, small and medium enterprises, export credit, education, housing, social infrastructure and renewable energy. Total priority sector advances are required to be 40% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher. Of such priority sector advances, (i) agricultural advances are required to be 18% of ANBC or credit equivalent amount of off-balance sheet exposure whichever is higher, with lending to small and medium farmers required to be 7% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher, by March 2016 and 8% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher, by March 2017; (ii) micro-sector advances are required to be 7% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher, by March 2016 and 7.5% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher, by March 2017; and (iii) advances to weaker sections are required to be 10% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher. Pursuant to recent amendments in April

2015, the earlier distinction between direct and indirect lending with respect to the agriculture sector has been dispensed with.

Banks that have a shortfall in lending to overall priority sector target or agriculture target and weaker sections target shall be allocated amounts for contribution to the Rural Infrastructure Development Fund established with the National Bank for Agricultural and Rural Development or funds with the National Housing Bank or Small Industries Development Bank of India or other financial institutions, as specified by the RBI. Outstanding deposits with the Rural Infrastructure Development Fund and other eligible funds with NABARD (on account of past priority sector shortfalls) are treated as advances to the agriculture sector.

The RBI has stated that banks will be permitted to purchase priority sector lending certificates, which shall be eligible for classification under the respective categories, provided that such assets originate from banks and are eligible to be classified as priority sector advances, in accordance with detailed guidelines that will be issued by the RBI. The RBI is yet to issue specific guidelines in this respect.

Priority sector lending includes advances towards housing finance. This can be in the form of home loans up to specified limits to individuals, loans for repairs to damaged dwelling units, bank loans to any governmental agency for construction of dwelling units or for slum clearance and rehabilitation of slum dwellers, loans sanctioned by banks for housing projects exclusively for the purpose of construction of houses only to economically weaker sections and low income groups and bank loans to housing finance companies, approved by the National Housing Bank for their refinance, for on-lending for the purpose of purchase/construction/reconstruction of individual dwelling units or for slum clearance and rehabilitation of slum dwellers.

The RBI has also stated that investments made by banks in securitized assets originated by NBFCs or purchase/ assignment transactions undertaken by banks with NBFCs, where the underlying assets are loans against gold jewellery are not eligible for priority sector status.

The RBI also periodically issues instructions/directives to banks with regard to providing credit facilities to minority communities. The RBI has also directed banks to provide “basic savings bank deposit accounts” which offer certain minimum common facilities to all customers without any charges and that do not have any requirement of minimum balance.

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 in respect of their lending to individual and group borrowers in India.

The limits set by the RBI are as follows:

- Credit exposure ceiling for a single borrower shall not exceed 15% of capital funds. Group exposure limit is 40% of capital funds. In case of financing for infrastructure projects, the single borrower exposure limit is extendable by another 5%, *i.e.*, up to 20% of capital funds and the group exposure limit is extendable by another 10%, *i.e.*, up to 50% of capital funds. Capital funds are the total capital as defined under capital adequacy standards (Tier I and Tier II capital) and in accordance with the published accounts as of March 31 of the previous year.

- A bank may, in exceptional circumstances, with the approval of its board of directors, consider enhancement of the exposure over the above specified limits, up to a further 5% of capital funds. Such additional exposure can be taken, subject to the consent of the borrower to disclose their names in a bank’s annual reports.

- With effect from May 29, 2008, the exposure limit in respect of single borrower has been raised to 25% of the capital funds, only in respect of oil companies who have been issued oil bonds (which do not have SLR status) by the Government of India. The bank may in exceptional circumstances, consider enhancement of the exposure to the oil companies up to a further 5% of capital funds, with the approval of its board of directors.

- The exposure (both lending and investment, including off balance sheet exposures) of a bank to a single NBFC or NBFC-AFC (asset financing company) should not exceed 10% or 15%, respectively, of the bank’s capital funds as per its last audited balance sheet. Banks may, however, assume exposures on a single NBFC or NBFC-AFC up to 15% or 20% respectively, of their capital funds provided the exposure in excess of 10% or 15%, respectively, is on account of funds on-lent by the NBFC or NBFC-AFC to the infrastructure sector. The exposure of a bank to infrastructure finance companies (IFCs) should not exceed 15% of its capital funds as per its last audited balance sheet, with a provision to increase it to 20% if it is on account of funds on-lent by the IFCs to the infrastructure sector. Further, banks may also consider fixing internal limits for their aggregate exposure to all NBFCs put together.

- Exposure shall include credit exposure (funded and non-funded credit limits) and investment exposure (including underwriting and other similar commitments). The sanctioned limits or outstandings, whichever are higher, are considered for arriving at the exposure limit. However, in the case of fully drawn term loans, where redrawal is not possible, the outstanding amount may be taken as the exposure.

Credit exposure is the aggregate of:

- all types of funded and non-funded credit limits; and
- facilities extended by way of equipment leasing, hire purchase finance and factoring services.

Investment exposure comprises the following elements:

- investments in shares and debentures of companies;
- investments in public sector undertaking bonds; and
- investments in commercial papers.

To ensure that exposures are evenly distributed, the RBI requires banks to fix internal limits of exposure to specific sectors. These limits are subject to periodic review by the banks.

Regulations 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% or more of the funded assets. The countries are categorized into seven risk categories, namely insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. Banks may make a lower level of provisioning of 25% of the requirement in respect of exposures with contractual maturity of less than 180 days.

Regulations Relating to Investments and Capital Market Exposure Limits

Credit exposure limits specified by the RBI in respect of lending to individual borrowers and borrower groups apply in respect of investments by banks in non-convertible debt instruments.

The aggregate exposure of a bank to capital markets in all forms (both fund based and non-fund based) on a solo and consolidated basis should not exceed 40% of its standalone or consolidated net worth, as the case may be, as on March 31 of the previous year. Within this overall ceiling, the bank's direct investment on a solo and consolidated basis in shares, convertible bonds / debentures, units of equity-oriented mutual funds and all exposures to Venture Capital Funds (VCFs) (both registered and unregistered) should not exceed 20% of its standalone or consolidated net worth.

Under the applicable RBI guidelines, the aggregate exposure (both fund and non-fund based) of banks to capital markets in all forms would include the following:

(i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt.

(ii) Advances against shares / bonds/ debentures or other securities, or on clean basis to individuals for investment in shares (including IPOs/ ESOPs), convertible bonds, convertible debentures and units of equity oriented mutual funds;

(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security.

(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds, *i.e.*, where the primary securities other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances.

(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers.

(vi) Loans sanctioned to corporate bodies against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources.

(vii) Bridge loans to companies against expected equity flows / issues.

(viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds.

(ix) Financing to stockbrokers for margin trading.

(x) All exposures to Venture Capital Funds (both registered and unregistered).

For computing capital market exposure, loans or advances sanctioned and guarantees issued for capital market operations would be calculated with reference to sanctioned limits or outstanding, whichever is higher. In the case of fully drawn term loans, where there is no scope for re-drawal of any portion of the sanctioned limit, banks may consider the outstanding as the exposure. Bank's direct investment in shares, convertible bonds, convertible debentures and units of equity oriented mutual funds are calculated at their cost price.

In April 1999, the RBI, in its monetary and credit policy, stated that the investment by a bank in subordinated debt instruments, representing Tier II capital, issued by other banks and financial institutions should not exceed 10% of the investing bank's capital including Tier II capital and free reserves. Pursuant to RBI guidelines of July 2004, the ceiling of 10% was made applicable to the Bank's investments in all types of instruments, *i.e.*, equity shares, preference shares eligible for capital status, subordinated debt instruments, hybrid debt capital instruments and any other instrument approved as in the nature of capital, which are issued by other banks/Financial Institutions ("FIs") and are eligible for capital status for the investee bank/FI. Investments in the instruments issued by other banks/FIs which are not deducted from Tier I capital of the investing bank or financial institution, will attract 100% risk weight for credit risk for capital adequacy purposes. Further, 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% of the investee bank's equity capital. Banks with investments in excess of the prescribed limits were required to apply to the RBI with a roadmap for reduction of the exposure. In July 2005, the RBI increased the risk weight for credit risk on capital market exposures requirement to 125% with immediate effect. The RBI has issued guidelines on investments by banks in non-Statutory Liquidity Ratio (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-Statutory Liquidity Ratio securities with an original maturity of less than one year, other than commercial paper and certificates of deposits and NCDs which are covered under the RBI guidelines. Banks are also prohibited from investing in unrated non-SLR securities, subject to certain exceptions.

A bank's investment in unlisted non-SLR securities may not exceed 10% of its total investment in non-SLR securities as of the end of the preceding fiscal year. With effect from January 1, 2005, only banks whose investments in unlisted non-SLR securities are within the prudential limits prescribed in the above guidelines may make fresh investments in such securities up to the prudential limits.

Consolidated Supervision Guidelines

In August 2003, the RBI issued guidelines for consolidated accounting and other quantitative methods to facilitate consolidated supervision for banks. These guidelines became effective on April 1, 2003, and the principal features thereof are:

- Banks are required to prepare consolidated financial statements intended for public disclosure.

- 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 certain prudential norms.

Banks' Investment Classification and Valuation Norms

The salient features of the RBI's guidelines on investment classification and valuation are given below:

- The entire investment portfolio is required to be classified under three categories: (a) Held to Maturity; (b) Held for Trading; and (c) Available for Sale. Banks should decide the category of investment at the time of acquisition.

- Securities acquired by the banks with the intention to hold such securities up to maturity are classified as 'Held to maturity'. Banks are permitted to hold HTM securities up to 25% of their total investments. Held to maturity investments compulsorily include (a) recapitalization bonds received from the Government of India towards its re-capitalization requirement and held in its investment portfolio, (b) investments in subsidiaries and joint ventures and (c) investment in the long-term bonds (with a minimum residual maturity of seven years) issued by companies engaged in infrastructure activities; however, these investments are not accounted for the purpose of ceiling of 25%. Held to maturity investments ("HTM") also include any other investment identified for inclusion in this category such as certain specified non-SLR securities. In the meanwhile, the RBI has permitted banks to exceed the limit of 25% of investments for the held to maturity category provided the excess comprises only SLR investments and the aggregate of such investments in the held to maturity category do not exceed 24.50% of the demand and time liabilities as on the last Friday of the second preceding fortnight.

- Profit on sale of investments in this category should be first taken to the profit and loss account and thereafter be appropriated to the capital reserve account. Loss on sale will be recognized in the profit and loss account.

- If the value of sales and transfers of securities to/from the HTM category exceeds 5% of the book value of investments held in the HTM category at the beginning of the year, banks are required to disclose the market value of investments held in the HTM category and indicate the excess of book value over market value for which provision is not made. This disclosure is required to be made in the notes to accounts in banks' audited annual financial statements.

- Securities acquired by banks with the intention of trading in such securities, by taking advantage of the short term price or interest rate movements is classified as "Held For Trading". Investments under the Held for Trading 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 Available for Sale category with the approval of the board of directors or the asset liability management committee.

- The market price of the security available from the stock exchange, the price of securities in subsidiary general ledger transactions, the RBI price list or prices declared by Primary Dealers Association of India ("PDAI") jointly with the Fixed Income Money Market and Derivatives Association of India ("FIMMDA") serves as the "market value" for investments in Available for Sale and Held for Trading categories.

- Profit or loss on the sale of investments in both Held for Trading and Available for Sale categories is taken in the profit and loss account.

- Shifting of investments from or to Held to Maturity may be done with the approval of the board of directors once a year, normally at the beginning of the accounting year; shifting of investments from Available for Sale to Held for Trading may be done with the approval of the board of directors, the asset liability management committee or the investment committee; shifting from Held for Trading to Available for Sale is generally not permitted.

Held to Maturity securities need not be marked to market and are carried at acquisition cost or at an amortized cost if acquired at a premium over the face value.

Securities classified as Available for Sale or Held for Trading are valued at market or fair value as of the balance sheet date. Depreciation or appreciation for each basket within the Available for Sale and Held for Trading categories is aggregated. Net appreciation in each basket, if any, that is not realized, is ignored, while 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 lower of the redemption value of the security receipts / pass-through certificates, and the net book value of the financial asset.

Restrictions on Investments in a Single Company

No bank may hold shares in any company, whether as owner or as pledgee or mortgagee or absolute owner, exceeding the lower of 30% of the paid-up share capital of that company and 30% of its own paid up share capital and reserves, whichever is less, except as statutorily provided.

Restriction on Short-Selling

The RBI does not permit short selling of securities by banks, except short selling of central government securities subject to stipulated conditions. The RBI has permitted scheduled commercial banks to undertake short sales of central government securities, subject to the short position being covered within a maximum period of three months, including the day of trade. The short positions must be covered only by an outright purchase of an equivalent amount of the same security or through a long position in the when issued market or allotment in primary auction.

Regulations Relating to Deposits

The RBI has permitted banks to independently determine rates of interest offered on domestic term deposits of various maturities with the prior approval of their respective board of directors or asset liability management committee. Banks are not permitted to pay interest on current account deposits, other than a few exceptions subject to the discretion of the bank or pay countervailing interest on any current accounts maintained with it by its borrowers. Pursuant to a circular issued in October 25, 2011, the RBI deregulated the savings bank deposit interest rate for resident Indians. Banks are required to pay interest at a uniform interest rate on savings bank deposits up to ₹100,000 irrespective of the amount in the account within this limit and, for deposits above ₹100,000, banks may provide differential rates of interest, provided that the bank does not discriminate in the matter of interest rates between similar deposits accepted on the same date. In January 2012, the RBI clarified that its October 2011 circular was applicable to domestic savings bank deposits held by residents in India and that the interest rates applicable on such domestic savings deposits should be determined on the basis of the end-of-day balance in the account. In respect of savings and term deposits accepted from our chairman, managing director, executive directors, staff and their exclusive associations, we are permitted by the RBI to pay an additional interest of up to 1% over the interest payable on deposits from the public. Pursuant to a circular dated December 16, 2011, the RBI has deregulated interest rates on Non-Resident (External), or NRE, deposits and Ordinary Non-Resident, or NRO, accounts.

Domestic term deposits have a minimum maturity of seven days. Term deposits from NRIs denominated in foreign currency have a minimum maturity of one year and a maximum maturity of three years.

The RBI has permitted banks the flexibility to offer varying rates of interests on domestic deposits of the same maturity subject to the following conditions:

- Bulk deposits are of ₹10.0 million and above.

- Interest on deposits is paid in accordance with the schedule of interest rates (including differential interest) disclosed in advance by the bank and not pursuant to negotiation between the depositor and the bank.

- Fixed deposit schemes for resident Indian senior citizens offering higher and fixed rates of interest as compared to normal deposits of any size.

In April 2015, the RBI permitted banks to offer differential rates of interest on term deposits of the same maturity, based on whether such term deposits are with or without differential interest rates, subject to the following conditions:

- Premature withdrawal facilities must be provided for all term deposits of individuals (held singly or jointly) of ₹1.5 million and below.

- Banks can offer terms deposits above ₹1.5 million with and without premature withdrawal facilities, provided that such banks ensure that customers are offered both options at the customer interface point.

- Interest on deposits is paid in accordance with the schedule of interest rates (including differential interest) disclosed in advance by the bank and not pursuant to negotiation between the depositor and the bank.

- The banks should have a board approved policy with respect to interest rates on deposits including deposits with differential rates of interest and ensure that such interest rates are reasonable, consistent, transparent and available for supervisory review or scrutiny as and when required.

Credit Information

The Parliament of India has enacted the Credit Information Companies (Regulation) Act, 2005, pursuant to which every credit institution, including a bank, has to become a member of at least one credit information company and furnish to it such credit information as it may deem necessary. Only specified users may access such disclosed credit information as permitted or required by law.

Deposit Insurance

The Deposit Insurance and Credit Guarantee Corporation ("DICGC"), established under the Deposit Insurance and Credit Guarantee Corporation Act, 1961, registers every new banking company as an insured bank as soon as such bank is granted a licence under the Banking Regulation Act. Every insured bank shall, so long as it continues to be registered, pay a premium to the DICGC on its deposits at such rate or rates as may, with the previous approval of the RBI, be notified by the DICGC, from time to time. Different rates may be notified for different categories of insured banks. However, the premium payable by any insured bank for any period will not be more than 0.15% of the total amount of the deposits in that bank at the end of that period or, where its registration has been cancelled during that period, on the date of its cancellation. Banks are required to pay the insurance premium for the eligible amount to the DICGC on a semi-annual basis. The cost of the insurance premium cannot be passed on to the customer.

Regulations relating to Knowing the Customer and Anti-Money Laundering

The RBI has issued several guidelines relating to customer identification procedures for opening of accounts and monitoring transactions of a suspicious nature for the purpose of reporting them to appropriate authorities. Banks have been advised to ensure that a proper policy framework on 'Know Your Customer' ("KYC") and anti-money laundering ("AML") measures with the approval of their board of directors is formulated and put in place.

Revised guidelines were issued by RBI in November 2004 in view of the recommendations made by the Financial Action Task Force ("FATF") and the paper on Customer Due Diligence for banks by the Basel Committee on Banking Supervision.

Based on the RBI guidelines, we have put in place a policy on "Know Your Customer — Anti Money Laundering Measures" with the approval of our Board. The detailed procedural guidelines in this regard have been circulated to all our branches. They include comprehensive instructions on Customer Acceptance, Customer Identification, Risk Categorization, Monitoring of Transactions and Risk Management. We have also implemented state-of-the-art software that scrutinize individual transactions and ensure effective adherence to AML guidelines.

In August 2005, the RBI simplified the KYC procedure for opening accounts for persons who intend to keep balances not exceeding ₹50,000 in all their accounts taken together and the total credit in all the accounts taken together is not expected to exceed ₹100,000 in a year in order to ensure that the implementation of the KYC guidelines do not result in the denial of the banking services to those who are financially disadvantaged.

In addition to keeping customer information confidential, banks must ensure that only information relevant to the perceived risk is collected and such information is not intrusive in nature. Apart from addressing this concern, the RBI guidelines set out in detail the framework to be adopted by banks as regards their customer dealings. The concerns remain substantially the same and are directed towards prevention of financial frauds and money laundering transactions.

The Prevention of Money Laundering Act, 2002, as amended (the "PML Act") seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in, money laundering and for incidental and connected matters.

The Central Government notified rules under the PML Act on July 1, 2005, pursuant to a notification in the Gazette of India. As per these rules, banking companies, financial institutions and intermediaries (together, the "Institutions") have to maintain a record of all their cash transactions of the value of more than ₹1 million or its equivalent in foreign currency, all series of cash transactions integrally connected to each other which have been valued below ₹1 million or its equivalent in foreign currency where such series of transactions have taken place within a month, all transactions involving receipts by non-profit organisations of value more than ₹1 million, or its equivalent in foreign currency, all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place and all suspicious transactions, whether or not made in cash and the nature and value of such transactions. Further, it mandates verification of the identity of all their customers and also requires the Institutions to maintain records of their respective customers. These details are to be provided to the director appointed under Section 49 of the PML Act, who is empowered to order confiscation of property where such director is of the opinion that a crime under the PML Act has been committed. In addition, the applicable exchange control regulations prescribe reporting mechanisms for transactions in foreign exchange and require authorized dealers to report identified suspicious transactions to the RBI.

Further, as part of its measures to combat the financing of terrorism, the RBI has advised banks to develop mechanisms for the enhanced monitoring of accounts suspected of having terrorist links and for the swift identification of "suspicious" transactions, *i.e.*, transactions that give rise to a reasonable ground of suspicion that they may involve the financing of activities relating to terrorism.

Legal Reserve Requirements

Cash Reserve Ratio

A banking company such as us is required to maintain a specified percentage of its demand and time liabilities, excluding inter-bank deposits, by way of cash reserve with itself and by way of balance in current account with the RBI. The cash reserve ratio is determined by the RBI under Section 42 of the RBI Act. At present, the cash reserve ratio is 4%.

Banks are exempted from maintaining the cash reserve ratio on certain liabilities including: (i) liabilities to the banking system in India as computed under Clause (d) of the Explanation to Section 42(1) of the RBI Act; (ii) credit balances in ACU (US$) Accounts; and (iii) demand and time liabilities in respect of their Offshore Banking Units.

The RBI pays no interest on the cash reserve ratio balances maintained by scheduled private commercial banks.

The cash reserve ratio has to be maintained on an average basis for a fortnightly period and should not be below 95% of the required cash reserve ratio on any day of the fortnight.

Statutory Liquidity Ratio

In order to maintain liquidity in the banking system, in addition to the cash reserve ratio, each bank is required to maintain a specified percentage of its net demand and time liabilities by way of liquid assets such as cash, gold or approved securities, such as government of India and State government securities. The percentage of this ratio is fixed by the RBI from time to time and was at 23.0% as of March 31, 2014. With effect from June 14, 2014, the RBI reduced the statutory liquidity ratio from 23.0% to 22.5% and with effect from August 9, 2014 this was further reduced to 22.0%. In February 2015, the RBI reduced the Statutory Liquidity Ratio to 21.5% with effect from the fortnight commencing February 7, 2015. The RBI master circular on the Statutory Liquidity Ratio specifies certain liabilities which will not be included in the calculation of the Statutory Liquidity Ratio.

Regulations on Asset Liability Management

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 and behaviour studies that may be conducted by banks. These statements are required to be submitted to the RBI on a monthly basis. 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. Additionally, the RBI has asked banks to manage their asset-liability structure such that the negative liquidity gap in the next day, 2-7 days, 8-14 days, and 15-28 days time periods does not cumulatively exceed 5%, 10%, 15% and 20%, respectively, of cumulative cash outflows in these time periods. While banks may undertake dynamic liquidity management and should prepare the statement of structural liquidity on a daily basis, such statements should, however, be reported to the RBI, as on the first and third Wednesday of every month with effect from April 1, 2008. On the basis of the RBI's directions, we have fixed limits for mismatches as a percentage to outflows and cumulative mismatches for all the other time buckets and the Board of

Directors have approved of these limits. In case of interest rate sensitivity, we have set limits for cumulative mismatches up to one year to earning assets and individual bucket wise limits as a ratio of rate sensitive liabilities.

In November 2012, the RBI issued enhanced guidelines on liquidity risk management by banks. These guidelines consolidate various instructions on liquidity risk management that the RBI had issued from time to time, and where appropriate, harmonize and enhance these instructions in line with the principles for sound liquidity risk management and supervision issued by the Basel Committee on Banking Supervision ("BCBS"). The RBI's guidelines require banks to establish a sound process for identifying, measuring, monitoring and controlling liquidity risk, including a robust framework for comprehensively projecting cash flows arising from assets, liabilities and off-balance sheet items over an appropriate time horizon. In June 2014, the RBI issued guidelines in relation to liquidity coverage ratio ("LCR"), liquidity risk monitoring tools and LCR disclosure standards pursuant to the publication of the 'Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools' in January 2013 and the 'Liquidity Coverage Ratio Disclosure Standards' in January 2014 by the Basel Committee On Banking Supervision. The objective of the LCR standard is to ensure that a bank maintains an adequate level of unencumbered high quality liquid assets ("HQLA") that can be converted into cash to meet its liquidity needs for a 30 calendar day period under significantly severe liquidity stress. The LCR is defined under the guidelines as the stock of HQLAs, divided by the net cash outflows over the next 30 calendar days. Pursuant to the guidelines, banks are required to maintain an LCR of 60%, 70%, 80%, 90% and 100% with effect from January 1, 2015, January 1, 2016, January 1, 2017, January 1, 2018 and January 1, 2019, respectively.

Foreign Currency Dealership

Our foreign exchange operations are subject to the guidelines specified by the RBI under the Foreign Exchange Management Act, 1999, as amended ("FEMA"). We are a "Category I Authorized Dealer" and are permitted to undertake all types of foreign exchange transactions subject to restrictions under the FEMA and RBI guidelines. As an authorized dealer, we are 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.

Authorized dealers, like us, 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. Further, we are permitted to hedge foreign currency loan exposures of Indian corporations in the form of interest rate swaps, options, currency swaps and forward rate agreements, subject to certain conditions. The RBI has permitted the trading of currency options on spot USD-INR rate in the currency derivatives segment of the stock exchanges recognized by the SEBI. The currency options market will function subject to the directions, guidelines, instructions and rules issued by the RBI and the SEBI from time to time.

Regulations Governing Foreign Exchange and Cross-Border Business Transactions

The foreign exchange and cross border transactions undertaken by banks are subject to the provisions of the FEMA. Only banks or entities authorized by the RBI are permitted to undertake foreign exchange transactions. Measures related to KYC/AML also apply to cross-border transactions including those undertaken in foreign currencies. All branches are required to monitor all non-resident accounts to prevent money laundering.

Restriction on Transfer of Shares

The RBI's acknowledgement is required for the acquisition by or transfer of our shares to an individual or a group which acquires 5% or more of our total paid-up capital. The RBI, whilst granting acknowledgement, may require such acknowledgement to be obtained for subsequent acquisitions at any higher threshold as may be specified. 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% or more and up to 30% of the bank's paid-up capital, the RBI may consider additional factors, including but not limited to the ability to access financial markets as a source of continuing financial support for the bank and the extent to which the acquirer's corporate structure is in consonance with effective supervision and regulation of its operations. While granting acknowledgement for an acquisition or transfer of shares that takes the acquirer's shareholding to more than 30% of the 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.

In addition, the provisions of the Takeover Code apply and must be complied with. See also the paragraph "—Restrictions and Guidelines on Ownership" in this section.

Restrictions on Issue and Pricing of Shares

Pursuant to a circular dated April 20, 2010, the RBI has prescribed guidelines for the issue and pricing of shares by private sector banks. The guidelines require private sector banks to apply to the RBI for its prior "in-principle" approval before, *inter alia,* undertaking a QIP. The guidelines provide that the allotment to investors in a QIP is subject to compliance with the applicable SEBI regulations and the RBI's Acknowledgement Guidelines. After the shares have been allotted in a QIP, banks are required to seek the *post facto* approval of the RBI by submitting complete details of the QIP in a specified format.

Special Provisions of the Banking Regulation Act

Section 5-A of the Banking Regulation Act provides that save as otherwise expressly provided in the Act, its provisions shall have effect notwithstanding anything to the contrary contained in the memorandum of association or articles of association of a banking company or in any agreement executed by it, or in any resolution passed by the banking company in general meeting or by its Board of Directors. Any provision in any of these documents, to the extent it is contrary to provisions of the Act, is void.

Under Sections 35A and 36 of the Banking Regulation Act, the RBI is empowered to give directions to, and advise generally the bank, or prohibit it from entering into any transactions.

Under Section 50 of the Banking Regulation Act, 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, or any order or directions given under the Act.

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% of the profits of each year before dividends. If there is an appropriation from this account or the share premium account, the bank is required to report such appropriation to the RBI within 21 days of such appropriation, explaining the circumstances leading to such appropriation. The Government of India may, on the recommendation of the RBI, exempt a bank from the requirements relating to reserve fund for such period as may be specified in the order.

Restrictions on Payment of Dividends

Guidelines have been issued by the RBI on payment of dividends by banks and banks have been given general permission to declare dividends subject to compliance with the following norms:

The bank should have:

- CRAR of at least 9% for the preceding two completed years and the accounting year for which it proposes to declare a dividend.

- Net NPA of less than 7%.

- In the event a bank does not meet the above CRAR norm, but has a CRAR of at least 9% for the accounting year for which it proposes to declare a dividend, it would be eligible to declare dividend provided its Net NPA ratio is less than 5%.

- 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, transfer of profits to statutory reserves, etc.

- The maximum permissible dividend pay-out ratio is 40% of net profit in the year in which the dividend is to be paid.

- The proposed dividend should be payable out of the current year's profit.

- 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 which 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 pay-out ratio.

- The RBI should not have placed any explicit restriction on the bank for declaration of dividends.

- The dividend pay-out is linked to a matrix of maximum permissible range of CRAR and NPA ratios as follows:

		Net NPA Ratio			
		Zero	**More than zero but less than 3%**	**From 3% to less than 5%**	**From 5% to less than 7%**
Category	**CRAR**	**Range of Dividend Pay-out Ratio (of the current year's net profit)**			
A	11% or more for each of the last 3 years	up to 40	up to 35	up to 25	up to 15
B	10% or more for each of the last 3 years	up to 35	up to 30	up to 20	up to 10
C	9% or more for each of the last 3 years	up to 30	up to 25	up to 15	up to 5
D	9% or more in the current year	up to 10	up to 10	up to 5	Nil

The RBI also notified that banks may declare and pay interim dividends out of the relevant account period's profit without the prior approval of the RBI if they satisfy the minimum criteria above, and the cumulative interim dividend is within the prudential cap on dividend pay-out ratio computed for the relevant accounting period. Declaration and payment of interim dividend beyond this limit would require the approval of the RBI.

Section 15(1) of the Banking Regulation Act restricts banks from paying dividend on its shares until all its capitalized expenses (including preliminary expenses, organization expenses, share-selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off. Pursuant to a notification dated March 25, 2015, the Central Government has stated that the provisions of Section 15(1) of the Banking Regulation Act shall not apply to the amortization of any shortfall arising out of the sale of non-performing assets to securitization companies or reconstruction companies between February 26, 2014 and March 31, 2015 in accordance with provisions of the "Framework for Revitalising Distressed Assets in the Economy - Refinancing of Project Loans, Sale of NPA and Other Regulatory Measures" issued by the RBI on February 26, 2014.

Restriction on Share Capital and Voting Rights

The Banking Regulation Act specifies that no shareholder in a banking company can exercise voting rights on a poll in excess of 10% of total voting rights of all the shareholders of the banking company. However, pursuant to the Banking Laws (Amendment) Act, 2012, notified on January 7, 2013 (the "Banking Laws Amendment Act"), the RBI may increase such ceiling on voting rights from 10% to 26% in a phased manner. Further, banks are now permitted to issue both equity shares and preference shares, subject to the conditions set forth by the RBI with respect to the terms of such preference shares.

Regulatory Reporting and Examination Procedures

The RBI is empowered under Section 27(2) of the Banking Regulation Act to call for certain information from a bank, and under Section 35 of the Banking Regulation Act, to inspect a Bank. In 1995, RBI introduced a system of off-site monitoring and surveillance, with the primary objective of monitoring the financial condition of banks in between on-site examinations. This system of off-site monitoring and surveillance has been migrated to a secured Online Returns Filing System (ORFS) in which data collection and consolidation have been streamlined. The RBI monitors prudential parameters at quarterly intervals. To this end and to enable off-site 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;

- risk weighting of these exposures, the capital base and the capital adequacy ratio;
- unaudited operating results for each quarter;
- asset quality;
- concentration of exposures;
- connected and related lending and the profile of ownership, control and management;
- ownership, control and management;
- structural liquidity and interest rate sensitivity;
- subsidiaries, associates and joint ventures;
- consolidated accounts and related financial information;
- information on risk based supervision;
- analysis of balance sheet; and
- other prudential parameters.

The RBI also conducts periodic on-site inspections on matters relating to the bank's portfolio, risk management systems, internal controls, credit allocation and regulatory compliance, at intervals ranging from one to three years. We are subject to the on-site inspection by the RBI at yearly intervals. The inspection report, along with the report on actions taken by us, has to be placed before our Board of Directors. On approval by the Board of Directors, we are required to submit a report on actions taken by us to the RBI. The RBI also discusses the report with the management team, including the Managing Director & Chief Executive Officer and the chairman of the audit committee of the board of directors.

The RBI also conducts on-site supervision of circle offices and other selected branches with respect to their general operations and foreign exchange related transactions.

Penalties

The RBI may impose penalties on banks and their employees in case of infringement of any provision of the Banking Regulation Act or any order, rule, direction or condition 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. The penalty may also include imprisonment. Penalties levied by the RBI are disclosed on the website of the RBI and are referred to in the annual report of the bank.

Assets to be maintained in India

Every bank is required to ensure that its assets in India (which shall be as specified by the RBI from time to time) are not less than 40% of its demand and time liabilities in India on the last Friday of the second preceding fortnight.

Subsidiaries and other investments

We require the prior permission of the RBI to incorporate a subsidiary. We are required to maintain an "arm's length" relationship in respect of our subsidiaries and in respect of mutual funds sponsored by us 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 customers through them when it itself is not able or is not permitted to do so. We and our subsidiaries are required to observe the prudential norms stipulated by the RBI in respect of underwriting commitments. We also require 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 (lower of 30% of the paid-up capital of the investee company and 30% of the investing bank's own paid up capital and reserves) prescribed under

Section 19(2) of the Banking Regulation Act. Further investment by us in a subsidiary, financial services company or financial institution cannot exceed 10% of our paid-up capital and reserves and our aggregate investments in all such companies and financial institutions put together cannot exceed 20% of our paid-up capital and reserves.

The RBI has issued guidelines on investments by banks in entities that are not subsidiaries and not financial services companies, which specify various investment limits, including a limit on equity investments to 10% of the investee company's paid up share capital or of the bank's paid up share capital and reserves, whichever is less and on aggregate equity investments by a bank, its subsidiaries, associates or joint ventures or entities directly or indirectly controlled by the bank and mutual funds managed by asset management companies controlled by the bank to 20% of the investee company's paid up share capital.

Restriction on Creation of Floating Charge

Prior approval of the RBI is required for creating floating charge on our undertaking or our property.

Maintenance of Records

We are required to maintain our books, records and registers in accordance with the Banking Companies (Period of Preservation of Records) Rules, 1985. These rules specify that banks shall preserve in good order, certain books, accounts and documents (such as cheque book registers) relating to a period of not less than five years immediately preceding the current calendar year; and certain other books, accounts and documents (such as stock and share registers) relating to period of not less than eight years immediately preceding the current calendar year.

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 us as in the case of any company.

The guidelines relating to KYC and AML also provide for certain records to be maintained for a minimum period of ten years after a business relationship has ended.

Secrecy Obligations

A bank's obligations relating to maintaining secrecy arise out of common law principles governing the relationship with its customers. We 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 we are ordered to disclose information by a court; and
- where disclosure is made with the express or implied consent of the customer.

We are required to comply with the above in furnishing any information to any parties. The RBI may, in the public interest, publish the information obtained from the bank. Under the provisions of the Bankers' Books Evidence Act, a copy of any entry in a bankers' book, such as ledgers, day books, cash books and account books certified by our officer may be treated as prima facie evidence of the transaction in any legal proceedings.

Regulations Governing Offshore Banking Units

The Government and the RBI have permitted banks to set up offshore banking units 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. The key regulations applicable to offshore banking units include, but are not limited to, the following:

- Permission of the RBI is required for setting up offshore banking units.
- No separate assigned capital is required. However, the parent bank is required to provide a minimum of U.S.$ 10 million to its offshore banking unit.

- Offshore banking units are exempt from CRR requirements.

- Banks are required to maintain the SLR. However, the RBI may exempt a bank's offshore banking unit from SLR requirements for a specific period on application by the bank.

- An offshore banking unit can only have external sources for raising foreign currency funds with residents in India, unless such a person is eligible under the existing exchange control regulations to invest/maintain foreign currency accounts abroad.

- All prudential norms applicable to overseas branches of Indian banks apply to offshore banking units. The offshore banking units are also required to follow the best international practice of 90 days' payment delinquency norm for income recognition, asset classification and provisioning.

- Offshore banking units are required to adopt liquidity and interest rate risk management policies prescribed by the RBI in respect of overseas branches of Indian banks as well as within the overall risk management and asset and liability management framework of subject to monitoring by our board of directors at prescribed intervals.

- Offshore banking units 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. These branches are prohibited from participating in the domestic call, notice, term etc., money market and payment system.

- The loans and advances of offshore banking units would not be reckoned as net bank credit for computing priority sector lending obligations.

- Offshore banking units must follow the 'Know Your Customer' guidelines and must be able to establish the identity and address of the participants in a transaction, the legal capacity of the participants and the identity of the beneficial owner of the funds.

- A bank cannot borrow from its offshore banking unit.

- The exposures of an offshore banking unit in the domestic tariff area should not exceed 25% of its total liabilities as of the close of business of the previous working day, at any point of time.

IFSC Banking Units

In April 2015, the RBI permitted Indian banks in the public sector and the private sector that are authorised to deal in foreign exchange to set up IFSC Banking Units ("**IBUs**") in International Financial Services Centres ("**IFSC**") proposed to be established onshore in India. Each eligible bank is permitted to establish one IBU in each IFSC.

Restrictions and Guidelines on Ownership

The Government regulates foreign ownership in private sector banks. Under the current guidelines, total foreign ownership in a private sector bank including FDI and investments by FPIs or FIIs is permitted up to 49% of the paid-up capital under the automatic route and beyond 49% and up to 74% of the paid-up capital under the government approval route. FII/FPI investment under portfolio investment schemes in us cannot exceed 49% of our total paid-up capital subject to approval from the FIPB. Pursuant to a letter dated November 20, 2014, the FIPB has granted *post facto* approval for foreign investment in the Bank up to 74%, subject to certain conditions. Such approval is subject to compounding from the RBI for an increase in the Bank's foreign shareholding beyond 68.51% since April 2010. Our application to the FIPB seeking deletion of such condition relating to compounding is currently pending. As per the RBI, purchases by a single FPI or FII is restricted to below 10% of our paid-up capital and the banking regulations require an RBI acknowledgement for the acquisition/transfer of shares of 5% or more of a private sector bank by FPIs or FIIs. Pursuant to a letter dated November 20, 2014, the FIPB has granted its post-facto approval for foreign investment in the Bank up to 74%, subject to certain conditions. See the section "Risk Factors – Your ability to sell your Equity Shares may be adversely affected by restrictions on foreign investment applicable to us. We are mentioned on the RBI "caution list" with respect to our foreign shareholding."

The RBI on February 28, 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 would be permitted to establish their presence in India by way of setting up a wholly-owned banking subsidiary ("WOS") or conversion of the existing branches into wholly-owned subsidiaries. Initially, equity participation by foreign banks would be permitted only in the private sector banks that are identified by the RBI for restructuring. On an application made by a foreign bank for acquisition of 5% or more in any private bank, the RBI would consider the standing and reputation of the foreign bank and shall permit such acquisition only if it is satisfied that the investment by such foreign bank is in the long term interest of all the stakeholders of the investee bank. In addition, Section 12 of the Banking Regulation Act prohibits any person holding shares in a bank from exercising voting rights in excess of 10% of the total voting rights of all shareholders of any bank, irrespective of the number of shares held by such person. However, pursuant to the Banking Laws Amendment Act, the RBI may increase such ceiling on voting rights from 10% to 26% in a phased manner.

The second phase was due to commence 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. However, due to the conditions then prevailing in the global financial markets and the uncertainties surrounding the financial strength of banks around the world, the RBI indicated that a review will be undertaken of its roadmap after due consultation with the stakeholders once there is greater clarity regarding stability and recovery of the global financial system. Accordingly, the RBI released a discussion paper in January 2011 on the mode of presence of foreign banks through branches or wholly-owned subsidiaries, including capital requirements, corporate governance, branch expansion, measures to contain dominance of foreign banks and methods to dilute holding in the wholly-owned subsidiary to 74%. The discussion paper specifies certain conditions under which foreign banks would be required to operate only by establishing a wholly-owned subsidiary. In November 2013, the RBI issued the Framework for setting up of Wholly Owned Subsidiaries by Foreign Banks in India, pursuant to which foreign banks have been permitted to set up wholly owned subsidiaries with the prior approval of the RBI. The WOS would have a minimum capital requirement of ₹5,000 million and would have to ensure sound corporate governance, and comply with other conditions specified by the RBI.

The key provisions of the RBI's policy on ownership of banks include:

- no single entity or group of related entities would be permitted to directly or indirectly hold more than 10% of the equity capital of a private sector bank and any higher level of acquisition would require the RBI's prior approval;
- banks with shareholders with 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 ownership and control in excess of 10% 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 important shareholders on an on-going basis.

We are currently not in compliance with the RBI's policy on ownership of banks. See the section "Risk Factors – We are not in compliance with RBI requirements to reduce our Promoters' shareholding".

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 equivalent of 5% 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% or more and up to 30% 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% 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.

Under the guidelines issued by the RBI for the licensing of new private sector banks in February 2013, promoters are permitted to set up banks only through wholly owned non-operative financial holding companies ("NOFHC"). The corporate structure of such NOFHC is required to be in compliance with the regulations issued by the RBI in this respect. Such NOFHC is required to hold 40% of the paid-up capital of the new bank, which is to be locked in for a period of five years from the date of licensing of the bank, and which shall be reduced to 20% within ten years and to 15% within 12 years from the date of licensing of the bank and retained at that level thereafter.

Entry of New Banks in the Private Sector

In February 2013, the RBI released guidelines for licensing of new banks in the private sector. The RBI has permitted private sector entities owned and controlled by Indian residents and entities in the public sector in India to apply to the RBI for a license to operate a bank through a wholly owned non-operative financial holding company, subject to compliance with certain conditions. Such non-operative financial holding company is permitted to be the holding company of the bank as well as any other financial services entity provided that such holding company ring-fences the regulated financial services entities in the group, including the bank, from other activities of the group. In November 2014, the RBI released guidelines of the licensing of small finance banks in the private sector and payments banks. In February 2015, the RBI noted the receipt of 72 applications to set up small finance banks and 41 applications to set up payments banks, although no small finance banks or payments banks have been granted licenses as on the date of this Placement Document.

Guidelines for Merger and Amalgamation of Private Sector Banks

The RBI has issued guidelines for merger and amalgamation of private sector banks. The guidelines relate to: (i) an amalgamation of two banking companies and (ii) an amalgamation of a NBFC with a banking company.

In the case of an amalgamation of two banking companies, Section 44A of the Banking Regulation Act requires that a draft scheme of amalgamation be approved by the shareholders of each banking company by passing a resolution which requires a majority in numbers representing two-thirds in value. Additionally, the draft scheme must also be submitted to the RBI for its approval.

Where an NBFC is proposed to be amalgamated into a banking company, the banking company is required to obtain the approval of the RBI after the scheme of amalgamation is approved by the Board but before it is submitted to the relevant High Court for approval. Similar provisions apply where a banking company is amalgamated into an NBFC.

Special Status of Banks in India

The special status of banks is recognized under various statutes including the Sick Industrial Companies (Special Provisions) Act, 1985, Recovery of Debts Due to Banks and Financial Institutions Act, 1993, and the SARFAESI Act. As a bank, we are entitled to certain benefits under various statutes including the following:

The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 provides for establishment of Debt Recovery Tribunals 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 time frames have been fixed for speedy disposal of cases. Upon establishment of the Debt Recovery Tribunal, 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.

The Sick Industrial Companies (Special Provisions) Act, 1985, provides for reference of sick industrial companies to the Board for Industrial and Financial Reconstruction. Under it, other than the board of directors of a company, a scheduled bank (where it has an interest in the sick industrial company by any financial assistance or obligation, rendered by it or undertaken by it) may refer the company to the Board for Industrial and Financial Reconstruction. The Sick Industrial Companies (Special Provisions) Act, 1985 has been repealed by the Sick Industrial Companies (Special Provisions) Repeal Act, 2003 ("SICA Repeal Act"). However, the SICA Repeal Act, which is due to come into force on a date to be notified by the central government in the official gazette, has not yet been notified. On the repeal becoming effective, the provisions of the Companies Act will apply in relation to sick companies, under which the reference must be made to the National Company Law Tribunal, and not the Board for Industrial and Financial Reconstruction. The National Company Law Tribunal has not yet been constituted.

The SARFAESI Act focuses on improving the rights of banks and financial institutions and other specified secured creditors as well as asset reconstruction companies by providing that such secured creditors can take over management control of a borrower company upon default and/or sell assets without the intervention of courts, in accordance with the provisions of the SARFAESI Act.

Guidelines for White Label Automated Teller Machines

In June 2012, the RBI released guidelines for White Label Automated Teller Machines, which permit non-bank entities to set up, own and operate ATMs, subject to certain conditions. These guidelines were revised in December 2014. Such operators provide the banking services to debit, credit or prepaid cardholding customers of banks in India. Non-bank entities can set up White Label ATMs in India, after obtaining authorisation from RBI under the Payment and Settlement Systems Act, 2007.

The Banking Ombudsman Scheme, 2006

The Banking Ombudsman Scheme, 2006 (the "Ombudsman Scheme") provides the extent and scope of the authority and functions of the banking ombudsman for redressal of grievances against deficiency in banking services, concerning loans and advances and other specified matters. In February 2009, the Ombudsman Scheme was amended to provide for revised procedures for redressal of grievances by a complainant under the Ombudsman Scheme.

Regulations Relating to the Use of Business Correspondents by Banks

The RBI issued a circular in September 2010 and restated in its master circular dated July 2, 2012 on branch authorisation, permitting banks to engage certain individuals and companies (excluding NBFCs) as business correspondents ("Business Correspondents"). In June 2014, the RBI issued a circular permitting NBFCs to be appointed as business correspondents, subject to certain conditions. Banks may engage individuals and entities, including retired bank employees, retired teachers, NGOs, post offices and companies registered under the Companies Act with large and widespread retail outlets as Business Correspondents. The Business Correspondent's scope of activities include (i) identification of borrowers; (ii) collection and preliminary processing of loan applications including verification of primary information and data; (iii) recovery of principal and collection of interest; and (iv) receipt and delivery of small value remittances and other payment instruments. These activities are within course of a bank's normal business but are conducted through Business Correspondents at places other than the bank's premises or ATMs. However, it remains the bank's responsibility to ensure compliance with KYC and AML norms, a high standard of equipment and technology and the maintenance of customer confidentiality. The bank may pay a commission to the Business Correspondent engaged by it but the bank's agreement with the Business Correspondent should specifically prohibit the Business Correspondent from charging any fee directly from the customer. The circular also specifies other terms that must be included in the agreement between the bank and the Business Correspondent. Banks must carry out a detailed review of the performance of the Business Correspondent at least once a year and constitute grievance redressal machinery to redress complaints against the Business Correspondent.

Regulations and Guidelines of the SEBI

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. We are subject to the regulations issued by the SEBI for our capital issuances, as well as custodial, depositary participant, investment banking and bankers to the issue. These regulations provide for registration with the SEBI for each of these activities, functions and responsibilities. We are also a Self Certified Syndicate Bank and offer subscription through the ASBA facility in accordance with applicable SEBI guidelines. The SEBI also issues various circulars and notifications from time to time in accordance with the powers vested with it under the Securities and Exchange Board of India Act, 1992, as amended (the "SEBI Act").

Regulations Governing Insurance Companies

Subsidiaries offering life insurance and non-life insurance are subject to the provisions of the Insurance Act, 1938 and the various regulations prescribed by the Insurance Regulatory and Development Authority. These regulations regulate and govern, among other things, registration as an insurance company, investment, licensing of insurance agents, advertising, sale and distribution of insurance products and services and protection of policyholders' interests. In May 2002, the Indian Parliament approved the Insurance (Amendment) Act 2002, which facilitates the appointment of corporate agents by insurance companies and prohibits intermediaries and brokers from operating as surrogate insurance agents.

The IRDAI has issued detailed guidelines for the licensing of entities to act as corporate agents or composite corporate agents for selling insurance products. The guidelines stipulate that soliciting or procuring insurance business as a corporate agent should be contained in the constitutional documents of the entity as one of its main objects. The guidelines further provide that the personnel of the entity should possess the prescribed qualifications and should not suffer from any disqualifications under the Insurance Act, 1938. Section 40A (3) of the Insurance Act, 1938 stipulates the limits on payment of commission or remuneration in any form, by the insurer to the corporate agent in respect of general insurance business. Under existing guidelines, Indian banks are currently permitted to have arrangements with only one life insurer, one non-life insurer and one health insurer for the sales of insurance products. In May 2015, the IRDAI released a revised exposure draft of the Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015, pursuant to which it is proposed to permit banks to enter into arrangements with a maximum of three life insurers, three general insurers and three health insurers.

In October 2012, the IRDAI released the draft IRDAI (Licensing of Bancassurance Entities) Regulations, 2012 that propose to cap the amount paid or contracted to be paid as commission to bancassurance agents at 85% of the limit specified in Section 40A of the Insurance Act, 1938 and the maximum amount to be paid for sharing of the infrastructure, cost of training and incentive to specified persons at 2.50% of the annualized premium, which if enacted, would adversely affect our fee income in this business. Further, the draft regulations would permit a bancassurance agent to have arrangements with more than one class of insurer subject to certain maximum and minimum geographical coverage under such tie-up arrangements. However, the final form or effect and the timing of implementation of such regulations and restrictions are as yet uncertain.

The IRDAI has issued the IRDAI (Licensing of Banks as Insurance Brokers) Regulations, 2013, which enables banks to undertake insurance broking departmentally. The RBI has issued guidelines in this respect in January 2015. Subject to certain conditions, banks are permitted to undertake insurance broking (departmentally) without the prior approval of the RBI. Such banks however would still require the approval of the RBI to undertake insurance broking through a subsidiary or a joint venture. Banks undertaking the insurance broking business (whether departmentally or through a subsidiary or a joint venture) require the prior approval of the IRDAI.

Internal Financial Controls

"Internal financial controls" are defined under the Companies Act as the policies and procedures adopted by a company to ensure orderly and efficient conduct of its business, including adherence to company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records, and the timely preparation of reliable financial information. The statutory auditors of the company are mandatorily required to report on the adequacy and operating effectiveness of such internal financial controls from fiscal year 2016.

Pradhan Mantri MUDRA Yojana

The Pradhan Mantri MUDRA (Micro Units Development and Refinance Agency) Yojana was launched in April 2015. Pursuant to the scheme, the government proposed to set up the Micro Units Development and Refinance Agency (MUDRA) Bank, to regulate and refinance all micro-finance institutions which are in the business of lending to micro or small business entities engaged in manufacturing, trading and services activities. The Micro Units Development and Refinance Agency was formed in April 2015 as a non-banking financial company, and is proposed to be converted into a bank in the future.

Regulations Governing our International Business

Our international business operations are governed by home country regulations. We are required to obtain a licence from the concerned regional office of the RBI prior to setting up overseas subsidiaries, offshore branches, and representative offices abroad. Further, approval from the foreign regulatory authority is also required prior to undertaking such banking operations. We have representative offices in London, Dubai and Abu Dhabi.

Income Tax Benefits

As a banking company, we are entitled to certain tax benefits under the Indian Income Tax Act. See “Taxation – Indian Taxation”.

BOARD OF DIRECTORS AND MANAGEMENT

Overview

Our Board currently consists of eight Directors. Our senior management team, including Romesh Sobti (Managing Director & Chief Executive Officer), is under the overall supervision and control of our Board, and is responsible for our day-to-day operations. Our Articles of Association provide that the number of directors shall not be less than three (3) or more than twelve (12) (excluding debenture and alternate directors, if any). Further, our Articles of Association provides that one-third of the strength of the Board of Directors shall be liable to retire by rotation. A retiring Director shall be eligible for re-appointment. The Companies Act, 2013 provides that not less than two-third of the total number of directors, excluding the independent directors, shall be liable to retire by rotation, with one-third of such number retiring at each AGM. Further, the independent directors may be appointed for a maximum of two terms of up to five consecutive years each. Any re-appointment of independent directors shall *inter alia* be on the basis of the performance evaluation report and approved by the shareholders by way of special resolution. Pursuant to the provisions of the Banking Regulation Act, none of the directors of a banking company, other than its chairman or whole-time directors may hold office continuously for a period exceeding eight years.

The Banking Regulation Act requires that at least 51% of the directors of a banking company should have specialized knowledge or practical experience in one or more of the following areas: accountancy, agriculture and rural economy, banking, cooperation, economics, finance, law, small-scale industry and any other matter that the RBI may specify. Out of the aforesaid number of directors, not less than two directors are required to have specialized knowledge or practical experience in agriculture and rural economy, cooperation or small-scale industry. Further, under the Banking Regulation Act, the appointment of chairman, managing director or whole-time directors requires the approval of the RBI. The RBI has also prescribed "fit and proper" criteria to be considered when appointing directors of banks, and our Directors are required to make declarations confirming their compliance with such criteria.

Directors

The following table sets forth details regarding the Board as on the date of this Placement Document:

S. No.	Name, Address, DIN, Nationality and Occupation	Age (in years)	Designation
1.	R. Seshasayee **Address:** Krishna, 20 Luz Avenue II Street, Mylapore Chennai -600 004 **DIN:** 00047985 **Term:** Up to July 24, 2017* **Nationality:** Indian **Occupation:** Service	67	Part-time Non-Executive Chairman
2.	Romesh Sobti **Address:** Apartment 29/ 30 33 South Peddar Road Mumbai – 400 026 **DIN:** 00031034 **Term:** Up to January 31, 2018 **Nationality:** Indian **Occupation:** Service	65	Managing Director & Chief Executive Officer
3.	Ashok Kini **Address:** B-202 Mantri Pride Apartments, Mountain Road 1st Block Jayanagar Bangalore – 560 011 **DIN:** 00812946	69	Independent Non-Executive Director

S. No.	Name, Address, DIN, Nationality and Occupation	Age (in years)	Designation
	Term: Up to December 11, 2015 **Nationality:** Indian **Occupation:** Retired		
4.	Kanchan Chitale **Address:** 167/C Poonawadi Dr. Ambedkar Road, Dadar Mumbai – 400 014 **DIN:** 00007267 **Term:** Up to October 17, 2015 **Nationality:** Indian **Occupation:** Practising Chartered Accountant	62	Independent Non-Executive Director
5.	Vijay Vaid **Address:** A/405, Silver Beach Apartments, A.B. Nair Road Juhu, Mumbai – 400 049 **DIN:** 00219709 **Term:** Up to October 17, 2015 **Nationality:** Indian **Occupation:** Industrialist	67	Independent Non-Executive Director
6.	T. Anantha Narayanan **Address:** Sriniketan, 1 Raja Street, Mandaveli Chennai – 600 028 **DIN:** 00007227 **Term:** Up to June 23, 2018 **Nationality:** Indian **Occupation:** Retired	70	Additional Independent Non-Executive Director
7.	Ranbir Singh Butola **Address:** B-2/2277, Vasant Kunj New Delhi – 110 070 **DIN:** 00145895 **Term:** Up to the next AGM proposed to be held on July 13, 2015 **Nationality:** Indian **Occupation:** Service	61	Additional Independent Non-Executive Director
8.	Yashodhan Madhusudan Kale **Address:** 2, Sumit, 31 Carmichael Road Dr. G. Deshmukh Marg Mumbai – 400 026 **DIN:** 00013782 **Term:** Up to the next AGM proposed to be held on July 13, 2015 **Nationality:** Indian **Occupation:** Service	67	Additional Non-Independent and Non-Executive Director

* Subject to approval by the shareholders of the Bank.

R. Seshasayee – Part-time Non-Executive Chairman

Mr. Seshasayee was appointed as our part-time Non-Executive Chairman in 2007. He is currently the Non-Executive Chairman of Infosys Limited and the Non-Executive Vice Chairman of Ashok Leyland Limited, and has previously served as the Managing Director of Ashok Leyland Limited for 13 years until 2011. He was previously a director on the board of ICICI Bank Limited and chairman of its audit committee. Mr. Seshasayee was the President of the Confederation of Indian Industry and the President of the Society of Indian Automobile Manufacturers.

Romesh Sobti – Managing Director and Chief Executive Officer ("CEO")

Mr. Sobti was appointed as our Managing Director and CEO in February 2008. He previously served as Executive Vice President – Country Executive, India and Head, UAE and Sub-Continent at ABN AMRO Bank N.V ("ABN AMRO"). In his banking career of approximately 41 years, he has also been associated with ANZ Grindlays Bank plc (now Standard Chartered Bank) and SBI. He holds a Bachelors Degree (Honours) in Electrical Engineering and a Diploma in Corporate Laws and Practice and Secretarial Practice. Mr. Sobti received the Banker of the Year award by Business Standard for the year 2014.

Ashok Kini – Independent Non-Executive Director

Mr. Kini was appointed as a Director in 2008. He retired as Managing Director at the SBI in December 2005. He is also a member of the board of directors of Gulf Oil Corporation Limited, UTI Trustee Company Private Limited and FINO Paytech Limited.

Kanchan Chitale – Independent Non-Executive Director

Mrs. Chitale was appointed as a Director in 2011. She was Senior Finance Manager at SICOM Limited ("SICOM") before she set up her own professional practice as a Chartered Accountant in India. At SICOM, she handled various functions including project assessment, appraisal and accounts. She managed the legal and company secretarial functions and operations of the then newly set up State Government Corporation MOPEC while on deputation from SICOM during 1982-83. She also handled an overseas project assignment in Baghdad in 1982. In practice for nearly 22 years, her main functional areas include internal and management audits of corporates and specialized or concurrent audits of commercial banks and financial institutions. Mrs. Chitale has extensive internal audit exposure as Associate Director of M. P. Chitale & Co., an accounting firm in India associated with infrastructure, construction and banking industries.

Vijay Vaid – Independent Non-Executive Director

Mr. Vaid was appointed as a Director in 2011. Mr. Vaid has experience of approximately 38 years in rubber component manufacturing. He started a proprietary firm and then established Vaid Elastomer Processors Private Limited, which is a manufacturer of auto rubber components. He was a member of the Executive Committee of Automotive Component Manufacturers Association. He is also Chairman Trustee of two charitable trusts, Shri Venkteshwar Nidhi and Vaid Foundation.

T. Anantha Narayanan – Additional Independent Non-Executive Director

Mr. Anantha Narayanan was appointed as a Director on April 9, 2015. He is an associate member of the Institute of Chartered Accountants of India and Institute of Cost & Works Accountants of India. He was the chairman of the Confederation of Indian Industry, Tamil Nadu State Council. Prior to his retirement he was associated with Ashok Leyland Limited for more than three decades. Prior to this, he was also associated with the State Bank of India.

Ranbir Singh Butola – Additional Independent Non-Executive Director

Mr. Butola was appointed as a Director on January 13, 2015. He was the Chairman of Indian Oil Corporation Limited until May 2014. Mr. Butola has extensive experience in the oil and gas sector. He was also associated as the Managing Director of ONGC Videsh Limited.

Yashodhan Madhusudan Kale – Additional Non-Independent and Non-Executive Director

Mr. Kale was appointed as an additional Director on April 16, 2015. He has previously served as an Alternate Director to Mr. Ajay Hinduja from 2009 to 2015. He served as President of the ICAI during 1995 to 1996, Chairman of ICAI's Accounting Standards Board as well as Audit Practices Committee in earlier years and had been on the apex ICAI

Council for 16 years (from 1982 to 1998). During 1995-98, Mr. Kale was the India Representative in the Board of International Accounting Standards. The RBI had appointed Mr. Kale as a member of the group for introduction of Concurrent Audit of banks and as member of DBOD Working Group on Revised Formats for Published Accounts of Banks. He has also served on committees constituted by the SEBI and by the Government of India. He was also Chairman of a Committee for setting accounting norms for trading members of the NSE. Since 2002, Mr. Kale is the Group President, Corporate Governance and Development in Hinduja Group India Limited.

Directors' Remuneration

Managing Director and CEO

Pursuant to a resolution adopted by the Board of Directors at the meeting held on December 7, 2007, Mr. Romesh Sobti was appointed Managing Director and CEO for a period of three years. He was re-appointed as Managing Director and CEO for a further period of three years with effect from February 1, 2015. During the fiscal year ended March 31, 2015, Mr. Sobti received a basic salary of ₹15.29 million per annum. In addition to his salary, Mr. Sobti is entitled to rent-free furnished accommodation, allowances, provident fund, gratuity and pension benefits, performance-linked variable pay and other perquisites as approved by the RBI.

The following table sets forth the compensation paid by our Bank to the Managing Director and CEO during the current fiscal year 2016 (to the extent applicable) and the fiscal years 2015, 2014 and 2013:

Fiscal Year	Remuneration (₹ in *million)*	Perquisites and Allowances** (₹ in *million)*	Commission (₹ in *million)*	Total (₹ in *million)*
2016*	6.3	1.07	NIL	7.37
2015	43.20	8.88	NIL	52.08
2014	40.19	7.33	NIL	47.52
2013	36.46	6.66	NIL	43.12

**Remuneration paid to Mr. Romesh Sobti for the months of April-May, 2015.*

*** Perquisites and allowances exclude stock options exercised during the fiscal year as it does not constitute remuneration paid for the fiscal year.*

Non- Executive Directors

Other than the sitting fees and reimbursement of expenses for attending the meetings of the Board and its committees, no other fees are paid to Non-Executive Directors.

Corporate Governance

The Bank is required to comply with applicable corporate governance requirements, including the listing agreements with the Stock Exchanges and the Companies Act, in respect of the constitution of the Board and committees thereof. The corporate governance framework of the Bank is based on an effective, independent Board of Directors, separation of the supervisory role of the Board of Directors from the executive management team and proper constitution of the committees of the Board of Directors. The Board of Directors functions either as a full Board or through various committees constituted to oversee specific operational areas. The executive management of the Bank provides the Board of Directors with detailed reports on the performance of the Bank periodically.

Board Committees

The Board has constituted several committees of Directors to take decisions on and monitor the activities falling within their terms of reference. The Board's Committees are as follows:

Committee of Directors

Terms of Reference	The Committee of Directors exercises powers delegated to it by the Board, for managing our affairs, efficient control over operational areas and for ensuring speedy disposal of matters requiring immediate approval.
Composition	The Committee of Directors comprises the following four members: R. Seshasayee (Chairman), T. Anantha Narayanan, Kanchan Chitale and Romesh Sobti.

Audit Committee of the Board

Terms of reference	The role of the Audit Committee includes, *inter alia*, (1) oversight of our financial reporting process and the disclosure of our financial information to ensure that the financial statement is correct, sufficient and credible, (2) recommending to the Board, the appointment, remuneration and terms of appointment of auditors of the Bank, (3) approval of payment to statutory auditors for any other services rendered by the statutory auditors, (4) reviewing, along with the management, the quarterly and annual financial statements before submission to the Board for approval, with particular reference to: (i) matters required to be included in the director's responsibility statement to be included in the Board's report in terms of Section 134(3)(c) of the Companies Act, 2013, (ii) changes, if any, in accounting policies and practices and reasons for the same; (iii) major accounting entries involving estimates based on the exercise of judgment by the management; (iv) significant adjustments made in the financial statements arising out of audit findings; (v) compliance with listing and other legal requirements relating to financial statements; (vi) disclosure of related party transactions, if any; (vii) qualifications in the draft audit report;. (5) reviewing, along with the management, the statement of uses or application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/ prospectus/ notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter; and (6) approval of appointment of the chief financial officer (*i.e.*, the whole time finance director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background etc. of the candidate. The specialized functions of the Audit Committee include (1) reviewing, along with the management, the performance of statutory and internal auditors, adequacy of the internal control systems, (2) reviewing the findings of any internal investigations by the internal auditors into matters where there is any suspected fraud or irregularity or a failure of internal control systems of a material nature.
Composition	The Audit Committee comprises the following five members: T. Anantha Narayanan (Chairman), Kanchan Chitale, Ranbir Singh Butola, Ashok Kini and Yashodhan Madhusudan Kale.

Nomination Committee

Terms of reference	The role of the Nomination Committee includes (i) formulation of criteria for evaluation of independent directors and the Board, (ii) devising a policy on Board diversity, (iii) identifying persons who are qualified to become directors and who may be appointed in the senior management in accordance with the criteria laid down, and to recommend to the Board their appointment and removal, and (iv) conducting due diligence as to the credentials of any director before his or her appointment, and making appropriate recommendations to the Board, in consonance with the Dr. Ganguly Committee recommendations and the requirements of RBI.
Composition	The Nomination Committee comprises the following three members: Kanchan Chitale (Chairperson), R.Seshasayee and Ranbir Singh Butola.

Stakeholders Relations Committee

Terms of Reference	The objective of the Stakeholders Relations Committee is the redressal of stakeholders' complaints. The Company Secretary discharges the responsibilities of a compliance officer.
Composition	The Stakeholders Relations Committee comprises the following two members: Vijay Vaid and Romesh Sobti.

Special Committee for monitoring large value frauds (the "Special Committee")

Terms of Reference	In accordance with the directives of the RBI, the Special Committee has been set up to monitor and follow-up on cases of frauds involving amounts of ₹10 million and above.
Composition	The Special Committee comprises the following four members: Kanchan Chitale, Ashok Kini, Romesh Sobti and Yashodhan Madhusudan Kale.

Customer Service Committee

Terms of reference	The Customer Service Committee's function is to monitor the quality of customer service extended by us and to attend to the needs of customers.
Composition	The Customer Service Committee comprises the following four members: Ashok Kini, Vijay Vaid, Romesh Sobti and Yashodhan Madhusudan Kale

Risk Management Committee

Terms of reference	The Risk Management Committee's role is to examine risk policies and procedures developed by us and to monitor adherence to various risk parameters and prudential limits by the various operating departments.
Composition	The Risk Management Committee comprises the following four members: Ashok Kini (Chairman), T. Anantha Narayanan, Romesh Sobti and Yashodhan Madhusudan Kale.

Finance Committee

Terms of reference	The Finance Committee's role is to decide on the appropriate mode of issue of capital; to finalize, settle, approve or agree to terms and conditions including the pricing for the said capital raising programme; to finalize, settle, approve and authorize the executing of any document, deeds, writing, undertaking, guarantee or other papers (including any modification thereof) in connection with the capital raising programme and to authorize the affixing of the common seal of the Bank, if necessary, thereto in accordance with the provisions of the Articles of Association; to appoint and to fix terms and conditions of merchant bankers, investment bankers, lead or other managers, advisors, solicitors, agents or such other persons or intermediaries as may be deemed necessary for the capital raising programme; to do all such things and deal with all such matters and to take all steps as may be necessary to give effect to the resolution for the raising of capital and to settle or resolve any question or difficulties that may arise with regard to the said program.
Composition	The Finance Committee comprises the following four members: R. Seshasayee (Chairman), Ranbir Singh Butola, Romesh Sobti and Yashodhan Madhusudan Kale.

Compensation Committee

Terms of reference	The Compensation Committee's role is to make recommendations on the issuance of the Banks' shares to its employees under the ESOP 2007.
Composition	The Compensation Committee comprises the following three members: Kanchan Chitale (Chairperson), R. Seshasayee and Vijay Vaid.

Vigilance Committee

Terms of reference	The Vigilance Committee conducts overview of cases of lapses of vigilance on the part of our employees of the Bank.
Composition	The Vigilance Committee comprises the following two members: Ranbir Singh Butola and Romesh Sobti.

IT Strategy Committee

Terms of reference	The IT Strategy Committee's role is to conduct Board level overviews in order to align information technology with our business strategy to further the aim of offering better service to customers, improved risk management and superior performance.
Composition	The IT Strategy Committee comprises the following two members: Ashok Kini (Chairman) and Romesh Sobti.

Human Resources and Remuneration Committee

Terms of reference	The role of the Human Resources and Remuneration Committee includes (i) overseeing the framing, review and implementation of the compensation policy of the Bank for whole-time directors/ chief executive officers/ risk takers and control function staff towards ensuring effective alignment between remuneration and risks, (ii) determining on behalf of the Board, the Bank's policy on remuneration packages for executive directors including pension etc., (iii) formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other top management personnel, (iv) review of the talent management and succession policy of top-level executives, one level below the Managing Director and Chief Executive Officer (Member of the Core Executive Team), and the process for ensuring business continuity and (v) reviewing the HR strategy, performance appraisal process, fundamental changes in the organization structure, training and the overall HR function.
Composition	The HR and Remuneration Committee comprises the following four members: T. Anantha Narayanan (Chairperson), R.Seshasayee, Vijay Vaid and Ranbir Singh Butola.

Corporate Social Responsibility ("CSR") Committee

Terms of reference	The CSR Committee's role is to ensure that the Bank spends in every financial year at least 2% of its average net profits made during three immediately preceding financial years in pursuance of its CSR Policy.
Composition	The CSR Committee comprises the following four members: Kanchan Chitale (Chairperson), Ashok Kini, Vijay Vaid and Romesh Sobti.

Review Committee for Non Co-operative Borrower/s / Wilfull Defaulters ("Review Committee")

Terms of reference	The role of the review committee is to review the decision taken by the Identification Committee (for identification of Non co-operative/Wilfull defaulters borrowers).
Composition	The Review Committee comprises the following three members: Romesh Sobti (Chairman), T. Anantha Narayanan and Ranbir Singh Butola.

Directors' Interests as of March 31, 2015

The total of the interests of our Directors in Equity Shares, held directly or indirectly, as of March 31, 2015, are set out in the table below:

Name	Number of Equity Shares held as of March 31, 2015
Romesh Sobti	100,000
T. Anantha Narayanan	580

No other Director held any of our Equity Shares as of March 31, 2015.

We instituted an Employees' Stock Option Scheme ("ESOP 2007") to enable our employees, including our whole-time Director, to participate in our future growth. The number of options granted to the Managing Director & CEO as on March 31, 2015 was 3,800,000 and the total number of options vested as on March 31, 2015 was 3,331,000. We have not granted stock options to any of the non-executive Directors.

Management

Under the provisions of the Banking Regulation Act, the management of the whole of the affairs of a banking company is entrusted to a managing director who exercises his powers subject to the superintendence, control and direction of the board of directors.

The table below sets out the names of our principal executive officers (core executive team) and their current responsibilities.

Name	Designation	Year of appointment
Romesh Sobti	Managing Director & CEO	2008
Paul Abraham	Chief Operating Officer	2008
Suhail Chander	Head, Corporate & Commercial Banking	2008
Sumant Kathpalia	Head, Consumer Banking	2008
K. S. Sridhar	Senior Executive Vice President – Risk	2008
Ramaswamy Meyyappan	Chief Risk Officer	2014
S. V. Zaregaonkar	Chief Financial Officer	2001
Arun Khurana	Head, Global Markets Group	2011
S.V. Parthasarathy	Head, Consumer Finance	2004
Ramesh Ganesan	Head, Transaction Banking	2008
Sanjay Mallik	Head, Investor Relations and Strategy	2011
Roopa Satish	Head, Corporate, Institutions & Investment Banking	2008
Sanjeev Anand	Deputy Head, Corporate & Commercial Banking	2008
Zubin Mody	Head, Human Resources	2005

The table below sets out the names of our key managerial personnel in accordance with the Companies Act, 2013 and their current responsibilities.

Name	Designation	Year of appointment
Romesh Sobti	Managing Director & CEO	2008
S. V. Zaregaonkar	Chief Financial Officer	2001
Haresh Gajwani	Company Secretary	2006

Romesh Sobti – Managing Director & CEO

See the section "Board of Directors and Management - Directors" above.

Paul Abraham – Chief Operating Officer

Mr. Abraham has served as our Chief Operating Officer since February 1, 2008. Prior to this, he was the managing director of ABN AMRO Central Enterprise Services.

Suhail Chander – Head, Corporate & Commercial Banking

Mr. Chander has served as our Head, Corporate & Commercial Banking since February 1, 2008. Prior to this, he was the head of consumer and commercial banking at ABN AMRO, Singapore and Malaysia.

Sumant Kathpalia – Head, Consumer Banking

Mr. Kathpalia has served as our Head, Consumer Banking since February 1, 2008. Prior to this, he was the head of the consumer banking operations of ABN AMRO, India.

K. S. Sridhar – Senior Executive Vice President- Risk

Mr. Sridhar has served as our Senior Executive Vice President - Risk since February 1, 2015. He was appointed as our Chief Risk Officer between February 1, 2008 and January 31, 2015. Prior to this, he was the senior vice president and country risk officer at ABN AMRO, India.

Ramaswamy Meyyappan – Chief Risk Officer

Mr. Ramaswamy Meyyappan has served as our Chief Risk Officer since February 1, 2015. He served as Co-Chief Risk Officer from May 20, 2014 until January 31, 2015, prior to which he was a Managing Director in Corporate and Investment Bank at JP Morgan Chase Bank N.A, Mumbai.

S. V. Zaregaonkar – Chief Financial Officer

Mr. Zaregaonkar has served as our Chief Financial Officer since 2001 and Head of Investor Relations from March 21, 2008 until March 20, 2011. He joined us in 1995 as Head, Operations. Prior to this, he was the Chief Manager – Accounts at Dena Bank.

Arun Khurana – Head, Global Markets Group

Mr. Khurana has served as our Head, Global Markets Group since November 1, 2011. Prior to this, he was with the Royal Bank of Scotland (RBS), Singapore as the Regional Head Corporate Solutions for the Asia Pacific Region.

S. V. Parthasarathy – Head, Consumer Finance

Mr. Parthasarathy has served as our Head, Consumer Finance since March 28, 2008. He joined us in 2004 when Ashok Leyland Finance Limited merged with us. Prior to this, he was an Executive Director at Ashok Leyland Finance Limited.

Ramesh Ganesan – Head, Transaction Banking

Mr. Ganesan has served as our Head, Transaction Banking since April 2008. Prior to this, he was an Executive Director at ABN AMRO Bank.

Sanjay Mallik – Head, Investor Relations and Strategy

Mr. Mallik has served as our Head, Investor Relations and Strategy since March 21, 2011. Prior to this, he was engaged with his own entrepreneurship venture in the financial consulting and commercial brokerage space. He has banking experience with ANZ, ABN AMRO and Standard Chartered Bank.

Roopa Satish – Head, Corporate, Institutions & Investment Banking

Mrs. Satish has served as our Head, Corporate, Institutions and Investment Banking since 2008. Prior to this, she was Vice-President at ABN AMRO Bank N.V.

Sanjeev Anand – Deputy Head, Corporate & Commercial Banking

Mr. Anand has served as our Deputy Head, Corporate & Commercial Banking and has also served as our Head, Commercial Banking in the past. Prior to this, he was Head, Commercial Banking at ABN AMRO Bank.

Zubin Mody – Head, Human Resources

Mr. Mody has served as our Head, Human Resources since December 2005. Prior to this, he headed the human resources function at ICICI Lombard General Insurance Company Limited.

Management Remuneration

For the year ended March 31, 2015, the aggregate remuneration paid and benefits in kind granted to senior managerial personnel (i.e., the principal executive officers (core executive team) and key managerial personnel named under "- Management" above, excluding the Managing Director & CEO) was ₹401.50 million.

Non-executive Directors' compensation

At the 185th meeting of the Board of Directors held on July 9, 2014, the Board approved an increase in the payment of sitting fees for meeting of the Board or committees of the Board subject to a ceiling of ₹100,000 per meeting. The Board has approved payment of ₹100,000 per meeting attended for a meeting of the Board of Directors, ₹50,000 per meeting attended for a meeting of the Audit Committee and ₹20,000 per meeting attended for every other committee of the Board.

We have not granted stock options to any of the non-executive Directors. The details of sitting fees paid to the non-executive Directors for attending the Board and committee meetings during the current fiscal year (to the extent applicable) and the fiscal years 2015, 2014 and 2013 are set forth in the table below:

Fiscal year 2016:

Name of Director	Salary (including perquisites &allowances)	Sitting Fee (₹)	Total (₹)
R. Seshasayee	–	440,000	440,000
T. Anantha Narayanan*	–	330,000	330,000
K. Ashok Kini	–	520,000	520,000
Kanchan Chitale	–	500,000	500,000
Vijay Vaid	–	340,000	340,000
Ranbir Singh Butola	–	420,000	420,000
Yashodhan Madhusudan Kale**	–	300,000	300,000

** Appointed additional Director on April 9, 2015*
*** Appointed additional Director on April 16, 2015*

Fiscal year 2015:

Name of Director	Salary (including perquisites &allowances)	Sitting Fee (₹)	Total (₹)
R. Seshasayee	–	930,000	930,000
T. Anantha Narayanan	–	1,110,000	1,110,000
Ajay P. Hinduja*	–	150,000	150,000
S. C. Tripathi**	–	540,000	540,000
K. Ashok Kini	–	730,000	730,000
Kanchan Chitale	–	1,090,000	1,090,000
Vijay Vaid	–	620,000	620,000
Ranbir Singh Butola***	–	290,000	290,000
Yashodhan Madhusudan Kale****	–	170,000	170,000

** Ajay P. Hinduja ceased to hold office from October 31, 2014 upon completion of the maximum possible tenure of 8 years on the Board of the Bank*
*** S.C.Tripathi ceased to hold office from February 13, 2015 upon completion of the maximum possible tenure of 8 years on the Board of the Bank*
**** Appointed as additional Director on January 13, 2015*
***** Yashodhan Madhusudan Kale ceased to hold office of alternate director of Ajay P. Hinduja from October 31, 2014*

Fiscal year 2014:

Name of Director	Salary (including perquisites &allowances)	Sitting Fee (₹)	Total (₹)
R. Seshasayee	–	520,000	520,000
T.T. Ram Mohan*	-	450,000	450,000
Ajay P. Hinduja	–	120,000	120,000
S. C. Tripathi	–	280,000	280,000
K. Ashok Kini	–	240,000	240,000
Kanchan Chitale	–	370,000	370,000
Vijay Vaid	–	200,000	200,000
R.S. Sharma**	–	160,000	160,000
Yashodhan Madhusudan Kale	–	70,000	70,000

** T.T. Ram Mohan ceased to hold office from January 16, 2014 upon completion of the maximum possible tenure of 8 years on the Board of the Bank*
*** Resigned from the Board with effect from August 7, 2013*

Fiscal year 2013:

Name of Director	Salary (including perquisites &allowances)	Sitting Fee (₹)	Total (₹)
R. Seshasayee	–	440,000	440,000
T. T. Ram Mohan	–	510,000	510,000
Ajay P. Hinduja*	–	30,000	30,000
S. C. Tripathi	–	300,000	300,000
K. Ashok Kini	–	280,000	280,000
Kanchan Chitale	–	370,000	370,000
Vijay Vaid	–	190,000	190,000
R.S. Sharma	–	420,000	420,000
Yashodhan Madhusudan Kale	–	160,000	160,000

*** Except for HR Committee meeting held on January 30, 2013 and meeting of the Board on March 18, 2013, all other meetings were attended by Yashodhan Madhusudan Kale*

Whole-time Director's Compensation

The appointment and compensation of any whole-time Director is made with the approval of the RBI.

Management Level Committees

We have management level committees which take decisions in areas such as asset and liability management, risk management, customer service and the sanction of higher value credit proposals. The details of these committees are given below.

Asset Liability Management Committee

The committee monitors liquidity risk and interest rate risk and reviews business strategies in order to mitigate any inherent risks. The committee reviews performance against budget and recommends modifications in product mix and pricing of products with the objective of mitigating volatility in earnings.

The committee comprises the following fourteen members: Romesh Sobti, Paul Abraham, K.S. Sridhar, Ramaswamy Meyyappan, Suhail Chander, Sumant Kathpalia, S. V. Zaregaonkar, Arun Khurana, Ramesh Ganesan, S. V. Parthasarathy, K. G. Bhandari, Roopa Satish, Sanjeet Anand and Sanjay Jaiswal.

Credit Risk Management Committee ("CRMC")

The CRMC manages credit risk on a Bank-wide basis through vetting and recommending policies to the Board. The CRMC reviews compliance of prudential limits set out in our credit risk policy and monitors diversification of the asset portfolio and the composition of asset and product mix. The CRMC also monitors the overall portfolio return vis-à-vis credit quality. It also monitors progress of our compliance with RBI Guidelines and Basel II recommendations in respect of credit risk management.

The CRMC comprises the following six members: Romesh Sobti, K.S. Sridhar, Suhail Chander, Arvind Jain, K. G. Bhandari and Sushil Jain.

Market Risk Management Committee ("MRMC")

In order to mitigate the market risks that we are exposed to, the MRMC monitors the exposures and risk values regularly. The committee manages the market risk through vetting and recommending our market risk policy to the Board. The MRMC reviews compliance of prudential limits and risk values set out in the market risk policy.

The committee comprises the following eight members: Romesh Sobti, K.S. Sridhar, Ramaswamy Meyyappan, Arun Khurana, S. V. Zaregaonkar, K. G. Bhandari, Shyamal Karmakar and Mandar Pitale.

Operational Risk Management Committee ("ORMC")

The ORMC is responsible for management and mitigation of risks resulting from inadequate and failed internal processes, people and systems or from other external events. The ORMC reviews bank-wide operational risk through Operational Risk Assessment Process ("ORAP") – New Product Programme Policy, loss data analysis, risk and control self-assessment (RCSA) and analysis of how frauds are carried out. The ORAP – New Product Programme Policy formalizes the process for the introduction of new products or processes and provides a structured mechanism for due recognition of risks embedded within the new product, process or service. The ORMC is also responsible for the review of our business continuity plan and ensures the implementation and institutionalization of the plan across the Bank's critical functions.

The committee comprises of the following fourteen members: Romesh Sobti, Paul Abraham, Ramaswamy Meyyappan, Anil Rao, Sandeep Sareen, S. V. Zaregaonkar, K. G. Bhandari, B. Chandramohan, Pramod Khandelwal, Dilip Vaidya, Sanjay Jaiswal, Mridul Sharma, Arun Talreja and Anita Verghese.

Fraud Risk Management Committee ("FRMC")

The FRMC is responsible for identifying the systemic failure of controls or absence of key controls or severe weaknesses in existing controls which facilitated large value frauds, approving corrective actions for immediate rectification of any systemic weaknesses, examining the need for strengthening internal controls in other fraud-prone areas brought out at the meetings of the Committee and approving preventive actions, approving line of action relating to filing of First Information Report, recovery, payment to customers and staff side actions pending full investigation, tracking the progress of all large value frauds based on periodical reporting by SSIF, and ensuring timely reporting of all frauds as per RBI guidelines within specified timelines.

The committee consists of the following ten members: Romesh Sobti, Paul Abraham, Anil Rao, Anita Verghese, Zubin Mody, Krishan Bhandari, Deval Mazumdar, Chandra Mohan Bhagavatula, Mridul Sharma and Rakesh Ranjan.

Committee on Procedures and Performance of Audit of Public Services ("CPPAPS")

The CPPAPS ensures timely and effective implementation of the RBI's instructions. It also collects feedback to determine that the action taken by our various departments is in tune with the spirit and intent of such instructions and, along with reviewing our practice and procedures, takes corrective action on an ongoing basis.

This committee comprises the following members: Romesh Sobti, Paul Abraham, Soumitra Sen, Suresh Pai, Sumant Kathpalia, S.V. Parthasarthy, Anil Rao, Sanjeet Kumar Anand, Mridul Sharma, Sanjay Jaiswal and Anita Varghese. In addition, certain customers of various branches are invited to each meeting.

Treasury Strategy Committee

The role of the Treasury Strategy Committee is mainly the day-to-day monitoring of the investment portfolio and the devising of short term strategies and decision making on any change in portfolio composition when market dynamics demand immediate action.

This committee comprises the following four members: Arun Khurana, K. G. Bhandari, Rajeev Mehrotri and Mandar Pitale.

Funds and Investment Committee

The role of the Funds and Investment Committee is to review matters relating to strategies to be adopted and provide guidance in the areas of funds and investments.

This committee comprises the following four members: Romesh Sobti, K. S. Sridhar, Arun Khurana and K. G. Bhandari.

Equity Investment Committee

The role of the Equity Investment Committee is to decide upon the broad policy within which the Equity Division will operate; and to review the operations of the Equity Division from time to time.

This committee comprises the following five members: K. S. Sridhar, Arun Khurana, S. V. Zaregaonkar, Arvind Jain and Rajeev Mehrotri

Credit Function Committees

Under the delegation of powers, committees have been set up at various levels for the purpose of vetting and approving higher value credit proposals.

Corporate & Commercial Banking, Business Banking, Consumer Banking (excluding Consumer Finance Division)

Corporate Office Credit Committee I – Corporate & Commercial Banking (COCC I – CCBG)

The Corporate Office Credit Committee I - CCBG comprises the following members: Senior Vice President (Credit) / Vice President (Credit) of the business vertical, Head Risk Management or his nominee, and the concerned Business Head.

Corporate Office Credit Committee I – Business Banking and Consumer Banking (excluding CFD)

The Corporate Office Credit Committee I - Business Banking and Consumer Banking (excluding CFD) comprises the following members: Head Credit– Business Banking/VP Credit, Deputy Vice President (Credit)/Assistant Vice President (AVP) Credit, and Head Risk Management or his Nominee, and the concerned Business Head.

Corporate Office Credit Committee II – Corporate & Commercial Banking (COCC II – CCBG)

The Corporate Office Credit Committee II – CCBG comprises the following members: Chief Risk Officer (CRO), Head CCBG, Head Transaction Banking, Head Credit and Head Risk Management.

Corporate Office Credit Committee II - Business Banking and Consumer Banking excluding CFD (COCC II – Business Banking and Consumer Banking excluding CFD)

The Corporate Office Credit Committee II – Business Banking and Consumer Banking excluding CFD comprises the following members: Chief Risk Officer, Head CCBG, Head Transaction Banking, Head Consumer Banking, Head Credit Business Banking, and Head Risk Management.

Executive Credit Committee (ECC)

ECC comprises of the following members: Managing Director and Chief Executive Officer, Chief Risk Officer, Head (Corporate and Commercial Banking), Head Credit (in respect of CCBG proposals), Head Risk Management, Head Consumer Banking (in respect of proposals pertaining to Consumer Banking), Head Consumer Finance (in respect of proposals pertaining to CFD), Head Transaction Banking (in respect of proposals pertaining to Transaction Banking).

Consumer Banking – Consumer Finance Division

Corporate Office Credit Committee I - Consumer Banking (COCC I – Consumer Banking)

COCC I – Consumer Banking comprises the following five members: Sumant Kathpalia, Head Consumer Banking, S. V. Parthasarathy, Head CFD, Regional/State Head, Credit Head CFD and Product Head. The credit representative is the convener of meetings, which are presided over by Head CV/Head PPD as the case may be. If Head Consumer Banking or in his absence Head CFD attends the meeting, he presides over the meeting.

Corporate Office Credit Committee II - Consumer Banking (COCC II – Consumer Banking)

COCC II – Consumer Banking comprises the following six members: Ramaswamy Meyyappan, Sumant Kathpalia, S. V. Parthasarathy, Regional / State Head, Credit Head CFD and Product Head. The credit representative is the convener of meetings.

Asset Management – Compromise Committees

The function of compromise committees is to evaluate the settlement proposals received in respect of non-performing assets that involve a write-off on our part.

Compromise Committee (1)

Compromise Committee (1) comprises the following members: Head Credit, Head Financial Reconstruction and Restructuring Group and any one VP/AVP from Credit / Financial Reconstruction and Restructuring Group ("FRRG").

Compromise Committee (2)

Compromise Committee (2) comprises the following members: Head FRRG and any two of MD and COO, CRO and all EVPs.

In respect of standard accounts, Compromise Committee (1) consists of Head of the Business Unit, Head Credit and Head FRRG; Compromise Committee (2) consist of Head of the Business Unit, Head FRRG and any two of MD and COO, CRO and all EVPs.

Identification Committee

The role of the Identification Committee is to decide on classification of borrowers as wilfull defaulters or non-cooperative borrowers after examining evidence.

The Identification Committee comprises the following members: Chief Risk Officer, Head Credit and Head FRRG.

Interest of the Principal Executive Officers (core executive team) and key managerial personnel as of March 31, 2015

The total of the interests of the principal executive officers (core executive team) and key managerial personnel in our Equity Shares, held directly or indirectly, as of March 31, 2015, are set out in the table below:

Name	Number of Equity Shares Held
Romesh Sobti	100,000
Paul Abraham	495,000
Suhail Chander	329,676
Sumant Kathpalia	26,000
K. S. Sridhar	3,141
S. V. Zaregaonkar	150
Arun Khurana	13,000
S.V. Parthasarathy	35,000
Ramesh Ganesan	83,943
Sanjay Mallik	5,500
Zubin Mody	91,371

Our other principal executive officers, *i.e.*, Ramaswamy Meyyappan, Roopa Satish and Sanjeev Anand and one of our key managerial personnel, Haresh Gajwani, did not hold any of our Equity Shares as on March 31, 2015. Five of our principal executive officers (core executive team) and key managerial personnel were granted options in excess of 5% of the total options granted during the fiscal year ended March 31, 2015.

The principal executive officers (core executive team) and key managerial personnel of the Bank do not have any interests in the Bank other than to the extent of (i) the remuneration or benefits to which they are entitled to as per their terms of appointment; (ii) the Equity Shares held by them or their relatives in the Bank; and (iii) number of options granted to them under ESOP 2007.

Employees' Stock Option Plan

Pursuant to the approval of our shareholders in the general meeting held on September 18, 2007, we had instituted the ESOP 2007 to enable our employees, including our whole-time Director, to participate in our future growth. Under the ESOP 2007, the maximum number of options that may be granted to any one eligible employee in a financial year cannot, without the approval of the Board of Directors, exceed 0.20% of our paid-up equity capital at the time of such grant of options and the aggregate of all such options granted to eligible employees cannot exceed 7% of our paid-up equity capital on the date of such grant of options. The Board of Directors is further authorized to vary or modify the terms of the ESOP 2007. The eligibility and number of options to be granted to an employee is determined on the basis of criteria laid down in the ESOP 2007 and is approved by the Compensation Committee of the Board of Directors. The

Compensation Committee also has the discretion to determine the exercise price of any options granted under the ESOP 2007. In addition, any options granted under the ESOP 2007 may only vest one year or more following the date of the grant of such options.

An aggregate of 34,620,300 options have been granted under the ESOP 2007, of which 27,650,001 options have vested as of May 31, 2015.

Loans to Directors and Management

There are no loans or advances outstanding from us to any Director. As of March 31, 2015, we had ₹3.48 million outstanding in loans and advances to members of management other than Directors. We have not given any guarantees in favour of any Director or any member of management.

Related Party Transactions

Related party transactions are determined in accordance with Accounting Standard 18 issued by the ICAI. For details in relation to the related party transactions during the last three fiscal years, see the section "Financial Statements" beginning on page 248.

During the fiscal year ended March 31, 2015 and up to the date of this Placement Document, no transactions were effected by us in which members of our administrative, management and supervisory bodies had interests and which were unusual in their conditions. There were no materially significant related party transactions that could have had any potential for conflict with our interests at large.

Prevention of Insider Trading Policy

In compliance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended, the Bank has formulated, adopted and implemented the "IndusInd Bank Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information" of the Bank.

Other Confirmations

None of the Directors, Promoters, principal executive officers (core executive team) or key managerial personnel of our Bank has any financial or other material interest in the Issue and there is no effect of such interest in so far as it is different from the interests of other persons.

PRINCIPAL SHAREHOLDERS

The following table contains information as of March 31, 2015 concerning our shareholding pattern:

Category of Shareholder	Number of Equity Shares	Total shareholding as a percentage of the total number of issued and outstanding Equity Shares (%)
Shareholding of Promoters and Promoter Group		
Indian	-	-
Foreign	79,899,984	15.09
Non-Promoter's Holding		
Mutual funds/UTI	39,613,937	7.48
Financial institutions/Banks	1,188,611	0.22
Insurance companies	6,852,422	1.29
Foreign Institutional Investors (FIIs)	210,236,093	39.71
Central Government/State Government(s)	50	0.01
Bodies Corporate	64,669,997	12.21
Individuals	36,967,984	6.99
Qualified Foreign Investors (QFIs)	17,767,313	3.36
Clearing Members	448,792	0.08
Directors and their relatives and friends	100,580	0.02
Overseas Corporate Bodies (OCB)	1,477,000	0.28
Non Resident Indians(NRI)	4,809,502	0.90
Trusts	735,580	0.14
Shares held by Custodians (against which Depository Receipts have been issued)	64,682,364	12.22
Total	**529,450,209**	**100.00**

In March 2007, we issued 29,490,300 Equity Shares in connection with an issuance and listing of GDRs. In June 2008, we issued 35,192,064 Equity Shares in connection with another issuance and listing of GDRs, each representing one Equity Share. All such GDRs representing our Equity Shares are listed on the Luxembourg Stock Exchange. As of March 31, 2015, 64,682,364 Equity Shares were outstanding in connection with issuance of GDRs.

The following table contains information as of March 31, 2015 concerning each person in the public category, who we know beneficially owns 1% or more of our Equity Shares:

No.	Name of Shareholder	Number of Equity Shares	Total shareholding as a percentage of the total number of issued and outstanding Equity Shares (%)
1	Bridge India Fund	22,263,458	4.21
2	Afrin Dia	15,005,666	2.83
3	GA Global Investments Limited	12,776,391	2.41
4	Goldman Sachs Investments (Mauritius) I Ltd	10,280,795	1.94
5	ICICI Prudential Life Insurance Company Limited	8,462,134	1.60
6	Hinduja Group Limited	8,249,117	1.56
7	Franklin Templeton Mutual Fund A/C Franklin India Bluechip Fund	8,036,749	1.52
8	Franklin Templeton Investment Funds	7,606,520	1.44
9	IDL Speciality Chemicals Limited	7,281,000	1.38
10	Morgan Stanley Asia (Singapore) PTE	7,052,241	1.33
11	Life Insurance Corporation Of India	6,985,553	1.32
12	Norwest Venture Partners X FII- Mauritius	6,718,087	1.27
13	DVI Fund Mauritius Ltd	5,876,757	1.11
14	Government Of Singapore	5,811,239	1.10
15	Birla Sun Life Trustee Company Private Limited A/C Birla Sun Life Frontline Equity Fund	5,530,948	1.04
16	Tiaa-Cref Institutional Mutual Funds-International Equity Fund	5,511,180	1.04
17	HDFC Standard Life Insurance Company Limited	5,437,995	1.03
	Total	**148,885,830**	**28.12**

Pursuant to a resolution under Section 62(1)(c) of the Companies Act, 2013 adopted through a postal ballot on June 8, 2015, our shareholders have approved the issue and allotment of Equity Shares, in one or more tranches, pursuant to a qualified institutions placement, not exceeding 10% of our authorized share capital.

Pursuant to its resolution dated June 11, 2015, our Board of Directors has approved, subject to receipt of approvals from the RBI and our shareholders, a preferential allotment of Equity Shares to our Promoters up to 1.5% of our authorized share capital (and within the limit of 10% of our authorized share capital as approved by our shareholders pursuant to their resolution adopted by way of postal ballot on June 8, 2015), such that the aggregate shareholding of our Promoters is maintained at 15% post the Issue and preferential allotment. The price at which Equity Shares will be allotted under the preferential allotment shall be in accordance with Chapter VII of the ICDR Regulations, however, such price shall not be less than the price at which the Equity Shares are allotted to QIBs in the Issue. We have received the in-principle approval of the RBI for undertaking a preferential allotment of Equity Shares to our Promoters through a letter dated June 17, 2015. We have sought the approval of our shareholders through a notice of postal ballot dated June 25, 2015.

ISSUE PROCEDURE

Set forth below is a brief summary intended to present a general outline of the procedure relating to the application, payment, Allocation and Allotment of Equity Shares in the Issue. The procedure followed in the Issue may differ from the one mentioned below and prospective investors are assumed to have apprised themselves of such procedure from us or the Lead Managers. Prospective investors are advised to inform themselves of any restrictions or limitations that may be applicable to them. For further details, see the sections "Distribution and Solicitation Restrictions" and "Transfer Restrictions".

Qualified Institutions Placement

This Issue is being made to QIBs (as defined under Regulation 2(1)(zd) and Chapter VIII of the ICDR Regulations) in reliance upon Chapter VIII of the ICDR Regulations and Section 42 of the Companies Act, 2013, through a qualified institutions placement ("QIP"). Under Chapter VIII of the ICDR Regulations and Section 42 of the Companies Act, 2013 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, a listed company in India may issue equity shares, fully convertible debentures, partly convertible debentures, non-convertible debentures with warrants or any other security (other than warrants), which are convertible into or exchangeable with equity shares of the issuer at a later date in a qualified institutions placement to QIBs, provided that:

- the shareholders of the issuer have adopted a special resolution approving such QIP. Such special resolution must specify: (a) that the allotment of securities is proposed to be made pursuant to the QIP; and (b) the relevant date;
- equity shares of the same class of such issuer, which are proposed to be allotted through the QIP or pursuant to conversion or exchange of eligible securities, have been listed on a stock exchange in India that has nation-wide trading terminals for a period of at least one year as on the date of issuance of notice to its shareholders for convening the meeting to adopt the above-mentioned special resolution;
- the issuer complies with the minimum public shareholding requirements set out in the listing agreements with the stock exchanges referred to above and the SCRR;
- the aggregate of the proposed issue and all previous QIPs made by the issuer in the same financial year does not exceed five times the net worth (as defined in the ICDR Regulations) of the issuer as per the audited balance sheet of the previous financial year;
- the issuer shall have completed allotments with respect to any offer or invitation made by the issuer and has not withdrawn or abandoned any invitation or offer previously made by the issuer;
- the issuer shall offer to each Allottee such number of the securities in the issue which would aggregate to at least ₹20,000 calculated at the face value of the securities;
- the explanatory statement to the postal ballot notice to the shareholders for convening the general meeting must disclose the basis or justification for the price (including premium, if any) at which the offer or invitation is being made;
- the offer must be made through a private placement offer letter and an application form serially numbered and addressed specifically to the QIB to whom the offer is made and is sent within 30 days of recording the names of such QIBs;
- prior to circulating the private placement offer letter, the issuer must prepare and record a list of QIBs to whom the offer will be made. The offer must be made only to such persons whose names are recorded by the issuer prior to the invitation to subscribe;
- the offering of securities by issue of public advertisements or utilization of any media, marketing or distribution channels or agents to inform the public about the issue is prohibited.

At least 10% of the equity shares issued to QIBs must be allotted to Mutual Funds, provided that, if this portion or any part thereof to be allotted to Mutual Funds remains unsubscribed, it may be allotted to other QIBs.

Investors are not allowed to withdraw their Applications after the Issue Closing Date.

There is a minimum pricing requirement under the ICDR Regulations. The issue price of the equity shares issued pursuant to a QIP must not be lower than the average of the weekly high and low of the closing prices of the equity shares of the same class of the issuer quoted on the stock exchange during the two weeks immediately preceding the relevant date; provided however, an issuer may offer a discount of not more than 5% on the price calculated for the QIP as above, subject to the approval of the shareholders by a special resolution pursuant to Regulation 82(a) of the ICDR Regulations.

In the case of issue of equity shares, the "relevant date" referred to above means the date on which the meeting of the board of directors of the company or the committee of directors duly authorized by the board of directors of the company decides to open the proposed issue. "Stock exchange" means any of the recognized stock exchanges on which equity shares of the issuer are listed and on which the highest trading volume in such equity shares has been recorded during the two weeks immediately preceding the relevant date.

Equity shares must be allotted within twelve months from the date of the shareholders' resolution approving the qualified institutions placement and within sixty days from the date of receipt of the application money from the successful applicants. The equity shares issued pursuant to the qualified institutions placement must be issued on the basis of a placement document that shall contain all material information including the information specified in Schedule XVIII of the ICDR Regulations and the requirements prescribed under Form PAS-4. The preliminary placement document and the placement document are private documents provided to only select investors through serially numbered copies and are required to be placed on the website of the concerned stock exchanges and of the issuer with a disclaimer to the effect that they are in connection with an issue to QIBs and no offer is being made to the public or to any other category of investors.

Pursuant to the provisions of Section 42 of the Companies Act, 2013 and rules made thereunder, for a transaction that is not a public offering (*i.e.*, a private placement), an invitation or offer may be made to such number of persons not exceeding two hundred, excluding QIBs and employees of a company. Hence, there is no restriction on the number of QIBs that may apply in the Issue.

The aggregate of the proposed QIP and all previous QIPs made in the same financial year shall not exceed five times the net worth of the issuer as per its audited balance sheet of the previous financial year. The issuer shall furnish a copy of the placement document to each stock exchange on which its equity shares are listed.

Securities allotted to a QIB pursuant to a QIP shall not be sold for a period of one year from the date of allotment except on the floor of a recognized stock exchange in India.

We have received the in-principle approval of the Stock Exchanges under Clause 24(a) of the listing agreements with the Stock Exchanges. We have also filed a copy of the Preliminary Placement Document and this Placement Document with the Stock Exchanges.

We shall also make the requisite filings with the RoC and the SEBI within the prescribed period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

The Issue has been authorized by our Board pursuant to resolution dated April 16, 2015 and by our shareholders' pursuant to resolution through a postal ballot adopted under Section 62(1)(c) of the Companies Act, 2013 on June 8, 2015.

Issue Procedure

1. We and the Lead Managers shall circulate serially numbered copies of the Preliminary Placement Document and the serially numbered Application Form, either in electronic or physical form, to the QIBs and the Application Form will be specifically addressed to such QIBs. In accordance with Section 42(7) of the Companies Act, 2013, we shall maintain complete records of the QIBs to whom the Preliminary Placement Document and the serially numbered Application Form have been dispatched. We will make the requisite filings with the RoC and the SEBI within the time period prescribed under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

2. The list of QIBs to whom the Application Form is delivered shall be determined by the Lead Managers in their sole and absolute discretion, in consultation with us. **Unless a serially numbered Preliminary Placement**

Document along with the serially numbered Application Form is addressed to a particular QIB, no invitation to subscribe shall be deemed to have been made to such QIB. Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person and any application that does not comply with this requirement shall be treated as invalid.

3. QIBs may submit an Application Form during the Issue period to the Lead Managers.

4. QIBs will be required to indicate the following in the Application Form:

   a. Complete official name of the QIB to whom Equity Shares are to be Allotted;

   b. Number of Equity Shares Bid for;

   c. Price at which they offer to apply for the Equity Shares, provided that the QIBs may also indicate that they are agreeable to submit an Application in respect of the Equity Shares at "Cut-off Price" which shall be any price as may be determined by us in consultation with the Lead Managers at or above the minimum price calculated in accordance with Regulation 85(1) of the ICDR Regulations, which for the Issue, is ₹821.54;

   d. That it has agreed to certain representations set forth in the Application Form; and

   e. Depository account details to which the Equity Shares should be credited.

   Note: Each eligible sub-account of an FII, other than a sub-account which registered with the SEBI in the category of a foreign corporate or foreign individual, will be considered as an individual QIB and separate Application Forms would be required from each such sub-account. FIIs or sub-accounts of FIIs are required to indicate the SEBI FII/sub-account registration number in the Application Form.

5. Once a duly filled Application Form is submitted by a QIB, such Application Form constitutes an irrevocable offer and cannot be withdrawn after the Issue Closing Date. The Issue Closing Date shall be notified to the Stock Exchanges and the QIBs shall be deemed to have been given notice of such date after the receipt of the Application Form.

6. Based on the Applications received, we, in consultation with the Lead Managers, shall determine the Issue Price for the Equity Shares, which shall be at or above the minimum price calculated in accordance with Regulation 85(1) of the ICDR Regulations, the number of Equity Shares to be issued and the QIBs to which such Equity Shares shall be Allocated. We shall notify the Stock Exchanges of the Issue Price. On determining the Issue Price and the QIBs to whom Allocation shall be made, such QIBs shall be sent the serially numbered Confirmation of Allocation Note ("CAN") along with a serially numbered Placement Document either in electronic form or through physical delivery. The CAN shall contain details such as the number of Equity Shares allocated to the QIB, the details of the amounts payable by the QIB for Allotment of the Equity Shares in its name and the Pay-In Date as applicable to the respective QIB. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the QIBs to subscribe to the Equity Shares Allocated to such QIB and to pay the application money (being the product of the Issue Price and the Equity Shares Allocated to such QIB).

7. Following the receipt of the CAN, each QIB shall be required to make payment of the entire application monies for the Equity Shares indicated in the CAN at the applicable Issue Price through electronic transfer to the designated Escrow Cash Account by the Pay-In-Date as specified in the CAN sent to such QIB. No payment shall be made by QIBs in cash. Any payment of application money for the Equity Shares shall be made from the bank accounts of the relevant QIBs applying for the Equity Shares. Monies payable on Equity Shares to be held by joint holders shall be paid from the bank account of the person whose name appears first in the application. Pending Allotment, all monies received for subscription of the Equity Shares shall be kept by us in a separate bank account with a scheduled bank and shall be utilized only for the purposes permitted under the Companies Act, 2013.

8. Upon receipt of the application monies from the QIBs, the Board will approve Allotment of the Equity Shares pursuant to a Board resolution, in accordance with the details provided in the CANs to such QIBs. We will inform the Stock Exchanges of the details of the Allotment.

9. After adopting the Allotment resolution and prior to crediting the Equity Shares into the Depository Participant accounts of the QIBs, we shall apply for in-principle listing approval of the Stock Exchanges for listing of the Equity Shares.

10. After receipt of the in-principle listing approval of the Stock Exchanges, we shall credit the Equity Shares into the Depository Participant accounts of the QIBs in accordance with the details submitted by the QIBs in the Application Form.

11. We shall then apply for the final trading and listing permissions from the Stock Exchanges.

12. The Equity Shares that have been Allotted and credited to the Depository Participant accounts of the QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing permissions from both the Stock Exchanges.

13. The Stock Exchanges shall notify the final trading and listing permissions, which is ordinarily available on their websites. We and the Lead Managers shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from either of the Stock Exchanges or any loss arising from such delay or non-receipt. QIBs are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or us.

Qualified Institutional Buyers

Only eligible QIBs as defined in Regulation 2(1)(zd) and Chapter VIII of the ICDR Regulations, and not otherwise excluded under Regulation 86 of the ICDR Regulations or other applicable regulations, can invest in the Issue.

Currently, under Regulation 2(1)(zd) and Chapter VIII of the ICDR Regulations, a QIB means:

- a public financial institution as defined in Section 4A of the Companies Act, 1956 (Section 2(72) of the Companies Act, 2013);
- a scheduled commercial bank;
- a mutual fund registered with the SEBI;
- Eligible FPIs;
- a multilateral and bilateral development financial institution;
- venture capital funds and AIFs registered with the SEBI;
- a foreign venture capital investor registered with the SEBI;
- a state industrial development corporation;
- an insurance company registered with IRDAI;
- a provident fund with minimum corpus of ₹250 million;
- a pension fund with minimum corpus of ₹250 million;
- National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India; and
- an insurance fund set up and managed by the army, navy or air force of the Union of India; and

- insurance funds set up and managed by the Department of Posts, India.

FIIs (other than a sub-account which is a foreign corporate or a foreign individual) and Eligible FPIs are permitted to participate in the Issue through the Portfolio Investment Scheme and the Foreign Portfolio Investment Scheme, respectively, subject to compliance with all applicable laws and such that the shareholding of the FPIs does not exceed specified limits as prescribed under applicable laws in this regard. Note that FVCIs, foreign multilateral and bilateral development financial institutions and any other non-resident investors are not permitted to participate in the Issue.

Eligible FPIs are permitted to participate in the Issue subject to compliance with conditions and restrictions which may be specified by the Government from time to time.

No single FPI or an investor group (which means the same set of ultimate beneficial owner(s) investing through multiple entities) can hold 10% or more of our post Issue paid-up capital.

Currently, the aggregate FPI (including FII) holding in us cannot exceed 49% of our total paid-up capital. See section "Risk Factors - Your ability to sell your Equity Shares may be adversely affected by restrictions on foreign investment applicable to us. We are mentioned on the RBI "caution list" with respect to our foreign shareholding".

Under applicable RBI guidelines, the RBI's acknowledgment is required for any acquisition or transfer of our Equity 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% or more of its total paid-up capital.

In accordance with Regulation 86 of the ICDR Regulations, no allotment shall be made, either directly or indirectly, to any QIB who is our Promoter or any person related to our Promoters. For this purpose, any QIB who has all or any of the following rights shall be deemed to be a person related to the Promoters:

- rights under a shareholders' agreement or voting agreement entered into with our Promoters or persons related to our Promoters;

- veto rights; or

- the right to appoint a nominee director on our Board,

unless a QIB has acquired any of these rights in its capacity as a lender to us and such QIB does not hold any of our shares.

Allotment made to VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements, if any.

Neither we, nor any of the Lead Managers, nor any of their respective shareholders, directors, partners, officers, employees, counsel, advisors, representatives, agents or affiliates are liable for any amendments or modification or changes in applicable laws or regulations, which may occur after this Placement Document is filed with the Stock Exchanges. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to Bid. QIBs are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Placement Document. QIBs are required to satisfy themselves that any compliance requirements pursuant to this Allotment, such as public disclosures under applicable laws, are fulfilled. Further, QIBs are required to satisfy themselves that their Application Forms would not result in triggering a tender offer under the Takeover Code.

A minimum of 10% of the Equity Shares offered in the Issue shall be Allotted to Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion as specified above, such minimum portion or part thereof may be Allotted to other QIBs.

Note: Affiliates or associates of the Lead Managers who are QIBs may participate in the Issue in compliance with applicable laws.

Application Process

Application Form

QIBs shall only use the serially numbered Application Form (which is addressed to them) supplied by the Lead Managers in either electronic form or by physical delivery for the purpose of making an Application (including any revision thereof) in terms of the Preliminary Placement Document.

By making an Application (including the revision thereof) for Equity Shares through an Application Form and pursuant to the terms of the Preliminary Placement Document, each QIB will be deemed to have made the following representations and warranties and the representations, warranties, agreements and acknowledgements made under the sections and paragraphs "Notice to Investors – Representation by Investors", "Distribution and Solicitation Restrictions" and "Transfer Restrictions":

1. The QIB confirms that it is a QIB in terms of Regulation 2(1)(zd) of the ICDR Regulations and is not otherwise excluded under Regulation 86 of the ICDR Regulations or other applicable regulations, has a valid and existing registration under the applicable laws in India (as applicable) and is eligible to participate in the Issue;

2. The QIB confirms that it is not a Promoter and is not a person related to the Promoters, either directly or indirectly, and its Application does not directly or indirectly represent the Promoter or Promoter group or persons related to the Promoters;

3. The QIB confirms that it has no rights under a shareholders' agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board other than that acquired in the capacity of a lender not holding any Equity Shares which shall not be deemed to be a person related to the Promoters;

4. The QIB acknowledges that it has no right to withdraw its Application after the Issue Closing Date;

5. The QIB confirms that if Allotted Equity Shares pursuant to the Issue, the QIB shall, for a period of one year from the date of Allotment, sell the Equity Shares so acquired only on the floor of the Stock Exchange;

6. The QIB confirms that the QIB is eligible to make an Application and hold Equity Shares so Allotted and together with any Equity Shares held by the QIB prior to the Issue. The QIB further confirms that the holding of the QIB, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the QIB;

7. The QIB confirms that the Application would not result in triggering a tender offer under the Takeover Code;

8. That to the best of its knowledge and belief, together with other QIBs in the Issue that belong to the same group or are under common control, the Allotment to the QIB shall not exceed 50% of the Issue Size. For the purposes of this statement:

    a. The expression "belongs to the same group" shall be interpreted by applying the concept of "companies under the same group" as provided in sub-section (11) of Section 372 of the Companies Act, 1956; and

    b. "Control" shall have the same meaning as is assigned to it by Clause (1)(e) of Regulation 2 of the Takeover Code.

9. The QIB shall not undertake any trade in the Equity Shares credited to its Depository Participant account until such time that the final listing and trading approvals for the Equity Shares are issued by both the Stock Exchanges.

10. Each eligible QIB acknowledges that, as required under the notification dated April 20, 2010 issued by the RBI, the Bank shall apply for a *post facto* approval from the RBI in respect of the Issue, upon completion of the Allotment. In the event that the RBI does not grant the *post facto* approval in respect of Allotment to any Allottee(s), such Allottee shall be required to comply with the instructions that may be received from the RBI, in this regard.

QIBS WOULD NEED TO PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, PAN, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER, EMAIL ID AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. FOR THIS PURPOSE, SUB-ACCOUNTS OF AN FII WOULD EACH BE CONSIDERED INDEPENDENT QIBS.

IF SO REQUIRED BY THE LEAD MANAGERS, A QIB MAY ALSO BE REQUIRED TO SUBMIT REQUISITE DOCUMENT(S) ALONG WITH THE APPLICATION FORM TO THE LEAD MANAGERS TO EVIDENCE THEIR STATUS AS A "QIB" AS DEFINED HEREIN.

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details given above. The submission of an Application Form by the QIBs shall be deemed a valid, binding and irrevocable offer for the QIB to pay the entire Issue Price for its share of the Allotment (as indicated by the CAN), and becomes a binding contract on the QIB, upon issuance of the CAN by us in favour of the QIB.

Bids by Mutual Funds

The Bids submitted by the asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. Each scheme or fund of a mutual fund will be required to submit a separate Application Form. Such applications will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made. However, for the purpose of calculating the number of allottees or applicants, various schemes of the same mutual fund will be considered as a single allottee or applicant.

Under the current regulations, the following restrictions are applicable for investments by Mutual Funds:

No mutual fund scheme shall invest more than 10% of its net asset value in Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws.

Submission of Application Form

All Application Forms shall be duly completed with information including the name of the QIB, the price and the number of Equity Shares applied for. The Application Form along with payment and a copy of the PAN card or PAN allotment letter shall be submitted to the Lead Managers either through electronic form or through physical delivery at any of the following addresses:

Name:	Morgan Stanley India Company Private Limited
Address:	18F/19F, Tower 2, One Indiabulls Centre, 841 Senapati Bapat Marg, Lower Parel Mumbai 400 013, India
Contact Person:	Shagun Gupta / Jayesh Jamsandekar
Email address:	ipoindiaops@morganstanley.com
Telephone:	+91 22 6118 3397 / +91 22 6138 4955

Name:	JM Financial Institutional Securities Limited (formerly JM Financial Institutional Securities Private Limited)
Address:	7th Floor, Cnergy Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India
Contact Person:	Kailash Soni
Email address:	kailash.soni@jmfl.com
Telephone:	+91 22 6630 3030

Name:	CLSA India Private Limited (formerly CLSA India Limited)
Address:	8/F Dalamal House, Nariman Point, Mumbai 400 021, India
Contact Person:	Sarfaraz Agboatwala
Email address:	sarfaraz.agboatwala@citicclsa.com
Telephone:	+91 22 6650 5050

Name:	Citigroup Global Markets India Private Limited
Address:	1202, 12th Floor, First International Financial Centre, G Block, Bandra Kurla Complex, Bandra East, Mumbai 400 051, India
Contact Person:	Jeetendra Parmani
Email address:	Jeetendra.parmani@citi.com
Telephone:	+91 22 6175 9894

Name:	Credit Suisse Securities (India) Private Limited
Address:	10th Floor, Ceejay House, Shivsagar Estate, Dr. Annie Besant Road, Worli, Mumbai 400 018, India
Contact Person:	Sumit Jalan
Email address:	sumit.jalan@credit-suisse.com
Telephone:	+91 22 6777 3926

Name:	Goldman Sachs (India) Securities Private Limited
Address:	951-A, Rational House, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India
Contact Person:	Priya Subbaraman
Email address:	priya.subbaraman@gs.com
Telephone:	+91 22 6616 9000

Name:	J.P. Morgan India Private Limited
Address:	J.P. Morgan Tower, Off CST Road, Kalina, Santacruz (East), Mumbai 400 098, India
Contact Person:	Prateeksha Runwal
Email address:	Project_Summit_2015_Core@jpmorgan.com
Telephone:	+91 22 6157 3000

The Lead Managers shall not be required to provide any written acknowledgement of the Application.

Pricing and Allocation

Build up of the Book

The QIBs shall submit their Applications (including any revision thereof) through the Application Form within the Issue period to the Lead Managers who shall maintain the book.

Price discovery and allocation

We, in consultation with the Lead Managers, shall finalize the Issue Price of the Equity Shares which shall be at or above the minimum price calculated in accordance with Regulation 85(1) of the ICDR Regulations.

After finalization of the Issue Price, we updated the Preliminary Placement Document with the Issue details and filed this Placement Document with the Stock Exchanges.

Method of Allocation

We shall determine the Allocation for the purposes of inviting CANs, in consultation with the Lead Managers on a discretionary basis and in compliance with Chapter VIII of the ICDR Regulations.

Applications received from the QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such QIBs will be made at the Issue Price. Allocation shall be determined at our sole and absolute discretion in consultation with the Lead Managers. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Applications being received at or above the Issue Price.

THE DECISION OF THE BANK, IN CONSULTATION WITH THE LEAD MANAGERS, IN RESPECT OF ALLOCATION SHALL BE BINDING ON ALL QIBS. QIBS MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF THE BANK IN CONSULTATION WITH THE LEAD MANAGERS AND QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATIONS AT OR ABOVE THE ISSUE PRICE. NEITHER WE NOR THE LEAD MANAGERS ARE OBLIGED TO ASSIGN ANY REASONS FOR SUCH NON-ALLOCATION.

Number of Allottees

The minimum number of allottees of Equity Shares shall not be less than:

(a) two, where the issue size is less than or equal to ₹2,500 million;
(b) five, where the issue size is greater than ₹2,500 million.

Provided that no single Allottee shall be allotted more than 50% of the Issue Size.

Provided further that QIBs belonging to the same group or those who are under common control shall be deemed to be a single allottee for the purpose of this clause. For details of what constitutes "same group" or "common control" see the section "- Application Process –Application Form".

CAN

Based on the Applications received, we, in consultation with the Lead Managers, in our sole and absolute discretion, shall decide the list of QIBs to whom the serially numbered CAN shall be sent containing details of the Equity Shares allocated to them and the details of the amounts payable by them by the Pay-In Date for Allotment of the Equity Shares in their respective names. Additionally, the CAN would include details of the Escrow Cash Account for transfer of funds if done electronically, the Pay-In Date as well as the probable designated date ("Designated Date"), being the date of credit of the Equity Shares to the investor's account, as applicable to the respective QIBs.

The eligible QIBs would also be sent a serially numbered Placement Document either in electronic form or by physical delivery along with the serially numbered CAN.

The dispatch of the serially numbered Placement Document and the serially numbered CAN to the QIB shall be deemed a valid, binding and irrevocable contract for the QIB to furnish all details that may be required by us and the Lead Managers and to pay the entire Issue Price for all the Equity Shares allocated to such QIB.

QIBs are advised to instruct their Depository Participants to accept the Equity Shares that may be Allocated to them pursuant to the Issue.

Escrow Cash Account for Payment of Application Money

The Escrow Cash Account is to be opened with the Escrow Bank pursuant to the escrow agreement to be entered into among us, the Lead Managers and the Escrow Bank (in its capacity as an escrow bank). QIBs will be required to deposit the entire amount payable for the Equity Shares allocated to it by the Pay-In Date as mentioned in the respective CAN.

If such amount is not transferred by the relevant QIB to the Escrow Cash Account within the time stipulated in the CAN sent to such QIB, such QIB's Application and CAN are liable to be cancelled.

Our Company undertakes to utilize the amount deposited in the Escrow Cash Account only for the purposes of (i) adjustment against Allotment of Equity Shares in the Issue; or (ii) repayment of application money if we are not able to Allot Equity Shares in the Issue.

In case of cancellations or defaults by QIBs, we, in consultation with the Lead Managers, have the right to reallocate the Equity Shares at the Issue Price among existing or new QIBs at our sole and absolute discretion, subject to the compliance with the requirements of the Companies Act and the ICDR Regulations.

Payment Instructions

The payment of application money shall be made by the QIBs in to the Escrow Cash Account as per the payment instructions provided in the CAN.

QIBs may make payment only through electronic fund transfer.

Note: Payments through cheques are liable to be rejected.

Designated Date and Allotment of Equity Shares

(a) The Equity Shares will not be Allotted unless the relevant QIB transfers entire amount payable for the Equity Shares allocated to it to the Escrow Cash Account.

(b) We will endeavour to complete the allotment of Equity Shares by the probable Designated Date for those QIBs who have paid subscription money as stipulated in the respective CANs. The Equity Shares will not be allotted unless the QIBs pay the Issue Price in the Escrow Cash Account as stated above.

(c) In accordance with the ICDR Regulations, Equity Shares will be issued and Allotment shall be made only in the dematerialized form to the Allottees. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

(d) We reserve the right, at our sole and absolute discretion, to cancel the Issue at any time up to Allotment without assigning any reasons whatsoever.

(e) Following the Allotment of Equity Shares pursuant to this Issue, we will apply to the Stock Exchanges for listing approval. After receipt of such listing approval from the Stock Exchanges, we will credit the Equity Shares into the QIBs' Depository Participant accounts.

(f) Following the credit of Equity Shares into the QIBs' Depository Participant accounts, we will apply for the final listing and trading approvals from the Stock Exchanges. The Escrow Bank will not release the monies lying to the credit of the Escrow Cash Account to us until we deliver such final listing and trading approvals to the Escrow Bank.

(g) In the event that we are unable to Allot the Equity Shares offered in the Issue or on cancellation of the Issue, within sixty days from the date of receipt of the application money, we shall repay the application money within fifteen days from expiry of sixty days, failing which we shall repay that money with interest at the rate of twelve percent per annum from expiry of the sixtieth day. The application money to be refunded by us shall be refunded to the same bank account from which application money was remitted by the QIBs.

After the finalization of the Issue Price, we updated the Preliminary Placement Document with the Issue details and filed it with the Stock Exchanges as this Placement Document. Pursuant to a circular dated March 5, 2010 issued by the SEBI, the Stock Exchanges are required to make available on their websites certain details of those Allottees in the Issue who have been Allotted more than 5% of the Equity Shares offered in the Issue. These details include the names of the Allottees and number of securities Allotted to each of them, pre-and post-Issue shareholding pattern of the Bank in the format specified in Clause 35 of the listing agreements with the Stock Exchanges along with this Placement Document.

Other Instructions

Permanent Account Number or PAN

Each QIB should mention its Permanent Account Number (PAN) allotted under the I.T. Act. **The copy of the PAN card is required to be submitted with the Application Form.** Applications without this information will be considered incomplete and are liable to be rejected. **It is to be specifically noted that applicant should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.**

Our Right to Reject Bids

We, in consultation with the Lead Managers, may reject Applications, in part or in full, without assigning any reasons whatsoever. The decision of the Bank and the Lead Managers in relation to the rejection of an Application shall be final and binding.

Equity Shares in dematerialized form with NSDL or CDSL

(a) The Allotment of Equity Shares in the Issue shall be only in a dematerialized form, (*i.e.*, not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

(b) A QIB applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Application.

(c) Allotment to a successful QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the QIB.

(d) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with the NSDL and the CDSL. All the stock exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

(e) The trading of our Equity Shares would be in dematerialized form only for all QIBs in the demat segment of the respective Stock Exchanges.

(f) We will not be responsible or liable for the delay in the credit of Equity Shares due to errors in the Application Form or on part of the QIBs.

PLACEMENT

Placement Agreement

The Lead Managers have entered into a placement agreement with us (the "Placement Agreement"), pursuant to which the Lead Managers have agreed to procure, on a reasonable efforts basis, QIBs to subscribe for Equity Shares to be issued pursuant to the Issue, pursuant to Chapter VIII of the ICDR Regulations and Section 42 of the Companies Act, 2013.

The Placement Agreement contains customary representations and warranties as well as indemnities from us and is subject to certain conditions and termination provisions contained therein.

Applications will be made to list the Equity Shares and admit them to trading on the Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for the Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

This Placement Document has not been, and will not be, registered as a prospectus with the Registrar of Companies in India and no Equity Shares will be offered in India or overseas to the public or any members of the public in India or to any class of investors other than QIBs.

In connection with the Issue, the Lead Managers (or their affiliates) may, for their own accounts, enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the Lead Managers (or their affiliates) may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions. Affiliates of the Lead Managers may purchase Equity Shares and be allocated Equity Shares. See also the section "Notice to Investors — Off-shore Derivative Instruments (P-Notes)".

The Lead Managers and their affiliates may engage in transactions with and perform services for the Bank in the ordinary course of business and have engaged, or may in the future engage, in commercial banking and investment banking transactions with the Bank or its affiliates, for which they have received compensation and may in the future receive compensation.

Lock-up

We have agreed that subject to certain exceptions, we will not, for a period of up to 60 days from the Closing Date, without the prior written consent of the Lead Managers (which consent shall not be unreasonably withheld), directly or indirectly: (a) issue, offer, lend, sell, pledge, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Equity Shares, or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention with respect to any of the foregoing; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares; or (c) announce any intention to enter into any transaction whether any such transaction described in (a) or (b) above is to be settled by delivery of Equity Shares, or such other securities, in cash or otherwise. Provided, however, that the foregoing restrictions shall not be applicable to (i) any grant of options by us under the ESOP 2007; (ii) any issue or allotment of Equity Shares by us pursuant to the exercise of any options awarded under the ESOP 2007; (iii) any issue or allotment of Equity Shares by us to the extent such issue or allotment is required under any direction of the RBI; or (iv) any issue or allotment of Equity Shares to the Promoters by the Bank pursuant to the proposed preferential allotment. For further information with respect to the ESOP 2007, see the section "Board of Directors and Management".

The Promoters have agreed that subject to certain exceptions, they will not, for a period of up to 60 days from the Closing Date, without the prior written consent of the Lead Managers (which consent shall not be unreasonably withheld), directly or indirectly: (a) sell, lend, pledge, contract to sell, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Equity Shares, or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention with respect to any of the foregoing; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares; or (c) announce any intention to enter into any transaction whether any such transaction described in (a) or (b) above is to be settled by delivery of Equity Shares, or such other securities, in cash or otherwise. Provided, however, that the foregoing restrictions shall not apply to (i) any sale, transfer or disposition of Equity Shares by the Promoters to the extent such sale, transfer or disposition is required under any direction of the RBI; (ii) any *inter se* transfer of Equity Shares between the Promoters; or (iii) any pledge or any other encumbrance on the Equity Shares held by the Promoters for the purpose of raising loans or any other form of financing, the proceeds of which would be utilized for subscribing to the proposed preferential allotment.

DISTRIBUTION AND SOLICITATION RESTRICTIONS

The distribution of this Placement Document and the offer, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Persons who come into possession of this Placement Document are advised to take legal advice with regard to any restrictions that may be applicable to them and to observe such restrictions. This Placement Document may not be used for the purpose of an offer or sale in any circumstances in which such offer or sale is not authorized or permitted.

General

No action has been taken or will be taken by the Bank or the Lead Managers that would permit a public offering of the Equity Shares to occur in any jurisdiction, or the possession, circulation or distribution of this Placement Document or any other material relating to the Bank or the Equity Shares in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Placement Document nor any offering materials or advertisements in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. The Issue will be made in compliance with the applicable ICDR Regulations. Each purchaser of the Equity Shares in this Issue will be deemed to have made acknowledgments and agreements as described under "Notice to Investors – Representation by Investors", "Distribution and Solicitation Restrictions" and "Transfer Restrictions".

Australia

This Placement Document is not a disclosure document under Chapter 6D of the Corporations Act 2001 (Cth) (the "Australian Corporations Act"), and has not been lodged with the Australian Securities and Investments Commission and does not purport to include the information required of a disclosure document under Chapter 6D of the Australian Corporations Act. Accordingly, (i) the offer of Equity Shares under this Placement Document is only made to "Sophisticated Investors" within the meaning of Section 708(8) of the Australian Corporations Act or "Professional Investors" within the meaning of Section 708(11) of the Australian Corporations Act, who in each case are also "wholesale clients" for the purposes of Chapter 7 of the Australian Corporations Act, (ii) this Placement Document is made available in Australia only to persons as set forth in clause (i) above; and (iii) by accepting this offer, the offeree represents that the offeree is such a person as set forth in clause (i) above, and agrees not to sell or offer for sale within Australia any Equity Share sold to the offeree within 12 months after their issue or transfer to the offeree under this Placement Document.

The Bank is not licensed to provide financial product advice in Australia in relation to the Equity Shares. This Placement Document is intended to provide general information only and has been prepared without taking into account any particular person's objectives, financial situation or needs. Investors should, before acting on this information, consider the appropriateness of this information having regard to their personal objectives, financial situation or needs. No cooling off period applies in relation to this offer under the Australian Corporations Act.

Bahrain

The Issue is a private placement. It is not subject to the regulations of the Central Bank of Bahrain that apply to public offerings of securities, and the extensive disclosure requirements and other protections that these regulations contain. This Placement Document is therefore intended only for accredited investors. The financial instruments offered by way of private placement may only be offered in minimum subscriptions of $100,000 (or equivalent in other currencies). The Central Bank of Bahrain assumes no responsibility for the accuracy and completeness of the statements and information contained in this document and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the contents of this document. The board of directors and the management of the Bank accept responsibility for the information contained in this document. To the best of the knowledge and belief of the board of directors and the management, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the reliability of such information.

Canada

Equity Shares have not been sold in Canada or to residents of Canada other than in compliance with Canadian securities laws. Without limiting the foregoing, offers and sales of the Equity Shares included in the Issue in Canada or to residents of Canada will be made only through an appropriately registered securities dealer or in accordance with an available exemption from the applicable registered securities dealer requirements under the Canadian securities laws and pursuant to an exemption from the prospectus requirements under Canadian securities laws.

Cayman Islands

This Placement Document does not constitute an invitation or offer to the public in the Cayman Islands of the Equity Shares, whether by way of sale or subscription. Equity Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, to the public in the Cayman Islands. However, Cayman Islands Exempted and Ordinary Non-Resident Companies and certain other legal entities formed under the laws of but not resident in the Cayman Islands and engaged in business outside of the Cayman Islands may be permitted to acquire Equity Shares.

People's Republic of China

Each of the Lead Managers, severally, and not jointly, and the Bank represents, warrants and agrees that:

This Placement Document is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the People's Republic of China (the "PRC"). The Equity Shares have not been and will not be filed with, or approved by, the China Securities Regulatory Commission or any other regulatory authority in the PRC.

The Placement Document has not been, may not be, issued, circulated or distributed in the PRC and the Equity Shares have not been and may not be offered, sold, pledged or transferred, directly or indirectly, within the territory of PRC, to any PRC person or entity unless such person or entity has obtained the requisite approval from, or has made the appropriate filings with, the relevant PRC authorities.

Dubai International Financial Centre

This Placement Document relates to an exempt offer (an "Exempt Offer") in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the "DFSA"). This Placement Document is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Placement Document nor taken steps to verify the information set out in it, and has no responsibility for it. The Equity Shares to which this Placement Document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Equity Shares offered should conduct their own due diligence on the Equity Shares. If you do not understand the contents of this Placement Document, you should consult an authorized financial adviser. For the avoidance of doubt, the Equity Shares are not interests in a "fund" or a "collective investment scheme" within the meaning of either the Collective Investment Law (DIFC Law No. 2 of 2010) or the Collective Investment Rules Module of the Dubai Financial Services Authority Rulebook.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is or was implemented in that Relevant Member State (the "Relevant Implementation Date"), the Equity Shares may not be offered or sold to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and the 2010 Amending Directive, except that the Equity Shares, with effect from and including the Relevant Implementation Date, may be offered to the public in that Relevant Member State at any time:

a. to persons or entities that are "qualified investors" as defined in the Prospectus Directive or, if that Relevant Member State has implemented the 2010 Amending Directive, as defined in the 2010 Amending Directive;

b. to (i) fewer than 100 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive); or (ii) if that Relevant Member State has implemented the 2010 Amending Directive, fewer than 150 natural or legal persons (other than "qualified investors" as defined in the 2010 Amending Directive), in each case subject to obtaining the prior consent of the Lead Managers; or

c. in any circumstances falling within Article 3(2) of the Prospectus Directive as amended (to the extent implemented in that Relevant Member State) by Article 1(3) of the 2010 Amending Directive;

provided that no such offering of Equity Shares shall result in a requirement for the publication by the Bank or the Lead Managers of a prospectus pursuant to Article 3 of the Prospectus Directive as amended (to the extent implemented in that Relevant Member State) by Article 1(3) of the 2010 Amending Directive.

For the purposes of this provision, the expression an "offer of Equity Shares to the public" in relation to any Equity Shares 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 Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State and the expression "2010 Amending Directive" means Directive 2010/73/EU and includes any relevant implementing measure in each Relevant Member State.

In the case of any Equity Shares being offered to a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Equity Shares acquired by it in the Issue have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Equity Shares to the public other than their offer or resale in a Relevant Member State to "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (as amended, to the extent implemented in a Relevant Member State, by the 2010 Amending Directive) or in circumstances in which the prior consent of the Lead Managers has been obtained to each such proposed offer or resale. The Bank, the Lead Managers and their respective affiliates will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a "qualified investor" as so defined and who has notified the Lead Managers of such fact in writing may, with the consent of the Lead Managers, be permitted to subscribe for or purchase Equity Shares in the Issue subject to compliance at all times by the Bank and the Lead Managers with the provisions of Article 3(2) of the Prospectus Directive as amended (to the extent implemented) by Article 1(3) of the 2010 Amending Directive.

Hong Kong

No Equity Shares have been offered or sold, and no Equity Shares may be offered or sold, in Hong Kong, by means of any document, other than to "professional investors", as defined in the Securities and Futures Ordinance, Cap. 571 of the laws of Hong Kong ("Securities and Futures Ordinance") and any rules made under that Ordinance; or to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent; or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance, Cap. 32 of the laws of Hong Kong ("Companies Ordinance") or which do not constitute an offer to the public within the meaning of the Companies Ordinance or an invitation to the public within the meaning of the Securities and Futures Ordinance. No document, invitation or advertisement relating to the Equity Shares has been issued or may be issued, 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 under the securities laws of Hong Kong) other than with respect to Equity Shares which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance. This Placement Document and the Equity Shares have not been and will not be registered with the Securities and Futures Commission of Hong Kong and/or the Stock Exchange of Hong Kong. There are no public markets or platforms in Hong Kong for the purchase or disposal of the Equity Shares. If you are in doubt as to the contents of this Placement Document, you must immediately seek legal and investment advice from your solicitor, accountant and/or professional advisors.

Japan

The offering of the Equity Shares has not been and will not be registered under the Financial Instruments and Exchange Law of Japan, as amended (the "Financial Instruments and Exchange Law"). No Equity Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for reoffering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and otherwise in compliance with the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial ordinances of Japan.

Republic of Korea

This Placement Document is not, and under no circumstances is to be considered as, a public offering of securities in Korea for the purposes of the Financial Investment Services and Capital Market Act of Korea (the "FSCMA"). Neither the Bank nor any of the Lead Managers may make any representation with respect to the eligibility of any recipients of this Placement Document to acquire the Equity Shares offered hereby under the laws of Korea, including but without limitation the Foreign Exchange Transaction Act of Korea and the regulations thereunder (the "FETA"). The Equity Shares offered hereby have not been registered under the FSCMA and the Equity Shares may not be offered, sold or delivered, directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea (as defined in the FETA), except otherwise permitted by applicable laws and regulations of Korea, including, without limitation, the FSCMA and the FETA.

Kuwait

The Issue has not been approved by the Kuwait Central Bank or the Kuwait Ministry of Commerce and Industry, nor has the Bank received authorisation or licensing from the Kuwait Central Bank or the Kuwait Ministry of Commerce and Industry to market or sell the Equity Shares within Kuwait. Therefore, no services relating to the offering, including the receipt of applications and/or the allotment of Equity Shares, may be rendered within Kuwait by the Bank or persons representing the Bank.

Malaysia

No approval of the Securities Commission of Malaysia has been or will be obtained in connection with the offer and sale of the Equity Shares in Malaysia nor will any prospectus or other offering material or document in connection with the offer and sale of the Equity Shares be registered with the Securities Commission of Malaysia. Accordingly, this Placement Document and any other offering document or material relating to the Equity Shares shall not be distributed or published and will not be distributed or published, and the Equity Shares shall not have been offered, sold or made the subject matter of an invitation to subscribe or purchase and will not be offered, sold or made the subject matter of an invitation to subscribe or purchase, whether directly or indirectly, to any person in Malaysia except to persons falling within Schedules 5, 6 and 7 of the Capital Markets and Services Act, 2007, as amended.

Mauritius

The Equity Shares may not be offered, distributed or sold, directly or indirectly, to the public in Mauritius. Neither this Placement Document, nor any offering material or information contained herein relating to the offer of Equity Shares, may be released or issued to the public in Mauritius or used in connection with any such offer. This Placement Document does not constitute an offer to sell Equity Shares to the public in Mauritius. This Placement Document is not a prospectus.

Oman

This Placement Document and the Equity Shares offered under it are issued and governed by the laws of India.

No offer or marketing of any securities or financial products including the Equity Shares has been or will be made by the Bank from within the Sultanate of Oman and no subscription to any securities or financial products may or will be effected or undertaken within the Sultanate of Oman. The Bank does not have a presence or representation in the Sultanate of Oman and any purchase of the Equity Shares will be deemed to be made in and under the laws of India.

By receiving this Placement Document, the person or entity to whom it has been issued understands, acknowledges and agrees that this document has not been registered or approved by the Central Bank of Oman, the Oman Ministry of Commerce and Industry, the Oman Capital Market Authority or any other authority in the Sultanate of Oman, nor is the Bank authorized or licensed by the Central Bank of Oman, the Oman Ministry of Commerce and Industry, the Oman Capital Market Authority or any other authority in the Sultanate of Oman, to market or sell the Equity Shares within the Sultanate of Oman.

The Equity Shares offered under this document have not and will not be listed on any stock exchange in the Sultanate of Oman.

The Lead Managers are not brokers, dealers, financial advisors or investment advisors licensed under the laws applicable in the Sultanate of Oman, and, as such, do not advise residents of the Sultanate of Oman as to the appropriateness of investing in or purchasing or selling securities or other financial products.

Nothing contained in this document is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the Sultanate of Oman. This document is confidential and for your information only and nothing in this document is intended to endorse or recommend a particular course of action.

You should consult with an appropriate professional for specific advice rendered on the basis of your situation.

Qatar

This document does not, and is not intended to, constitute an invitation or an offer of securities in the State of Qatar (including the Qatar Financial Centre) and accordingly should not be construed as such. The Equity Shares have not been, and shall not be, offered, sold or delivered at any time, directly or indirectly, in the State of Qatar. Any offering of the Equity Shares shall not constitute a public offer of securities in the State of Qatar.

By receiving this document, the person or entity to whom it has been provided to understands, acknowledges and agrees that: (a) neither this Placement Document nor the Equity Shares have been registered, considered, authorized or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other authority or agency in the State of Qatar; (b) neither the Bank nor persons representing the Bank are authorized or licensed by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, or any other authority or agency in the State of Qatar, to market or sell the Equity Shares within the State of Qatar; (c) this Placement Document may not be provided to any person other than the original recipient and is not for general circulation in the State of Qatar; and (d) no agreement relating to the sale of the Equity Shares shall be consummated within the State of Qatar.

No marketing of the Equity Shares has been or will be made from within the State of Qatar and no subscription to the Equity Shares may or will be consummated within the State of Qatar. Any applications to invest in the Equity Shares shall be received from outside of Qatar. This document shall not form the basis of, or be relied on in connection with, any contract in Qatar. Neither the Bank nor persons representing the Bank are, by distributing this document, advising individuals resident in the State of Qatar as to the appropriateness of investing in or purchasing or selling securities or other financial products. Nothing contained in this document is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the State of Qatar.

Saudi Arabia

This Placement Document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this Placement Document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the Equity Shares offered hereby should conduct their own due diligence on the accuracy of the information relating to the Equity Shares. If you do not understand the contents of this Placement Document you should consult an authorised financial adviser.

Singapore

The Placement Document has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Placement Document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Equity Shares may not be circulated or distributed, nor may the Equity Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor pursuant to Section 274 of the Securities and Future Act (Chapter 289) of Singapore (the "**SFA**"), (ii) to a relevant person, 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.

Unless otherwise permitted under the SFA, where the Equity Shares are acquired by a person pursuant to Section 274 or 275 of the SFA, such Equity Shares shall not be transferable for six months after that person has acquired the Equity

Shares, except (i) to another person who is an institutional investor or a relevant person, or (ii) pursuant to Section 275(1A) of the SFA.

Unless otherwise permitted under the SFA, where the Equity Shares are subscribed or purchased pursuant to Section 275 of the SFA by a relevant person which is:

(i) 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

(ii) a trust (where the trustee is not an accredited investor) the sole purpose of which is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made 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, or to any person pursuant to an offer that is made on the terms that such Equity Shares, debentures and units of Equity Shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, in accordance with the conditions, specified in Section 275 of the SFA as applicable; (ii) where no consideration is given for the transfer; or (iii) by operation of law.

Switzerland

Neither this Placement Document nor any documents related to the Equity Shares constitute a prospectus within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations. The Equity Shares will not be listed on the SIX Swiss Exchange or any other regulated securities market in Switzerland, and consequently, the information presented in this Placement Document does not necessarily comply with the information standards set out in the listing rules in SIX Swiss Exchange. Accordingly, the Equity Shares have not been and may not be publicly offered or sold in Switzerland, as such term is defined or interpreted under the Swiss Code of Obligations. In addition, the Equity Shares do not constitute a participation in a collective investment scheme in the meaning of the Swiss Collective Investment Schemes Act ("CISA") and they are neither subject to approval nor supervision by the Swiss Federal Banking Commission. Therefore, investors in the Equity Shares do not benefit from protection under CISA or supervision by the Swiss Federal Banking Commission or any other regulatory authority in Switzerland.

United Arab Emirates (excluding the Dubai International Financial Centre)

This Placement Document does not, and shall not, constitute an invitation, offer, sale or delivery of shares or other securities under the laws of the United Arab Emirates (the "UAE") (including the laws of the Dubai International Financial Centre (the "DIFC")) and accordingly shall not be construed as such. Neither the Equity Shares nor interests therein offered nor the Issue are regulated under the laws of the UAE (including the laws of the DIFC) relating to securities, investments or otherwise. Neither the Issue nor this Placement Document is approved or licensed by, or registered with, the UAE Central Bank, the Dubai Financial Services Authority ("DFSA"), or any other relevant licensing or regulatory authorities or governmental agencies in the UAE (including in the DIFC). The Equity Shares have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities market or with any other UAE or DIFC exchange.

The Issue, the Equity Shares and interests therein do not constitute a public offer of securities or an advertisement or solicitation to the general public in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise, or an offer of securities in the DIFC in accordance with the Markets Law, DIFC Law No. 12 of 2004. This Placement Document is strictly private and confidential and is being distributed to a limited number of selected institutional and/or sophisticated investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the Equity Shares may not be offered or sold directly or indirectly to retail investors or the public in the UAE (including in the DIFC) and no sale of securities or other investment products is intended to be consummated within the UAE or the DIFC. The Lead Managers are not licensed brokers, dealers, financial advisors or investment advisors under the laws applicable in UAE and the DIFC, and do not advise individuals resident in the UAE or the DIFC as to the appropriateness of investing in or purchasing or selling securities or other financial products. Nothing contained in this Placement Document is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the UAE or the DIFC. This document is confidential and for your information only and nothing in this Placement Document is intended to endorse or recommend a particular course of action. Prospective investors should conduct their own due diligence on the Issue and the Equity Shares. You should consult an appropriate professional for specific advice rendered on the basis of your situation.

United Kingdom

The Equity Shares cannot be promoted in the United Kingdom to the general public. The contents of this Placement Document have not been approved by an authorized person within the meaning of FSMA. The Lead Managers (a) may only communicate 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 Financial Services and Markets Act 2000, as amended (the "FSMA"), to persons who (i) are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), or (ii) fall within any of the categories of persons described in article 49(2)(a) to (d) of the Financial Promotion Order or otherwise in circumstances in which section 21(1) of the FSMA does not apply to the Bank; and (b) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) in connection with, or relating to, the sale or purchase of any Equity Shares, may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply. It is the responsibility of all persons under whose control or into whose possession this document comes to inform themselves about and to ensure observance of all applicable provisions of FSMA in respect of anything done in relation to an investment in Equity Shares in, from or otherwise involving, the United Kingdom.

United States

The Equity Shares have not been, and will not be, registered under the Securities Act or qualified for sale under the law of any state or any other jurisdiction of the United States of America and may not be offered, sold, pledged or transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

In the United States, the Lead Managers will make offers and sales of the Equity Shares to "qualified institutional buyers" (as defined in Rule 144A) in the United States pursuant to Section 4(a)(2) of the Securities Act or another available exemption from the registration requirements of the Securities Act.

Please refer to the section "Transfer Restrictions" of this Placement Document.

TRANSFER RESTRICTIONS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Equity Shares offered hereby.

Purchasers of the equity shares in this Issue are not permitted to sell the Equity Shares for a period of one year from the date of allotment except through the Stock Exchanges.

The Equity Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold only (a) within the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A) in transactions exempt from, or not subject to, the registration requirements of the Securities Act, and (b) outside the United States in reliance on Regulation S under the Securities Act.

The Equity Shares have not been approved, disapproved or recommended by the U.S. Securities and Exchange Commission, any state securities commission in the United States or the securities commission of any non-U.S. jurisdiction or any other U.S. or non-U.S. regulatory authority. No authority has passed on or endorsed the merits of this Issue or the accuracy or adequacy of this Placement Document. Any representation to the contrary is a criminal offence in the United States and may be a criminal offence in other jurisdictions. If you purchase the Equity Shares in the Issue, you will be deemed to have made the representations, warranties, acknowledgements and agreements set forth in the sections "Representations by Investors" and in this section with respect to that purchase.

Transfer Restrictions relating to Equity Shares Offered and Sold within the United States

Each investor in our Equity Shares within the United States, by accepting delivery of this Placement Document and the Equity Shares, will be deemed to have acknowledged, represented and agreed with the Bank and the Lead Managers as follows (terms used herein that are defined in Rule 144A or Regulation S are used herein as defined therein):

1. It (a) is a "qualified institutional buyer" (as defined in Rule 144A), (b) is aware that the sale of the Equity Shares to it is being made in reliance on an exemption from the registration requirements of the Securities Act, (c) is acquiring such Equity Shares for its own account or for the account of a "qualified institutional buyer" and (d) is not acquiring such Equity Shares with a view to any distribution thereof;

2. It understands and agrees that the Equity Shares are being offered in a transaction not involving any public offering within the meaning of the Securities Act, have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be reoffered, resold, pledged or otherwise transferred except (a) in the United States (i) to a person who the seller reasonably believes is a "qualified institutional buyer" in a transaction meeting the requirements of Rule 144A, (ii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 under the Securities Act (if available), (iii) pursuant to another available exemption from the registration requirements of the Securities Act, or (iv) pursuant to an effective registration statement under the Securities Act, or (b) outside the United States in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S, as applicable, in each case in accordance with all applicable securities laws of the states of the U.S. and any other jurisdiction;

3. It understands that Equity Shares purchased pursuant to Section 4(a)(2) of the Securities Act or another available exemption from the registration requirements of the Securities Act are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resale of the Equity Shares. It also understands that the Equity Shares sold within the United States (to the extent they are in certificated form), unless the Lead Managers and our respective affiliates determine otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

   "THE EQUITY SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES. BY ITS ACCEPTANCE OF ANY EQUITY SHARE, THE PURCHASER WILL BE DEEMED TO REPRESENT THAT IT IS NOT ACQUIRING EQUITY SHARES WITH A VIEW TO ANY DISTRIBUTION THEREOF AND THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES

ACT AND IS EITHER PURCHASING THE EQUITY SHARES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A "QUALIFIED INSTITUTIONAL BUYER." THESE EQUITY SHARES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) FOR A PERIOD OF ONE YEAR FROM THE DATE OF ALLOTMENT, IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904, AS APPLICABLE, OF REGULATION S AND ON A RECOGNIZED STOCK EXCHANGE AND (B) THEREAFTER (1) IN ACCORDANCE WITH RULE 144A TO A PERSON THAT IT AND ANY PERSON ACTING ON ITS BEHALF 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, (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (3) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, OR (5) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THESE EQUITY SHARES."

4. The Bank will not recognise any offer, sale, pledge or other transfer of such Equity Shares made other than in compliance with the above-stated restrictions; and

5. It acknowledges and agrees that we, the Lead Managers, their affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements and agrees that, if any of such representations or agreements are no longer accurate it will promptly notify us; and if it is acquiring any of our Equity Shares 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, and does make, the foregoing representations and agreements on behalf of each such account.

Transfer Restrictions relating to Equity Shares sold outside the United States in reliance on Regulation S

Each investor in our Equity Shares outside the United States, by accepting delivery of this Placement Document and the Equity Shares, will be deemed to have represented, agreed and acknowledged as follows:

1. It certifies (or if it is a broker-dealer acting as an agent on behalf of a customer, its customer has confirmed to it that such customer certifies) that it is authorized to consummate the subscription of the Equity Shares in compliance with all applicable laws and regulations;

2. It acknowledges and agrees (or if it is a broker-dealer acting as an agent on behalf of a customer, its customer has confirmed to it that such customer acknowledges and agrees) that such Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States;

3. It certifies (or if it is a broker-dealer acting as an agent on behalf of a customer, its customer has confirmed to it that such customer certifies) that it is, and at the times the offer of Equity Shares was made to it and its buy order for Equity Shares was originated it was, located outside the United States (within the meaning of Regulation S);

4. It agrees (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer agrees) that it will not offer, sell, pledge or otherwise transfer such Equity Shares except in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or pursuant to any other available exemption from the registration requirements under the Securities Act and in accordance with all applicable securities laws of the States of the United States and any other jurisdiction, including India; and

5. It acknowledges and agrees (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer acknowledges and agrees) that we, the Lead Managers, our affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements and agrees that, if any of such representations or agreements are no longer accurate, it will promptly notify us; and if it is acquiring any of our Equity Shares 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, and does make, the foregoing representations and agreements on behalf of each such account.

Any resale or other transfer or attempted resale or other transfer, made other than in compliance with the above-stated restrictions, will not be recognized by us.

INDIAN SECURITIES MARKET

The information in this section has been extracted from publicly available documents from various sources, including the SEBI, the BSE and the NSE, and has not been prepared or independently verified by us or the Lead Managers, or any of their respective affiliates or advisors.

The Indian Securities Market

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai.

Stock Exchange Regulation

India's stock exchanges are regulated primarily by the SEBI, as well as by the Government acting through the Capital Market Division of the Department of Economic Affairs in the Ministry of Finance, under the Securities Contracts (Regulation) Act, 1956, as amended ("SCRA") and the Securities Contracts (Regulation) Rules, 1957, as amended ("SCRR"), which, along with the rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership and the manner in which contracts are entered into, settled and enforced between members.

The SEBI Act granted powers to the SEBI to regulate the Indian securities markets, including stock exchanges and other intermediaries in the capital markets, to promote and monitor self-regulatory organizations, to prohibit fraudulent and unfair trade practices and insider trading and to regulate substantial acquisitions of shares and takeovers of companies. The SEBI has also issued regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisition of shares and takeovers of companies, buyback of securities, delisting of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors, credit rating agencies and other capital market participants. The SEBI has the power to amend the listing agreements and bye-laws of stock exchanges in India. Any amendment of the bye-laws by the stock exchanges requires the prior approval of the SEBI.

Listing

The listing of securities on recognized Indian stock exchanges is regulated by applicable Indian laws including the Companies Act, 2013, the SCRA, the SCRR, the SEBI Act, various guidelines and regulations issued by the SEBI and the listing agreements of the respective stock exchanges. Under the SCRR, the governing body of each stock exchange is empowered to suspend trading of or dealing in a listed security for breach by a listed company of its obligations under such listing agreement, subject to such company receiving prior notice of such intent of the stock exchange and upon granting of a hearing in the matter.

The SEBI has notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, as amended (the "Delisting Regulations") in relation to the voluntary and compulsory delisting of securities from the stock exchanges, which were significantly modified in 2015. In addition, certain amendments to the SCRR have also been notified in relation to delisting.

We have entered into listing agreements with the Stock Exchanges. These agreements require, *inter alia*, that we adhere to certain corporate governance requirements, including ensuring the minimum number of independent Directors on the Board, and composition of various committees such as audit committee, nomination and remuneration committee and risk management committee and are subject to continuing disclosure requirements.

Any non-compliance with the terms and conditions of the listing agreements with the Stock Exchanges may entail the delisting of the Equity Shares from such stock exchanges, which will affect future trading of those Equity Shares.

Pursuant to an amendment to the SCRR in June 2010, all listed companies are required to maintain a minimum public shareholding of 25% and and were given time until June 3, 2013 to comply with such requirement. Further, if the public shareholding in a listed company falls below 25% at any time, such company is required to bring the public shareholding to 25% within a maximum period of 12 months from the date of such fall, in the manner specified by the SEBI. We are in compliance with the minimum public shareholding requirement.

Disclosures under the Companies Act and Listing Agreements

Public limited companies are required under the Companies Act and the listing agreements to prepare, file with the registrar of companies and circulate to their shareholders audited annual accounts which comply with the Companies Act's disclosure requirements and regulations governing their manner of presentation and which include sections relating to corporate governance, related party transactions and management's discussion and analysis as required under the listing agreement. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of its listing agreement with the relevant stock exchange.

Indian Stock Exchanges

There are currently 21 recognized stock exchanges in India. Most of the stock exchanges have their own governing board for self-regulation. A number of these exchanges have been directed by the SEBI to file schemes for demutualization as a measure of moving towards greater investor protection.

The BSE and the NSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalization and trading activity.

Stock exchanges in India operate on a trading day plus two, or T+2, rolling settlement system. At the end of the T+2 period, obligations are settled with buyers of securities paying for and receiving securities, while sellers transfer and receive payment for securities. For example, trades executed on a Monday would typically be settled on a Wednesday. In order to contain the risk arising out of the transactions entered into by members of various stock exchanges either on their own account or on behalf of their clients, the stock exchanges have designed risk management procedures, which include compulsory prescribed margins on the individual broker members, based on their outstanding exposure in the market, as well as stock-specific margins from the members.

Market Wide Circuit Breakers. In order to restrict abnormal price volatility in any particular stock, the SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10%, 15% and 20%. These circuit breakers, when triggered, bring about a coordinated trading halt in all equity and equity derivatives markets nationwide. The market-wide circuit breakers are triggered by movement of either the S&P BSE Sensex or the CNX Nifty index of the NSE, whichever is breached earlier.

In addition to the market-wide index based circuit breakers, there are currently in place individual scrip-wise price bands of up to 20% movements either upwards or downwards. However, no price bands are applicable with respect to scrips on which derivative products are available or scrips included in indices on which derivative products are available.

Stock exchanges in India also have the power to suspend trading during periods of market volatility. Margin requirements imposed by stock exchanges are required to be paid by stockbrokers.

The BSE

The BSE was established in 1875 and is the oldest stock exchange in India. In 1956, it became the first stock exchange in India to obtain permanent recognition from the Government under the SCRA. It has evolved over the years into its present status as one of the premier stock exchanges of India. Pursuant to the BSE (Corporatization and Demutualization) Scheme 2005 of the SEBI, with effect from August 19, 2005, the BSE was incorporated as a company under the Companies Act, 1956.

As of April 30 2015, the BSE had 1,408 members, comprising 207 individual members, 1,171 Indian companies and 30 FIIs. Only a member of the BSE has the right to trade in the stocks listed on the BSE. As of April 30 2015, there were 5,650 listed companies trading on the BSE (excluding permitted companies) and the estimated market capitalization of stocks trading on the BSE was ₹99,680,153 million. In April 2015, the average daily turnover on the BSE was ₹239,809 million including both the derivatives and equity segments. As of April 30 2015, the BSE had 10,789 trader work stations spread over 187 cities.

The NSE

The NSE was established by financial institutions and banks to serve as a national exchange and to provide nationwide on-line satellite-linked screen-based trading facilities with market makers and electronic clearing and settlement for securities including Government securities, debentures, public sector bonds and units. It has evolved over the years into its present status as one of the premier stock exchanges of India. The NSE was recognized as a stock exchange under the SCRA in April 1993 and commenced operations in the wholesale debt market segment in June 1994.

The NSE launched the NSE 50 index, now known as CNX Nifty, on April 22, 1996 and the Nifty Midcap 50 index on January 1, 1996. As of April 30 2015, there were 1,740 companies listed on the NSE. The average daily turnover of the capital market segment was ₹199,660 million. As of April 30 2015, the market capitalization of the NSE was approximately ₹96,863,240 million. The NSE has a wide network in major metropolitan cities, screen based trading and a central monitoring system.

Trading Hours

Trading on both the BSE and the NSE normally occurs Monday through Friday, between 9:15 a.m. and 3:30 p.m. (excluding the 15 minute pre-open session from 9:00 a.m. to 9:15 a.m.). The BSE and the NSE are closed on public holidays.

Stock Market Indices

There are several indices of stock prices on NSE, which include the CNX Nifty, CNX Nifty Junior, CNX Defty, CNX 500, CNX Midcap and CNX100. CNX Nifty is a diversified 50 stock index accounting for various sectors of the economy. It is used for a variety of purposes such as benchmarking fund portfolios, index based derivatives and index funds. CNX Nifty is owned and managed by India Index Services and Products Limited (IISL), which is a joint venture between the NSE and CRISIL.

The two indices which are generally used in tracking the aggregate price movements on BSE are the S&P BSE Sensex and the S&P BSE 100 Index. The S&P BSE Sensex consists of listed shares of 30 large market capitalization companies. The companies are selected on the basis of market capitalization, liquidity and industry representation. The S&P BSE Sensex was first compiled in 1986 with the fiscal year ended March 31, 1979. The S&P BSE 100 Index (formerly the BSE National Index) contains listed shares of top 100 large market capitalization companies, including the 30 in the S&P BSE Sensex, with 1983-1984 as the base year.

Internet-Based Securities Trading and Services

The SEBI approved Internet trading in January 2000. Internet trading takes place through order routing systems, which route customer orders to exchange trading systems for execution. This permits customers to trade using brokers' Internet trading systems. Stock brokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated under applicable law. The NSE became the first exchange to grant approval to its members for providing Internet-based trading services. Internet trading is possible on both the "equities" as well as the "derivatives" segments of the NSE.

Trading Procedure

In order to facilitate smooth transactions, the BSE replaced its open outcry system with the BSE Online Trading (BOLT) facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work.

The NSE also provides on-line trading facilities.

Takeover Code

The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (the "Takeover Code") superseded the prior takeover regulations. The Takeover Code provides the process, timing and disclosure requirements for a public announcement of an open offer in India and the applicable pricing norms.

Pursuant to the Takeover Code, a requirement to make a mandatory open offer by an "acquirer" (together with persons acting in concert with it) for at least 26% of the total shares of an Indian listed company to all shareholders of such company (excluding the acquirer, persons acting in concert with it and the parties to any underlying agreement including persons deemed to be acting in concert) is triggered, subject to certain exemptions, if an acquirer acquires shares or voting rights in the Indian listed company, which together with its existing holdings and those of any persons acting in concert with him entitle the acquirer and persons acting in concert to exercise 25% or more of the voting rights in such

Indian listed company; or if an acquirer that holds between 25% and the maximum permissible non-public shareholding of such Indian listed company, acquires additional voting rights of more than 5% during any financial year; or an acquirer acquires, directly or indirectly, control over an Indian listed company, irrespective of acquisition of shares or voting rights in such Indian listed company.

An acquisition of shares or voting rights in, or control over, any company that would enable a person to exercise or direct the exercise of such percentage of voting rights in, or control over, an Indian listed company, the acquisition of which would otherwise attract the obligation to make an open offer under the Takeover Code will also trigger a mandatory open offer under the Takeover Code.

When an open offer is made for acquiring the shares of a target Indian listed company, the directors of the target company are required to constitute a committee of independent directors to provide written reasoned recommendations on the open offer to the shareholders of such target company.

The price paid or agreed to be paid for the shares or voting rights in, or control over, a target Indian listed company whether as consideration, non-compete fee or control premium or otherwise, is required to be included in the offer price.

There are also initial and continuing shareholding disclosure obligations under the Takeover Code.

Insider Trading Regulations

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (the "Insider Trading Regulations") were notified by the SEBI on January 15, 2015, and came into effect on May 15, 2015 to prohibit and penalize insider trading in India. The Insider Trading Regulations impose certain restrictions on the communication of information by listed companies. Under the Insider Trading Regulations, (i) no insider shall communicate, provide or allow access to any unpublished price sensitive information relating to such companies and securities to any person including other insiders; and (ii) no person shall procure or cause the communication by any insider of unpublished price sensitive information relating to such companies and securities, except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations. However, unpublished price sensitive information may be communicated, provided or allowed access to or procured, under certain circumstances specified in the Insider Trading Regulations. Further, an insider is prohibited from trading securities that are listed or proposed to be listed on a stock exchange when in possession of unpublished price sensitive information. The Insider Trading Regulations define an insider to mean any person who is (i) a connected person or (ii) in possession of or having access to unpublished price sensitive information. The terms "trading", "connected person" and "unpublished price sensitive information" are defined by the Insider Trading Regulations.

Unpublished Price sensitive information means any information which relates directly or indirectly to a company or its securities that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities, such as information relating to the financial results of the company, dividends, change in capital structure, or material events specified in the listing agreements.

The Insider Trading Regulations make it compulsory for listed companies and certain other entities that are required to handle unpublished price sensitive information in the course of business operations to establish an internal code of practices and procedures for fair disclosure of unpublished price sensitive information and to regulate, monitor and report trading by insiders. To this end, the Insider Trading Regulations provide principles of fair disclosure for purposes of code of practices and procedures for fair disclosure of unpublished price sensitive information and minimum standards for code of conduct to regulate, monitor and report trading by insiders.

There are also initial and continuing shareholding disclosure obligations under the Insider Trading Regulations.

Depositories

In August 1996, the Indian Parliament enacted the Depositories Act 1996 (the "Depositories Act") which provides a legal framework for the establishment of depositories to record ownership details and effect transfers in electronic book-entry form. The SEBI framed regulations in relation to the formation and registration of such depositories, the registration of participants and the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

DESCRIPTION OF THE SHARES

Set forth below is certain information relating to our share capital, including a brief summary of some of the provisions of the Memorandum and Articles of Association, the Companies Act and certain related laws of India.

General

Our authorized capital is ₹6,000,000,000 divided into 600,000,000 Equity Shares of ₹10 each. As of the date of this Placement Document, 531,193,737 Equity Shares of ₹10 each were issued and outstanding, apart from the value of forfeited shares.

Dividend

Under the Companies Act, unless the board recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Subject to certain conditions specified in the Companies Act, no dividend can be declared or paid by a company for any financial year except out of the profits of the company determined in accordance with the provisions of the Companies Act or out of the undistributed profits or reserves of prior fiscal years or out of both, calculated in accordance with the provisions of the Companies Act or out of money provided by the Central Government or a state Government for payment of dividend by the company in pursuance of a guarantee given by that government. Under our Articles of Association, our shareholders at a general meeting may declare a lower, but not higher, dividend than that recommended by our Board. Under the listing agreements with the Stock Exchanges, listed companies are required to declare and disclose their dividends only on a per share basis. The dividend recommended by the Board and approved by the shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid-up value of their shares as of the record date for which such dividend is payable. In addition, the Board may declare and pay interim dividends. Under the Companies Act, dividends can only be paid in cash to shareholders listed on the register of shareholders. No shareholder is entitled to a dividend while unpaid calls on any of such shareholder's shares are outstanding.

Dividends must be paid within thirty days from the date of the declaration and any dividend that remains unpaid or unclaimed after that period must be transferred within seven days to a special unpaid dividend account held at a scheduled bank. All shares in respect of which dividend has not been paid or claimed for seven consecutive years or more must be transferred by us to the Investor Education and Protection Fund established by the Government and any claim with respect thereto will lapse thereafter. However, if any dividend is paid or claimed for any year during such period of seven consecutive years, such shares must not be transferred to the Investor Education and Protection Fund.

The RBI has also placed certain restrictions on the payment of dividends by banks. For further information, see the section "Regulations and Policies – Restriction on Payment of Dividends".

Capitalization of Reserves

The Articles of Association permit a resolution of the shareholders in a general meeting to resolve in certain circumstances, that certain amounts standing to the credit of certain reserves or securities premium can be capitalized by the issue of fully paid bonus shares or by crediting shares not fully paid-up with the whole or part of any sum outstanding. Bonus shares must be issued pro rata to the amount of capital paid-up with respect to existing shares.

Any issue of bonus shares by a listed company would be subject to the ICDR Regulations. Furthermore, any issue of bonus shares by a banking company would be subject to the approval of the RBI.

Pre-emptive Rights and Alteration of Share Capital

Subject to the provisions of the Companies Act, we can increase our share capital by issuing new shares. Such new shares must be offered to existing shareholders registered on the record date in proportion to the amount paid-up on those shares on that date. The offer should be made by notice specifying the number of shares offered and the date (being not less than fifteen days and not exceeding thirty days from the date of the offer) after which the offer, if not accepted, will be deemed to have been declined. After such date, the Board may dispose of the shares offered in respect of which no acceptance has been received in such manner as they think is not disadvantageous to the shareholders and us. The offer is deemed to include a right exercisable by the person concerned to renounce the shares in favour of any other person.

However, under the provisions of the Companies Act, new shares may be offered to any persons, whether or not those persons include existing shareholders or employees to whom shares are allotted under a scheme of employees stock options, either for cash or for consideration other than cash if the price of such shares is determined by the valuation report of a registered valuer subject to prescribed conditions, if a special resolution to that effect is passed by the shareholders of the company in a general meeting. The issue of the Equity Shares pursuant to this Issue has been approved by a special resolution of our shareholders.

The Articles of Association provide that we may consolidate or sub-divide our share capital, convert all or any of our fully paid-up shares into stock and reconvert that stock into fully paid-up shares or cancel shares which have not been taken up by any person. We can also alter our share capital by way of a reduction of capital, in accordance with the Companies Act.

General Meetings of Shareholders

We must hold our AGM each year within fifteen months of the previous AGM and within six months after the end of each accounting year. The Registrar of Companies may extend this period in special circumstances at our request. The Board may convene an extraordinary general meeting of shareholders when necessary and shall convene such a meeting at the request of a shareholder or shareholders holding in the aggregate not less than 10% of our issued paid-up capital.

Written notices convening a meeting setting out the date and place of the meeting and its agenda must be given to members at least 21 days prior to the date of the proposed meeting and where any special business is to be transacted at the meeting, an explanatory statement must be annexed to the notice as required under the Companies Act. A general meeting may be called after giving shorter notice if consent is received in writing or by electronic mode from all shareholders in the case of an AGM and from shareholders holding not less than 95% of our paid-up capital in the case of any other general meeting. Our general meetings are held in Pune. Under the Companies Act, 2013, every listed company is required to provide to its members, the facility to exercise their right to vote at general meetings by electronic means. Shareholders may exercise their right to vote at general meetings or through postal ballot by voting through e-voting facilities in accordance with the circular dated April 17, 2014 issued by the SEBI and the Companies Act, 2013. However, compliance with quorum requirements applicable to shareholder meetings under the Companies Act is required.

Any listed public company intending to pass a resolution relating to matters such as, but not limited to, an amendment in the objects clause of its memorandum of association, a buy-back of shares under the Companies Act and the giving of loans or extending a guarantee in excess of limits prescribed under the Companies Act is required to pass the resolution by means of a postal ballot instead of transacting the business in the general meeting of the company.

Voting Rights

At a general meeting upon a show of hands, every member holding shares and entitled to vote and present in person has one vote. Upon a poll, the voting rights of each shareholder entitled to vote and present in person or by proxy are in the same proportion to such shareholder's share of our paid-up equity capital.

Ordinary resolutions may be adopted by simple majority of those present and voting. Special resolutions require that the votes cast in favour of the resolution must be at least three times the votes cast against the resolution. The Companies Act provides that to amend the articles of association of a company, a special resolution is required to be adopted in a general meeting.

A shareholder may exercise his voting rights by proxy to be given in the form required by the Articles of Association. The instrument appointing a proxy is required to be lodged with us at least 48 hours before the time of the meeting. A shareholder may, by a single power of attorney, grant a general power of representation regarding several general meetings of shareholders. Any shareholder may appoint a proxy. A corporate shareholder is also entitled to nominate a representative to attend and vote on its behalf at general meetings. A proxy may not vote except on a poll and does not have a right to speak at meetings. A shareholder which is a legal entity may appoint an authorized representative who can vote in all respects as if a member both on a show of hands and a poll.

Section 12 of the Banking Regulation Act prohibits any person holding shares in a bank from exercising voting rights in excess of 10% of the total voting rights of all shareholders of any bank, irrespective of the number of shares held by such person. Pursuant to the Banking Laws (Amendment) Act, 2012, with effect from January 18, 2013, the RBI may increase the limit on voting rights from 10% to 26% in a phased manner.

Register of Shareholders and Record Dates

We are obliged to maintain a register of shareholders at our Registered Office in Pune or at some other place in the same city. We recognize as shareholders only those persons whose names appear on the register of shareholders and cannot recognize any person holding any share or part of it upon any express, implied or constructive trust, except as permitted by law. In the case of shares held in physical form, transfers of shares are registered on the register of shareholders upon lodgement of the share transfer form duly complete in all respects accompanied by a share certificate or, if there is no certificate, the letter of allotment in respect of shares transferred together with duly stamped transfer forms. In respect of electronic transfers, the depository transfers shares by entering the name of the purchaser in its books as the beneficial owner of the shares. In turn, the name of the depository is entered into our records as the registered owner of the shares. The beneficial owner is entitled to all the rights and benefits as well as the liabilities with respect to the shares held by a depository.

For the purpose of determining the shareholders for the payment of dividends, the register may, after giving not less than seven days' previous notice, be closed for periods not exceeding 45 days in any one year or 30 days at any one time at such times as the Board may deem expedient in accordance with the provisions of the Companies Act.

Under the Companies Act, we are also required to maintain a register of debenture holders.

Annual Report and Financial Results

The annual report must be presented at the AGM. The report includes financial information, a corporate governance section and management's discussion and analysis and is sent to the company's shareholders.

Under the Companies Act, we must file our balance sheet and profit and loss account with the Registrar of Companies within thirty days from the date of the AGM. As required under the listing agreements with the Stock Exchanges, copies are required to be simultaneously sent to the stock exchanges on which the shares are listed. We must also publish our financial results within 48 hours of the conclusion of the Board or committee meeting in which the financial results were approved in at least one English language daily newspaper circulating in the whole or substantially the whole of India and also in a daily newspaper published in the language of the region of the Registered Office (*i.e.*, Marathi).

Transfer of Shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with applicable SEBI regulations. These regulations provide the regime for the functioning of the depositories and their participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownership of shares held through a depository are exempt from stamp duty.

Pursuant to the listing agreements, in the event that a transfer of shares is not effected within fifteen days or where we have failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of fifteen days, we are required to compensate the aggrieved party for the opportunity loss caused by the delay. The shares of the Bank shall be freely transferable, subject to the provisions of the Companies Act.

A transfer may also be by transmission. Subject to the provisions of our Articles, any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by a transfer in accordance with these presents, may, with the consent of the Board, upon producing such evidence that such person sustains the character in respect of which he proposes to act under the Articles, or his title, as the Board thinks sufficient, be registered as a member in respect of such shares, or may, subject to the regulations as to transfer contained in the Articles, transfer such shares.

See the section "Regulations and Policies" for further restrictions on the transfer of shares applicable to banking companies.

Acquisition by us of our own Shares

A company is prohibited from acquiring its own shares unless the consequent reduction of capital is effected by an approval of at least 75% of its shareholders, voting on it in accordance with the Companies Act and subject to confirmation by the National Company Law Tribunal. Subject to certain conditions, a company is prohibited from giving, whether directly or indirectly and whether by means of loan, guarantee, provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person for any shares in the company or its holding company. However, a company has been empowered to purchase its own shares or other specified securities out of its free reserves, the securities premium account or the proceeds of any fresh issue of shares or other specified securities (other than the kind of shares or other specified securities proposed to be bought back) subject to certain conditions, including:

- the buy-back should be authorized by the articles of association of the company;
- a special resolution has been adopted in a general meeting authorizing the buy-back (in the case of listed companies, by means of a postal ballot);
- the buy-back is limited to 25% or less of the total paid-up capital and free reserves;
- the ratio of the aggregate of secured and unsecured debts owed by the company is not more than twice the capital and free reserves after such buy-back; and
- the buy-back is in accordance with the Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 1998, as amended.

A board resolution will constitute sufficient corporate authorization for a buy-back that is 10% or less of the total paid-up equity capital and free reserves of the company. A company buying back its securities is required to extinguish and physically destroy the securities so bought back within seven days of the last date of completion of the buy-back. Further, a company buying back its securities is not permitted to buy back any securities for a period of one year from the buy-back or to issue the same kind of shares or specified securities for six months subject to certain limited exceptions.

A company is also prohibited from purchasing its own shares or specified securities through any subsidiary company including its own subsidiary companies or through any investment company. Further a company is prohibited from purchasing its own shares or specified securities if the company is in default in the repayment of deposit or interest, in the redemption of debentures or preference shares, in payment of dividend to a shareholder, in repayment of any term loan or interest payable thereon to any financial institution or bank or in the event of non-compliance with certain other provisions of the Companies Act.

For a banking company, any buy-back of shares is subject to RBI permission.

Liquidation Rights

Subject to the rights of depositors, creditors and employees in the event of our winding up, the holders of the Equity Shares are entitled to be repaid the amounts of capital paid-up or credited as paid-up on such shares. All surplus assets after payments due to employees and other creditors belong to the holders of the Equity Shares in proportion to the amount paid-up or credited as paid-up on such shares respectively at the commencement of the winding-up.

Articles of Association

Our Articles of Association state, *inter alia*, that:

- We shall have a first and paramount lien upon all our shares, bonds or debentures except for fully paid up shares bonds or debentures.
- No person or group of persons shall acquire any of our shares which would take the holding of such person or group of persons to 5% or more (as any such percentage imposed by the RBI from time to time) of our issued capital, unless the prior approval of the RBI has been obtained by such person or group of persons.

TAXATION

The information provided below sets out the possible tax benefits available to the shareholders in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares under the current tax laws presently in force in India. Several of these benefits are dependent on us or our shareholders fulfilling conditions prescribed under relevant tax laws. We may not choose to fulfil such conditions. This information is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of purchasing, owning and disposing of Equity Shares.

Indian Taxation

Under the Income Tax Act, 1961 (hereinafter referred to as 'the Act') "Non-Resident" means a person who is not a resident in India. An individual is considered to be a resident of India during any financial year if he or she is in India in that year for:

(a) a period or periods amounting to 182 days or more; or
(b) a period or periods amounting to 60 days or more if, within the four preceding years, he/she has been in India for a period or periods amounting to 365 days or more; provided that

   (i) in the case of a citizen of India who leaves India as a member of the crew of an Indian ship or for the purposes of employment outside India, the words "60 days" in paragraph (b) above shall be substituted by words "182 days"; or
   (ii) in the case of a citizen of India or a person of Indian origin living abroad who visits India, the words "60 days" in paragraph (b) above shall be substituted by words "182 days".

A company is resident in India if it is formed and incorporated in accordance with the Companies Act and has its registered office in India or its place of effective management in that year is in India. A firm or other association of persons is resident in India except where the control and management of its affairs is situated wholly outside India.

The Act is revised by the annual Finance Act every fiscal year. The provisions of the tax laws summarized below are based on the Finance Act, 2015 which may be changed, including on a retrospective basis.

I. Income-tax Act, 1961

A. Tax Benefits to the Bank:

1. Income by way of interest, premium on redemption or other payment on notified securities, bonds, certificates issued by the Central Government is exempt from tax under section 10(15) in accordance with and subject to the conditions and limits as may be specified in Notifications.

2. Dividends earned by the Bank are exempt from tax in accordance with and subject to the provisions of section 10(34) read with section 115-0. However, as per section 94(7), losses arising from sale/ transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.

3. Income earned by the Bank from investment in units of mutual fund specified under section 10(23D) or income received in respect of units from the administrator of the specified undertaking or income received in respect of units from a specified company is exempt from tax under section 10(35). However, as per section 94(7), losses arising from the sale/ redemption of units purchased within three months prior to the record date (for entitlement to receive income) and sold within nine months from the record date, will be disallowed to the extent such loss does not exceed the amount of income claimed exempt.

4. Section 14A provides that any expenditure incurred in relation to exempt income is not allowable as deduction in computing total income. Such expenditure is computed as per Rule 8D of the Income-tax Rules, 1962.

5. Any income realized from the sale/ transfer of investments (including equity shares in a company or units of equity oriented mutual funds) held by the Bank as part of its stock-in-trade would be included in the

income computed under the head “profits and gains of business or profession” as per the provisions of the Act.

6. Under section 32 of the Act, the Bank can claim depreciation allowance at the prescribed rates on tangible assets such as building, machinery, plant or furniture and intangible assets such as know-how, patents, copyrights, trademarks, licenses, franchises or other business or commercial rights of similar nature, subject to satisfaction of conditions. In terms of sub section (2) of section 32 of the Act, the Bank is entitled to carry forward and set off the unabsorbed depreciation arising due to absence/ insufficiency of profits or gains chargeable for the previous year. The amount is allowed to be carried forward and set off in the succeeding previous years against any income (not restricted to business income), without any time limit.

7. Deduction for expenses incurred while computing the Bank's income under the head “Profits and gains of business or profession” is available in terms of provisions of sections 29 to 37 of the Act.

8. Under section 35D of the Act, the Bank will be entitled to a deduction equal to one fifth of the expenditure incurred of the nature specified in that section, including certain prescribed expenditure incurred on the present public issue of shares, such as underwriting commission, brokerage and other charges, as specified in the provision, by way of amortization over a period of 5 successive years, subject to the limits specified in the section.

9. As per the provisions of section 36(1)(iiia) the Act, the Bank is entitled to deduction in respect of pro rata amount of discount on a zero coupon bond, having regard to the period of life of such bond, calculated in the manner as may be prescribed by rules in this behalf. Zero coupon bond is defined under section 2(48) of the Act to mean a bond issued by any infrastructure capital company/ infrastructure capital fund or public sector company or scheduled bank on or after June 1, 2005 in respect of which no payment and benefit is received or receivable before maturity or redemption from infrastructure capital company/ fund or public sector company or scheduled bank and which is notified by the Central Government in this behalf.

10. Under section 36(1)(vii), any bad debt or part thereof written off as irrecoverable in the accounts of the Bank is allowable as a deduction. The deduction of bad debts is limited to the amount, by which such bad debts or part thereof, exceeds the credit balance in the provision for bad and doubtful debts account made under section 36(1)(viia).

11. Under section 36(1)(viia), a deduction is allowable in respect of any provision made for bad and doubtful debts, by an amount not exceeding 7.5% of total income (computed before making any deduction under this Clause and Chapter VIA) and an amount not exceeding 10% of the aggregate average advances made by rural branches of the Bank.

    As per the third proviso to the section and subject to the conditions specified therein, the Bank at its option is allowed a further deduction for an amount not exceeding the income derived from redemption of securities in accordance with a scheme framed by the Central Government.

12. Under section 36(1)(viii), subject to the conditions specified therein, a deduction is allowable in respect of an amount not exceeding 20% of the profits derived from eligible business viz., providing long-term finance for industrial or agricultural development or development of infrastructure facility in India or development of housing in India provided such amount is transferred to a special reserve account created and maintained by the Bank for this purpose. Where the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital and general reserves of the Bank, no allowance under this clause shall be made in respect of such excess. The amount withdrawn from such a Special Reserve Account would be chargeable to income tax in the year of withdrawal, in accordance with the provisions under section 41(4A) of the Act.

13. Under section 36(1)(xv), securities transaction tax paid by a shareholder in respect of taxable securities transactions entered into in the course of its business, would be allowed as a deduction if the income arising from such taxable securities transactions is included in the income computed under the head "Profits and gains of business or profession".

14. Interest income on certain categories of bad and doubtful debts, as specified in Rule 6EA of the Income-tax Rules, 1962, is chargeable to tax only in the year of receipt or credit to the profit & loss account of the Bank whichever is earlier, in accordance with the provisions of section 43D of the Act.

15. As per provisions of section 72 of the Act, the Bank is entitled to carry forward business losses that cannot be set off against permitted sources of income in the relevant assessment year, for a period of 8 consecutive assessment years immediately succeeding the assessment year when the losses were first computed, and set off such losses against income chargeable under the head "Profits and gains from business or profession" in such assessment year. The set off is permissible even if the business in which the loss was sustained is not carried on in the year of set off.

16. Under section 74 of the Act, short-term capital loss suffered during the year is allowed to be carried forward and set-off against short-term as well as long-term capital gains of a subsequent year. Such loss is permitted to be carried forward for eight years immediately succeeding the year in which such loss arises, for claiming set-off against subsequent years' short-term as well as long term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.

17. Under section 80LA of the Act, where the Bank's total income, in any previous year, includes income from an Offshore Banking Unit in a Special Economic Zone or income from the banking business (as defined in Banking Regulation Act, 1949) with an undertaking located in a Special Economic Zone or any other undertaking which develops, develops and operates or develops, operates and maintains a Special Economic Zone or from any Unit of the International Financial Services Centre from its business for which it has been approved for setting up in such a Centre in a Special Economic Zone, then it shall, subject to the fulfilment of the conditions specified in section 80LA, be entitled to 100% deduction of such income for five consecutive assessment years, beginning with the assessment year relevant to the previous year in which the Reserve 'Bank of India's permission or registration under the Securities and Exchange Board of India Act, 1992 or any other law to open the offshore unit is obtained, and after those five years, 50% of deduction of such income for the next five consecutive assessment years.

18. The tax rate applicable to the banks for the Assessment Year (AY) 2016-17 relevant to financial year 2015-16 is 30%. A surcharge on income tax of 7% in case domestic company having a total income exceeding Rs. one crore, but not exceeding Rs. ten crore and 12% in case domestic company having a total income exceeding Rs. ten crore. Education cess of 2% and Secondary Higher Education cess of 1% is levied on the amount of tax and surcharge

19. As per 115JB, Minimum Alternate Tax ('MAT') is payable by the Bank @18.5% of the Book profits computed in accordance with the provisions of this section, where income-tax computed under the normal provisions of the Act is less than 18.5% of the Book profits as computed under the said section. A surcharge on Income tax of 7% in case domestic company having a total income exceeding Rs. one crore, but not exceeding Rs. ten crore and 12% in case domestic company having a total income exceeding Rs. ten crore. Education cess of 2% and Secondary Higher Education cess of 1% is levied on the amount of tax and surcharge.

    Under section 115JAA(1A) of the Act, credit is allowed in respect of any MAT paid under section 115JB of the Act for any assessment year commencing on or after April 1, 2006. Tax credit eligible to be carried forward will be the difference between MAT paid and the tax computed as per the normal provisions of the Act for that assessment year. Such MAT credit is allowed to be carried forward to be set off against the difference between normal tax liability and MAT, for a period of up to ten years succeeding the year in which the MAT credit arises,

20. The tax rate on distributed profits of the Bank/ dividends covered under section 115-0 viz. Dividend Distribution Tax (DDT) is 15%. A surcharge of 12% would be levied on the amount of DDT. Further, Education cess of 2% and Secondary Higher Education cess of 1% is levied on the amount of tax and surcharge. The amount of distribution of dividend to shareholders to be grossed up for the purpose of DDT.

B. Benefits to shareholders

i. **To the Resident shareholders**:

1. Dividends earned on shares of the Bank are exempt from tax in accordance with and subject to the provisions of section 10(34) read with section 115-0. However, as per section 94(7), losses arising from said transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.

2. The characterization of gains/losses, arising from sale of shares, as Capital Gains or Business Income would depend on the nature of holding in the hands of the shareholder and various other factors. It may be noted that there are contradicting judicial rulings on characterization of income of a shareholders regularly trading in shares and securities in India. Taxability of income on regular trading of securities will depend on facts and circumstances of each case.

   Where the gains are characterized as business profits, the same would be subject to tax at the rates applicable (plus applicable surcharge and education cess) to each resident shareholder.

   If trading in securities is carried out without obtaining delivery of securities, such transactions would be deemed to be speculative transactions and consequentially, gains are taxed as ‘speculative income’ whereas losses are allowed to be set off only against speculative gains.

3. Under section 36(1)(xv), STT paid by a shareholder in respect of taxable securities transactions entered into in the course of its business, would be allowed as a deduction if the income arising from such taxable securities transactions is included in the income computed under the head 'Profits and gains of business or profession".

4. Section 14A provides that any expenditure incurred in relation to exempt income is not allowable as deduction in computing total income. Such expenditure is computed as per Rule 8D of the Income-tax Rules, 1962.

5. **Taxation of Capital Gains**

   Equity Shares of a company held for a period of more than 12 months with an intention to hold as ‘investments’ are treated as long-term capital assets. If the Equity Shares are held for a period of 12 months or less than 12 months, the capital gain arising on the sale thereof is to be treated as short-term capital gain.

   In accordance with and subject to provisions of section 48 of the Act, in order to arrive at quantum of capital gains, the following amounts would be deductible from the full value of consideration:

   (a) Cost of acquisition of the shares
   (b) Cost of improvement of shares
   (c) Expenditure incurred wholly and exclusively in connection with the transfer of shares

   In computing long term capital gain, cost of acquisition and cost of improvement is substituted by indexed cost of acquisition and indexed cost of improvement using the cost inflation index notified by the Government.

   Long-Term Capital Gains

   - As per section 10(38), long-term capital gains on sale of listed Indian securities held for a period of more than twelve months, would not be taxable, provided Securities Transaction Tax (“STT”) has been paid on the same. However, such exempt capital gains cannot be reduced from “book profits” of the Company under section 115JB and the Company will be required to pay Minimum Alternate Tax of 18.5% (plus applicable surcharge and education cess) on such book profits if 18.5% of "book profits" is higher than tax liability under normal provisions of the Act.

- Long-term capital gains on the sale of listed Indian securities not routed through a recognized stock exchange in India and therefore not subject to STT would be taxed at the rate of 20% plus applicable surcharge and education cess.
- However, in case of listed securities, the amount of such tax could be limited to 10% (plus applicable surcharge and cess), without indexation, at the option of the shareholder in cases where securities transaction tax is not levied.

The aforesaid tax treatment is applicable if the concerned transaction is not in nature of business and / or speculative business.

Short-Term Capital Gains

- Short-term capital gains, being gains on sale of listed Indian securities held for a period of twelve months or less, will be taxed at the rate of 15% plus applicable surcharge and education cess, provided STT has been paid on the same;
- Short Term Capital gains on sale of unlisted securities and short term capital gains on sale of listed Indian securities otherwise than on a stock exchange and as a result no STT is paid, are chargeable to tax at 30% plus applicable surcharge and education cess in case of resident company, firms and association of persons. In case of individuals, tax on such short term capital gains will be charged at variable rates depending on total income with a maximum rate of 30% plus applicable surcharge and education cess.

6. Under section 54EC and subject to the conditions and to the extent specified therein, long-term capital gains {other than those exempt under section 10(38)} arising on transfer of Bank's shares would be exempt from tax if such capital gain is invested within 6 months alter the date of such transfer in the bonds (long term specified assets) issued by:

   (a) National Highways Authority of India constituted under section 3 of The National Highways Authority of India Act, 1988; or
   (b) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

   The investment in the long term specified assets is eligible for such deduction to the extent of Rs.5 million.

   If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets hears to the whole of the capital gain, However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year of such transfer or conversion.

   However in case of companies, such exempt capital gains cannot be reduced from “book profits” of the Company under section 115JB and the Company will be required to pay Minimum Alternate Tax 18.5% (plus applicable surcharge and education cess) on such book profits if 18.5% of "book profits" is higher than tax liability under normal provisions of the Act.

7. Under section 74, a short-term capital loss can be set off against capital gain, whether short-term or long-term. To the extent that the loss is not absorbed in the year of transfer, it may be carried forward for eight subsequent years. Long-term loss arising from a transfer of a capital asset can only be set off against long-term capital gain. The excess/ balance loss, if any, can be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.

ii. **To non-resident shareholders**:

1. Dividends earned on shares of the Bank are exempt from tax in accordance with and subject to the provisions of section 10(34) read with section 115-0. However, as per section 94(7), losses arising from said transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.

2. The characterization of gains/losses, arising from sale of shares, as Capital Gains or Business Income would depend on the nature of holding in the hands of the shareholder and various other factors. It may be noted that there are contradicting judicial rulings on characterization of income of a shareholder regularly trading in shares and securities in India. Taxability of income on regular trading of securities will depend on facts and circumstances of each case.

   If the income of the Investor is characterized as business income, the income could be taxed at the rate of 40% plus applicable surcharge and education cess if the non-resident has permanent establishment in India and 30% plus applicable surcharge and education cess in other cases.

   If trading in securities is carried out without obtaining delivery of securities, such transactions would be deemed to be speculative transactions and consequentially, gains are taxed as 'speculative income' whereas losses are allowed to be set off only against speculative gains.

3. Under section 36(1)(xv), STT paid by a shareholder in respect of taxable securities transactions entered into in the course of its business, would be allowed as a deduction if the income arising from such taxable securities transactions is included in the income computed under the head 'Profits and gains of business or profession".

4. Section 14A provides that any expenditure incurred in relation to exempt income is not allowable as deduction in computing total income. Such expenditure is computed as per Rule 8D of the Income-tax Rules, 1962.

5. **Income Tax Laws and Tax Treaty Benefits**

   The taxation of non-residents in India is governed by the provisions of the Act and the Tax Treaty between India and the jurisdiction of the non-residents ("Tax Treaty"). As per section 90 (2) of the Act, the provisions of the Tax Treaty would apply to the extent they are more beneficial than the provisions of the Act.

   A non-resident can take benefit of provisions of Tax Treaty provided he shall submit Tax Residency Certificate (TRC) (obtained from the Government of his resident country) in the prescribed format.

   The withholding tax rates are subject to the recipients of income obtaining and furnishing a permanent account number (PAN) to the payer, in the absence of which the applicable withholding tax rate would be the higher of the applicable rates or 20%, under section 206AA of the Act.

   Taxation of Capital Gains

   Equity Shares of a company held for a period of more than 12 months with an intention to hold as 'investments' are treated as long-term capital assets. If the Equity Shares are held for a period of 12 months or less than 12 months, the capital gain arising on the sale thereof is to be treated as short-term capital gain.

   In accordance with and subject to provisions of section 48 of the Act, in order to arrive at quantum of capital gains, the following amounts would be deductible from the full value of consideration:

   a) Cost of acquisition of the shares
   b) Cost of improvement of shares
   c) Expenditure incurred wholly and exclusively in connection with the transfer of shares

   In computing long term capital gain, cost of acquisition and cost of improvement is substituted by indexed cost of acquisition and indexed cost of improvement using the cost inflation index notified by the Government.

   Tax treaties between India and countries like the United States and United Kingdom do not limit India's ability to impose tax on capital gains. However, capital gains on the sale of Equity Shares purchased in this Issue by residents of certain other countries like Mauritius and Singapore will not be taxable in India by virtue of the provisions contained in the Tax Treaty between India and such countries. In case of other countries also, wherever Tax Treaties exists, taxation of capital gains will be governed by the provisions of respective Tax Treaty to the extent those provisions are beneficial to the taxpayers.

Long-Term Capital Gains

In the event that the benefits of any Tax Treaty are not available to the non-residents or the applicable tax treaty permits the taxation of capital gain in India, the incidence of tax in the hands of non-resident as follows:

- Long-term capital gains on sale of listed Indian securities held for a period of more than twelve months, would not be taxable, provided STT has been paid on the same. However, such exempt capital gains cannot be reduced from "book profits" of the Company under section 115JB and the Company will be required to pay Minimum Alternate Tax of 18.5% (plus applicable surcharge and education cess) on such book profits if 18.5% of "book profits" is higher than tax liability under normal provisions of the Act.
- Long-term capital gains on the sale of listed Indian securities not routed through a recognized stock exchange in India and therefore not subject to STT would be taxed at the rate of 20% plus applicable surcharge and education cess.
- However, in case of listed securities, the amount: of such tax could be limited to 10% (plus applicable surcharge and cess), without indexation, at the option of the shareholder in cases where securities transaction tax is not levied.

Section 48 of the Act contains special provisions in relation to computation of long term capital gain on transfer of an Indian company's shares by non-residents. Under the first proviso to section 48 of the Act, in the case of a non-resident shareholder, the capital gains/ loss arising from transfer of shares of the Company, acquired in convertible foreign exchange is to be computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer, into the same foreign currency which was initially utilized in the purchase of shares. The capital gain computed in the original foreign currency is then re-converted into Indian rupees at the prevailing/ prescribed rate of exchange. However, indexation benefit cannot be availed by non-residents in computing the capital gains.

As per section 2(14) of the Act, any income earned by Foreign Institutional Investors ("FII") would be taxable under the head 'Capital Gain'. As per section 115AD, long term capital gains arising on transfer of shares purchased by FII, are taxable at the rate of 10% (plus applicable surcharge and education cess) if such long term capital gains are not exempt under section 10(38). In this case, the tax is levied on the capital gains computed without considering the indexation benefit on the cost of acquisition and without considering foreign exchange fluctuation protection benefit available under first and second provisos to section 48.

The aforesaid tax treatment is applicable if the concerned transaction is not in nature of business and / or speculative business.

Short-Term Capital Gains

- Short-term capital gains, being gains on sale of listed Indian securities held for a period of twelve months or less, will be taxed at the rate of 15% plus applicable surcharge and education cess, provided STT has been paid on the same;
- Short Term Capital gains on sale of unlisted securities and short term capital gains on sale of listed Indian securities otherwise than on a stock exchange and as a result no STT is paid, are chargeable to tax at 40% plus applicable surcharge and education cess in the case of a non-resident company and 30% plus applicable surcharge and education cess in case of FIIs. In case of individuals, tax on such short term capital gains will be charged at variable rates depending on total income with a maximum rate of 30% plus applicable surcharge and education cess.

8. Under section 74, a short-term capital loss can be set off against capital gain, whether short-term or long-term. To the extent that the loss is not absorbed in the year of transfer, it may be carried forward for eight subsequent years. Long-term loss arising from a transfer of a capital asset can only be set off against long-term capital gain. The excess/ balance loss, if any, can be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.

Long term capital loss on sale of listed equity shares in respect of which STT has been paid is allowed to be set off only against long term capital gains on sale of listed equity shares in respect of which STT has been paid, in the year in which it is incurred.

iii. **To Mutual Funds**:

Under section 10(23D), exemption is available in respect of income (including capital gains arising on transfer of shares of the Bank) of a Mutual Fund registered under the Securities and Exchange Board of India Act, 1992 or such other Mutual fund set up by a public- sector bank or a public financial institution or authorized by the Reserve Bank of India and subject to the conditions as the Central Government may specify by notification.

Tax Deduction at Source

Under section 195, dividends paid by the Bank are not subject to deduction of tax at source.

No income tax is deductible at source from income by way of capital gains arising to a resident shareholder under the present provisions. However, as per the provisions of section 195, any income by way of capital gains payable to non-residents {other than LTCG exempt under section 10(38)} may be subject to withholding of tax at the rate under the domestic tax laws or under the Tax Treaty, whichever is beneficial to the assesse unless a lower withholding tax certificate is obtained from the tax authorities.

The withholding tax rates are subject to the recipients of income obtaining and furnishing a PAN to the payer, in the absence of which the applicable withholding tax rate would be the higher of the applicable rates or 20%, under section 206AA of the Act.

As per section 196D, no deduction of tax at source shall be made in respect of capital gains arising on sale proceeds to FIIs on transfer of shares.

The foregoing does not purport to be a complete analysis of the potential tax considerations relating to the Issue, and should not be construed as tax advice/opinion. Prospective investors should consult their own tax advisors as to the particular tax considerations applicable to them relating to the purchase, ownership and disposition of the Equity Shares, including the applicability of the local tax laws or non-tax laws, any changes in applicable tax laws and any pending or proposed laws or regulations.

Material United States Federal Income Tax Considerations

The following is a summary of the material U.S. Federal income tax considerations of purchasing, owning and disposing of Equity Shares. It is not a comprehensive description of all of the U.S. Federal income tax considerations that may be relevant to a particular investor's decision to acquire Equity Shares. Each prospective investor should consult its own tax advisors concerning the U.S. Federal tax consequences, as well as the state, local and non-U.S. tax consequences, of purchasing, owning and disposing of Equity Shares based on such investor's particular circumstances. This discussion applies only to investors who acquire Equity Shares in the Issue and hold the Equity Shares as capital assets for U.S. Federal income tax purposes (generally, for investment). This section does not apply to any investor that is subject to special rules under the U.S. Internal Revenue Code of 1986, as amended (the "Code"), including:

- a dealer in securities or foreign currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;
- a bank or financial institution;
- a retirement plan;
- a tax-exempt organization;
- a regulated investment company, real estate investment trust, S corporation or partnership;
- a life insurance company;

- a holder liable for alternative minimum tax;
- a holder that actually or constructively owns 10% or more of the Bank's voting stock;
- a holder that is a U.S. expatriate or former long-term resident of the United States;
- a holder that holds Equity Shares as part of a straddle or a hedging or conversion transaction; or
- a U.S. Holder whose functional currency is not the U.S. Dollar.

This section is based on the Code, its legislative history, existing and proposed U.S. Treasury Regulations, the Convention Between the Government of the United States of America and the Government of the Republic of India for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, signed September 12, 1989 (the "India-U.S. Tax Convention"), as amended, and published rulings of the U.S. Internal Revenue Service (the "IRS") and U.S. court decisions, all as in effect on the date of this document. These laws are subject to change or to different interpretation, possibly on a retroactive basis. The discussion below also is based on the accuracy of certain factual representations made by the Bank and could be materially incorrect if such factual representations prove to be incorrect.

A "U.S. Holder" is a beneficial owner of Equity Shares that is:

- a citizen or resident of the United States;
- a U.S. corporation or other entity treated as a U.S. corporation for U.S. Federal income tax purposes;
- an estate whose income is subject to U.S. Federal income tax regardless of its source; or
- a trust if a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust.

If a partnership (including an entity treated as a partnership for U.S. Federal income tax purposes) is a beneficial owner of the Equity Shares, the U.S. Federal income tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. A holder of the Equity Shares that is a partnership (or an entity treated as a partnership) and partners in such partnership should consult their own tax advisors about the U.S. Federal income tax consequences of purchasing, owning and disposing of Equity Shares.

A "non-U.S. Holder" is a beneficial owner of Equity Shares that is not a U.S. Holder.

Passive Foreign Investment Company Considerations

Based on the Bank's current operations and projections, the Bank does not believe that it is, or will become in the foreseeable future, a "passive foreign investment company" ("PFIC"). However, the matter is not free from doubt due to a lack of legal guidance in the pertinent notices and proposed U.S. Treasury Regulations under the PFIC rules and the fact that the Bank's PFIC status is determined annually based on the type of income we earn and the value of our assets. The Bank has based the expectation that it is not a PFIC on, among other things, provisions in proposed U.S. Treasury Regulations under the PFIC rules, its regulatory status, the nature of its business activities, and the composition of its income and assets. Since the manner of the application of the proposed U.S. Treasury Regulations is not entirely clear (and there can be no assurance that the proposed regulations will be finalized in their current form) and the composition of our income and assets will vary over time, there can be no assurance that we will not be considered a PFIC for any fiscal year.

If the Bank were a PFIC for any year during a U.S. Holder's holding period, certain potentially adverse rules will affect the U.S. Federal income tax consequences to a U.S. Holder resulting from the acquisition, ownership and disposition of Equity Shares. In addition, such U.S. Holder may be required to file an annual report with the IRS containing such information as Treasury Regulations and/or other IRS guidelines may require.

The Bank generally will be a PFIC under Section 1297 of the Code if, for a tax year, (a) 75% or more of the gross income of the Bank for such tax year is passive income (the "income test") or (b) 50% or more of the value of its average quarterly assets held by the Bank either produce passive income or are held for the production of passive income, based on the fair market value of such assets (the "asset test"). "Gross income" generally means all sales revenues less the cost of goods sold, and "passive income" includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions except for gross income qualifying for an exception provided in the PFIC rules for income derived from an active banking business.

The IRS has issued a notice and certain proposed Treasury Regulations that exclude from passive income any income derived in the active conduct of a banking business by a qualifying foreign bank (the "Active Bank Exception"). However, the IRS notice and proposed Treasury Regulations are inconsistent in certain respects. Since final Treasury Regulations have not been issued, there can be no assurance that the Bank will satisfy the Active Bank Exception for any given taxable year.

In addition, for purposes of the PFIC income test and asset test described above, if the Bank owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, the Bank will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation. In addition, for purposes of the PFIC income test and asset test described above, "passive income" does not include any interest, dividends, rents, or royalties that are received or accrued by the Bank from a "related person" (as defined in Section 954(d)(3) of the Code), to the extent such items are properly allocable to the income of such related person that is not passive income.

If the Bank were a PFIC in any tax year and a U.S. Holder held Equity Shares, such U.S. Holder generally would be subject to special rules with respect to "excess distributions" made by the Bank on the Equity Shares and with respect to gain from the disposition of Equity Shares. An "excess distribution" generally is defined as the excess of distributions with respect to the Equity Shares received by a U.S Holder in any tax year over 125% of the average annual distributions such U.S. Holder has received from the Bank during the shorter of the three preceding tax years, or such U.S. Holder's holding period for the Equity Shares. Generally, a U.S. Holder would be required to allocate any excess distribution or gain from the disposition of the Equity Shares ratably over its holding period for the Equity Shares. Such amounts allocated to the year of the disposition or excess distribution would be taxed as ordinary income, and amounts allocated to prior tax years would be taxed as ordinary income at the highest tax rate in effect for each such year and an interest charge at a rate applicable to underpayments of tax would apply.

While there are U.S. Federal income tax elections that sometimes can be made to mitigate these adverse tax consequences (including, without limitation, the "QEF Election" and the "Mark-to-Market Election"), such elections are available in limited circumstances and must be made in a timely manner. U.S. Holders should be aware that, for each tax year, if any, that the Bank is a PFIC, the Bank will not satisfy the record keeping requirements or make available to U.S. Holders the information required for such U.S. Holders to make a QEF Election under Section 1295 of the Code with respect of the Bank. U.S. Holders should consult their own tax advisors regarding the potential application of the PFIC rules to the ownership and disposition of Equity Shares and the availability of certain U.S. tax elections under the PFIC rules.

Distributions

U.S. Holders. Subject to the discussion above under "—Passive Foreign Investment Company Considerations," a U.S. Holder that receives a distribution, including a constructive distribution, with respect to an Equity Share will be required to include the amount of such distribution in gross income as a dividend to the extent of the current or accumulated "earnings and profits" of our Bank, as computed for U.S. Federal income tax purposes. To the extent that a distribution exceeds the current and accumulated "earnings and profits" of our Bank, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the Equity Shares and thereafter as gain from the sale or exchange of such Equity Shares (see "Sale or Other Taxable Disposition of Equity Shares" below.) However, our Bank does not intend to maintain the calculations of earnings and profits in accordance with U.S. Federal income tax principles, and each U.S. Holder should therefore assume that any distribution by our Bank with respect to the Equity Shares will constitute ordinary dividend income. Dividends received on Equity Shares generally will not be eligible for the "dividends received deduction."

Subject to potential application of the PFIC rules above, a dividend paid by our Bank to a U.S. Holder who is an individual, estate or trust generally will be taxed at the preferential tax rates applicable to long-term capital gains if our Bank is a "qualified foreign corporation" (a "QFC") and certain holding period requirements for the Equity Shares are met. Our Bank generally will be a QFC if it is eligible for the benefits of the income tax treaty between the United States and India.

Dividends received generally will be income from non-U.S. sources for foreign tax credit limitation purposes. Such non-U.S.-source income generally will be "passive income" which is treated separately from other types of income for purposes of computing the allowable foreign tax credit. U.S. Holders should consult their own tax advisors regarding the foreign tax credit implications of owning Equity Shares.

The amount of the dividend distribution that must be included in income as a U.S. Holder will be the U.S. Dollar value of the Rupee payments made, determined at the spot Rupee to U.S. Dollar exchange rate on the date the dividend distribution is includible in income, regardless of whether the payment is in fact converted into U.S. Dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date dividend payment is included in income to the date the payment is converted into U.S. Dollars will be treated as ordinary income or loss. Such gain or loss generally will be income or loss from U.S. sources for foreign tax credit limitation purposes.

Indian companies distributing dividends are subject to a dividend distribution tax and such dividend distributions are not taxable in the hands of the recipient. Indian dividend distribution tax, therefore, should not be treated as part of the gross amount of the dividend received by the U.S. Holder and should not be eligible for a credit or deduction against a U.S. Holder's United States federal income taxes as the dividend distribution tax is imposed on the company making the distribution and not the U.S. Holder.

If the preferential tax rates discussed above do not apply, a dividend paid by the Bank to a U.S. Holder generally will be taxed at ordinary income tax rates. The rules applicable to dividends are complex, and each U.S. Holder should consult its own tax advisors regarding the application of such rules.

Non-U.S. Holders. Dividends paid to Non-U.S. Holders generally will not be subject to U.S. Federal income tax unless the dividends are "effectively connected" with such Non-U.S. Holder's conduct of a trade or business within the United States, and, if required by an applicable income tax treaty as a condition for subjecting a Non-U.S. Holder to U.S. Federal income taxation on a net income basis, the dividends are attributable to a permanent establishment maintained in the United States. In such cases, a Non-U.S. Holder generally will be subject to U.S. Federal income tax in the same manner as a U.S. Holder. For corporate Non-U.S. Holders, "effectively connected" dividends may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or a lower rate if the Non-U.S. Holder is eligible for the benefits of an income tax treaty that provides for a lower rate.

Sale, Exchange or Other Disposition of Equity Shares

U.S. Holders. Subject to the discussion above under "—Passive Foreign Investment Company Considerations," a U.S. Holder that sells or otherwise disposes of its Equity Shares generally will recognize capital gain or loss for U.S. Federal income tax purposes equal to the difference between the U.S. Dollar value of the amount realized and the tax basis, determined in U.S. Dollars, in its Equity Shares. Gain or loss recognized on such sale or other disposition generally will be long-term capital gain or loss if, at the time of the sale or other disposition, the Equity Shares have been held for more than one year. Preferential rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code. The gain or loss generally will be income or loss from U.S.-sources for foreign tax credit purposes. Capital gains realized by a U.S. Holder upon the sale of Equity Shares may be subject to certain taxes in India. Due to limitations on foreign tax credits, however, a U.S. Holder may be unable to utilize such taxes as a credit against the U.S. Holder's Federal income tax liability on such capital gains. The foreign tax credit rules are complex, and each U.S. Holder should consult its own U.S. tax advisors regarding the application of the foreign tax credit rules to such U.S. Holder.

Non-U.S. Holders. A Non-U.S. Holder generally will not be subject to U.S. Federal income tax on gain recognized on the sale or other disposition of Equity Shares unless:

- the gain is "effectively connected" with the conduct of a trade or business in the United States, and, if required by an applicable income tax treaty as a condition for subjecting a Non-U.S. Holder to U.S. Federal income taxation on a net income basis, the gain is attributable to a permanent establishment that maintained in the United States; or

- the Non-U.S. Holder is an individual present in the United States for 183 or more days in the taxable year of the sale and certain other conditions are met.

In the first case, the Non-U.S. Holder generally will be subject to U.S. Federal income tax in the same manner as a U.S. Holder. In the second case, the Non-U.S. Holder generally will be subject to U.S. Federal income tax at a rate of 30% on the amount by which such Non-U.S. Holder's U.S.-source capital gains exceed such Non-U.S. Holder's U.S.-source capital losses.

For corporate Non-U.S. Holders, "effectively connected" gains also may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or at a lower rate if the Non-U.S. Holder is eligible for the benefits of an income tax treaty that provides for a lower rate.

Tax on Net Investment Income

Non-corporate U.S. Holders whose income exceeds certain thresholds generally will be subject to a 3.8% surtax on their "net investment income" (which generally would include, among other things, dividends on and capital gains from the sale or other disposition of the Equity Shares). U.S. Holders should consult their own tax advisors regarding the possible effect of such tax on their ownership and disposition of the Shares.

Backup Withholding and Information Reporting

Payment of dividends and sales proceeds that are made within the U.S. or through certain U.S.-related financial intermediaries generally are subject to information reporting and to backup withholding unless: (i) the recipient is exempt; or (ii) in the case of backup withholding, the recipient provides a correct taxpayer identification number on IRS Form W-9 and certifies that it is not subject to backup withholding. Backup withholding is not an additional tax. The amount of any backup withholding generally may be allowed as a credit against U.S. federal income tax liability and may be refundable, provided that the required information is furnished to the IRS.

In addition, U.S. individuals who hold interests in foreign financial assets exceeding $50,000 are required to report certain information regarding the Bank and the Equity Shares to the IRS on Form 8939, Statement of Specified Foreign Financial Assets, which must be attached to such individual's annual tax return, subject to certain exceptions (including an exception for shares held in accounts maintained by certain financial institutions).

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the Code (provisions commonly known as the "Foreign Account Tax Compliance Act," or "FATCA") impose certain reporting and due diligence requirements on foreign financial institutions and potentially require such foreign financial institutions to deduct a 30% withholding tax from (i) certain payments from sources within the United States, and (ii) "foreign passthru payments" (which is not yet defined in current guidance) made to certain non-U.S. financial institutions that do not comply with such reporting and due diligence requirements or certain other payees that do not provide required information. The United States has entered into a number of intergovernmental agreements with other jurisdictions with respect to FATCA ("IGAs") which may modify the operation of such withholding. The Bank as well as relevant intermediaries such as custodians and depository participants are classified as financial institutions for these purposes. Given that India has reached an "agreement in substance" with the United States on FATCA and is expected to sign a Model 1 IGA with the United States for giving effect to FATCA, Indian financial institutions such as the Bank are also being instructed to become fully FATCA compliant, based on the terms of its IGA and relevant rules.

Under current guidance it is not clear whether or to what extent payments on Equity Shares will be considered "foreign passthru payments" subject to FATCA withholding or the extent to which withholding on "foreign passthru payments" will be required under the applicable IGA. Investors should consult their own tax advisors on how the FATCA rules may apply to payments they receive in respect of the Equity Shares.

Should any withholding tax in respect of FATCA be deducted or withheld from any payments arising to any investor, neither the Bank nor any other person will pay additional amounts as a result of the deduction or withholding.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE ACQUISITION, OWNERSHIP AND DISPOSITION OF EQUITY SHARES. PROSPECTIVE HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM OF ACQUIRING, HOLDING AND DISPOSING OF EQUITY SHARES BASED ON THEIR PARTICULAR FACTS AND CIRCUMSTANCES.

LEGAL PROCEEDINGS

Except as described below, we are not involved in any legal proceedings, and we are not aware of any threatened legal proceedings, which if determined adversely, could result in a material adverse effect on our business, financial condition or results of operations and that of our Subsidiary taken as a whole. We believe that the number of proceedings in which we are involved is not unusual for a bank of our size in the context of doing business in India.

A summary of certain legal proceedings pending against us where the amount claimed exceeds ₹50 million is set forth below:

1. The SBI has named us as respondents in an appeal involving a claim of ₹334.96 million. An individual had issued a cheque of Classic Co-operative Bank Limited to the SBI for the purchase of a quantity of gold. This cheque was dishonoured due to an insufficiency of funds. The individual then replaced the dishonoured cheque and issued five of our cheques to the SBI, of which four were dishonoured. The SBI filed an application before the Debt Recovery Tribunal, Ahmedabad against the individual and named us as a party to the proceedings. The Debt Recovery Tribunal dismissed the application against us and issued recovery certificates in favour of the SBI against the individual and another person in an order dated March 17, 2009. The SBI filed an appeal before the Debt Recovery Appellate Tribunal, Mumbai against the order of Debt Recovery Tribunal. The matter is currently pending for final hearing.

2. The Calcutta Stock Exchange Limited (the "CSE") filed a suit against us before the Calcutta High Court on June 8, 2009 alleging deficiency in our services by delaying in intimation of a dishonour of certain cheques. The CSE had initially filed a claim against us before the NCDRC under the Consumer Protection Act; however, the NCDRC, citing lack of jurisdiction, directed the CSE to present its claim before another appropriate forum. The CSE filed a special leave petition before the Supreme Court against such order of the NCDRC. The Supreme Court on February 25, 2009 upheld the order of the NCDRC and directed the CSE to approach the appropriate court. The CSE claimed an amount of ₹1,906.97 million with additional interest. We have filed our written statement, and the matter is currently pending.

3. We received a notice dated July 31, 2012 under Sections 433 and 434 of the Companies Act, 1956 from the Greater Bombay Co-operative Bank Limited ("GBCB") demanding payment of three letters of credit of an aggregate amount of ₹148.11 million purported to have been issued by our Khar branch and discounted by GBCB. We have replied to the notice disclaiming all liability on the basis that the Khar branch is not authorized to issue letters of credit, that such letters of credit are not authentic and that the signatures of the officers of our Khar branch appear to be forged. We have not received any further correspondence from GBCB or received any summons or notice from a court pursuant to the notice dated July 31, 2012. We have filed a criminal complaint dated July 21, 2012 with the Additional Commissioner of Police, Economic Offences Wing, Mumbai to investigate the alleged fraud and forgery. The Bombay High Court has allowed the quashing of the proceedings against one of the accused pursuant to a settlement between the GBCB and the accused. The Economic Offences Wing has informed us that GBCB has also filed a complaint before the Economic Offences Wing, which registered a first information report on September 24, 2012 and that it is conducting an investigation. We have also filed a civil suit before the Bombay High Court against GBCB seeking an order of declaration that the letters of credit are forged and that we are not liable to pay any amount to GBCB. We have also sought an order of permanent injunction restraining GBCB from acting on and making any claims on us with respect to such letters of credit. We have also reported to the RBI about the fraudulent letters of credit purported to have been issued by our Khar branch.

4. The Registration and Stamps Department, Government of Andhra Pradesh issued a notice dated December 30, 2013 to our Vijayawada branch in relation to non-payment/ deficit payment of stamp duty on hypothecation deeds for the years 2010-2011, 2011-2012 and 2012-2013 amounting to ₹136.31 million in accordance with Article 7(b) of Schedule IA of the Indian Stamp Act, 1899. We are in the process of filing a reply and intend to raise objections to the demand raised in the notice.

5. The Registration and Stamps Department, Government of Andhra Pradesh issued a notice dated January 18, 2014 to our Nellore branch in relation to deficit in stamp duty paid on loan cum hypothecation agreements for the years 2008-2009, 2009-2010, 2010-2011, 2011-2012 and 2012-2013 amounting to ₹141.44 million. We are in the process of filing a reply and intend to raise objections to the demand raised in the notice.

6. The Assistant Commissioner (CT)-IV, Enforcement Wing, Andhra Pradesh ("Assistant Commissioner") has issued a notice of assessment of value added tax dated December 2, 2013 with respect to incorrect amounts of

value added tax declared in returns submitted by us for the period between January 2008 and September 2013. The Assistant Commissioner sought to impose liability with respect to the sale of repossessed assets or vehicles under Section 4(1) of the Andhra Pradesh Value Added Tax Act, 2005 and declared that the total amount due to it was ₹167.44 million. We have filed a writ petition before the High Court of Andhra Pradesh for a declaration that the notice of assessment is illegal and unsustainable and for stay of proceedings pursuant to the issue of the notice of assessment pending disposal of the writ petition. The High Court of Andhra Pradesh through an order dated January 9, 2014 granted a stay of further proceedings pending disposal of the writ petition.

7. Cosmos Engineering Industries Private Limited ("Cosmos Engineering") and its director filed a suit against us in relation to a hire purchase agreement executed in November 2011 between Cosmos Engineering and Ashok Leyland Finance Limited ("ALFL") (which has merged with us). ALFL had initiated arbitration proceedings with regard to irregular payments by Cosmos Engineering under the agreement pursuant to which a receiver had been appointed to take possession of the hydraulic excavator purchased pursuant to the agreement. The plaintiffs have alleged *inter alia* that the unilateral rescission of the hire purchase agreement does not entitle us from claiming any rights flowing from such agreement. Further, the plaintiffs also claimed that they are entitled to a decree for declaration that we have been prosecuting and suing the plaintiffs falsely and by raising illegal issues for wrongful gain against the plaintiffs. The plaintiffs sought decrees for a declaration that they had paid ₹0.8 million to us under the hire purchase agreement, damages of ₹40 million for loss caused to their business and ₹500 million for loss of reputation. In response, we have filed an application under Section 5 and Section 8 of the Arbitration and Conciliation Act, 1996 and have sought to refer the dispute to an arbitrator in accordance with the terms of the arbitration clause in the hire purchase agreement and to dismiss the civil suit. Cosmos Engineering in its response has denied the existence of the arbitration agreement and has claimed that the subject matter cannot be decided in an arbitration proceeding. The aggregate amount being claimed by Cosmos Engineering is ₹540.8 million. The matter is currently pending.

Income tax and Service tax cases

A summary of certain income tax and service tax proceedings pending against us is set forth below:

1. A single matter covering lease depreciation claim in respect of a transaction of ₹194.55 million in the assessment years 1998-1999 and 1999-2000 was pending before a Special Bench Income Tax Appellate Tribunal, which decided that the transaction in question was a finance lease and, therefore, held that depreciation in the case of a finance lease would be allowable to the lessee and not the lessor. We have filed an appeal before the Bombay High Court which has been admitted and the matter is currently pending.

2. Section 14A inserted in the Finance Act, 2000 deals with disallowances of expenses incurred to earn tax-free income. The department has disallowed interest expended on our tax-free income. We have contended that our investments in tax-free bonds are out of capital funds and not from borrowed funds. On the remand of files by the Income Tax Appellate Tribunal to the assessing officer, matters until the assessment year 2004-2005 have been resolved with a reasonable disallowance except for the assessment year 2003-2004, in relation to which we are in an appeal before the Bombay High Court. The department has since issued Rule 8D, which prescribes the formula for making disallowance from the assessment year 2008-2009 onwards. The matter of the assessment years 2008-2009 onwards is yet to be resolved.

3. In relation to our interest accrued on investments portfolio, we offer interest on government securities when it is received or realized. We took this stand on the basis of a judgment of the Supreme Court. The Income Tax department has rejected our stand. Disallowances have been made in each year starting from our incorporation and the entire interest income accrued on the investment portfolio held by us in the books has been subjected to tax. We had filed appeals before the Income Tax Appellate Tribunal with respect to certain assessment years in which the Commissioner of Income Tax has confirmed such disallowances by the assessing officers. In relation to the assessment years 1996-1997 and 1997-1998, where the Settlement Commission decided the issue against us in line with the stand taken by the Income Tax Department in the earlier years, the appeal before the Bombay High Court is currently pending. On the basis of a favourable decision by the Special Bench of the Mumbai Income Tax Appellate Tribunal in another case, we have been granted relief by the Income Tax Appellate Tribunal in relation to a few assessment years. The Income Tax Department has filed an appeal before the Bombay High Court on this issue. The departmental appeal has been dismissed by the Bombay High Court for assessment years 2000-2001, 2001-2002, 2003-2004 and 2004-2005. The appeal for assessment year 2002-2003 is currently pending.

4. In the case of Held to Maturity investments, the amortisation of premium, *i.e.*, the difference between acquisition cost and face value is charged to our profit and loss account from the date of acquisition until the date of redemption. This is done in accordance with prudential guidelines of the RBI and our accounting policy. In respect of the assessment year 2002-2003, our case was reopened and our amortisation claim was disallowed by Commissioner of Income Tax in an order dated March 26, 2007. The matter is pending at the Income Tax Appellate Tribunal. Since the amortisation was added to total income in the respective years and we offered profit on the sale of investments as regular profit, we believe that the stand taken by the Income Tax Department results in double taxation. With respect to the assessment year 2005-2006, we have filed an appeal before the Income Tax Appellate Tribunal, which is currently pending. The Commissioner of Income Tax (Appeals) has allowed relief in the assessment years 2007-2008 and 2008-2009. The issue has been settled from the assessment years 2009-2010 onwards due to a change in the RBI guidelines with regard to the method of disclosure. However, citing disallowance in other peer bank's assessment for assessment year 2009-2010, the assessing officer issued assessment orders under which it has made disallowance for the assessment years 2010-2011 and 2011-2012 and added the amounts to our total income. We have filed appeals before the Commissioner of Income Tax (Appeals) against both orders. The Commissioner of Income Tax (Appeals) has allowed relief in assessment year 2010-2011 and the appeal is yet to be come up for hearing for assessment year 2011-2012.

5. The erstwhile Ashok Leyland Finance Limited, which merged into us in 2004, and post which has been functioning as our Consumer Finance Division, was engaged in providing finance under hire-purchase schemes, and adopted a capital recovery method ("CRM") system of accounting. However, while filing the return of income, the income was adopted under the equated monthly instalment ("EMI") method. Under the EMI method of income recognition, income is accrued equally on the entire tenure of the contract. The addition made by the assessing officer was mainly on account of the differences in income recognition methods, *i.e.*, hire purchase income is reflected in our accounts under the CRM method, and for tax purposes under the EMI method. The department filed an appeal before the Income Tax Appellate Tribunal. The Income Tax Appellate Tribunal passed orders in our favour for all the assessment years from the assessment year 1989-1990 until 2003-2004. The Income Tax Department has filed an appeal against the unfavourable orders of the Income Tax Appellate Tribunal before the Madras High Court. In its order dated June 28, 2012, the Madras High Court has dismissed the appeals of the Income Tax Department in respect of the assessment years 1991-1992, 1992-1993, 1999-2000 and 2003-2004. The appeals for the remaining assessment years have not yet come up for hearing.

6. We have filed appeals against the Commissioner of Service Tax in the Customs, Excise and Service Tax Appellate Tribunal, Chennai for (a) the imposition of service tax on pre-closure charges for loans for the period until June 2009, (b) the imposition of service tax on vehicle dealership commissions and bill discounting charges enuring to the benefit of Ashok Leyland, and (c) the demand relating to an excess utilisation of CENVAT credit. In relation to the demand on the excess utilization of CENVAT credit, the amount involved is ₹21.29 million (including interest and penalties). With respect to the dealership commissions, show cause notices have been received for the period between July 2004 and June 2009 and the total amount claimed is ₹13.45 million (including interest and penalties). Show cause notices in relation to the issue of pre-closure charges have been received for the period from September 2004 until June 2009 and the total amount claimed is ₹67.42 million (including interest and penalties). The aggregate amount claimed by the Commissioner is ₹102.17 million.

All the above disputed tax amounts and other minor matters, aggregating ₹ 1,271.2 million, as of March 31, 2015, after accounting for provisioning made, have been accounted for by us as contingent liabilities. These contingent liabilities do not include any unquantified damages or penalties or interest which may be claimed in case such contingent liabilities materialize against us.

A summary of certain criminal proceedings pending against us and one or more of our Directors is set forth below:

1. On January 20, 2010, a complaint was filed by Aloke Kumar Gupta, director of Paragon Finance Limited, against several of our current and former personnel, including our current and former Directors Romesh Sobti, R. Seshasayee, T.T. Ram Mohan, Ashok Kini, T. Anantha Narayanan, S.C. Tripathi, Ajay Hinduja and Yashodhan Madhusudan Kale. It has been alleged that offences have been committed under Sections 420, 406, 467, 468, 471, 472 and 120B of the Indian Penal Code, 1860 (the "Indian Penal Code") with respect to alleged delays in payment, forging of documents and misappropriation for charging excess interest. A petition to quash the complaint has been filed and the matter is still pending. The police have filed a final report stating that the matter is of civil nature and should be closed. The above mentioned persons have not received any summons from the Chief Judicial Magistrate or any notice or enquiry from the police in this matter.

2. Gayatri Distributors filed a complaint under Section 200 of the Code of Criminal Procedure, 1973 before the Chief Judicial Magistrate who directed an investigation into offences under Sections 420, 467, 468, 471, 384 and 120 (B) of the Indian Penal Code against certain of our Directors and employees, including the Chairman, Managing Director and the Company Secretary. The police have registered an FIR against such persons on December 25, 2014. The complainant has alleged that they had approached the Bank for grant of credit facilities. According to the complainant, one of the terms of the sanction letter issued by us required the complainant to issue a pay order in the name of YES Bank for closure of its existing credit facilities with YES Bank. The complainant has alleged that our officials credited the amount in favour of YES Bank without their consent or knowledge. The complainant then sought to cancel the credit facilities and their account was debited with prepayment charges of 2%. The matter was referred to the banking ombudsman and a settlement was arrived at. The complainant has now alleged that they had agreed to the settlement under pressure. The matter is still pending.

Material Frauds committed against us*:*

We have a Special Committee which monitors and reviews all frauds against us involving an amount of ₹10.00 million or more.

In the last three years, the acts of material frauds, *i.e.*, the acts of fraud involving an amount of ₹10.00 million or more, against us are as follows:

S. No.	Details of the Fraud	Amount Involved (in ₹ in Million)	Action taken by the Bank
1.	One of our corporate borrowers, a company in the basmati processing sector, faced liquidity problems due to utilization of short term bank finance for funding capex, interlocking of working capital funds in current assets (Debtors and Stocks), impact on profitability of reduced sales and increased raw material costs, and inter-locking of funds in subsidiary/associate companies. Pursuant to the findings of the forensic audit report submitted by M/s Haribhakti & Co, diversion of funds and other irregularities and deficiencies in the operations were noticed.	1,309.00	We have filed a complaint with the Central Bureau of Investigation. We have recovered ₹170 million and ₹1,139.00 million has been provided for.
2.	One of our borrowers, a company in the business of trading in agro commodities and manufacturing soya beans, essential oils and perfumery compounds, availed Packing Credit (Foreign Currency) ("PCFC") facility and warehouse receipt loan from us. The company defaulted in repayment of PCFC and the account was classified as NPA on September 28, 2012. The RBI advised us to treat the account as fraud as there was diversion of funds in the accounts of the other consortium lenders.	252.40	We have issued a notice under the SARFAESI Act and the matter is currently pending in the High Court. We have filed a complaint with the Economics and Offences Wing on December 27, 2013. We have also filed an application before the court to register the FIR against the accused. We have has also filed a suit in the Debt Recovery Tribunal for recovery of the amount.
3.	A branch employee colluded with the customer to secure finance for five JCB's and three lorries. The finance was given in different names. Later, the Regional Transport Officer ("RTO") hypothecated charge was removed fraudulently and the vehicles were sold. The employee managed to do so for one vehicle registered with the Karnataka RTO for which objection was filed with the Karnataka RTO and we lodged a complaint with Karnataka Police. The fraud came to light as the instalments were not paid.	12.22	We have filed a police complaint with the Karnataka police and the amount has been provided for. The borrower, Mr. Ravichandran has been arrested. We have also filed complaints with the Central Criminal Wing, Tirunelveli and two of the borrowers have been arrested. The

S. No.	Details of the Fraud	Amount Involved (in ₹ in Million)	Action taken by the Bank
			main accused is still absconding.
4.	The funds given by customers for fixed deposit were misappropriated by the branch manager and fake fixed deposit advices were issued to the customers.	13.50	An FIR was lodged against the branch manager and four staff members involved in the fraud were arrested. The case is pending before the Judicial Magistrate, I Class at Miryalaguda. The police recovered ₹5.87 million. The insurance claim was settled for ₹5.83 million as on March 31, 2015.
5.	On December 26, 2012, our pre-paid card activity service provider reported an incident of data security breach on their system. Two prepaid cards issued by us had been compromised in terms of cardholder data as well as PINs which had enabled fraudulent withdrawals from these two cards. Some hackers had intruded the data security system of the service provider and enhanced the foreign exchange card limits of these two prepaid cards. This was immediately followed by withdrawals through various ATMs in countries like Russia, Ukraine, Italy and Tokyo.	64.80	We have filed a police complaint has been filed at the police station in Pune. .

***Inquiries, inspections or investigations initiated or conducted under the Companies Act, 1956 or the Companies Act, 2013 or any previous company law against the Bank or its Subsidiary in the last three years**:*
Nil

Prosecutions filed (whether pending or not) against, fines imposed on, or compounding of offences by the Bank or its Subsidiary in the last three years under the Companies Act:

Nil

Litigation or legal action pending or taken against the Promoters by any Ministry, Department of the Government or any statutory authority in the last three years:

Nil

Defaults in respect of dues payable:

We have no outstanding defaults in relation to statutory dues payable, dues payable to holders of any debentures (including interest thereon) or dues in respect of deposits (including interest thereon) or any defaults in repayment of loans from any bank or financial institution (including interest thereon).

Certain Other Matters:

1. As of March 31, 2015, there are 63 criminal cases involving our officers which are pending before various courts in India in relation to matters including, dishonoring of cheques and re-possession of vehicles.

2. On February 8, 2013, the IRDAI issued a show cause notice for violation of the corporate agent guidelines issued by the IRDAI and certain provisions of the Insurance Act, 1938. On June 28, 2013, the IRDAI issued an order against us in relation to our license to act as a corporate agent. The IRDAI held that we had received payment from Aviva Life Insurance Company India Limited above the permissible commission limits towards infrastructure sharing arrangement and advertisement and publicity during the year 2011-2012. The IRDAI imposed a monetary penalty of ₹0.5 million on us.

3. On August 30, 2011, the IRDAI issued a show cause notice to us in relation to the payments received from Cholamandalam MS General Insurance Company India Limited above the prescribed limits in violation of certain provisions of the Insurance Act, 1938, circulars issued thereunder and the corporate agent guidelines. Through our reply contended *inter-alia* that such payment6s were made to us in connection with our role as infrastructure provider and not as a corporate agent. However, the IRDAI issued an order dated July 5, 2012 where it found that the payments in the form of infrastructure services were linked to the premium income generated by us as a corporate agent and an aggregate penalty of ₹1,500,000 was imposed for fiscal years 2007-2008, 2008-2009 and 2009-2010. We have refrained from accepting any fees under infrastructure arrangement with Cholamandalam since August 2011.

4. In 2013, the RBI carried out a scrutiny of the loan and current accounts of Deccan Chronicle Holdings Limited in certain branches of 12 banks, including us. During the scrutiny the RBI observed that we had not shared information with other lenders in the consortium in the prescribed format and that certain CA certificates on end-use had not been submitted in the required format. The RBI issued a show cause notice on March 21, 2014. Subsequently, on July 25, 2014, the RBI imposed a monetary penalty of ₹1.0 million on us.

5. The Enforcement Directorate (the "ED") conducted an investigation on one of our referral agents for violation of certain provisions of the Foreign Exchange and Management Act, 1999 and the Prevention of Money Laundering Act, 2002 in connection with forex remittances. The ED, on June 25, 2014, served us summons in connection with the investigation and instructed us to submit certain documents and to appear before it on July 15, 2014. We have submitted the documents as required by the ED. Since December 2014, we have temporarily suspended our referral agent program.

6. The ED has commenced investigation under the Prevention of Money Laundering Act, 2002 on certain companies who were involved in transactions related to import payments through various banks on the basis of suspected fraudulent bills of entry. Out of the six companies which are under investigation, we handled the import remittances for five of them. We had filed a suspicious transaction report ("STR") with the Financial Intelligence Unit in October 2013 prior to the investigation by the ED. Pursuant to a meeting with the ED on October 9, 2014, we have responded by a letter dated November 5, 2014 to certain queries raised by the ED, including with regard to KYC compliances, internal controls, details of remittances and compliance with the advance remittance regulations issued by the RBI.

7. The National Securities Clearing Corporation Limited on July 2, 2012 imposed a penalty of ₹ 22,132 on us for violation of client level limits as specified in certain SEBI circulars.

GENERAL INFORMATION

1. We were incorporated under the laws of the Republic of India on January 31, 1994. As of the date of this Placement Document, our authorized share capital is ₹6,000,000,000 divided into 600,000,000 Equity Shares of ₹10 each, and the issued and paid-up share capital is 531,193,737 Equity Shares of ₹10 each, apart from the value of forfeited shares.

2. Our registered office is located at 2401 Gen. Thimmayya Road (Cantonment), Pune 411 001, India and our corporate office is located at One Indiabulls Centre, 8th Floor, Tower 1, 841 Senapati Bapat Marg, Elphinstone Road (W), Mumbai 400 013, India.

3. Under our Memorandum of Association, our principal objects are to carry out the business described in the section "Our Business". The objects are set out in Clause III (A) of our Memorandum of Association.

4. The Issue was authorized and approved by our Board of Directors by resolution dated April 16, 2015 and approved by our shareholders by resolution adopted through a postal ballot on June 8, 2015.

5. Pursuant to its letter dated June 10, 2015, the Department of Banking Operations and Development of the RBI, has conveyed that it has no objection to the Issue in terms of the RBI guidelines dated April 20, 2010 (which require private sector banks to apply to the RBI for its prior "in-principle" approval for QIPs), subject to compliance with applicable laws and receipt of the *post facto* approval of the RBI after the completion of the Issue.

6. We have received in-principle approvals from the BSE and the NSE under Clause 24(a) of the listing agreements with the Stock Exchanges on June 23, 2015 and June 23, 2015, respectively, for the issue of the Equity Shares. We will apply for in-principle and final approvals to list our Equity Shares to be issued in the Issue on the BSE and the NSE.

7. Copies of our Memorandum and Articles of Association will be available for inspection during usual business hours on any weekday (except Saturdays and public holidays) during the offering period at our Registered Office.

8. Other than as set forth in this Placement Document, there has been no significant change in our financial results since March 31, 2015 the date of our last published audited financial statements.

9. Except as disclosed in this Placement Document, we are not involved in any material legal proceedings and we are not aware of any threatened legal proceedings, which, if determined adversely, could result in a material adverse effect on our business, financial condition or results of operations and those of our Subsidiary taken as a whole.

10. B S R & Co. LLP has audited our financial statements as of and for the years ended March 31, 2013, March 31, 2014 and March 31, 2015. B S R & Co. LLP have consented to the inclusion of their respective reports in this Placement Document.

11. We confirm that we are in compliance with minimum public shareholding requirements under the terms of our listing agreements with the Stock Exchanges.

12. The Floor Price for the Issue is ₹821.54 per Equity Share.

13. Pursuant to its resolution dated June 11, 2015, our Board of Directors has approved, subject to receipt of approvals from the RBI and our shareholders, a preferential allotment of Equity Shares to our Promoters up to 1.5% of our authorized share capital (and within the limit of 10% of our authorized share capital as approved by our shareholders pursuant to their resolution adopted by way of postal ballot on June 8, 2015), such that the aggregate shareholding of our Promoters is maintained at 15%. The price at which Equity Shares will be allotted under the preferential allotment shall be in accordance with Chapter VII of the ICDR Regulations, however, such price shall not be less than the price at which the Equity Shares are allotted to QIBs in the Issue.We have received the in-principle approval of the RBI for undertaking a preferential allotment of Equity Shares to our Promoters through a letter dated June 17, 2015. We have sought the approval of our shareholders through a notice of postal ballot dated June 25, 2015.

FINANCIAL STATEMENTS

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Independent Auditor's Report

To the Members of
IndusInd Bank Limited

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

2. Management is responsible for preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956 and circulars and guidelines issued by Reserve Bank of India from time to time. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted out audit of the Bank including its branches in accordance with Standards on Auditing ('the Standards') issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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

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

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956 in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India:

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

   (b) in the case of the Profit and Loss account, of the profit of the Bank for the year ended on that date; and

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

Report on Other Legal and Regulatory Requirements

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

8. 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) during the course of our audit we have visited 14 branches. Since the key operations of the Bank are automated with the key applications integrated to the core banking systems, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein.

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

10. We further report that:

(i) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of accounts;

(ii) the financial accounting systems of the Bank are centralized and, therefore, returns are not necessary to be submitted by the branches;

(iii) in our opinion, proper books of accounts as required by law have been kept by the Bank so far as appears from our examination of those books; and

(iv) on the basis of written representations received from the Directors and taken on record by the Board of Directors, none of the Director is disqualified as on 31 March 2013 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

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For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

N Sampath Ganesh
Partner
Membership No: 042554

Mumbai
18 April 2013

BALANCE SHEET AS AT MARCH 31, 2013

	Schedule	As at 31.03.2013	As at 31.03.2012
			(Rs. In million)
Capital	1	5,228.70	4,677.02
Employee Stock Options Outstanding	18(10)	107.12	109.46
Reserves and Surplus	2	70,966.72	42,630.60
Deposits	3	541,167.15	423,615.50
Borrowings	4	94,595.56	86,820.14
Other Liabilities and Provisions	5	20,999.90	18,107.98
	Total	**733,065.15**	**575,960.70**
Assets			
Cash and Balances with Reserve Bank of India	6	32,498.44	29,035.76
Balances with Banks and Money at Call and Short Notice	7	35,988.88	26,360.46
Investments	8	196,541.66	145,719.46
Advances	9	443,206.10	350,639.51
Fixed Assets	10	7,561.42	6,567.99
Other Assets	11	17,268.65	17,637.52
	Total	**733,065.15**	**575,960.70**
Contingent Liabilities	12	1,349,028.88	1,031,902.88
Bills for Collection		63,375.07	61,509.96
Significant Accounting Policies	17		
Notes to the financial statements	18		

The schedules referred to above form an integral part of the Balance Sheet.
The Balance Sheet has been prepared in conformity with Form A of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date.

For IndusInd Bank Ltd.

R. Seshasayee
Chairman

Kanchan Chitale
Director

For B S R & Co.
Chartered Accountants
Firm's Registration No: 101248W

Romesh Sobti
Managing Director

N Sampath Ganesh
Partner
Membership No : 042554

S. V. Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

Place : Mumbai
Date : April 18, 2013

Profit and Loss Account for the year ended March 31, 2013

(Rs. In Million)

	Schedule	Year ended 31.03.2013	Year ended 31.03.2012
I. Income			
Interest Earned	13	69,832.32	53,591.92
Other Income	14	13,629.61	10,117.83
	Total	**83,461.93**	**63,709.75**
II. Expenditure			
Interest Expended	15	47,503.66	36,549.48
Operating Expenses	16	17,563.63	13,429.96
Provisions and Contingencies		7,782.81	5,704.19
	Total	**72,850.10**	**55,683.63**
III.Profit			
		10,611.83	8,026.12
Profit brought forward		11,875.90	7,143.62
	Total	**22,487.73**	**15,169.74**
IV. Appropriations			
Transfer to			
a) Statutory Reserve		2,652.96	2,006.53
b) Capital Reserve		83.64	86.32
c) Investment Reserve Account		4.03	5.16
d) Proposed final dividend		1,570.86	1,028.91
e) Corporate Dividend Tax		266.94	166.92
		4,578.43	**3,293.84**
Balance carried over to the Balance Sheet		17,909.30	11,875.90
	Total	**22,487.73**	**15,169.74**
V. Earnings per equity share			
(Face value of Rs.10/- per share)(Rupees)			
Basic	18(11.6)	21.83	17.20
Diluted	18(11.6)	21.40	16.86
Significant Accounting Policies	17		
Notes to the financial statements	18		

The schedules referred to above form an integral part of Profit and Loss Account.

The Profit and Loss Account has been prepared in conformity with Form B of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date.

For IndusInd Bank Ltd.

R. Seshasayee
Chairman

Kanchan Chitale
Director

For B S R & Co.
Chartered Accountants
Firm's Registration No: 101248W

Romesh Sobti
Managing Director

N Sampath Ganesh
Partner
Membership No : 042554

S. V. Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company

Secretary

Place : Mumbai
Date : April 18, 2013

Cash Flow Statement for the year ended March 31, 2013

(Rs. in 'Million)

	Year ended 31.03.2013	Year ended 31.03.2012
A. Cash Flow from Operating Activities		
Net Profit before taxation	**15,763.59**	**11,926.54**
Adjustments for :		
Depreciation on Fixed assets	734.34	749.59
Depreciation on Investments	13.04	(10.16)
Tax Provisions (Income Tax/Wealth Tax/Deferred Tax)		
Employees Stock Option expenses	(2.34)	29.66
Loan Loss and Other Provisions	2,618.01	1,813.94
Amortisation on HTM investments	144.69	78.05
Interest paid on Borrowings	6,168.33	4,678.51
Interest paid on Tier II/ Upper Tier II bonds	1,067.50	1,107.90
Profit on sale of fixed assets	(54.49)	(5.92)
Operating Profit before Working Capital changes	**26,452.67**	**20,368.11**
Adjustments for :		
Increase in Advances	(95,184.60)	(90,796.98)
Increase in Investments	(50,979.92)	(10,279.21)
Increase in Other Assets	847.93	(5,394.97)
Increase in Deposits	117,551.65	79,961.78
Increase in Other Liabilities	2,085.46	897.19
Cash generated from Operations	**773.19**	**(5,244.08)**
Direct Taxes paid (net of refunds)	(5,630.83)	(3,159.74)
Net Cash used in Operating Activities	**(4,857.64)**	**(8,403.82)**
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets (including WIP)	(1,843.87)	(1,503.07)
Proceeds from sale of Fixed Assets	104.12	95.89
Net Cash used in Investing Activities	**(1,739.75)**	**(1,407.18)**
C. Cash Flow from Financing Activities		
Proceeds from issue of equity shares (net of issue expenses)	20,180.25	115.13
Dividends paid	(1,031.35)	(933.38)
Payment towards redemption of Sub-ordinated Tier II capital	(500.00)	0.00
Increase in Borrowings	8,275.43	31,565.90
Interest paid on Borrowings	(6,168.34)	(4,678.52)
Interest paid on Tier II/ Upper Tier II Bonds	(1,067.50)	(1,107.90)
Net Cash generated from Financing Activities	**19,688.49**	**24,961.23**
Net Increase in Cash and Cash Equivalents	**13,091.10**	**15,150.23**
Cash and Cash Equivalents at the beginning of the year	**55,396.22**	**40,245.99**
Cash and Cash Equivalents at the end of the year	**68,487.32**	**55,396.22**

Notes:

1. The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statements.
2. Figures in bracket indicate cash outflow.

As per our report of even date.
For B S R & Co.
Chartered Accountants
Firm's Registration No: 101248W

For INDUSIND BANK LTD.

R. Seshasayee
Chairman

Kanchan Chitale
Director

Romesh Sobti
Managing Director

N Sampath Ganesh
Partner

Membership No : 042554
Place : Mumbai
Date : April 18, 2013

S. V. Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

Schedules

	As at 31.03.2013	As at 31.03.2012
		(Rs. in million)
Schedule - 1 Capital		
Authorised Capital		
55,00,00,000 (Previous year 55,00,00,000) equity shares of Rs.10/- each	5,500.00	5,500.00
Issued, Subscribed and Called Up Capital		
52,26,77,706 (Previous year 46,75,10,001) equity shares of Rs.10/- each	5,226.78	4,675.10
Paid up Capital		
52,26,77,706 (Previous year 46,75,10,001) equity shares of Rs.10/- each	5,226.78	4,675.10
Add : 3,84,200 (Previous year 3,84,200) Forfeited equity shares of Rs. 10/- each	1.92	1.92
Note : On December 5, 2012, the Bank had issued 5,21,00,000 equity shares of Rs. 10/- each through a Qualified Institutions Placement(QIP). Accordingly as at March 31, 2013, the paid-up share capital and share premium account under reserves of the Bank stand increased by Rs.521.0 million and Rs.19,485.4 million respectively		
Total	**5,228.70**	**4,677.02**
Schedule - 2 Reserves And Surplus		
I Statutory Reserve		
Opening balance	5,684.54	3,678.01
Additions during the year	2,652.96	2,006.53
	8,337.50	**5,684.54**
II Share Premium Account		
Opening balance	21,551.12	21,453.35
Additions during the year	19,804.25	97.77
Less: Share issue expenses (Refer Schedule 18 (12.6))	175.68	-
	41,179.69	**21,551.12**
III General Reserve		
Balance as at the end of the year	13.56	13.56
	13.56	**13.56**
IV Capital Reserve		
Opening balance	1,273.23	1,186.91
Additions during the year	83.64	86.32
	1,356.87	**1,273.23**
V Investment Allowance Reserve		

Balance as at the end of the year	10.00	10.00
	10.00	**10.00**
VI Investment Reserve Account		
Opening Balance	28.89	23.73
Additions during the year	4.03	5.16
	32.92	**28.89**
VII Revaluation Reserve		
Opening balance	2,193.36	2,253.48
Addition during the year	-	-
Deductions during the year	66.48	60.12
	2,126.88	**2,193.36**
VIII Balance in the Profit and Loss Account	**17,909.30**	**11,875.90**
TOTAL	**70,966.72**	**42,630.60**

Schedules

	As at 31.03.2013	As at 31.03.2012
		(Rs. in million)
SCHEDULE - 3 DEPOSITS		
A I **Demand Deposits**		
i) From Banks	8,821.72	1,286.60
ii) From Others	79,523.84	67,402.87
II **Savings Bank Deposits**	70,328.02	46,941.11
III **Term Deposits**		
i) From Banks	11,990.10	37,391.04
ii) From Others	370,503.47	2,70,593.88
TOTAL	**541,167.15**	**423,615.50**
B **Deposits of Branches**		
I In India	541,167.15	423,615.50
II Outside India	-	-
TOTAL	**541,167.15**	**423,615.50**
SCHEDULE - 4 BORROWINGS		
I **Borrowings in India**		
i) Reserve Bank of India	-	-
ii) Other Banks	30,359.38	22,570.74
iii) Other Institutions and Agencies	31,918.46	31,457.46
iv) Unsecured Non-Convertible Redeemable Debentures/Bonds (Subordinated Tier-II Bonds)	8,101.00	8,601.00
v) Unsecured Non-Convertible Redeemable Non-Cumulative Subordinated Upper Tier II Bonds	3,089.00	3,089.00
II **Borrowings outside India**	21,127.72	21,101.94
TOTAL	**94,595.56**	**86,820.14**
Secured borrowings included in I & II above	-	-
SCHEDULE - 5 OTHER LIABILITIES AND PROVISIONS		
I Inter-office Adjustments (Net)	231.49	178.00
II Bills Payable	3,512.71	3,721.86
III Interest Accrued	3,999.98	3,179.66
IV Others [(including Standard Asset Provisions of Rs. 1,742.6 million) (Previous year Rs.1,387.7 million)]	13,255.72	11,028.46
TOTAL	**20,999.90**	**18,107.98**

SCHEDULE - 6 CASH AND BALANCES WITH RESERVE BANK OF INDIA

I **Cash in hand (including foreign currency notes)**	3,968.40	3,203.76
II **Balances with Reserve Bank of India**		
i) In Current Account	28,530.04	25,832.00
ii) In Other Accounts	-	-
TOTAL	**32,498.44**	**29,035.76**

SCHEDULE 7 BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

I **In India**		
i) Balances with Banks		
a) In Current Accounts	4,067.84	2,524.87
b) In Other Deposit Accounts	15,168.30	8,480.80
ii) Money at Call and Short Notice - With Other Institutions	8,512.23	10,992.53
TOTAL	**27,748.37**	**21,998.20**
II **Outside India**		
i) In Current Accounts	1,745.31	1,897.37
ii) In Other Deposit Accounts	-	-
iii) Money at Call and Short Notice	6,495.20	2,464.89
TOTAL	**8,240.51**	**4,362.26**
GRAND TOTAL	**35,988.88**	**26,360.46**

Schedules

	As at 31.03.2013	As at 31.03.2012
		(Rs. in 'Million)
SCHEDULE - 8 INVESTMENTS		
I **In India**		
Gross Value	196,659.07	145,823.84
Less : Aggregate of provision/depreciation	117.41	104.38
Net value of Investments in India	**196,541.66**	**145,719.46**
Comprising :		
i) Government securities*	141,082.63	119,019.09
ii) Other approved securities	-	-
iii) Shares	580.33	536.58
iv) Debentures and bonds	7,538.50	2,385.56
v) Subsidiaries and/ or Joint Ventures	5.00	5.00
vi) Others - Deposits under RIDF scheme with NABARD	13,829.45	14,293.53
Security Receipt, Units of schemes of Mutual Funds and Others	33,505.75	9,479.70
II **Outside India**	-	-
TOTAL	**196,541.66**	**145,719.46**

*Includes securities costing Rs.3,738.4 million (previous year Rs.2,738.4 million) pledged for clearing facility and margin requirements.

SCHEDULE - 9 ADVANCES		
A i) Bills Purchased and Discounted	11,528.70	8,196.54
ii) Cash Credits, Overdrafts and Loans Repayable on Demand	107,752.23	85,166.40
iii) Term Loans	323,925.17	2,57,276.57
TOTAL	**443,206.10**	**350,639.51**
B i) Secured by Tangible Assets (includes advances against book debts)	3,93,342.54	299,302.02
ii) Covered by Bank/ Government Guarantees (includes advances against L/Cs issued by Banks)	7,753.04	22,799.31
iii) Unsecured	42,110.52	28,538.18
TOTAL	**443,206.10**	**350,639.51**
C I) Advances in India		
i) Priority Sectors	143,235.51	125,065.06
ii) Public Sector	6,339.71	4,494.41
iii) Banks	248.79	602.92
iv) Others	293,382.09	220,477.12
TOTAL	**443,206.10**	**350,639.51**

II) Advances Outside India	-	-
TOTAL	**443,206.10**	**350,639.51**

SCHEDULE - 10 FIXED ASSETS
I PREMISES

i) At cost, as at the beginning of the year	3,976.06	3,989.41
ii) Additions during the year	132.35	66.04
	4,108.41	4,055.45
iii) Less : Deductions during the year	48.44	79.39
iv) Less : Depreciation to date	444.57	397.38
Total	**3,615.40**	**3,578.68**
II Other Fixed Assets (including furniture and fixtures)		
i) At cost, as at the beginning of the year	6,851.85	5,723.14
ii) Additions during the year	1,971.09	1,254.10
	8,822.94	6,977.24
iii) Less : Deductions during the year	132.87	125.39
iv) Less : Depreciation to date	4,899.38	4,289.57
Total	**3,790.69**	**2,562.28**
III Capital Work in Progress	155.33	427.03
GRAND TOTAL	**7,561.42**	**6,567.99**

Schedules

	As at 31.03.2013	As at 31.03.2012
		(Rs. in 'Million)
SCHEDULE - 11 OTHER ASSETS		
I Interest Accrued	4,610.55	3,557.85
II Tax Paid in Advance / tax deducted at source (net of provision)	1,936.03	1,499.25
III Stationery and Stamps	26.02	20.10
IV Others [including deferred tax assets of Rs. 684.8 million (previous year Rs.615.7 million)]	10,696.05	12,560.32
TOTAL	**17,268.65**	**17,637.52**
SCHEDULE - 12 CONTINGENT LIABILITIES		
I Claims against the Bank not acknowledged as debts	4,308.91	4,149.03
II Liability on account of outstanding Forward Exchange Contracts	794,386.55	595,563.59
III Liability on account of outstanding Derivative Contracts	295,401.47	296,545.67
IV Guarantees given on behalf of constituents		
- In India	193,810.09	72,924.48
- Outside India	-	-
V Acceptances, Endorsements and Other Obligations	43,621.86	36,667.47
VI Other Items for which the Bank is contingently liable	17,500.00	26,052.64
TOTAL	**1,349,028.88**	**1,031,902.88**

	Year ended 31.03.2013	Year ended 31.03.2012
SCHEDULE - 13 INTEREST EARNED		
I Interest/ Discount on Advances/ Bills	56,103.00	42,166.16
II Income on Investments	12,824.98	10,781.95
III Interest on Balances with RBI and Other Inter-Bank Funds	854.99	238.64
IV Others	49.35	405.17
TOTAL	**69,832.32**	**53,591.92**
SCHEDULE - 14 OTHER INCOME		
I Commission, Exchange and Brokerage (Refer Note no. 9.5.2)	9,470.46	7,029.06
II Profit on Sale of Investments / Derivatives (Net)	644.18	577.03
III Profit/ (Loss) on Sale of Land, Buildings and Other Assets (Net)	54.49	5.92
IV Profit on exchange transactions (Net)	3,280.35	2,377.67
V Income earned by way of dividend from companies in India	29.55	29.78
VI Miscellaneous Income (Refer Note no. 9.5.2)	150.58	98.37
TOTAL	**13,629.61**	**10,117.83**

SCHEDULE - 15 INTEREST EXPENDED

I Interest on Deposits	40,267.83	30,763.07
II Interest on Reserve Bank of India/ Inter-Bank Borrowings	2,573.70	1,948.67
III Others (including interest on Subordinate Debts and Upper Tier II bonds)	4,662.13	3,837.74
TOTAL	**47,503.66**	**36,549.48**

SCHEDULE - 16 OPERATING EXPENSES

I Payments to and Provisions for Employees	6,614.62	4,854.70
II Rent, Taxes and Lighting (includes operating lease rentals)	1,663.72	1,096.12
III Printing and Stationery	257.99	244.64
IV Advertisement and Publicity	132.85	161.51
V Depreciation on Bank's Property	734.34	749.59
VI Directors' Fees, Allowances and Expenses	7.26	7.03
VII Auditors' Fees and Expenses	12.08	8.86
VIII Law Charges	275.97	271.01
IX Postage, Telegrams, Telephones, etc.	692.21	457.14
X Repairs and Maintenance	964.55	748.35
XI Insurance	575.43	389.89
XII Service Provider Fees	1,588.58	1,146.48
XIII Other Expenditure	4,044.03	3,294.64
TOTAL	**17,563.63**	**13,429.96**

SCHEDULE 17 SIGNIFICANT ACCOUNTING POLICIES

1. General

1.1 The accompanying financial statements have been prepared under the historical cost convention except where otherwise stated, and in accordance with statutory requirements prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by Reserve Bank of India (‘RBI’) from time to time, accounting standards referred to in Section 211(3C) of the Companies Act, 1956 and notified by the Companies (Accounting Standards) Rules, 2006 and practices prevailing within the banking industry in India.

1.2 The preparation of the financial statements, in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent liabilities on the date of the financial statements. Management believes that the estimates and assumptions used in the preparation of the financial statements are prudent and reasonable. Any revision to accounting estimates is recognised prospectively in current and future periods.

2. Transactions involving Foreign Exchange

2.1 Monetary assets and liabilities denominated in foreign currency are translated at the Balance Sheet date at the exchange rates notified by the Foreign Exchange Dealers’ Association of India (‘FEDAI’) for tenors up to one year and rates published by Reuters for tenor above one year and the resulting gains or losses are recognised in the Profit and Loss account.

2.2 Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

2.3 All foreign exchange contracts outstanding at the Balance Sheet date are re-valued at the rates of exchange notified by the FEDAI and the resulting gains or losses are recognised in the Profit and Loss account.

2.4 Swap Cost arising on account of foreign currency swap contracts to convert foreign currency funded liabilities into rupee liabilities is charged to the Profit and Loss account as 'Interest – Others' by amortizing over the underlying swap period.

2.5 Income and expenditure items are translated at the rates of exchange prevailing on the date of the transaction.

2.6 Contingent liabilities at the Balance Sheet date on account of outstanding forward foreign exchange contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currency are stated at the closing rates of exchange notified by FEDAI for tenors up to one year and rates published by Reuters for tenor above one year.

3. Investments

Significant accounting policies in accordance with RBI guidelines are as follows:

3.1 Categorisation of Investments :
In accordance with the guidelines issued by RBI, the Bank classifies its investment portfolio on the date of purchase into the following three categories:

(i) **Held to Maturity (HTM) –** Securities acquired with the intention to hold till maturity.
(ii) **Held for Trading (HFT) –** Securities acquired with the intention to trade.
(iii) **Available for Sale (AFS) –** Securities which do not fall within the above two categories.

Subsequent shifting amongst the categories is done in accordance with RBI guidelines.

3.2 Classification of Investments:

For the purpose of disclosure in the Balance Sheet, investments are classified under six groups as required by RBI guidelines viz., Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries and Joint Ventures, and Other Investments.

3.3 Valuation of Investments:

(i) **Held to Maturity –** Each security in this category is carried at its acquisition cost. Any premium paid on acquisition of each security is amortised over the balance period to maturity. The amortised amount is deducted from Interest earned – Income on investments (Item II of Schedule 13). The book value of the security is reduced to the extent of amount amortised during the relevant accounting period. Diminution, other than temporary, is determined and provided for each investment individually.

(ii) **Held for Trading –** Each security in this category is re-valued at the market price or fair value and the resultant depreciation of each security is charged to the Profit and Loss account and appreciation, if any, is ignored.

(iii) **Available for Sale –** Each security in this category is re-valued at the market price or fair value and the resultant depreciation on each security in this category is charged to the Profit and Loss account and appreciation, if any, is ignored.

(iv) Market value of government securities (excluding treasury bills) is determined on the basis of the prices / Yield to Maturity (YTM) published by RBI or the prices / YTM periodically declared by Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association (FIMMDA).

Fair value of other debt securities is determined based on the yield curve and spreads provided by FIMMDA.

Quoted equity shares are valued at lower of cost or the closing price on a recognised stock exchange. Unquoted equity shares are valued at their break-up value or at Re. 1 per company where the latest Balance Sheet is not available.

Treasury bills are valued at carrying cost, which includes discount amortised over the period to maturity.

Units of the schemes of mutual funds are valued at the lower of cost and Net Asset Value (NAV) provided by the respective schemes of mutual funds.

(v) Investments in equity shares held as long-term investments by erstwhile IndusInd Enterprises & Finance Limited and Ashok Leyland Finance Limited (since merged with the Bank) are valued at cost and classified as part of HTM category. Provision towards diminution in the value of such long-term investments is made only if the diminution in value is not temporary in the opinion of management.

(vi) Security Receipts (SR) are valued at the lower of redemption value or NAV obtained from the Securitisation Company (SC) / Reconstruction Company (RC).

(vii) The Bank follows trade date method of accounting for purchase and sale of investments, except for Government of India and State Government securities where settlement date method of accounting is followed in accordance with RBI guidelines.

(viii) Broken period interest on debt instruments is treated as a revenue item. Brokerage, commission, etc. pertaining to investments, paid at the time of acquisition is charged to the Profit and Loss account.

(ix) Provision for non-performing investments is made in conformity with RBI guidelines.

(x) Repurchase (Repo) / Reverse Repurchase (Reverse Repo) transactions (except transactions under Liquidity Adjustment Facility (LAF) with RBI) are accounted for as Borrowing / Lending respectively. On completion of the second leg of the Repo / Reverse Repo transaction, the difference between the consideration amounts is reckoned as Interest Expenditure / Income. Amounts outstanding in Repo / Reverse Repo account as at the Balance Sheet date is shown as part of Borrowings / Money at Call and at Short Notice respectively, and the accrued expenditure / income till the Balance Sheet date is taken to the Profit and Loss account. Outstanding Repo transactions are marked to market as per the investment classification of the security.

In respect of repo transactions under LAF with RBI, monies borrowed from RBI are credited to investment account and reversed on maturity of the transaction. Costs thereon are accounted for as interest expense. In respect of reverse repo transactions under LAF, monies lent to RBI are debited to investment account and reversed on maturity of the transaction. Revenues thereon are accounted as interest income.

(xi) The Bank undertakes short sale transactions in Central Government dated securities. The short position is covered by outright purchase of an equivalent amount of the same security within a maximum period of three months including the day of trade. The short position is reflected as the amount received on sale in a separate account and is classified under ‘Other Liabilities’. The short position is marked to market and loss, if any, is charged to the Profit and Loss account, while gain, if any, is not recognized. Profit / loss on settlement of the short position is taken to Profit and Loss account.

(xii) Profit in respect of investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and transfer to Statutory Reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to Capital Reserve account.

(xiii) In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the Profit and Loss account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provisions) is appropriated to an Investment Reserve account (IRA). The balance in IRA account is considered as Tier II Capital within the overall ceiling of 1.25% of total Risk Weighted Assets prescribed for General Provisions / Loss reserves.

The balance in IRA account is used to meet provision on account of depreciation in AFS and HFT categories by transferring an equivalent amount to the Profit and Loss Appropriation account as and when required.

4. Derivatives

Derivative contracts are designated as hedging or trading and accounted for as follows:

4.1 The hedging contracts comprise of Forward Rate Agreements, Interest Rate Swaps and Currency Swaps undertaken to hedge interest rate risk on certain assets and liabilities. The net interest receivable / payable is accounted on an accrual basis over the life of the swaps. However, where the hedge is designated with an asset or liability that is carried at market value or lower of cost and market value, then the hedging instruments is also marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated assets or liabilities.

4.2 The trading contracts comprise of proprietary trading in Interest Rate Swaps and Currency Futures. The gain / loss arising on unwinding or termination of the contracts, is accounted for in the Profit and Loss account. Trading contracts outstanding as at the Balance Sheet date are re-valued at their fair value and resulting gains / losses are recognised in the Profit and Loss account.

4.3 Gains or losses on the termination of hedge swaps is deferred and recognised over the shorter of the remaining contractual life of the hedge swap or the remaining life of the underlying asset / liability.

4.4 Premium paid and received on currency options is accounted up-front in the Profit and Loss account as all options are undertaken on a back-to-back basis.

4.5 Provisioning of overdue customer receivable on derivative contracts, if any, is made as per RBI guidelines.

4.6 In accordance with the Prudential Norms for Off-Balance Sheet Exposures issued by RBI, provisioning against outstanding credit exposure as at the Balance Sheet date is made, as is applicable to the assets of the concerned counterparties under 'standard' category. Credit exposures are computed as per the current marked to market value of the contract arising on account of interest rate and foreign exchange derivative transactions.

5. Advances

5.1 Advances are classified as per RBI guidelines into standard, sub-standard, doubtful and loss assets after considering subsequent recoveries to date.

5.2 Provision for non-performing assets is made in conformity with RBI guidelines.

5.3 In accordance with RBI guidelines, general provision on standard assets is made as under:

(d) At 1% of standard advances to Commercial Real Estate Sector;
(e) At 0.25% of standard direct advances to SME and Agriculture; and
(f) At 0.40% of the balance outstanding standard advance.

5.4 Advances are disclosed in the Balance Sheet, net of provisions and interest suspended for non-performing advances. Provision made against standard assets is included in 'Other Liabilities and Provisions'.

5.5 Advances exclude derecognised securitised advances, inter-bank participation and bills rediscounted.

5.6 Amounts recovered against bad debts written off in earlier years are recognised in the Profit and Loss account.

5.7 Provision no longer considered necessary in context of the current status of the borrower as a performing asset, are written back to the Profit and Loss account to the extent such provisions were charged to the Profit and Loss account.

5.8 Restructured / rescheduled accounts:

In case of restructured standard advances, provision is made as per RBI guidelines.

Further in case of restructured / rescheduled accounts provision is made for the sacrifice against erosion / diminution in fair value of restructured loans, in accordance with RBI guidelines. The erosion in fair value of the advances is computed as the difference between fair value of the loan before and after restructuring.

Fair value of the loan before restructuring is computed as the present value of cash flows representing the interest at the existing rate charged on the advance before restructuring and the principal, discounted at a rate equal to the Bank's Benchmark Prime Lending Rate (BPLR) / Base Rate as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring.

Fair value of the loan after restructuring is computed as the present value of cash flows representing the interest at the rate charged on the advance on restructuring and the principal, discounted at a rate equal to Bank's BPLR / Base Rate as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring.

The diminution in the fair value is re-computed on each Balance Sheet date till satisfactory completion of all repayment obligations and full repayment of the outstanding in the account, so as to capture the changes in the fair value on account of changes in BPLR / Base Rate, term premium and the credit category of the borrower. The shortfall / excess provision held is either charged / credited to the Profit and Loss account respectively.

The restructured accounts have been classified in accordance with RBI guidelines, including special dispensation wherever allowed.

6. Securitisation Transactions and bilateral assignments

6.1 The Bank transfers loans through securitisation transactions. The Bank transfers its loan receivables both through Bilateral Direct Assignment route as well as transfer to Special Purpose Vehicles ('SPV') in securitisation transactions.

6.2 The securitization transactions are without recourse to the Bank. The transferred loans and such securitised-out receivables are de-recognized in the Balance Sheet as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Gains / losses are recognised only if the Bank surrenders the rights to the benefits specified in the loan contracts.

6.3 In respect of certain transactions, the Bank provides credit enhancements in the form of cash collaterals / guarantee and / or by subordination of cash flows to Senior Pass Through Certificate (PTC) holders. Retained interest and subordinated PTCs are disclosed under "Advances" in the Balance Sheet.

6.4 Recognition of gain or loss arising out of Securitisation of Standard Assets :

In terms of RBI guidelines, profit / premium arising on account of sale of standard assets, being the difference between the sale consideration and book value, is amortised over the life of the securities issued by the Special Purpose Vehicles (SPV).
Any loss arising on account of the sale is recognized in the Profit and Loss account in the period in which the sale occurs.

6.5 In case of sale of non-performing assets through securitization route to Asset Reconstruction Companies (ARC) by way of assignment of debt against issuance of SRs, the sale is recognized at the lower of redemption value of SR or PTC, and the Net Book Value (NBV) of the financial asset sold. Any shortfall in the sale is recognized in the Profit and Loss account in the period in which the sale transaction occurs; surplus if any is kept in a separate account to be utilized to meet the shortfall or loss on sale of other financial assets to SC / RC.

7. Fixed Assets and depreciation

7.17 Fixed assets are stated at cost (except in the case of premises which were re-valued based on values determined by approved valuers) less accumulated depreciation and impairment, if any. Cost includes incidental expenditure incurred on the assets before they are ready for intended use.

7.18 The appreciation on revaluation is credited to Revaluation Reserve. Depreciation relating to revaluation is adjusted against the Revaluation Reserve.

7.19 Depreciation is provided, *pro rata* for the period of use, on a straight-line method. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If management's estimate of the useful life of a fixed asset is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on management's estimate of the useful life. Pursuant to this policy, depreciation on the fixed assets is provided at the following rates, which are higher than the corresponding rates prescribed in Schedule XIV to the Act:

(a) Computers at 33.33% p.a.
(b) Application software and perpetual software licences at 20% p.a.
(c) Printers, Scanners, Routers, Switch at 20% p.a.
(d) ATMs at 14.29% p.a.
(e) Network cabling, Electrical Installations, Furniture and Fixtures, Other Office Equipment at 10% p.a.
(f) Vehicles at 20% p.a.

The useful life of an asset class is periodically assessed taking into account various criteria such as changes in technology, changes in business environment, utility and efficacy of an asset class to meet with intended user needs, etc. Whenever there is a revision in the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset.

7.4 The carrying amount of fixed assets is reviewed at each Balance Sheet date to determine if there are any indications of impairment based on internal / external factors. In case of impaired assets, the impairment loss i.e. the amount by which the carrying amount of the asset exceeds its recoverable value is charged to the Profit and Loss account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

8. Revenue Recognition

8.1 Interest and discount income on performing assets is recognised on accrual basis. Interest and discount income on non-performing assets is recognised on realisation.

8.2 Interest on Government securities, debentures and other fixed income securities is recognised on accrual basis. Income on discounted instruments is recognised over the tenor of the instrument on a straight-line basis.

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

8.4 Commission (except for commission on Deferred Payment Guarantees which is recognised on accrual basis), Exchange and Brokerage are recognised on a transaction date and net off directly attributable expenses.

8.5 Fees are recognised when due, except in cases where the Bank is uncertain of realisation.

8.6 Income from distribution of third party products is recognised on the basis of business booked.

9. Operating Leases

9.1 Lease rental obligations in respect of assets taken on operating lease are charged to the Profit and Loss account on a straight-line basis over the lease term. Initial direct costs are charged to the Profit and Loss account.

9.2 Assets given under leases in respect of which all the risks and benefits of ownership are effectively retained by the Bank are classified as operating leases. Lease rentals received under operating leases are recognized in the Profit and Loss account on accrual basis as per contracts.

10. Employee Benefits

10.1 The Gratuity scheme of the Bank is a defined benefit scheme and the expense for the year is recognized on the basis of actuarial valuation at the Balance Sheet date. The present value of the obligation under such benefit plan is determined based on independent actuarial valuation using the Projected Unit Credit Method which recognizes each period of service that give rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Payment obligations under the Group Gratuity scheme are managed through purchase of appropriate insurance policies.

10.2 Provident Fund contributions are made under trusts separately established for the purpose and the scheme administered by Regional Provident Fund Commissioner (RPFC), as applicable. The rate at which the annual interest is payable to the beneficiaries by the trusts is being administered by the government. The Bank has an obligation to make good the shortfall, if any, between the return from the investments of the trusts and the notified interest rates. Actuarial valuation of this Provident Fund Interest shortfall has been done as per the guidance note issued during the year in this respect by the Actuary Society of India and the provision towards this liability has been made.

10.3 Provision for compensated absences has been made on the basis of actuarial valuation as at the Balance Sheet date. The actuarial valuation is carried out as per the projected unit credit method.

10.4 The Bank has applied the intrinsic value method to account for the compensation cost of ESOP granted to the employees of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying shares on the grant date exceeds the exercise price of the options. Accordingly, the compensation cost is amortized over the vesting period.

11. Segment Reporting

In accordance with the guidelines issued by RBI, the Bank has adopted Segment Reporting as under:

(e) **Treasury** includes all investment portfolio, Profit / Loss on Sale of Investments, Profit / Loss on foreign exchange transactions, equities, income from derivatives and money market operations. The expenses of this segment consist of interest expenses on funds borrowed from external sources as well as internal sources and depreciation / amortisation of premium on Held to Maturity category investments.

(f) **Corporate / Wholesale Banking** includes lending to and deposits from corporate customers and identified earnings and expenses of the segment.

(g) **Retail Banking** includes lending to and deposits from retail customers and identified earnings and expenses of the segment**.**

(h) **Other Banking Operations** includes all other operations not covered under Treasury, Corporate / Wholesale Banking and Retail Banking.

Unallocated includes Capital and Reserves, Employee Stock Options (Grants) Outstanding and other unallocable assets and liabilities.

12. Debit and Credit Card reward points liability

12.1 The liability towards Credit Card reward points is based on an actuarial valuation and liability towards Debit Card reward points is computed on the basis of management estimates considering past trends.

13. Bullion

13.1 The Bank imports bullion including precious metal bars on a consignment basis for selling to its customers. The imports are on a back-to-back basis and are priced to the customer based on the prevailing price quoted by the supplier and the local levies related to the consignment like customs duty etc. The income earned is included in commission income.

13.2 The Bank sells gold coins to its customers. The difference between the sale price to customers and purchase price quoted is reflected under commission income.

14. Income-tax

14.1 Tax expenses comprise of current and deferred taxes. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Unrecognized deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

15. Earnings per Share

15.1 Earnings per share is calculated by dividing the Net Profit or Loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding as at end of the year.

16. Provisions, contingent liabilities and contingent assets

16.1 A provision is recognised when there is an obligation as a result of past event, and it is probable that an outflow of resources will be required to settle the obligation, and in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

16.2 A disclosure of contingent liability is made when there is:

(c) 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

(d) A present obligation arising from a past event which is not recognized as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

16.3 When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

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

17. Cash and Cash equivalents

17.1 Cash and cash equivalents in the cash flow statement comprise Cash in Hand and Balances with RBI and Balances with Banks and Money at Call and Short Notice.

SCHEDULE 18 NOTES ON ACCOUNTS

1. Capital Adequacy Ratio

The Bank computes Capital Adequacy Ratio as per RBI guidelines. The Bank has migrated to the New Capital Adequacy Framework (Basel II) with effect from March 31, 2009. Under the Basel II guidelines, the Bank is required to maintain Capital to Risk weighted Assets Ratio, at a minimum of 9% on an on-going basis, covering credit risk, market risk and operational risk. Further, the minimum capital to be maintained by the Bank is subjected to a prudential floor which is the higher of:

(i) Minimum capital to be maintained under the New Capital Adequacy Framework (Basel II); and
(ii) 80% of the minimum capital to be maintained under Basel I guidelines

The capital adequacy ratio of the Bank, calculated as per RBI guidelines (Basel II requirement being higher) is set out below:

(Rs. in Million)

	As per Basel II Framework	
Items	**March 31, 2013**	**March 31, 2012**
Tier I Capital	73,445.4	44,576.6
Tier II Capital	8409.3	9700.5
Total Capital	81,854.7	54,277.1
Total risk weighted assets	532,834.0	392,033.1
Capital to Risk-weighted Assets Ratio (%)	15.36%	13.85%
CRAR - Tier I Capital (%)	13.78%	11.37%
CRAR - Tier II Capital (%)	1.58%	2.48%
Sub-ordinated debt raised as Tier II Capital	Nil	Nil
Amount raised by issue of IPDI	Nil	Nil
Amount raised by issue of Upper Tier II instruments	Nil	Nil

The Bank's capital funds are higher than the minimum requirements prescribed under the Basel I and Basel II framework.

2. Investments

2.1 Details of Investments:

(Rs. in Million)

	March 31, 2013	**March 31, 2012**
(1) Value of Investments		
(i) Gross value of Investments		
(a) In India	196,659.1	145,823.8
(b) Outside India	196,659.1	145,823.8
(ii) Provisions for Depreciation	-	-
(a) In India	117.4	104.4
(b) Outside India	117.4	104.4
(iii) Net value of Investments	-	-
(a) In India	196,541.7	145,719.4
(b) Outside India	196,541.7	145,719.4
	-	-
(2) Movement in provisions held towards depreciation on Investments		
(i) Opening balance	104.4	114.6
(ii) Add: Provision made during the year	21.0	-
(iii) Less: Write-off / (write-back) of excess provision during the year	(8.0)	(10.2)
(iv) Closing balance	117.4	104.4

2.2 Category wise details of Investments (Net):

(Rs. in million)

	As at March 31, 2013			As at March 31, 2012		
	HTM	**AFS**	**HFT**	**HTM**	**AFS**	**HFT**
i) Government securities	120,609.1	20,473.5		99343.8	19,675.3	-
ii) Other approved securities						
iii) Shares	47.5	532.8		47.5	489.1	-

iv) Debentures and bonds		7,538.5		2,385.5	
v) Subsidiaries and/ or Joint Ventures	5.0		5.0		-
vi) Others - Deposits under RIDF scheme with NABARD, Security Receipts/ Pass Through Certificates, investment in units of Mutual Funds, Commercial Paper, etc.	13,829.5	33,505.8	14,293.5	9,479.7	-
Total	134,491.1	62,050.6	113,689.8	32,029.6	-

2.3 Details of Repo / Reverse Repo including under Liquidity Adjustment Facility (LAF) deals:

(Rs. in million)

	Minimum outstanding during the year	**Maximum outstanding during the year**	**Daily average outstanding during the year**	**Balance as at year end**
<u>Year ended March 31, 2013</u>				
Securities sold under repos	467.5	23,000.0	3,108.6	18,000.0
i) Government Securities	-	-	-	-
ii) Corporate Debt Securities				
Securities purchased under reverse repos				
i) Government Securities	101.1 -	2,215.6 -	229.5 -	517.1 -
ii) Corporate Debt Securities				
<u>Year ended March 31, 2012</u>				
Securities sold under repos	467.5	19,000.0	2,225.1	18,467.5
i) Government Securities	-	-	-	-
ii) Corporate Debt Securities				
Securities purchased under reverse repos				
i) Government Securities	98.5 -	21,189.2 -	243.5 -	- -
ii) Corporate Debt Securities				

2.4 a) Issuer composition of Non-SLR investments as at March 31, 2013:

(Rs. in million)

No.	Issuer	Amount(1)	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities(2)	Extent of 'unlisted' securities(3)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
1	Public Sector Undertakings					
2	Financial Institutions(4)	13,829.5	-	-	-	-
3	Banks	25,842.6	50.0	-	-	-
4	Private corporate	8,346.4	7,030.9	-	-	65.1
5	Subsidiaries / Joint Ventures	5.0	-	-	-	5.0
6	Others	7,542.0	3,242.0			
7	Provision held towards depreciation	(106.4)	(84.2)	-	-	(17.5)
	Total	**55,459.1**	**10,238.7**			**52.6**

Notes:

(1) Does not include amount of securities pledged with Central Counter Parties such as Clearing Corporation of India Ltd., National Securities Clearing Corporation of India Ltd, and Multi Commodity Exchange of India Ltd.

(2) Excludes investment in RIDF scheme of NABARD and equity shares.

(3) Excludes investment in RIDF scheme of NABARD, commercial papers, CD's and preference shares acquired by way of conversion of debts.

(4) Includes investment in RIDF scheme of NABARD.

(5) Amounts reported under 4, 5, 6 and 7 are not mutually exclusive.

b) Issuer composition of Non-SLR investments as at March 31, 2012:

(Rs. in million)

No.	Issuer	Amount[(1)]	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities[(2)]	Extent of 'unlisted' securities[(3)]
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
1	Public Sector Undertakings	-	-	-	-	-
2	Financial Institutions[(4)]	14,293.5	-	-	-	-
3	Banks	5,600.6	50.0	-	-	-
4	Private corporate	3,292.7	1,578.6	-	-	65.1
5	Subsidiaries / Joint Ventures	5.0	-	-	-	5.0
6	Others	3,612.9	612.9	-	-	-
7	Provision held towards depreciation	(104.4)	(84.5)	-	-	(17.5)
	Total	**26,700.3**	**2,157.0**	**-**	**-**	**52.6**

Notes:

(1) Does not include amount of securities pledged with Central Counter Parties such as Clearing Corporation of India Ltd., National Securities Clearing Corporation of India Ltd. and Multi Commodity Exchange of India Ltd.

(2) Excludes investment in RIDF scheme of NABARD and equity shares

(3) Excludes investment in RIDF scheme of NABARD

(4) Includes investment in RIDF scheme of NABARD

(5) Amounts reported under 4, 5, 6 and 7 are not mutually exclusive.

c) Non-performing Non-SLR investments:

(Rs. in million)

Particulars	**Year ended March 31, 2013**	**Year ended March 31, 2012**
Opening balance	**17.6**	17.8
Additions during the year	**53.8**	-
Reductions during the year	**-**	0.2
Closing balance	**71.4**	17.6
Total provisions held	**25.6**	17.6

Note: In addition to the above provision for Non Performing Non SLR Investments, an amount of Rs.18.0 million (Previous Year NIL) is held towards diminution in fair value of restructured accounts in respect of parties having exposure reported under Schedule 8 Investments as well as Schedule 9 Advances.

2.5 During the year, the value of sales and transfer of securities to / from HTM category, excluding one-time transfer of securities from HTM and sale on account of Open Market Operation (OMO), has not exceeded 5% of the book value of investments held in HTM category at the beginning of the year. As such, in line with RBI guidelines, specific disclosures on book value, market value, and provisions if any, relating to such sale and transfers are not required to be made.

3. Derivatives

3.1 Interest Rate Swaps, Forward Rate Agreements, Options and Cross Currency Swaps:

(Rs. in million)

Particulars		As at March 31, 2013	As at March 31, 2012
(i)	Notional principal of swap agreements	**285,688.7**	279137.1
(ii)	Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	**4,972.6**	3655.3
(iii)	Collateral required by the Bank upon entering into swaps	**-**	-
(iv)	Concentration of credit risk arising from the swaps – With banks	**47.41%**	57.01%
(v)	Net Fair value of the swap book	**321.10**	346.10

The nature and terms of Interest Rate Swaps (IRS) including IRS denominated in foreign currency and done on back to back basis, as on March 31, 2013 are set out below:

(Rs. in million)

Nature	Nos.	Notional Principal	Benchmark	Terms
Merchant & Cover	1	1.000.0	MIBOR	Fixed Payable V/s Floating Receivable
Merchant & Cover	1	1,000.0	MIBOR	Fixed Receivable V/s Floating Payable
Trading	125	57,891.5	MIBOR	Fixed Payable V/s Floating Receivable
Trading	131	71.622.9	MIBOR	Fixed Receivable V/s Floating Payable
Trading	11	8.750.0	MIFOR	Fixed Payable V/s Floating Receivable
Trading	19	12.750.0	MIFOR	Fixed Receivable V/s Floating Payable
Merchant & Cover	1	270.7	EURIBOR	Fixed Payable V/s Floating Receivable
Merchant & Cover	1	270.7	EURIBOR	Fixed Receivable V/s Floating Payable
Merchant & Cover	34	3.361.1	LIBOR	Fixed Payable V/s Floating Receivable
Merchant & Cover	34	3.361.1	LIBOR	Fixed Receivable V/s Floating Payable
Trading	10	4,135.7	LIBOR	Fixed Payable V/s Floating Receivable
Trading	24	4,143.2	LIBOR	Fixed Receivable V/s Floating Payable

The nature and terms of IRSs (including IRSs denominated in foreign currency and done on back-to-back basis) as on March 31, 2012 are set out below:

(Rs. in million)

Nature	Nos.	Notional Principal	Benchmark	Terms
Merchant and Cover	1	1,000.0	MIBOR	Fixed Payable V/s Floating Receivable
Merchant and Cover	1	1,000.0	MIBOR	Fixed Receivable V/s Floating Payable
Merchant and Cover	34	6,386.5	LIBOR	Fixed Payable V/s Floating Receivable
Merchant and Cover	34	6,386.5	LIBOR	Fixed Receivable V/s Floating Payable
Merchant and Cover	1	339.7	EURIBOR	Fixed Payable V/s Floating Receivable
Merchant and Cover	1	339.7	EURIBOR	Fixed Receivable V/s Floating Payable
Trading	257	104,250.0	MIBOR	Fixed Payable V/s Floating Receivable
Trading	244	103,250.0	MIBOR	Fixed Receivable V/s Floating Payable

The nature and terms of Options as on March 31, 2013 are set out below:

(Rs. in million)

Nature	Nos.	Notional Principal	Terms
Merchant and Cover	246	9,712.8	Options

The nature and terms of Options as on March 31, 2012 are set out below:

(Rs. in million)

Nature	Nos.	Notional Principal	Terms
Merchant and Cover	496	17,408.6	Options

The nature and terms of Cross Currency Swaps (CCS) (including CCS denominated in foreign currency and done on back to back basis) as on March 31, 2013 are set out below:

(Rs. in million)

Nature	Nos	Notional Principal	Benchmark	Terms
Merchant & Cover	1	55.4	EURIBOR	Fixed Receivable V/s Floating Payable (Cross Currency Swap)
Merchant & Cover	1	64.8	EURIBOR	Fixed Payable V/s Floating Receivable (Cross Currency Swap)
Merchant & Cover	41	10,923.7	LIBOR	Fixed Receivable V/s Floating Payable (Cross Currency Swap)
Merchant & Cover	41	12,114.2	LIBOR	Fixed Payable V/s Floating Receivable (Cross Currency Swap)
Merchant & Cover	29	10,606.5	NA	Fixed Payable (Principal Only Swap)
Merchant & Cover	29	10,231.4	NA	Fixed Receivable (Principal Only Swap)
Merchant & Cover	21	32,695.9	NA	Fixed V/s Fixed (Cross Currency Swap)
Merchant & Cover	2	1,040.8	NA	Fixed V/s Fixed (Principal Only Swap)
Merchant & Cover	2	4,200.4	NA	Fixed V/s Fixed (Coupon Only Swap)
Trading	37	17,492.2	LIBOR	Fixed Receivable V/s Floating Payable (Cross Currency Swap)
Trading	13	8,486.4	LIBOR	Fixed Payable V/s Floating Receivable (Cross Currency Swap)
Trading	1	249.7	LIBOR	Float V/s Float (Cross Currency Swap)
Trading	1	108.6	NA	Fixed Payable (Principal Only Swap)
Trading	3	5,010.8	NA	Fixed Receivable (Principal Only Swap)
Trading	1	251.6	NA	Fixed V/s Fixed (Cross Currency Swap)
Trading	1	749.5	NA	Fixed V/s Fixed (Coupon Only Swap)
Trading	2	2,850.0	LIBOR / MIFOR	Float V/s Float (Cross Currency Swap)

The nature and terms of CCSs (including CCSs denominated in foreign currency and done on back to back basis) as on March 31, 2012 are set out below:

(Rs. in million)

Nature	Nos	Notional Principal	Benchmark	Terms
Merchant and Cover	2	245.2	LIBOR	Fixed Payable V/s Floating Receivable (Coupon Only Swap)
Merchant and Cover	2	220.1	LIBOR	Fixed Receivable V/s Floating Payable (Coupon Only Swap)
Merchant and Cover	2	4,062.2	-	Fixed V/s Fixed (Coupon Only Swap)
Merchant and Cover	36	11,518.0	LIBOR	Fixed Payable V/s Floating Receivable (Cross Currency Swap)
Merchant and Cover	36	10,749.2	LIBOR	Fixed Receivable V/s Floating Payable (Cross Currency Swap)

Nature	Nos	Notional Principal	Benchmark	Terms
Merchant and Cover	1	68.8	EURIBOR	Fixed Payable V/s Floating Receivable (Cross Currency Swap)
Merchant and Cover	1	60.2	EURIBOR	Fixed Receivable V/s Floating Payable (Cross Currency Swap)
Merchant and Cover	9	15,265.9	-	Fixed V/s Fixed (Cross Currency Swap)
Merchant and Cover	19	6,596.2	LIBOR	Fixed Payable V/s Floating Receivable (Principal Only Swap)
Merchant and Cover	19	6,391.9	LIBOR	Fixed Receivable V/s Floating Payable (Principal Only Swap)
Merchant and Cover	2	1,006.8	-	Fixed V/s Fixed (Principal Only Swap)

3.2 Exchange Traded Interest Rate Derivatives

The Bank has not undertaken any exchange traded interest rate derivative transactions during the year (previous year Nil).

3.3 Disclosures on Risk Exposure in Derivatives

The Risk Management Department of the Bank is responsible for measuring, reporting and monitoring risk arising from derivatives transactions. It functions independent of Treasury business and undertakes the following activities:

- Monitors daily derivatives operations against prescribed policies and limits;
- Reviews daily product-wise profitability and activity reports for derivatives operations;
- Submits MIS and details of exceptions to the Top Management on a daily basis; and
- Ensures monitoring effectiveness of derivative deals identified as hedges against the terms of the hedging instruments and underlying hedged risk.

The Risk Management function applies a host of quantitative tools and methods such as Value at Risk, PV01, stop-loss limits, counterparty limits, deal size limits and overnight position limits.

The Bank undertakes derivative transactions for hedging customers' exposure, hedging the Bank's own exposure, as well as for trading purposes, wherever permitted by RBI. The customers use these derivative products to hedge their forex and interest rate exposures; all trades with customers are covered back to back with other market makers.

The Derivatives Policy approved by Board of Directors defines the framework for carrying out derivatives business and lays down policies and processes to measure, monitor and report risk arising from derivative transactions. The policy provides for (a) appropriate risk limits for different derivative products and (b) authority levels for review of limit breaches and to take appropriate actions in such events. As part of the Derivatives Policy, the Bank has a Product Suitability and Customer Appropriateness Policy, which is used to classify its customers on the basis of their need for various derivative products as well as their competence in understanding such products and the attendant risks involved.

The following table presents summarized data relating to Derivatives:

(Rs. in million)

Sr. No	**Particulars**	**March 31, 2013** Currency derivatives	**March 31, 2013** Interest rate derivatives	**March 31, 2012** Currency derivatives	**March 31, 2012** Interest rate derivatives
1	Derivatives (Notional Principal Amount)	921,231.2	168,556.9	669,156.8	222952.4
	a) For hedging	-	-	-	-
	b) For trading	921,231.2	168,556.9	669,156.8	222,952.4
2	Marked to Market Positions				
	a) Asset (+)	17,425.5	677.6	4,814.5	1,634.7
	b) Liability (-)	(16,667.2)	(686.9)	(3,072.2)	(1,479.6)
3	Credit Exposure (note 5)	20,533.3	2,347.2	13,268.5	3,536.5
4	Likely impact of one percentage change in interest rate (100*PV01) (Note 1)				
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	236.4	206.8	-	3.29
5	Maximum and Minimum of 100*PV01 observed during the year (Note 2)				
	a) on hedging	Nil	Nil	-	Max: 42.12 Min: 0.00
	b) on trading	Max : 23.64 Min : 0.00	Max : 30.50 Min : 0.06	-	Max: 40.71 Min: 0.09

Note 1: Based on the PV01 of the outstanding derivatives as at March 31, 2013.

Note 2: Based on the absolute value of PV01 of the derivatives outstanding during the year. Derivative contracts that are "back-to-back" have not been included herein.

Note 3: Mark to Market positions above includes interest accrued on the swaps.

Note 4: There were no outstanding currency futures as on March 31, 2013.

Note 5: Credit exposure is computed based on the current exposure method.

4. Asset Quality

4.1 Non-Performing Assets

(Rs. in million)

Items	March 31, 2013	March 31, 2012
(i) Net NPAs to Net Advances (%)	0.31%	0.27%
(ii) Movement in Gross NPAs		
a) Opening balance	3,470.8	2,658.6
b) Additions during the year	4,466.2	2,864.5
c) Reductions during the year		
(i) Upgradations	423.7	355.7
(ii) Recoveries* (excluding recoveries made from upgraded accounts)	1,495.4	986.6
(iii) Write-offs	1,440.1	710.0
d) Closing balance	4,577.8	3,470.8
(iii) Movement in Net NPAs	946.7	728.2
a) Opening balance	2,185.7	1,262.6
b) Additions during the year	1,764.8	1,044.1
c) Reductions during the year	1,367.6	946.7
d) Closing balance		
(iv) Movement in provisions for NPAs		
(excluding provisions on standard assets)	2,524.1	1,930.4
a) Opening balance	2,280.5	1,601.9
b) Provisions made during the year		
(segregated counter cyclical provision buffer in	1,594.4	1,008.2
FY 2011-12)	3,210.2	2,524.1
c) Write-off/write-back of excess provisions		
d) Closing balance		

** Recoveries include sale to ARC*

4.2 Sector-wise NPAs

Sl. No.	Sector	% of NPAs to Advances in that sector as on	
		March 31, 2013	March 31, 2012
1	Agriculture & allied activities	**1.11%**	0.93%
2	Industry (Micro & Small, Medium and Large)	**1.11%**	0.45%
3	Services	**0.96%**	0.48%
4	Personal Loans*	**45.35%**	75.95%

* *The amount of Personal Loans outstanding is very insignificant at Rs.98.2* million *(Previous year Rs.1,10.* million*) and no new loans have been disbursed during the year.*

4.3 Details of Loan Assets subjected to Restructuring as on March 31, 2013

SN	Type of Restructuring		Under CDR Mechanism $					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification Details		Standard	Sub-Stan Dard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts as on 01/04/2012	No. of borrowers	8	-	1	-	**9**	2	1	-	-	**3**	15	-	-	-	**15**	25	1	1	-	**27**
		Amount outstanding	848.9	-	100.0	-	**948.9**	201.2	57.4	-	-	**258.6**	2.1	-	-	-	**2.1**	1052.2	57.4	100.0	-	**1209.6**
		Provision thereon	126.9	-	100.0	-	**226.9**	32.8	46.5	-	-	**79.3**	2.1	-	-	-	**2.1**	161.8	46.5	100.0	-	**308.3**
2	Fresh restructuring during the year	No. of borrowers	3	1	-	-	**4**	-	-	1	-	**1**	-	-	-	-	**-**	3	1	1	-	**5**
		Amount outstanding	784.3	12.8	-	-	**797.1**	-	-	49.2	-	**49.2**	-	-	-	-	**-**	78.43	12.8	49.2	-	**846.3**
		Provision thereon	54.4	12.8	-	-	**67.2**	-	-	49.2	-	**49.2**	-	-	-	-	**-**	5.44	12.8	49.2	-	**116.4**
3	Upgradation to restructured standard category during the FY	No. of borrowers	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
		Amount outstanding	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
		Provision thereon	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	(1)				**(1)**	-				**-**	-				**-**	(1)				**(1)**
		Amount outstanding	(23.1)				**(23.1)**	-				**-**	-				**-**	(23.1)				**(23.1)**
		Provision thereon	-				**-**	-				**-**	-				**-**	-				**-**
5	Downgradations of restructured accounts during the FY	No. of borrowers	-	-	1	-	**1**	(1)	-	-	-	**(1)**	(2)	-	2	-	**-**	(3)	-	3	-	**-**
		Amount outstanding	-	-	132.4	-	**132.4**	(133.3)	-	-	-	**(133.3)**	(0.4)	-	0.4	-	**-**	(133.7)	-	132.8	-	**(0.9)**

SN	Type of Restructuring		Under CDR Mechanism $					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification Details		Stan dard	Sub-Stan Dard	Doubt ful	Loss	Total	Stan dard	Sub-Stan dard	Doubt ful	Loss	Total	Stan dard	Sub-Stan dard	Doubt ful	Loss	Total	Stan dard	Sub-Stan dard	Doubt ful	Loss	Total
		Provision thereon	-	-	109.4	-	**109.4**	(31.1)	-	-	-	**(31.1)**	(0.4)	-	0.4	-	**-**	(31.5)	-	109.8	-	**78.3**
6	Write-offs of restructured accounts during the FY 2012-13	No. of borrowers	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
		Amount outstanding	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
		Provision thereon	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
7	Restructured Accounts as on 31/03/2013 (closing figure)*	No. of borrowers	**9**	**1**	**1**	**-**	**11**	**1**	**-**	**1**	**-**	**2**	**-**	**-**	**2**	**-**	**2**	**10**	**1**	**4**	**-**	**15**
		Amount outstanding	**1360.4**	**12.8**	**132.4**	**-**	**1505.6**	**42.5**	**-**	**49.2**	**-**	**91.7**	**-**	**-**	**0.4**	**-**	**0.4**	**1402.9**	**12.8**	**182.0**	**-**	**1597.7**
		Provision thereon	**154.8**	**128**	**109.4**	**-**	**277.0**	**-**	**-**	**49.2**	**-**	**49.2**	**-**	**-**	**0.4**	**-**	**0.4**	**154.8**	**12.8**	**159.0**	**-**	**326.6**

* *Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable)*
The closing position as on 31 March 2013 does not include accounts/amounts where restructuring has failed, closed accounts and recoveries
Provision thereon includes Sacrifies (diminution in the fair value) and NPA provision

$ *Excluding* Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) *of Rs. 169.0* million *and Convertible Cumulative Preference Shares (CCPS) of Rs. 53.8* million.

Details of Loan Assets subjected to Restructuring as on March 31, 2012

(Rs. in million)

		CDR Mechanism	**SME Debt Restructuring**	**Others incl. Consumer/ Vehicle loans**
Standard Advances Restructured	No. of Borrowers	8	2	15
	Amount Outstanding[1]	848.9	201.2	2.1
	Sacrifice (diminution in the fair value)	126.9	32.8	2.1
Substandard Advances Restructured	No. of Borrowers	-	1	-
	Amount Outstanding	-	57.4	-
	Sacrifice (diminution in the fair value)/ NPA provision held	-	46.5	-
Doubtful Advances Restructured	No. of Borrowers	1	-	-
	Amount Outstanding	100.0	-	-
	Sacrifice (diminution in the fair value) / NPA provision held	100.0	-	-
TOTAL	No. of Borrowers	**9**	**3**	**15**
	Amount Outstanding	**948.9**	**258.6**	**2.1**
	Sacrifice (diminution in the fair value) / NPA provision held	**226.9**	**79.3**	**2.1**

(1) Excluding Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) of Rs. 169.0 million and Redeemable Preference Shares (RPS) of Rs. 13.1 million

4.4 **Details of financial assets sold to Securitisation / Reconstruction Company for asset reconstruction:**

(Rs. in million)

Items	**2012-2013**	**2011-2012**
1) No. of accounts	1636	3
2) Aggregate value (net of provisions) of accounts sold to SC/ RC	1,262.9	447.5
	1,115.0	460.0
3) Aggregate consideration	13.8	23.5
4) Additional consideration realized in respect of accounts transferred in earlier years	(134.1)	36.0
5) Aggregate gain/ (loss) over net book value		

4.5 During the year, there has been no purchase / sale of non-performing financial assets from/ to other banks (previous year Nil).

4.6 During the year, there was no sale of assets through securitization in respect of Standard Advances (previous year Nil).

4.7 **Provision on Standard Assets**

(Rs. in million)

Items	**March 31, 2013**	**March 31, 2012**
Cumulative Provision held for Standard Assets	1,742.6	1,387.7

Provision towards Standard Assets is included in 'Other Liabilities and Provisions – Others' in Schedule 5, and is not netted off from Advances. In line with RBI guidelines, Standard Assets provision as at March 31, 2013, includes additional provision at the rate of 2.75% on all amounts outstanding on Standard Assets restructured during the last two years.

4.8. **Floating provision**

The Bank does not carry any floating provision in the books.

5. Business ratios

Ratio		March 31, 2013	March 31, 2012
i)	Interest income as a percentage to working funds	10.72%	10.49%
ii)	Non-interest income as a percentage to working funds	2.09%	1.98%
iii)	Operating profit as a percentage to working funds	2.82%	2.69%
iv)	Return on assets	1.63%	1.57%
v)	Business (deposits plus gross advances) per employee including trainees (Rs. in million)	84.05	78.84
vi)	Profit per employee including trainees (Rs. in million)	0.92	0.86
vii)	Provision coverage ratio	70.13%	72.72%

Notes:

(1) Working funds are reckoned as the average of total assets as per the monthly returns in Form X filed with RBI during the year.

(2) Business per employee (deposits plus gross advances) is computed after excluding Inter-bank deposits.

(3) Returns on Assets are computed with reference to average working funds.

6. Asset Liability Management

Maturity Pattern of Assets and Liabilities as required by RBI guidelines:

(a) As at March 31, 2013:

(Rs. in million)

	Day 1	2 to 7 Days	8 to 14 Days	15 to 28 Days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	2,750.5	33,011.5	16,752.2	33,077.9	145,056.4	58,782.0	62,523.0	169,132.2	10,454.7	9,626.8	**541,167.2**
Loans & Advances	35,487.7	9,635.0	8,908.0	6,052.2	30,288.6	30,377.4	151,756.4	134,214.3	25,212.3	28,774.2	**460,706.1**
BRDS*	-	5,000.0	10,000.0	2,500.0	-	-	-	-	-	-	**17,500.0**
Investment Securities $	-	4,300.0	-	-	25,314.7	6,150.3	4,716.1	20,415.4	17,577.9	136,067.3	**214,541.7**
Borrowings	-	15,201.6	2,171.4	4,863.9	7,965.4	18,192.2	11,959.1	31,152.9	-	3,089.1	**94,595.6**
Foreign currency assets	2,432.9	884.5	1,035.8	414.3	3,083.5	2,361.4	8,607.0	7,263.5	5,386.7	515.9	**31,985.5**
Foreign currency liabilities	1,617.7	4,198.3	2,331.3	5,289.7	7,902.1	18,297.3	4,965.3	2,405.5	363.2	64.0	**47,434.4**

**Bill Re-discounting Scheme*
$ Investment is inclusive of Repo under LAF of Rs. 18000 million.

(b) As at March 31, 2012:

(Rs. in million)

	Day 1	2 to 7 Days	8 to 14 Days	15 to 28 Days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	1,608.5	13,292.2	14,476.7	7,319.0	121,968.8	33,868.2	91,727.3	128,853.5	5,323.8	5,177.4	**423,615.4**
Loans & Advances	20,746.9	10,398.1	4,452.6	10,387.4	45,889.8	30,783.7	56,886.6	139,411.4	18,266.6	13,416.4	**350,639.5**
Investment Securities	-	3,000.0	-	396.5	2,576.4	8,522.5	15,182.8	9,874.5	13,979.1	92,187.7	**145,719.5**
Borrowings	63.1	16,867.9	485.5	1,271.9	3,832.4	15,539.0	27,683.8	11,994.2	5,993.4	3088.9	**86,820.1**
Foreign currency assets	8,368.5	232.2	404.6	569.6	6,595.5	613.9	306.9	9,495.5	46.4	621.0	**27,254.1**
Foreign currency liabilities	502.8	1,400.7	287.3	1,464.0	2,898.5	10,416.9	8,066.4	1,718.5	540.2	-	**27,295.3**

7. Exposures

7.1 Exposure to Real Estate Sector

(Rs. in million)

Particulars	March 31, 2013	March 31, 2012
(a) Direct exposure		
(i) Residential Mortgages [of which individual housing loans up to Rs.2.5 million is Rs.1076.9 million (previous year Rs.798.0 million)][1]	14,690.4	1,157.8
(ii) Commercial Real Estate [2]	21,838.1	13,774.8
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures:		
Residential	-	-
Commercial Real Estate	-	-
(b) Indirect exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	5,036.6	2,436.5
Total Real Estate Exposure	**41,565.1**	**17,369.1**

(1) As per RBI circular RPCD.CO.Plan.BC.69/04.09.01/2010-11 dated 09/05/2011, limit for housing loan under priority sector has been changed from Rs. 2 million to Rs. 2.5 million

(2) Does not include corporate lending backed by mortgage of land and building.

7.2 Exposure to Capital Market:

(Rs. in million)

Particulars	March 31, 2013	March 31, 2012
(i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt	65.5	65.5
(ii) Advances against shares/bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds	73.8	230.4
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	NIL	NIL
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances	2,860.0	NIL
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	14,977.1	11,581.0
vi) Loans sanctioned to corporates against the security of shares / bonds/ debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	NIL	NIL
(vii) Bridge loans to companies against expected equity flows/issues	NIL	NIL
viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	NIL	NIL
(ix) Financing to stockbrokers for margin trading	NIL	NIL
(x) All exposures to Venture Capital Funds (both registered and unregistered)	NIL	NIL
Total Exposure to Capital Market	**17,976.4**	**11,876.9**

7.3 Risk Category-wise exposure to country risk

(Rs. in million)

Risk category	Exposure (net) as at March 31, 2013	Provision held as at March 31, 2013	Exposure (net) as at March 31, 2012	Provision held as at March 31, 2012
Insignificant	2,500.9	-	2,189.2	-
Low	7,242.5	-	5,561.1	-
Moderate	316.6	-	783.9	-
High	235.8	-	75.8	-
Very High	134.0	-	60.8	-
Restricted	20.6	-	147.7	-
Off Credit	-	-	-	-
Total	**10,450.4**	-	**8,818.5**	-

7.4 Single borrower limit and Group Borrower Limit

During the year, the Bank has not exceeded the prudential credit exposure limit in respect of Single Borrower and Group Borrowers (previous year Nil).

7.5 Unsecured advances

The Bank has not extended any project advances where the collateral is an intangible asset such as a charge over rights, licences, authorizations etc. (Previous year Nil). The Unsecured Advances of Rs. 42110.5 million (previous year Rs. 28538.2 million) as disclosed in Schedule 9B (iii) are without any collateral or security.

8. Concentration of Deposits, Advances, Exposures and NPAs

8.1 Concentration of Deposits

(Rs. in million)

	As on March 31, 2013	As on March 31, 2012
Total Deposits of twenty largest depositors	147,420.2	107,170.5
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	27.24%	25.30%

8.2 Concentration of Advances

(Rs. in million)

	As on March 31, 2013	As on March 31, 2012
Total Advances to twenty largest borrowers	162.889.4	109,503.8
Percentage of Advances of twenty largest borrowers to Total Advances of the Bank	22.59%	22.59%

Advances are computed as per the definition of Credit Exposure including derivatives as prescribed in Master Circular on Exposure Norms DBOD.No.Dir.BC.3/13.03.00 /2012-13 dated July 2, 2012.

8.3 Concentration of Exposures

(Rs. in million)

	As on March 31, 2013	As on March 31, 2012
Total Exposure to twenty largest borrowers / customers	162,889.4	109,753.8
Percentage of Exposure of twenty largest borrowers / customers to Total Exposure of the Bank on borrowers / customers	21.35%	22.23%

Exposures are computed as per the definition in Master Circular on Exposure Norms DBOD.No.Dir.BC.3/13.03.00/2012-13 dated July 2, 2012 and includes credit and investment exposure.

8.4 Concentration of NPAs

(Rs. in million)

	As on March 31, 2013	As on March 31, 2012
Total Exposure to top four NPA accounts	967.8	453.7

9. Miscellaneous:

9.1 Amount of Provisions for taxation during the year

(Rs. in million)

Particulars	**2012-13**	**2011-12**
Provision for Income Tax	5,225.9	4,033.8
Deferred tax credit	(79.1)	(136.9)
Provision for Wealth tax	5.0	3.5
Total	**5,151.8**	**3,900.4**

9.2 Disclosure of penalties imposed by RBI

RBI has not imposed any penalty on the Bank u/s 46(4) of the Banking Regulation Act, 1949 (previous year Nil).

9.3 Fixed Assets

Cost of premises includes Rs. 40.9 million (previous year Rs. 40.9 million) in respect of properties for which execution of documents and registration formalities are in progress. Of these properties, the Bank has not obtained full possession of one property having WDV of Rs. 17.0 million (previous year Rs. 17.4 million) and has filed a suit for the same.

9.4 Contingent Liabilities

Claims against the Bank not acknowledged as debts comprise of tax demands in respect of which the Bank is in appeal of Rs. 1,114.0 million (previous year Rs. 1088.4 million) and the cases *sub judice* Rs. 3,194.9 million (previous year Rs. 3,060.6 million). The above are based on management's estimate, and no significant liability is expected to arise out of the same.

9.5 Other Income

9.5.1 **Fees received in Bancassurance business**

Commission, Exchange and Brokerage in Schedule 14 include the following fees earned on Bancassurance business**:**

(Rs. in million)

Nature of Income	**March 2013**	**March 2012**
For selling life insurance policies	432.4	283.6
For selling non-life insurance policies	272.6	250.0
For selling mutual fund products	368.3	265.2

Others	-	-
Total	**1,073.3**	**798.8**

9.5.2 During the current year, fee income from investment banking, account processing, card operations, and client account maintenance related activities aggregating to Rs. 5,896.8 million which in earlier years was classified under the head Miscellaneous Income in Schedule 14 has been classified under "Commission, Exchange and Brokerage" in Schedule 14. Corresponding previous year figures aggregating to Rs. 4,191.8 million have also been reclassified to conform to the current year presentation.

9.5.3 The Bank does not have any Overseas branches and hence the disclosure regarding total assets, NPAs and revenue is not applicable.

9.5.4 The Bank does not have any Off-Balance Sheet SPVs (which are required to be consolidated as per accounting standards).

10. Employee Stock Option Scheme ("ESOS"):

The shareholders of the Bank had approved Employee Stock Option Scheme (ESOS) on September 18, 2007, enabling the Board and / or the Compensation Committee to grant such number of Options of the Bank not exceeding 7% of the aggregate number of issued and paid up equity shares of the Bank, in line with the guidelines of the Securities & Exchange Board of India (SEBI). The options vest within a maximum period of five years from the date of grant of option. The exercise price for each grant is decided by the Compensation Committee, which is normally based on the latest available closing price. Upon vesting, the options have to be exercised within a maximum period of five years. The ESOS is equity settled where the employees will receive one equity share per option.

Pursuant to the ESOS 2007 scheme, the Compensation Committee of the Bank has granted 2,79,55,200 options as set out below:

Sr. No	Date of grant	No of options	Range of exercise price (Rs.)
1.	18/07/2008	1,21,65,000	48.00 - 50.60
2.	17/12/2008	34,56,000	38.95
3.	05/05/2009	8,15,500	44.00
4.	31/08/2009	3,18,500	100.05
5.	28/01/2010	7,47,000	48.00 - 140.15
6.	28/06/2010	13,57,450	196.50
7.	14/09/2010	73,500	236.20
8.	26/10/2010	1,43,500	274.80
9.	17/01/2011	25,00,000	228.70
10.	07/02/2011	20,49,000	95.45 - 220.45
11.	24/06/2011	21,54,750	253.60
12.	16/08/2011	89,500	254.90
13.	30/09/2011	2,61,000	262.25
14.	21/12/2011	9,20,000	231.95
15.	29/02/2012	1,95,000	304.05
16.	19/04/2012	1,40,500	345.60
17.	25/05/2012	1,34,500	304.55
18.	10/07/2012	2,67,000	343.25
19.	29/08/2012	1,14,000	319.05
20	10/10/2012	23,500	365.75
21	09/01/2013	30,000	433.75

Recognition of expense

Excess of fair market price over the exercise price of an option as at the grant date, is recognized as a deferred compensation cost and amortized on a straight-line basis over the vesting period of such options. The fair market price is the latest available closing price prior to the date of the meeting of the Board of Directors, in which options are granted, on the stock exchange on which the shares of the Bank are listed. Since shares are listed in more than one stock exchange, the stock exchange where the Bank's shares have been traded highest on the said date is considered.

Stock option activity under the scheme during the year:

	No. of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	1,90,70,301	136.10
Granted during the year	7,09,500	337.06
Forfeited / surrendered during the year	3,00,916	238.82
Exercised during the year	30,67,705	113.18
Expired during the year	-	-
Outstanding at the end of the year	1,64,11,180	147.18
Options exercisable at the end of the year	1,16,64,183	104.43

The weighted average price of options exercised during the year is Rs. 349.06.

Following table summarizes the information about stock options outstanding as at March 31, 2013:

Date of grant	Exercise Price	Number of shares arising out of options	Weighted average life of options (in years)
18 July 2008	48.00	61,25,000	2.57
18 July 2008A	50.60	5,53,000	2.98
17 Dec 2008	38.95	3,99,415	3.39
5 May 2009	44.00	76,850	3.52
31 August 2009	100.05	78,840	4.00
28 Jan 2010	140.15	18,950	4.24
28 Jan 2010A	48.00	6,00,000	2.83
28 Jun 2010	196.50	7,43,690	4.53
14 Sep 2010	236.20	39,890	4.78
26 Oct 2010	274.80	70,900	5.11
17 Jan 2011	228.70	25,00,000	4.81
7 Feb 2011	95.45	2,84,000	3.86
7 Feb 2011A	220.45	11,50,300	5.11
24 Jun 2011	253.60	16,55,434	5.37
16 Aug 2011	254.90	81,400	5.49
30 Sep 2011	262.25	2,50,861	5.51
21 Dec 2011	231.95	9,11,150	5.75
29 Feb 2012	304.05	1,70,000	5.93
19 April 2012	345.60	1,40,500	6.07
25 May 2012	304.55	1,34,500	6.16
10 July 2012	343.25	2,67,000	6.29
29 Aug 2012	319.05	1,14,000	6.43
10 Oct 2012	365.75	23,500	6.54
9 Jan 2013	433.75	30,000	6.79

Fair value methodology:

The fair value of options granted during the year has been estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2012-13
Average dividend yield	1.32%
Expected volatility	36.97% - 56.74%
Risk free interest rates	7.90% - 8.40%
Expected life of options (in years)	3.50 - 5.50

Expected volatility is a measure of the amount by which the equity share price is expected to fluctuate during a period. The measure of volatility used in Black -Scholes option pricing model is the annualized standard deviation of the continuously compounded rates of return on the share over a period of time. Expected volatility has been computed by considering the historical data on daily volatility in the closing equity share price on NSE, over a prior period equivalent to the expected life of the options, till the date of the grant.

Had the Bank adopted the Black - Scholes model based fair valuation, compensation cost for the year ended March 31, 2013, would have increased by Rs. 382.9 million and the proforma profit after tax would have been lower by Rs. 258.6 million correspondingly. On a proforma basis, the basic and diluted earnings per share would have been Rs. 21.30 and Rs. 20.88 respectively.
The weighted average fair value of options granted during the year ended March 31, 2013 is Rs. 159.69.

11. Disclosures – Accounting Standards

11.1 Net Profit or Loss for the period, prior period items and changes in accounting policies (AS-5)

There has been no material change in Accounting Policies adopted during the year ended March 31, 2013, from those followed for the year ended March 31, 2012.

11.2 Depreciation Accounting (AS-6)

During the year, the Bank has revised estimated useful life of automated teller machines (ATMs), software and certain other items of fixed assets. Whenever there is a revision in the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset. The revision in the estimated useful life has resulted in the profit after tax for year ended March 31, 2013 being higher by Rs. 128.2 million.

11.3 Employee Benefits (AS-15)

Gratuity:

The benefit of Gratuity is a funded defined benefit plan. For this purpose the Bank has obtained qualifying insurance policies from two insurance companies. The following table summarises the components of net expenses recognized in the Profit and Loss account and funded status and amounts recognized in the Balance Sheet, on the basis of actuarial valuation.

(Rs. in million)

		March 31, 2013	**March 31, 2012**
Changes in the present value of the obligation			
1	Opening balance of Present Value of Obligation	226.3	196.7
2	Interest Cost	17.5	14.9
3	Current Service Cost	64.9	49.8
4	Past Service Cost	-	-
5	Benefits Paid	(19.2)	(22.7)
6	Actuarial (gain) / loss on Obligation	(9.7)	(12.4)

		March 31, 2013	March 31, 2012
7	Closing balance of Present Value of Obligation	279.8	226.3
Reconciliation of opening and closing balance of the fair value of the Plan Assets			
1	Opening balance of Fair value of Plan Assets	239.4	198.9
2	Adjustment to Opening Balance	-	9.4
3	Expected Return on Plan assets	21.1	18.6
4	Contributions	43.5	46.5
5	Benefits Paid	(19.2)	(22.7)
6	Actuarial gain / (loss) Return on Plan Assets	1.9	(11.3)
7	Closing balance of Fair Value of Plan Assets	286.7	239.4
Profit and Loss – Expenses			
1	Current Service Cost	64.9	49.8
2	Interest Cost	17.5	14.9
3	Expected Return on Plan assets	(21.1)	(18.6)
4	Net Actuarial gain / (loss) recognised in the year	(11.6)	(1.1)
5	Expenses recognised in the Profit and Loss account	49.7	45.0
Actuarial Assumptions			
1	Discount Rate	8.00%-8.15%	8.00%
2	Expected Rate of Return on Plan Assets	8.00%	8.00%
3	Expected Rate of Salary Increase	4.00%-5.00%	4.50% -5.00%
4	Employee Attrition Rate		
	Past Service 0 to 5 years	30%	25%
	Past Service above 5 years	0%	0%

Experience Adjustment

Particulars	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009
Defined Benefit Obligations	279.8	226.3	196.7	145.9	102.4
Plan Assets	286.7	239.4	198.9	146.7	109.7
Surplus / (Deficit)	6.9	13.1	2.2	0.8	7.3
Experience Adjustments on Plan Liabilities	12.3	12.4	(10.3)	(31.1)	(4.6)
Experience Adjustments on Plan Assets	1.9	(11.3)	5.6	(4.5)	(0.3)

Provident Fund

The guidance on implementing AS 15, Employee Benefits (revised 2005) states that benefits involving employer established provident funds, which require interest shortfalls to be recompensed are to be considered as defined benefit plans.

The details of the fund and plan asset position as at March 31, 2013, are as follows:

(Rs. in million)

Assets/ Liabilities	March 31, 2013	March 31, 2012
Present value of Interest Rate guarantee on Provident Fund	7.6	5.1
Present value of Total Obligation	794.0	636.6
Fair value of Plan Assets	786.8	630.6
Net Asset/ (liability) recognized in the Balance Sheet	(7.2)	(5.1)
Assumptions		

Normal Retirement age	60 years	60 years
Expected guaranteed interest on PF in future	8.50%	8.25%
Discount rate	8.30%	8.50%
Expected average remaining working lives of employees (years)	21.38	21.37
Benefit on normal retirement	Accumulated account balance	Accumulated account balance
Benefit on early retirement/withdrawal/resignation	Same as normal retirement benefit	Same as normal retirement benefit
Benefit on death in service	Same as normal retirement benefit	Same as normal retirement benefit

The Guidance note on valuation of interest rate guarantee embedded in Provident fund issued by ASI is effective from April 01, 2011. In absence of any valuation guidance for the earlier periods, the obligation has not been valued for the last five years

11.4 Segment Reporting (AS 17)

The Bank operates in four business segments, viz. Treasury, Corporate/ Wholesale Banking, Retail Banking and Other Banking Operations. There are no significant residual operations carried by the Bank.

Business Segments

(Rs. in million)

Business Segment	**Treasury**		**Corporate/ Wholesale Banking**		**Retail Banking**		**Other Banking Operation**		**Total**	
Particulars	**31/03/13**	**31/03/12**	**31/03/13**	**31/03/12**	**31/03/13**	**31/03/12**	**31/03/13**	**31/03/12**	**31/03/13**	**31/03/12**
Result	**1,369.4**	943.0	**5,753.2**	4,382.6	**11,944.7**	9,154.9	**61.6**	(0.6)	**19,128.9**	14,479.9
Unallocated Expenses									**734.3**	749.6
Operating Profit									**18,394.6**	13,730.3
Income Taxes and Other Provisions									**7,782.8**	5,704.2
Extraordinary profit/ loss									**0.0**	0.0
Net Profit									**10,611.8**	8,026.1
Other Information:										
Segment Assets	**215,665.4**	193,071.9	**149,099.8**	121,273.7	**348,080.5**	247,535.5	**0.0**	0.0	**712,845.7**	561,881.1
Unallocated Assets									**20,219.5**	14,079.6
Total Assets									**733,065.2**	575,960.7
Segment Liabilities	**95,840.8**	87,089.9	**348,375.8**	268,224.1	**199,290.3**	162,201.2	**0.0**	0.0	**643,506.9**	517,515.2
Unallocated Liabilities									**89,558.3**	58,445.5
Total Liabilities									**733,065.2**	575,960.7

Geographic Segments:

The business operations of the Bank are largely concentrated in India. Activities outside India are restricted to resource mobilization in the international markets. Since the Bank does not have material earnings emanating from foreign operations, the Bank is considered to operate only in domestic segment.

11.5 Related party transactions (AS-18)

The following is the information on transactions with related parties:

Key Management Personnel
Mr. Romesh Sobti, Managing Director

Associates:

IndusInd Marketing and Financial Services Private Limited
IndusInd Information Technology Limited (fully divested on September 13, 2011)

Subsidiaries

ALF Insurance Services Private Limited (under liquidation)

As on March 31, 2013, there was only one related party in the all above category; hence, in accordance with RBI guidelines, no disclosure relating to the transactions with these related parties.

Summarized transactions with related parties for the year ended March 31, 2012:

(Rs. in million)

Items / Related Party	Subsidiaries*	Associates/ Joint ventures	Key Management personnel*	Relatives of key Management Personnel	Total
Deposits	-	11.9 (285.9)	-	-	11.9 (285.9)
Advances	-	39.0 (90.0)	-	-	39.0 (90.0)
Investments	-	-	-	-	-
Interest Paid	-	-	-	-	-
Receiving of services	-	876.7	-	-	876.7
Other Liabilities (creditors for expenses, security deposits etc.)	-	34.5 (44.5)	-	-	34.5 (44.5)

* As on March 31, 2012, there was only one related party in the said category; hence, in accordance with RBI guidelines, no disclosure relating to the transactions with these related parties.

Note: Figures in bracket represent maximum outstanding during the year.

11.6 Earnings per share (AS 20)

The numerators and denominators used to calculate the earnings per share as per AS-20 are as under:

	Year ended March 31, 2013	Year ended March 31, 2012
Net Profit as Reported (Rs. in million)	10,611.8	8,026.1
Basic weighted average number of equity shares	48,60,03,221	46,65,06,257
Diluted weighted average number of equity shares	49,58,08,290	47,59,83,073
Nominal value of Equity Shares (Rs.)	10	10
Basic Earnings per Share (Rs.)	21.83	17.20
Diluted Earnings per Share (Rs.) (Reported)	21.40	16.86

11.7 Operating Leases (AS 19)

The Bank has not given any assets on operating lease. The Bank has taken number of premises on operating lease consisting of branch premises, office premises, ATMs and residential premises for staff. The details of maturity profile of future operating lease payments are given below:

(Rs. in million)

	March 31, 2013	March 31, 2012
Future lease rentals payable as at the end of the year:		
- Not later than one year	1,110.8	1,047.0
- Later than one year but not later than five years	3,543.4	3,146.3
- Later than five years	1,650.9	1,341.5
Total of minimum lease payments recognised in the Profit and Loss Account for the year	1,093.2	915.5
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-lease	-	-
Sub-lease payments recognised in the Profit and Loss Account for the year	-	-

The Bank has not sub-leased any of the properties taken on lease. There are no provisions relating to contingent rent.

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

11.8 Consolidated Financial Statements – Subsidiary (AS 21)

ALF Insurance Services Pvt. Ltd., subsidiary of the Bank, could not commence operations. Consequent to the resolution of Board of Directors, the process of winding up of the said company is under progress. Since the control is regarded as temporary, no consolidated financial statements have been drawn up as per AS-21 “Consolidated Financial Statements”.

11.9 Deferred Tax (AS 22)

The major components of deferred tax assets / liabilities are as under:

(Rs. in million)

Timing difference on account of	March 31, 2013 Deferred Tax Assets	March 31, 2013 Deferred Tax Liabilities	March 31, 2012 Deferred Tax Assets	March 31, 2012 Deferred Tax Liabilities
Difference between book depreciation and depreciation under the Income Tax Act, 1961		146.0		56.9
Difference between Provisions for doubtful debts and advances and amount allowable under Section 36(1)(viia) of the Income Tax Act, 1961	1,746.2		1,301.9	
Interest on securities		1,033.9		707.2
Others	128.5		77.9	
Sub-total	1,874.7	1,179.9	1,379.8	764.1
Net closing balance carried to the Balance Sheet (included in Sch. 11 – Others)	694.8		615.7	

12. Additional Disclosures

12.1 Provisions and Contingencies charged to the Profit and Loss account for the year consist of:

(Rs. in million)

Particulars	**Year ending March 31, 2013**	**Year ending March 31, 2012**
Depreciation on Investments	13.0	(10.2)
Provision for non-performing assets including bad debts written off net of write backs	2,196.1	1,425.8
Provision towards Standard Assets	354.9	357.5
Income Tax / Wealth Tax / Deferred Tax	5,151.8	3,900.4
Others	67.0	30.7
Total	7,782.8	5,704.2

12.2 Movement in provision for credit card and debit card reward points

(Rs. in million)

Particulars	**2012-13**	**2011-12**
Opening provision	90.3	-
Provision for Reward Points on acquisition	-	84.8
Provision for Reward Points made during the year	68.0	67.9
Utilisation / Write back of provision for Reward Points	65.7	52.8
Effect of change in rate for accrual of Reward Points	-	9.6
Closing provision for Reward Points	92.6	90.3

12.3 Disclosure of Complaints

A Customer Complaints*:*

No.	Particulars	2012-13	2011-12
(a)	No. of complaints pending at the beginning of the year	325	307
(b)	No. of complaints received during the year	17093	18772
(c)	No. of complaints redressed during the year	17041	18754
(d)	No. of complaints pending at the end of the year	377	325

B. Awards passed by the Banking Ombudsman:

No.	Particulars	2012-13	2011-12
(a)	No. of unimplemented Awards at the beginning of the year	Nil	Nil
(b)	No. of Awards passed by the Banking Ombudsmen during the year	1	2
(c)	No. of Awards implemented during the year	1	2
(d)	No. of unimplemented Awards at the end of the year	Nil	Nil

(Compiled by management and relied by auditors)

12.4 Letters of Comfort

The Bank has not issued any letter of comfort.

12.5 Disclosure on Remuneration

Remuneration Committee (RC)

The RC of the Bank comprises of four members of the Board of Directors of the Bank including one member from Risk Management Committee of the Board. The mandate of the RC is to establish, implement and maintain remuneration policies, procedures and practices that are consistent with, and promote, sound and effective risk management to achieve effective alignment between remuneration and risks The Committee is also mandated to oversee framing, implementation and review of the Bank's Compensation policy as per RBI guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Risk Takers and Control function staff whose professional activities have a material impact on the Bank's risk profile. The RC is also required to ensure that the cost / income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio. The RC reviews compensation structure and the policies of the Bank with a view to attract, retain and motivate employees.

Remuneration Policy

The Remuneration Policy is formulated by the Board in alignment with RBI guidelines, and is structured to cover all components of remuneration including fixed pay, variable pay, perquisites, retirement benefits such as Provident Fund and Gratuity, long term incentive plans, and Employee Stock Options.

The key objectives of the policy are:

(i) Benchmark employee compensation with market salaries for various job positions and skills and pay for 'Position, Performance & Person'

(ii) Maintain an optimal balance between fixed and variable pay

(iii) Pay for Performance

(iv) Build employee ownership and long term association through long term incentive plans (ESOPs and Deferred Bonus)

Some of the important features of the Compensation Policy are as below:

(i) The RC will oversee the framing, implementation and review of the Compensation Policy.

(ii) Remuneration will be market linked for critical job roles so as to attract and retain talent.

(iii) In respect of WTDs / CEO / Risk Takers, the compensation structure provides for a reasonable increase in fixed pay in line with market benchmarks. Their individual increments are linked to annual performance rating and increment percentages at various performance rating levels will be decided, on the basis of the financial performance of the Bank. Exceptions will be restricted to a select few high performers to reward performance, motivate and retain critical staff.

(iv) The quantum of overall variable pay to be disbursed in a year would vary on the basis of the financial performance of the Bank measured through various parameters such as NIM, NII, ROA, PAT and ROE.

(v) Remuneration is linked to performance. Increments and variable pay are linked to the annual performance rating. Annual Performance Rating for an employee is arrived on the basis of tangible performance against pre–set KRAs / Goals set at the beginning of the Financial Year. The individual variable pay would be linked to annual performance rating, and would be based on variable pay grids outlining variable pay as a percentage of Annual Guaranteed cash at various rating bands for a grade level. Exceptional increments and variable pay may be paid to high performers, but in no case they would violate the stipulated RBI guidelines.

(vi) The individual variable pay would not exceed 70% of the fixed pay. Wherever variable pay exceeds 50% of the fixed pay, 50% of the variable pay will be deferred over a period of 3 years in a ratio to be decided by management, which at present is set at 33% : 33% : 34%.

(vii) Post disbursement of variable pay from Financial Year 2013-14, the Bank will enter into a *Malus* / Claw-back arrangement with the concerned employees. Malus arrangement would lay down policies to adjust deferred remuneration before vesting and Claw-back arrangement would lay down policies to adjust deferred remuneration after vesting. The criteria would be negative contribution by relevant business lines through supervisory oversight, excessive risk taking, integrity / staff accountability issues.

(viii) The Compensation Policy does not provide for guaranteed bonus or sign on bonus in cash. Sign on bonus to be paid in form of pre-hiring ESOPs will be very selective for critical hires.

(ix) The Compensation Policy does not provide for severance pay for any employee.

(x) Retirement benefits in the form of Provident Fund and Gratuity are as per the Bank's HR policies which are broadly in line with the statutory norms.

(xi) Perquisites are laid down in HR Policies of the Bank.

(xii) At present, the Bank uses cash based form of variable remuneration. The rationale is that cash based form of variable remuneration leads to an instant reward to the concerned employees and is also easy to administer.

(xiii) ESOPs do not form a part of the variable pay and are very selectively granted to attract and retain employees. ESOPs are not granted with a defined periodicity. The ESOP grant criteria include grade of the employee, criticality of the position in terms of business contribution and market value of the position, and performance and behavioural track of the employee.

Other Disclosures

Number of meetings held by RC during the financial year and remuneration paid to its members	During the year, one meeting of the RC was held. The members were paid a sitting fee of Rs. 30,000.
Number of employees having received a variable remuneration award during the financial year	39 employees defined by the Bank as WTD / CEO / Risk Takers have received a variable remuneration award during the financial year.
Number and total amount of 'sign on' awards made during the financial year	Nil

Details of guaranteed bonus if any paid as sign on bonus	Nil
Details of severance pay in addition to the accrued benefits	Nil
Total amount of outstanding deferred remuneration split into cash, shares and share linked instruments and other forms	Deferred compensation is being introduced from Financial Year 2013-14 onwards.
Total amount of deferred remuneration paid out in the financial year	Nil
Breakdown of amount of remuneration awards for the Financial Year 2012-13	Breakup of remuneration awards for the 39 employees defined as WTD / CEO / Risk Takers: (a) Fixed pay – Rs.485.4 million (b) Variable pay – Rs. 175.0 million (c) Deferred remuneration – NIL (d) Non-deferred remuneration – Rs.175.0 million
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and implicit adjustments.	Nil
Total amount of reductions during the FY due to ex – post explicit adjustments	Nil
Total amount of reductions during the FY due to ex – post implicit adjustments	Nil

12.6 On December 5, 2012, the Bank had issued 5,21,00,000 equity shares of Rs. 10/- each at a premium of Rs. 374 per share through a Qualified Institution Placement(QIP) and mobilised Rs. 20,006.4 million. Bank incurred issue expenses of Rs. 175.7 million which has been adjusted against the Share premium account.

13. The Micro, Small and Medium Enterprises Development Act, 2006 that came into force from October 2, 2006, provides for certain disclosures in respect of Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or interest payments due to delays in such payments.

14. Previous year's figures have been regrouped / reclassified wherever necessary.

As per our report of even date.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No. 101248W

N Sampath Ganesh
Partner
Membership No.: 042554

For **IndusInd Bank Ltd.**

R. Seshasayee
Chairman

Kanchan Chitale
Director

Romesh Sobti
Managing Director

S. V. Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

Place: Mumbai
Date: April 18, 2013

Independent Auditor's Report

To the Members of
IndusInd Bank Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of IndusInd Bank Limited('the Bank'), which comprise the Balance Sheet as at 31 March 2014, the Profit and Loss Account and the Cash Flow Statement for the year then ended, a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956 and circulars and guidelines issued by Reserve Bank of India from time to time. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of the Bank including its branches in accordance with Standards on Auditing ('the Standards') issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India:

    (a) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31 March 2014;

    (b) in the case of the Profit and Loss Account, of the profit of the Bank for the year ended on that date; and

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

Report on Other Legal and Regulatory Requirements

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

8. 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) during the course of our audit we have visited 21 branches. Since the key operations of the Bank are automated with the key applications integrated to the core banking systems, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein.

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

10. We further report that:

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

(ii) the financial accounting systems of the Bank are centralized and, therefore, returns are not necessary to be submitted by the branches;

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

(iv) on the basis of written representations received from the Directors and taken on record by the Board of Directors, none of the Directors is disqualified as on 31 March 2014 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W

Akeel Master
Partner
Membership No: 046768

Mumbai
16 April 2014

Balance Sheet as at March 31, 2014

(Rs. in million)

	Schedule	As at 31.03.2014	As at 31.03.2013
Capital and Liabilities			
Capital	*1*	5,256.39	5,228.70
Employee Stock Options Outstanding	*18(10)*	110.20	107.12
Reserves and Surplus	*2*	85,063.04	70,966.72
Deposits	*3*	605,022.85	541,167.15
Borrowings	*4*	147,619.57	94,595.56
Other Liabilities and Provisions	*5*	27,187.26	20,999.90
	Total	**870,259.31**	**733,065.15**
Assets			
Cash and Balances with Reserve Bank of India	*6*	44,139.16	32,498.44
Balances with Banks and Money at Call and Short Notice	*7*	23,555.26	35,988.88
Investments	*8*	215,629.53	196,541.66
Advances	*9*	551,018.36	443,206.10
Fixed Assets	*10*	10,164.47	7,561.42
Other Assets	*11*	25,752.53	17,268.65
	Total	**870,259.31**	**733,065.15**
Contingent Liabilities	*12*	1,478,042.64	1,349,028.88
Bills for Collection		57,745.69	63,375.07
Significant Accounting Policies	*17*		
Notes to the financial statements	*18*		

The schedules referred to above form an integral part of the Balance Sheet.
The Balance Sheet has been prepared in conformity with Form A of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W

For IndusInd Bank Ltd.

Akeel Master
Partner
Membership No: 046768

R. Seshasayee
Chairman

Kanchan Chitale
Director

Romesh Sobti
Managing Director

S. V. Zaregaonkar
Chief Financial Officer

Place : Mumbai

Date : April 16, 2014

Haresh Gajwani
Company Secretary

Profit and Loss Account for the year ended March 31, 2014

	Schedule	Year ended 31.03.2014	Year ended 31.03.2013
			(Rs. in million)
I. Income			
Interest Earned	*13*	82,535.34	69,832.32
Other Income	*14*	18,905.29	13,629.61
	Total	101,440.63	83,461.93
II. Expenditure			
Interest Expended	*15*	53,628.21	47,503.66
Operating Expenses	*16*	21,852.83	17,563.63
Provisions and Contingencies		11,879.37	7,782.81
	Total	87,360.41	72,850.10
III.Profit			
Net Profit for the year		14,080.22	10,611.83
Profit brought forward		17,909.30	11,875.90
	Total	31,989.52	22,487.73
IV. Appropriations			
Transfer to			
a) Statutory Reserve		3,520.06	2,652.96
b) Capital Reserve		81.75	83.64
c) Investment Reserve Account		0.75	4.03
d) Proposed final dividend		1,840.78	1,570.86
e) Corporate Dividend Tax		312.84	266.94
		5,756.18	4,578.43
Balance carried over to the Balance Sheet		26,233.34	17,909.30
	Total	31,989.52	22,487.73
V. Earnings per equity share			
(Face value of Rs.10/- per share)(Rupees)			
Basic	*18(11.5)*	26.85	21.83
Diluted	*18(11.5)*	26.41	21.40
Significant Accounting Policies	*17*		
Notes to the financial statements	*18*		

The schedules referred to above form an integral part of Profit and Loss Account.

The Profit and Loss Account has been prepared in conformity with Form B of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W

Akeel Master
Partner
Membership No: 046768

For IndusInd Bank Ltd.

R. Seshasayee
Chairman

Kanchan Chitale
Director

Romesh Sobti
Managing Director

S. V. Zaregaonkar
Chief Financial Officer

Place : Mumbai
Date : April 16, 2014

Haresh Gajwani
Company Secretary

Cash Flow Statements for the year ended March 31, 2014

	Year ended 31.03.2014	Year ended 31.03.2013
		(Rs. in million)
A. Cash Flow from Operating Activities		
Net Profit before taxation	**21,283.29**	15,763.59
Adjustments for :		
Depreciation on Fixed assets	981.48	734.34
Depreciation on Investments	875.65	13.04
Employees Stock Option expenses	3.08	(2.34)
Loan Loss and Other Provisions	3,800.66	2,618.01
Amortisation on HTM investments	261.28	144.69
Interest paid on Borrowings	8,797.07	6,168.33
Interest paid on Tier II/ Upper Tier II bonds	1,007.09	1,067.50
Profit on sale of fixed assets	(1.70)	(54.49)
Operating Profit before Working Capital changes	**37,007.90**	26,452.67
Adjustments for :		
Increase in Advances	(111,612.92)	(95,184.60)
Increase in Investments	(20,224.80)	(50,979.92)
(Increase) / Decrease in Other Assets	(7,894.53)	847.93
Increase in Deposits	63,855.70	1,17,551.65
Increase in Other Liabilities	5,603.48	2,085.46
Cash (used in) / generated from Operations	(33,265.17)	773.19
Direct Taxes paid (net of refunds)	(7,792.41)	(5,630.83)
Net Cash used in Operating Activities	**(41,057.58)**	(4,857.64)
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets (including WIP)	(1,770.55)	(1,843.87)
Proceeds from sale of Fixed Assets	33.54	104.12
Net Cash used in Investing Activities	**(1,737.01)**	(1,739.75)
C. Cash Flow from Financing Activities		
Proceeds from issue of equity shares (net of issue expenses)	**351.59**	20,180.25
Dividends paid	(1,569.75)	(1,031.35)
Payment towards redemption of Sub-ordinated Tier II capital	(500.00)	(500.00)
Increase in Borrowings	53,524.01	8,275.43
Interest paid on Borrowings	(8,797.07)	(6,168.33)
Interest paid on Tier II/ Upper Tier II Bonds	(1,007.09)	(1,067.50)
Net Cash generated from Financing Activities	**42,001.69**	19,688.49
Net (Decrease) / Increase in Cash and Cash Equivalents	**(792.90)**	13,091.10
Cash and Cash Equivalents at the beginning of the year	**68,487.32**	55,396.22
Cash and Cash Equivalents at the end of the year	**67,694.42**	68,487.32

Notes:

1. The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statements.
2. Figures in bracket indicate cash outflow.
3. Cash and cash equivalents comprises of Cash in Hand and Balances with RBI and Balances with Banks and Money at Call and Short Notice.

As per our report of even date.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W

For IndusInd Bank Ltd.

Akeel Master
Partner
Membership No : 046768

R. Seshasayee
Chairman

Kanchan Chitale
Director

Romesh Sobti
Managing Director

S. V. Zaregaonkar
Chief Financial Officer

Place : Mumbai
Date : April 16, 2014

Haresh Gajwani
Company Secretary

Schedules

	As at 31.03.2014	As at 31.03.2013
		(Rs. in million)
Schedule - 1 Capital		
Authorised Capital		
55,00,00,000 (Previous year 55,00,00,000) equity shares of Rs. 10/- each	**5,500.00**	5,500.00
Issued, Subscribed and Called Up Capital		
52,54,46,484 (Previous year 52,26,77,706) equity shares of Rs. 10/- each	**5,254.47**	5,226.78
Paid up Capital		
52,54,46,484 (Previous year 52,26,77,706) equity shares of Rs. 10/- each	**5,254.47**	5,226.78
Add : 3,84,200 (Previous year 3,84,200) Forfeited equity shares of Rs. 10/- each	**1.92**	1.92
Note :		
On December 5, 2012, the Bank had issued 5,21,00,000 equity shares of Rs. 10/- each through a Qualified Institutions Placement (QIP). Accordingly as at March 31, 2013, the paid-up share capital and share premium account under reserves stand increased by Rs.521.0 million and Rs.19,485.4 million respectively.		
Total	**5,256.39**	**5,228.70**
Schedule - 2 Reserves And Surplus		
I Statutory Reserve		
Opening balance	**8,337.50**	5,684.54
Additions during the year	**3,520.06**	2,652.96
	11,857.56	**8,337.50**
II Share Premium Account		
Opening balance	**41,179.69**	21,551.12
Additions during the year	**323.90**	19,804.25
Less: Share issue expenses	**-**	175.68
	41,503.59	**41,179.69**
III General Reserve		
Balance as at the end of the year	**13.56**	13.56
	13.56	**13.56**
IV Capital Reserve		
Opening balance	**1,356.87**	1,273.23
Additions during the year	**81.75**	83.64
	1,438.62	**1,356.87**
V Investment Allowance Reserve		
Balance as at the end of the year	**10.00**	10.00
	10.00	**10.00**
VI Investment Reserve Account		
Opening Balance	**32.92**	28.89
Additions during the year	**0.75**	4.03
	33.67	**32.92**
VII Revaluation Reserve		
Opening balance	**2,126.88**	2,193.36
Addition during the year	**1,885.35**	**-**
Less : Deductions during the year	**39.53**	66.48
	3,972.70	**2,126.88**
VIII Balance in the Profit and Loss Account	**26,233.34**	**17,909.30**
TOTAL	**85,063.04**	**70,966.72**

Schedules

	As at 31.03.2014	As at 31.03.2013
		(Rs. in million)
Schedule - 3 Deposits		
A I **Demand Deposits**		
i) From Banks	**5,719.75**	8,821.72
ii) From Others	**92,036.89**	79,523.84
II **Savings Bank Deposits**	**99,152.50**	70,328.02
III **Term Deposits**		
i) From Banks	**36,693.41**	11,990.10
ii) From Others	**371,420.30**	370,503.47
TOTAL	**605,022.85**	**541,167.15**
B **Deposits of Branches**		
I In India	**605,022.85**	541,167.15
II Outside India	**-**	-
TOTAL	**605,022.85**	**541,167.15**
Schedule - 4 Borrowings		
I **Borrowings in India**		
i) Reserve Bank of India	**550.00**	0.00
ii) Other Banks	**42,613.04**	30,359.38
iii) Other Institutions and Agencies	**58,852.67**	31,918.46
iv) Unsecured Non-Convertible Redeemable Debentures/Bonds (Subordinated Tier-II Bonds)	**7,601.00**	8,101.00
v) Unsecured Non-Convertible Redeemable Non-Cumulative Subordinated Upper Tier II Bonds	**3,089.00**	3,089.00
II **Borrowings outside India**	**34,913.86**	21,127.72
TOTAL	**147,619.57**	**94,595.56**
Secured borrowings included in I & II above	**-**	-
Schedule - 5 Other Liabilities And Provisions		
I Inter-office Adjustments (Net)	**621.74**	231.49
II Bills Payable	**3,110.95**	3,512.71
III Interest Accrued	**5,330.04**	3,999.98
IV Others [(including Standard Asset Provisions of Rs. 2390.9 million) (Previous year Rs.1742.6 million)]	**18,124.53**	13,255.72
TOTAL	**27,187.26**	**20,999.90**
Schedule - 6 Cash And Balances With Reserve Bank Of India		
I **Cash in hand (including foreign currency notes)**	**4,967.56**	3,968.40
II **Balances with Reserve Bank of India**		
i) In Current Account	**39,171.60**	28,530.04
ii) In Other Accounts	**-**	-
TOTAL	**44,139.16**	**32,498.44**
Schedule 7 Balances With Banks And Money At Call And Short Notice		
I **In India**		
i) Balances with Banks		
a) In Current Accounts	**3,629.55**	4,067.84
b) In Other Deposit Accounts	**17,135.61**	15,168.30
ii) Money at Call and Short Notice - With Other Institutions	**-**	8,512.23
TOTAL	**20,765.16**	**27,748.37**
II **Outside India**		
i) In Current Accounts	**1,031.59**	1,745.31
ii) In Other Deposit Accounts	**-**	-
iii) Money at Call and Short Notice	**1,758.51**	6,495.20

TOTAL	**2,790.10**	**8,240.51**
GRAND TOTAL	**23,555.26**	**35,988.88**

Schedules

	As at 31.03.2014	*(Rs. in million)* As at 31.03.2013
Schedule - 8 Investments		
I **In India**		
Gross Value	216,616.05	196,659.07
Less : Aggregate of provision/depreciation	986.52	117.41
Net value of Investments in India	**215,629.53**	**196,541.66**
Comprising :		
i) Government securities*	153,800.07	141,082.63
ii) Other approved securities	-	-
iii) Shares	526.96	580.33
iv) Debentures and bonds	13,903.06	7,538.50
v) Subsidiaries and/ or Joint Ventures	5.00	5.00
vi) Others - Deposits under RIDF scheme with NABARD	16,432.64	13,829.45
- Security Receipt, Units of schemes of Mutual Funds and Others	30,961.80	33,505.75
II **Outside India**	-	-
TOTAL	**215,629.53**	**196,541.66**

*Includes securities costing Rs. 2069.2 million (previous year Rs. 3738.4 million) pledged for clearing facility and margin requirements.

Schedule - 9 Advances		
A i) Bills Purchased and Discounted	20,479.96	11,528.70
ii) Cash Credits, Overdrafts and Loans Repayable on Demand	144,967.42	107,752.23
iii) Term Loans	385,570.98	323,925.17
TOTAL	**551,018.36**	**443,206.10**
B i) Secured by Tangible Assets (includes advances against book debts)	485,229.66	393,342.54
ii) Covered by Bank/ Government Guarantees (includes advances against L/Cs issued by Banks)	7,225.32	7,753.04
iii) Unsecured	58,563.38	42,110.52
TOTAL	**551,018.36**	**443,206.10**
C I) Advances in India		
i) Priority Sectors	181,581.82	143,235.51
ii) Public Sector	11,880.78	6,339.71
iii) Banks	0.44	248.79
iv) Others	357,555.32	293,382.09
TOTAL	**551,018.36**	**443,206.10**
II) Advances Outside India	-	-
TOTAL	**551,018.36**	**443,206.10**

Schedule - 10 Fixed Assets		
I PREMISES		
i) At cost, as at the beginning of the year	4,059.97	3,976.06
ii) Revaluation during the year	1,885.35	-
iii) Additions during the year	9.01	132.35
	5,954.33	4,108.41
iv) Less : Deductions during the year	-	48.44
v) Less : Depreciation to date	504.91	444.57
Total	**5,449.42**	**3,615.40**

II Other Fixed Assets (including furniture and fixtures)		
i) At cost, as at the beginning of the year	8,690.07	6,851.85
ii) Additions during the year	1,664.95	1,971.09
	10,355.02	8,822.94
iii) Less : Deductions during the year	257.52	132.87
iv) Less : Depreciation to date	5,634.37	4,899.38
Total	**4,463.13**	**3,790.69**
III Capital Work in Progress	251.92	155.33
GRAND TOTAL	**10,164.47**	**7,561.42**

Schedules

(Rs. in million)

	As at 31.03.2014	As at 31.03.2013
Schedule - 11 Other Assets		
I Interest Accrued	**6,293.07**	4,610.55
II Tax Paid in Advance / tax deducted at source (net of provision)	**2,654.87**	1,936.03
III Stationery and Stamps	**18.92**	26.02
IV Others [including deferred tax assets of Rs. 914.1 million (previous year Rs.694.8 million)]	**16,785.67**	10,696.05
TOTAL	**25,752.53**	**17,268.65**
Schedule - 12 Contingent Liabilities		
I Claims against the Bank not acknowledged as debts	**5,358.26**	4,308.91
II Liability on account of outstanding Forward Exchange Contracts	**784,912.12**	794,386.55
III Liability on account of outstanding Derivative Contracts	**453,916.27**	295,401.47
IV Guarantees given on behalf of constituents		
- In India	**185,023.31**	193,810.09
- Outside India	**-**	-
V Acceptances, Endorsements and Other Obligations	**48,832.68**	43,621.86
VI Other Items for which the Bank is contingently liable	**-**	17,500.00
Total	**1,478,042.64**	**1,349,028.88**

	Year ended 31.03.2014	Year ended 31.03.2013
Schedule - 13 Interest Earned		
I Interest/ Discount on Advances/ Bills	**66,273.55**	56,103.00
II Income on Investments	**14,770.26**	12,824.98
III Interest on Balances with RBI and Other Inter-Bank Funds	**1,485.02**	854.99
IV Others	**6.51**	49.35
Total	**82,535.34**	**69,832.32**
Schedule - 14 Other Income		
I Commission, Exchange and Brokerage	**11,705.90**	9,470.46
II Profit on Sale of Investments / Derivatives (Net)	**518.31**	644.18
III Profit/ (Loss) on Sale of Land, Buildings and Other Assets (Net)	**1.70**	54.49
IV Profit on exchange transactions (Net)	**6,163.42**	3,280.35
V Income earned by way of dividend from companies in India	**32.60**	29.55
VI Miscellaneous Income	**483.36**	150.58
Total	**18,905.29**	**13,629.61**

Schedules

	Year ended 31.03.2014	Year ended 31.03.2013
		(Rs. in million)
Schedule - 15 Interest Expended		
I Interest on Deposits	43,824.05	40,267.83
II Interest on Reserve Bank of India/ Inter-Bank Borrowings	2,989.37	2,573.70
III Others (including interest on Subordinate Debts and Upper Tier II bonds)	6,814.79	4,662.13
Total	**53,628.21**	**47,503.66**
Schedule - 16 Operating Expenses		
I Payments to and Provisions for Employees	8,092.95	6,614.62
II Rent,Taxes and Lighting (includes operating lease rentals)	1,878.09	1,663.72
III Printing and Stationery	335.31	257.99
IV Advertisement and Publicity	295.40	132.85
V Depreciation on Bank's Property	981.48	734.34
VI Directors' Fees, Allowances and Expenses	8.60	7.26
VII Auditors' Fees and Expenses	12.66	12.08
VIII Law Charges	352.74	275.97
IX Postage, Telegrams, Telephones, etc.	744.34	692.21
X Repairs and Maintenance	1,258.27	964.55
XI Insurance	595.38	575.43
XII Service Provider Fees	1,832.41	1,588.58
XIII Other Expenditure	5,465.20	4,044.03
Total	**21,852.83**	**17,563.63**

Schedule 17 Significant accounting policies

1. General

1.1 The accompanying financial statements have been prepared under the historical cost convention except where otherwise stated, and in accordance with statutory requirements prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by Reserve Bank of India ('RBI') from time to time (RBI guidelines), accounting standards referred to in Section 211(3C) of the Companies Act, 1956 (the Act) and notified by the Companies (Accounting Standards) Rules, 2006 and practices prevailing within the banking industry in India.

1.2 The preparation of the financial statements in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent liabilities on the date of the financial statements. Management believes that the estimates and assumptions used in the preparation of the financial statements are prudent and reasonable. Any revision to accounting estimates is recognised prospectively in current and future periods.

2. Transactions involving Foreign Exchange

2.1 Monetary assets and liabilities denominated in foreign currency are translated at the Balance Sheet date at the exchange rates notified by the Foreign Exchange Dealers' Association of India ('FEDAI') for tenors up to one year and rates published by Reuters for tenor above one year and the resulting gains or losses are recognised in the Profit and Loss account.

2.2 Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

2.3 All foreign exchange contracts outstanding at the Balance Sheet date are re-valued at the rates of exchange notified by the FEDAI and the resulting gains or losses are recognised in the Profit and Loss account.

2.4 Swap Cost arising on account of foreign currency swap contracts to convert foreign currency funded liabilities into rupee liabilities is charged to the Profit and Loss account under the head 'Interest – Others' by amortizing over the underlying swap period.

2.5 Income and expenditure denominated in foreign currency are translated at the rates of exchange prevailing on the date of the transaction.

2.6 Contingent liabilities at the Balance Sheet date on account of outstanding forward foreign exchange contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currency are stated at the closing rates of exchange notified by the FEDAI for tenors up to one year and rates published by Reuters for tenor above one year.

3. Investments

Significant accounting policies in accordance with RBI guidelines are as follows:

3.1 Categorisation of Investments :
In accordance with the guidelines issued by RBI, the Bank classifies its investment on the date of purchase into one of the following three categories:

(i) **Held to Maturity (HTM) –** Securities acquired with the intention to hold till maturity.
(ii) **Held for Trading (HFT) –** Securities acquired with the intention to trade.
(iii) **Available for Sale (AFS) –** Securities which do not fall within the above two categories.

Subsequent shifting amongst the categories is done in accordance with RBI guidelines.

3.2 Classification of Investments:

For the purpose of disclosure in the Balance Sheet, investments are classified under six groups as required by RBI guidelines viz., (i) Government Securities, (ii) Other Approved Securities, (iii) Shares, (iv) Debentures and Bonds, (v) Investments in Subsidiaries and Joint Ventures, and (vi) Other Investments.

3.3 Valuation of Investments:

(i) **Held to Maturity** – Each security in this category is carried at its acquisition cost. Any premium paid on acquisition of the security is amortised over the balance period to maturity. The amortized amount is deducted from Interest earned – Income on investments (Item II of Schedule 13). The book value of the security is reduced to the extent of amount amortized during the relevant accounting period. Diminution, other than temporary, is determined and provided for each investment individually.

(ii) **Held for Trading** – Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification, if any, being unrealised, is ignored, while net depreciation is provided for.

(iii) **Available for Sale –** Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification, if any, being unrealised, is ignored, while net depreciation is provided for.

(iv) Market value of government securities (excluding treasury bills) is determined on the basis of the prices / Yield to Maturity (YTM) published by RBI or the prices / YTM periodically declared by Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association (FIMMDA).

(v) Treasury bills are valued at carrying cost, which includes discount amortised over the period to maturity.

(vi) Fair value of other debt securities is determined based on the yield curve and spreads provided by FIMMDA.

(vii) Quoted equity shares are valued at lower of cost or the closing price on a recognised stock exchange. Unquoted equity shares are valued at their break-up value or at Re. 1 per company where the latest Balance Sheet is not available.

(viii) Units of the schemes of mutual funds are valued at the lower of cost and Net Asset Value (NAV) provided by the respective schemes of mutual funds.

(ix) Investments in equity shares held as long-term investments by erstwhile IndusInd Enterprises & Finance Limited and Ashok Leyland Finance Limited (since merged with the Bank) are valued at cost and classified as part of HTM category. Provision towards diminution in the value of such long-term investments is made only if the diminution in value is not temporary in the opinion of management.

(x) Security Receipts (SR) are valued at the lower of redemption value or NAV obtained from the Securitisation Company (SC) / Reconstruction Company (RC).

(xi) Trade date method of accounting is followed for purchase and sale of investments, except for Government of India and State Government securities where settlement date method of accounting is followed in accordance with RBI guidelines.

(xii) Broken period interest on debt instruments is treated as a revenue item. Brokerage, commission, etc. pertaining to investments, paid at the time of acquisition is charged to the Profit and Loss account.

(xiii) Provision for non-performing investments is made in conformity with RBI guidelines.

(xiv) Repurchase (Repo) / Reverse Repurchase (Reverse Repo) transactions (except transactions under Liquidity Adjustment Facility (LAF) with RBI) are accounted for as Borrowing / Lending respectively. On completion of the second leg of the Repo / Reverse Repo transaction, the difference between the consideration amounts is reckoned as Interest Expenditure / Income. Amounts outstanding in Repo / Reverse Repo account as at the Balance Sheet date is shown as part of Borrowings / Money at Call and at Short Notice respectively, and the accrued expenditure / income till the Balance Sheet date is recognised in the Profit and Loss account.

In respect of repo transactions under LAF with RBI, monies borrowed from RBI are credited to investment account and reversed on maturity of the transaction. Costs thereon are accounted for as interest expense. In respect of reverse repo transactions under LAF, monies lent to RBI are debited to investment account and reversed on maturity of the transaction. Revenues thereon are accounted for as interest income.

(xv) In respect of the short sale transactions in Central Government dated securities, the short position is covered by outright purchase of an equivalent amount of the same security within a maximum period of three months including the day of trade. The short position is reflected as the amount received on sale in a separate account and is classified under 'Other Liabilities'. The short position is marked to market and loss, if any, is charged to the Profit and Loss account, while gain, if any, is not recognized. Profit / loss on settlement of the short position is recognized in the Profit and Loss account.

(xvi) Profit in respect of investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and transfer to Statutory Reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to Capital Reserve account.

(xvii) In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the Profit and Loss account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provisions) is appropriated to an Investment Reserve account (IRA). The balance in IRA account is considered as Tier II Capital within the overall ceiling of 1.25% of total Risk Weighted Assets prescribed for General Provisions / Loss reserves.
The balance in IRA account is used to meet provision on account of depreciation in AFS and HFT categories by transferring an equivalent amount to the Profit and Loss Appropriation account as and when required.

4 Derivatives

Derivative contracts are designated as hedging or trading and accounted for as follows:

4.1 The hedging contracts comprise of Forward Rate Agreements, Interest Rate Swaps, and Currency Swaps undertaken to hedge interest rate risk on certain assets and liabilities. The net interest receivable / payable is accounted on an accrual basis over the life of the swaps. However, where the hedge is designated with an asset or liability that is carried at market value or lower of cost and market value, then the hedging instruments is also marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated assets or liabilities.

4.2 The trading contracts comprise of trading in Interest Rate Swaps, Interest Rate Futures and Currency Futures. The gain / loss arising on unwinding or termination of the contracts, is accounted for in the Profit and Loss account. Trading contracts outstanding as at the Balance Sheet date are re-valued at their fair value and resulting gains / losses are recognised in the Profit and Loss account.

4.3 Gains or losses on the termination of hedge swaps is deferred and recognised over the shorter of the remaining contractual life of the hedge swap or the remaining life of the underlying asset / liability.

4.4 Premium paid and received on currency options is accounted when due in the Profit and Loss Account.

4.5 Provisioning of overdue customer receivable on derivative contracts is made as per RBI guidelines.

4.6 In accordance with the Prudential Norms for Off-Balance Sheet Exposures issued by RBI, provisioning against outstanding credit exposure as at the Balance Sheet date is made, as is applicable to the assets of the concerned counterparties under 'standard' category. Credit exposures are computed as per the current marked to market value of the contract arising on account of interest rate and foreign exchange derivative transactions.

5 Advances

5.1 Advances are classified as per RBI guidelines into standard, sub-standard, doubtful and loss assets after considering subsequent recoveries to date.

5.2 Specific provisions for non-performing advances and floating provisions are made in conformity with RBI guidelines.

5.3 A general provision on standard advances is made in accordance with RBI guidelines. Provision made against standard assets is included in 'Other Liabilities and Provisions'.

5.4 Advances are disclosed in the Balance Sheet, net of provisions and interest suspended for non-performing advances, and floating provisions.

5.5 Advances exclude derecognised securitised advances, inter-bank participation and bills rediscounted.

5.6 Amounts recovered against bad debts written off in earlier years are recognised in the Profit and Loss account.

5.7 Provision no longer considered necessary in the context of the current status of the borrower as a performing asset, are written back to the Profit and Loss account to the extent such provisions were charged to the Profit and Loss account.

5.8 Restructured / rescheduled accounts:
In case of restructured standard advances, provision is made as per RBI guidelines.
Further in case of restructured / rescheduled accounts provision is made for the sacrifice against erosion / diminution in fair value of restructured loans, in accordance with RBI guidelines. The erosion in fair value of the advances is computed as the difference between fair value of the loan before and after restructuring.

Fair value of the loan before restructuring is computed as the present value of cash flows representing the interest at the existing rate charged on the advance before restructuring and the principal, discounted at a rate equal to the sum of the Base Rate as on the date of restructuring and an appropriate term premium and credit risk premium for the borrower category on the date of restructuring.

Fair value of the loan after restructuring is computed as the present value of cash flows representing the interest at the rate charged on the advance on restructuring and the principal, discounted at a rate equal to the sum of the Base Rate as on the date of restructuring and an appropriate term premium and credit risk premium for the borrower category on the date of restructuring.

The diminution in the fair value is re-computed on each Balance Sheet date till satisfactory completion of all repayment obligations and full repayment of the outstanding in the account, so as to capture the changes in the fair value on account of changes in Base Rate, term premium and the credit category of the borrower. The shortfall / excess provision held is either charged / credited to the Profit and Loss account respectively.

The restructured accounts have been classified in accordance with RBI guidelines, including special dispensation wherever allowed.

6 **Securitisation transactions and direct assignments**

6.1 In Securitisation transactions, the Bank transfers its loan receivables both through Direct Assignment route as well as transfer to Special Purpose Vehicles ('SPV').

6.2 The securitization transactions are without recourse to the Bank. The transferred loans and such securitised receivables are de-recognized as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Gains / losses are recognised only if the Bank surrenders the rights to the benefits specified in the loan contracts.

6.3 In respect of certain transactions, the Bank provides credit enhancements in the form of cash collaterals / guarantee and / or by subordination of cash flows to Senior Pass Through Certificate (PTC) holders. Retained interest and subordinated PTCs are disclosed under "Advances" in the Balance Sheet.

6.4 In terms of RBI guidelines, profit / premium arising on account of sale of standard assets, being the difference between the sale consideration and book value, is amortised over the life of the securities issued by the Special Purpose Vehicles (SPV). Any loss arising on account of the sale is recognized in the Profit and Loss account in the period in which the sale occurs.

6.5 In case of sale of non-performing assets through securitization route to SC / RC by way of assignment of debt against issuance of SRs, the recognition of sale and accounting of profit and loss thereon is done in accordance with applicable RBI guidelines. Generally, the sale is recognized at the lower of redemption value of SR and the Net Book Value (NBV) of the financial asset sold, and the surplus is recognized in the Profit and Loss Account; shortfall if any, is charged to the Profit and Loss Account subject to regulatory forbearance, if any, allowed from time to time.

Profit and loss realized on ultimate redemption of the SR is recognized in the Profit and Loss Account.

7 **Fixed Assets and depreciation**

7.1 Fixed assets are stated at cost (except in the case of premises which were re-valued based on values determined by approved valuers) less accumulated depreciation and impairment, if any. Cost includes incidental expenditure incurred on the assets before they are ready for intended use.

7.2 The appreciation on revaluation is credited to Revaluation Reserve. Depreciation relating to revaluation is adjusted against the Revaluation Reserve.

7.3 Depreciation is provided, *pro rata* for the period of use, on a straight-line method. The rates of depreciation prescribed in Schedule XIV to the Act are considered as the minimum rates. If management's estimate of the useful life of a fixed asset is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on management's estimate of the useful life. Pursuant to this policy, depreciation on the fixed assets is provided at the following rates, which are as per or higher than the corresponding rates prescribed in Schedule XIV to the Act:

(a) Computers at 33.33% p.a.
(b) Application software and perpetual software licences at 20% p.a.
(c) Printers, Scanners, Routers, Switch at 20% p.a.
(d) ATMs at 14.29% p.a.
(e) Network cabling, Electrical Installations, Furniture and Fixtures, Other Office Equipment at 10% p.a.
(f) Vehicles at 20% p.a.
(g) Buildings at 1.63% p.a.

The useful life of an asset class is periodically assessed taking into account various criteria such as changes in technology, changes in business environment, utility and efficacy of an asset class to meet with intended user needs, etc. Whenever there is a revision in the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset.

7.4 The carrying amount of fixed assets is reviewed at the Balance Sheet date to determine if there are any indications of impairment based on internal / external factors. In case of impaired assets, the impairment loss i.e. the amount by which the carrying amount of the asset exceeds its recoverable value is charged to the Profit and Loss account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

8 Revenue Recognition

8.1 Interest and discount income on performing assets is recognised on accrual basis. Interest and discount income on non-performing assets is recognised on realisation.

8.2 Interest on Government securities, debentures and other fixed income securities is recognised on a period proportional basis. Income on discounted instruments is recognised over the tenor of the instrument on a straight-line basis.

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

8.4 Commission (except for commission on Deferred Payment Guarantees which is recognised over the term on a straight line basis), Exchange and Brokerage are recognised on a transaction date and net off directly attributable expenses.

8.5 Fees are recognised when due, except in cases where the Bank is uncertain of realisation.

8.6 Income from distribution of third party products is recognised on the basis of business booked.

9. Operating Leases

9.1 Lease rental obligations in respect of assets taken on operating lease are charged to the Profit and Loss account on a straight-line basis over the lease term.

9.2 Assets given under leases in respect of which all the risks and benefits of ownership are effectively retained by the Bank are classified as operating leases. Lease rentals received under operating leases are recognized in the Profit and Loss account as per the terms of the contracts.

10 Employee Benefits

10.1 The Gratuity scheme of the Bank is a defined benefit scheme and the expense for the year is recognized on the basis of actuarial valuation at the Balance Sheet date. The present value of the obligation under such benefit plan is determined based on independent actuarial valuation using the Projected Unit Credit Method which recognizes each period of service that gives rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Payment obligations under the Group Gratuity scheme are managed through purchase of appropriate insurance policies.

10.2 Provident Fund contributions are made under trusts separately established for the purpose and the scheme administered by Regional Provident Fund Commissioner (RPFC), as applicable. The rate at which the annual interest is payable to the beneficiaries by the trusts is being administered by the government. The Bank has an obligation to make good the shortfall, if any, between the return from the investments of the trusts and the notified interest rates. Actuarial valuation of this Provident Fund Interest shortfall is done as per the guidance note on Valuation of Interest Rate Guarantees on Exempt Provident Funds under AS 15 (Revised) issued by the Institute of Actuaries of India, and such shortfall is provided for.

10.3 Provision for compensated absences is made on the basis of actuarial valuation as at the Balance Sheet date. The actuarial valuation is carried out using the Projected Unit Credit Method.

10.4 Intrinsic value method is applied to account for the compensation cost of ESOP granted to the employees of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying shares on the grant date exceeds the exercise price of the options. Accordingly, such compensation cost is amortized over the vesting period.

11 Segment Reporting

In accordance with the guidelines issued by RBI, the Bank has adopted Segment Reporting as under:

(a) Treasury includes all investment portfolios, Profit / Loss on sale of Investments, Profit / Loss on foreign exchange transactions, equities, income from derivatives and money market operations. The expenses of this segment consist of interest expenses on funds borrowed from external sources as well as internal sources and depreciation / amortisation of premium on Held to Maturity category investments.

(b) **Corporate / Wholesale Banking** includes lending to and deposits from corporate customers and identified earnings and expenses of the segment.

(c) **Retail Banking** includes lending to and deposits from retail customers and identified earnings and expenses of the segment**.**

(d) **Other Banking Operations** includes all other operations not covered under Treasury, Corporate / Wholesale Banking and Retail Banking.

Unallocated includes Capital and Reserves, Employee Stock Options (Grants) Outstanding and other unallocable assets and liabilities.

12 Debit and Credit Card reward points liability

12.1 The liability towards Credit Card reward points is computed based on an actuarial valuation and the liability towards Debit Card reward points is computed on the basis of management estimates considering past trends.

13 Bullion

13.1 The Bank imports bullion including precious metal bars on a consignment basis for selling to its customers. The imports are on a back-to-back basis and are priced to the customer based on the prevailing price quoted by the supplier and the local levies related to the consignment like customs duty etc. The income earned is included in commission income.

13.2 The Bank sells gold coins to its customers. The difference between the sale price to customers and purchase price quoted is reflected under commission income.

14 Income-tax

14.1 Tax expenses comprise of current and deferred taxes. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Unrecognized deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

15 Earnings per share

15.1 Earnings per share is calculated by dividing the Net Profit or Loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding as at end of the year.

16 Provisions, contingent liabilities and contingent assets

16.1 A provision is recognised when there is an obligation as a result of past event, and it is probable that an outflow of resources will be required to settle the obligation, and in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

16.2 A disclosure of contingent liability is made when there is:

(a) A possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the bank; or

(b) A present obligation arising from a past event which is not recognized as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

16.3 When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

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

17. Cash and Cash equivalents

17.1 Cash and cash equivalents comprises of Cash in Hand and Balances with RBI and Balances with Banks and Money at Call and Short Notice.

Schedule 18 Notes forming part of the financial statements

1 Capital Adequacy Ratio

The Bank computes Capital Adequacy Ratio as per RBI guidelines.Basel III Capital Regulations issued by RBI are applicable to the Bank with effect from April 1, 2013. Under the Basel III Capital Regulations, the Bank has to maintain a Minimum Total Capital (MTC) of 9% of the total risk weighted assets (RWAs) of which at least 5% shall be from Common Equity Tier I (CET1) capital and at least 6.5% from Tier I capital.The capital adequacy ratio of the Bank calculated as per the RBI Basel III Capital Regulations is set out below:

(Rs. in million)

		March 31, 2014
1.	Common Equity Tier 1 capital ratio (%)	**12.71%**
2.	Tier 1 capital ratio (%)	**12.71%**
3.	Tier 2 capital ratio (%)	**1.12%**
4.	Total Capital ratio (CRAR) (%)	**13.83%**
5.	Amount of equity capital raised	**351.6**
6.	Amount of Additional Tier 1 capital raised, of which	
	PNCPS	**-**
	PDI	**-**
7.	Amount of Tier 2 capital raised, of which	
	Debt capital instruments	**-**
	Preference Share Capital Instruments [Perpetual Cumulative	**-**
	Preference Shares (PCPS) / Redeemable Non-Cumulative	**-**
	Preference Shares (RNCPS) / Redeemable Cumulative Preference	**-**

Shares (RCPS)]

As Basel III Capital Regulations came into effect from April 1, 2013 corresponding details for previous year are not applicable.

The capital adequacy ratio of the Bank calculated under RBI guidelines on Basel II New Capital Adequacy Framework is set out below:

(Rs. in million)

	March 31, 2014	March 31, 2013
Tier I Capital	85,506.6	73,445.4
Tier II Capital	8,368.7	8,409.3
Total Capital	93,875.4	81,854.7
Total risk weighted assets	672,585.7	532,834.0
Capital to Risk-weighted Assets Ratio (%)	13.96%	15.36%
CRAR - Tier I Capital (%)	12.71%	13.78%
CRAR - Tier II Capital (%)	1.25%	1.58%
Sub-ordinated debt raised as Tier II Capital	Nil	Nil
Amount raised by issue of IPDI	Nil	Nil
Amount raised by issue of Upper Tier II instruments	Nil	Nil

2 Investments

2.1 Details of Investments:

(Rs. in million)

	March 31, 2014	March 31, 2013
(1) Value of Investments	216,616.0	196,659.1
(i) Gross value of Investments	216,616.0	196,659.1
(a) In India	-	-
(b) Outside India	986.5	117.4
(ii) Provisions for Depreciation	986.5	117.4
(a) In India	-	-
(b) Outside India	215,629.5	196,541.7
(iii) Net value of Investments	215,629.5	196,541.7
(a) In India	-	-
(b) Outside India		
(2) Movement in provisions held towards depreciation on Investments		
(i) Opening balance	117.4	104.4
(ii) Add: Provision made during the year	870.6	21.0
(iii) Less: Write-off / (write-back) of excess provision during the year	(1.5)	(8)
(iv) Closing balance	986.5	117.4

2.2 Category wise details of Investments (Net):

(Rs. in million)

	As at March 31, 2014			As at March 31,2013		
	HTM	AFS	HFT	HTM	AFS	HFT
i) Government securities	126,225.9	27,574.2	-	120,609.1	20,473.5	
ii) Other approved securities	-	-	-	-	-	-
iii) Shares	47.5	479.4	-	47.5	532.8	-
iv) Debentures and bonds	-	13,903.1	-	-	7,538.5	-
v) Subsidiaries and/ or Joint Ventures	5.0	-	-	5.0	-	-

vi) Others - Deposits under RIDF scheme with NABARD, Security Receipts/ Pass Through Certificates, investment in units of Mutual Funds, Commercial Paper, etc.	16,432.6	30,961.8	**-**	13,829.5	33,505.8	-
Total	142,711.0	72,918.5	**-**	134,491.1	62,050.6	-

2.3 Details of Repo / Reverse Repo including under Liquidity Adjustment Facility (LAF) deals:

(Rs. in million)

	Minimum outstanding during the year	**Maximum outstanding during the year**	**Daily average outstanding during the year**	**Balance as at year end**
Year ended March 31, 2014				
Securities sold under repos				
iii) Government Securities	1,130.0	32,000.0	4,823.5	32,910.0
iv) Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repos	204.8	1,445.1	60.6	-
iii) Government Securities				
iv) Corporate Debt Securities	-	-	-	-
Year ended March 31, 2013				
Securities sold under repos				
iii) Government Securities	467.5	23,000.0	3,108.6	18,000.0
iv) Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repos	101.1	2,215.6	229.5	517.1
iii) Government Securities	-	-	-	-
iv) Corporate Debt Securities				

2.4 a) Issuer composition of Non-SLR investments as at March 31, 2014:

(Rs. in million)

No.	**Issuer**	**Amount[(1)]**	**Extent of private placement**	**Extent of 'below investment grade' securities**	**Extent of 'unrated' securities[(2)]**	**Extent of 'unlisted' securities[(3)]**
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
1	Public Sector Undertakings	2,712.3	2,712.3	**-**	**-**	**-**
2	Financial Institutions[(4)]	17,648.1	1,215.5	**-**	**-**	**-**
3	Banks	23,873.7	23,873.7	**-**	**-**	**-**
4	Private corporate	14,815.1	13,553.9	**-**	**-**	**65.1**
5	Subsidiaries / Joint Ventures	5.0	-	**-**	**-**	**5.0**
6	Others	3,025.9	3,025.9	**-**	**-**	**-**
7	Provision held towards depreciation	(250.6)	(231.5)	**-**	**-**	**(17.5)**
	Total	**61,829.5**	**44,149.8**	-	**-**	**52.6**

2.4 ***b) Issuer compositions of Non-SLR investments as at March 31, 2013:***

(Rs. in million)

No.	Issuer	Amount[1]	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities[2]	Extent of 'unlisted' securities[3]
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
1	Public Sector Undertakings					
2	Financial Institutions[4]	13,829.5	-	-	-	-
3	Banks	25,842.6	50	-	-	-
4	Private corporate	8,346.4	7,030.9	-	-	65.1
5	Subsidiaries / Joint Ventures	5.0	-	-	-	5.0
6	Others	7,542.0	3,242.0			
7	Provision held towards depreciation	(106.4)	(84.2)	-	-	(17.5)
	Total	**55,459.1**	**10,238.7**			**52.6**

Notes:

(1) Does not include amount of securities pledged with Central Counter Parties such as Clearing Corporation of India Ltd., National Securities Clearing Corporation of India Ltd, and Multi Commodity Exchange of India Ltd.

(2) Excludes investment in RIDF scheme of NABARD and equity shares.

(3) Excludes investment in RIDF scheme of NABARD, commercial papers, CD's and preference shares acquired by way of conversion of debts.

(4) Includes investment in RIDF scheme of NABARD.

(5) Amounts reported under columns 4, 5, 6 and 7 are not mutually exclusive.

2.4 ***c) Non-performing Non-SLR investments:***

(Rs. in million)

Particulars	**Year ended March 31, 2014**	**Year ended March 31, 2013**
Opening balance	71.4	17.6
Additions during the year	-	53.8
Reductions during the year	-	-
Closing balance	71.4	71.4
Total provisions held	71.4	25.6

2.5 During the year, the value of sales and transfer of securities to / from HTM category, excluding one-time transfer of securities from HTM and sale on account of Open Market Operation (OMO), has not exceeded 5% of the book value of investments held in HTM category at the beginning of the year. As such, in line with RBI guidelines, specific disclosures on book value, market value, and provisions if any, relating to such sale and transfers are not required to be made.

2.6 During the year ended March 31, 2014, the Bank has aligned its accounting policy on valuation of investments under Held For Trading (HFT) and Available for Sale (AFS) categories in line with RBI guidelines vide Master Circular DBOD No.BP.BC.8/21.04.141/2013-14 dated July 01, 2013. Accordingly, the securities have been valued scrip-wise and depreciation / appreciation are aggregated for each classification. Net appreciation in each classification, is ignored, while net depreciation is provided for.As a result of this change, the provision for depreciation on AFS securities is lower by Rs. 140.5 million and consequently net profit for the year is higher by Rs. 92.7 million.

3. Derivatives

3.1 Interest Rate Swaps, Forward Rate Agreements, Options and Cross Currency Swaps:

(Rs. in million)

Particulars	As at March 31, 2014	As at March 31, 2013
(vi) Notional principal of swap agreements	431,990.8	285,688.7
(vii) Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	12,357.9	4,972.6
(viii) Collateral required by the Bank upon entering into swaps	-	-
(ix) Concentration of credit risk arising from the swaps – With banks	53.00%	47.41%
(x) Net Fair value of the swap book	(667.9)	321.1

3. **Derivatives*(Continued)***

3.1 Interest Rate Swaps, Forward Rate Agreements, Options and Cross Currency Swaps (Continued):

The nature and terms of Interest Rate Swaps (IRS) (including IRS denominated in foreign currency and done on back to back basis) as on March 31, 2014 are set out below:

(Rs. in million)

Nature	**Nos.**	**Notional Principal**	**Benchmark**	**Terms**
Merchant & Cover	1	1000	MIBOR	Fixed Payable V/s Floating Receivable
Merchant & Cover	1	1000	MIBOR	Fixed Receivable V/s Floating Payable
Trading	94	46,246.6	MIBOR	Fixed Payable V/s Floating Receivable
Trading	105	52,217.5	MIBOR	Fixed Receivable V/s Floating Payable
Trading	56	50,650.0	MIFOR	Fixed Payable V/s Floating Receivable
Trading	82	57,950.0	MIFOR	Fixed Receivable V/s Floating Payable
Merchant & Cover	1	230.3	EURIBOR	Fixed Payable V/s Floating Receivable
Merchant & Cover	1	230.3	EURIBOR	Fixed Receivable V/s Floating Payable
Trading	6	91.0	EURIBOR	Fixed Payable V/s Floating Receivable
Trading	3	39.5	EURIBOR	Fixed Receivable V/s Floating Payable
Merchant & Cover	26	1,387.0	LIBOR	Fixed Payable V/s Floating Receivable
Merchant & Cover	26	1,387.0	LIBOR	Fixed Receivable V/s Floating Payable
Trading	37	19,119.7	LIBOR	Fixed Payable V/s Floating Receivable
Trading	64	15,675.6	LIBOR	Fixed Receivable V/s Floating Payable

3.1 Interest Rate Swaps, Forward Rate Agreements, Options and Cross Currency Swaps (Continued):

The nature and terms of IRSs (including IRSs denominated in foreign currency and done on back-to-back basis) as on March 31, 2013are set out below:

(Rs. in million)

Nature	**Nos.**	**Notional Principal**	**Benchmark**	**Terms**
Merchant & Cover	1	1000.0	MIBOR	Fixed Payable V/s Floating Receivable
Merchant & Cover	1	1000.0	MIBOR	Fixed Receivable V/s Floating Payable
Trading	125	57,891.5	MIBOR	Fixed Payable V/s Floating Receivable
Trading	131	71,622.9	MIBOR	Fixed Receivable V/s Floating Payable
Trading	11	8,750.0	MIFOR	Fixed Payable V/s Floating Receivable
Trading	19	12,750.0	MIFOR	Fixed Receivable V/s Floating Payable
Merchant & Cover	1	270.7	EURIBOR	Fixed Payable V/s Floating Receivable
Merchant & Cover	1	270.7	EURIBOR	Fixed Receivable V/s Floating Payable
Merchant & Cover	34	3,361.1	LIBOR	Fixed Payable V/s Floating Receivable
Merchant & Cover	34	3,361.1	LIBOR	Fixed Receivable V/s Floating Payable
Trading	10	4,135.7	LIBOR	Fixed Payable V/s Floating Receivable
Trading	24	4,143.2	LIBOR	Fixed Receivable V/s Floating Payable

The nature and terms of Options as on March 31, 2014 are set out below:

(Rs. in million)

Nature	**Nos.**	**Notional Principal**	**Terms**
Merchant and Cover	**676**	**21,925.6**	**Options**

The nature and terms of Options as on March 31, 2013 are set out below:

(Rs. in million)

Nature	**Nos.**	**Notional Principal**	**Terms**
Merchant and Cover	246	9,712.8	Options

3.1 Interest Rate Swaps, Forward Rate Agreements, Options and Cross Currency Swaps (Continued):

The nature and terms of Cross Currency Swaps (CCS) (including CCS denominated in foreign currency and done on back to back basis) as on March 31, 2014 are set out below:

(Rs. in million)

Nature	Nos	Notional Principal	Benchmark	Terms
Merchant & Cover	14	9,581.9	LIBOR	Fixed Receivable V/s Floating Payable (Cross Currency Swap)
Merchant & Cover	14	7,657.9	LIBOR	Fixed Payable V/s Floating Receivable (Cross Currency Swap)
Merchant & Cover	20	8,253.9	NA	Fixed Payable (Principal Only Swap)
Merchant & Cover	20	9,446.7	NA	Fixed Receivable (Principal Only Swap)
Merchant & Cover	15	21,190.2	NA	Fixed V/s Fixed (Cross Currency Swap)
Merchant & Cover	2	1,096.9	NA	Fixed V/s Fixed (Principal Only Swap)
Merchant & Cover	2	4,428.7	NA	Fixed V/s Fixed (Coupon Only Swap)
Trading	98	40,387.5	LIBOR	Fixed Receivable V/s Floating Payable (Cross Currency Swap)
Trading	43	43,570.8	LIBOR	Fixed Payable V/s Floating Receivable (Cross Currency Swap)
Trading	5	8,029.4	LIBOR	Float V/s Float (Cross Currency Swap)
Trading	13	3,473.1	NA	Fixed Payable (Principal Only Swap)
Trading	8	6,281.1	NA	Fixed Receivable (Principal Only Swap)
Trading	11	6,611.0	NA	Fixed V/s Fixed (Cross Currency Swap)
Trading	3	5,196.2	NA	Fixed V/s Fixed (Coupon Only Swap)
Trading	4	9,561.0	LIBOR / MIFOR	Float V/s Float (Cross Currency Swap)

3.1 ***Interest Rate Swaps, Forward Rate Agreements, Options and Cross Currency Swaps (Continued):***

The nature and terms of CCSs (including CCSs denominated in foreign currency and done on back to back basis) as on March 31, 2013 are set out below:

(Rs. in million)

Nature	Nos	Notional Principal	Benchmark	Terms
Merchant & Cover	1	55.4	EURIBOR	Fixed Receivable V/s Floating Payable (Cross Currency Swap)
Merchant & Cover	1	64.8	EURIBOR	Fixed Payable V/s Floating Receivable (Cross Currency Swap)
Merchant & Cover	41	10,923.7	LIBOR	Fixed Receivable V/s Floating Payable (Cross Currency Swap)
Merchant & Cover	41	12,114.2	LIBOR	Fixed Payable V/s Floating Receivable (Cross Currency Swap)
Merchant & Cover	29	10,606.5	NA	Fixed Payable (Principal Only Swap)
Merchant & Cover	29	10,231.4	NA	Fixed Receivable (Principal Only Swap)
Merchant & Cover	21	32,695.9	NA	Fixed V/s Fixed (Cross Currency Swap)
Merchant & Cover	2	1,040.8	NA	Fixed V/s Fixed (Principal Only Swap)
Merchant & Cover	2	4,200.4	NA	Fixed V/s Fixed (Coupon Only Swap)
Trading	37	17,492.2	LIBOR	Fixed Receivable V/s Floating Payable (Cross Currency Swap)
Trading	13	8,486.4	LIBOR	Fixed Payable V/s Floating Receivable (Cross Currency Swap)
Trading	1	249.7	LIBOR	Float V/s Float (Cross Currency Swap)
Trading	1	108.6	NA	Fixed Payable (Principal Only Swap)
Trading	3	5,010.8	NA	Fixed Receivable (Principal Only Swap)
Trading	1	251.6	NA	Fixed V/s Fixed (Cross Currency Swap)
Trading	1	749.5	NA	Fixed V/s Fixed (Coupon Only Swap)
Trading	2	2,850.0	LIBOR / MIFOR	Float V/s Float (Cross Currency Swap)

3. Derivatives*(Continued)*

3.1 Exchange Traded Interest Rate Derivatives

The instrument-wise details of Exchange Traded Interest Rate Derivative undertaken during the year are as below(previous year Nil):

(Rs. in million)

Sr.No.	*Particular*	*2013-14*
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	
	a) NSE883GS23 FEB 14	16,590.8
	b) MCX883GS23 FEB 14	10.1
	c) NSE883GS23 MAR 14	19,961.6
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2014 (instrument-wise)	NIL
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	NIL
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	NIL

3.2 Disclosures on Risk Exposure in Derivatives

The Risk Management Department of the Bank is responsible for measuring, reporting and monitoring risk arising from derivatives transactions. It functions independent of Treasury business and undertakes the following activities:

- Monitors daily derivatives operations against prescribed policies and limits;
- Reviews daily product-wise profitability and activity reports for derivatives operations;
- Submits MIS and details of exceptions to the Top Management on a daily basis; and
- Monitors effectiveness of derivative deals identified as hedges against the terms of the hedging instruments and underlying hedged risk.

The Risk Management function applies a host of quantitative tools and methods such as Value at Risk, PV01, stop-loss limits, counterparty limits, deal size limits and overnight position limits.

The Bank undertakes derivative transactions for hedging customers' exposure, hedging the Bank's own exposure, as well as for trading purposes, wherever permitted by RBI. The customers use these derivative products to hedge their forex and interest rate exposures.

3.3 Disclosures on Risk Exposure in Derivatives (Continued)

The Derivatives Policy approved by Board of Directors defines the framework for carrying out derivatives business and lays down policies and processes to measure, monitor and report risk arising from derivative transactions. The policy provides for (a) appropriate risk limits for different derivative products and (b) authority levels for review of limit breaches and to take appropriate actions in such events. As part of the Derivatives Policy, the Bank has a Product Suitability and Customer Appropriateness Policy, which is used to classify customers on the basis of their need for various derivative products as well as their competence in understanding such products and the attendant risks involved.

3.4 Disclosures on Risk Exposure in Derivatives (Continued)

The following table presents summarized data relating to Derivatives:

(Rs. in million)

		March 31, 2014		**March 31, 2013**	
Sr. No	**Particulars**	**Currency derivatives**	**Interest rate derivatives**	**Currency derivatives**	**Interest rate derivatives**
1	Derivatives (Notional Principal Amount) (note 1)	991,604.0	247,224.4	921,231.2	168,556.9
	a) For hedging	-	-	-	-
	b) For trading	991,604.0	247,224.4	921,231.2	168,556.9
2	Marked to Market Positions (note 2)				
	a) Asset (+)	26,230.6	2,881.6	17,425.5	677.6
	b) Liability (-)	(25,049.5)	(3,112.0)	(16,667.2)	(686.9)
3	Credit Exposure (note 3)	45,359.0	5,457.0	20,875.8	2,347.2
4	Likely impact of one percentage change in interest rate (100*PV01) (Note 4)				
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	91.7	148.5	236.4	206.8
5	Maximum and Minimum of 100*PV01 observed during the year (Note 5)				
	a) on hedging	Nil	Nil	Nil	Nil
	b) on trading	Max : 30.63 Min : 0.56	Max : 31.90 Min : 0.11	Max : 23.64 Min : 0.00	Max : 30.50 Min : 0.06

Note 1: There were no outstanding currency and interest rate futures as on March 31, 2014.

Note 2: Mark to Market positions above includes interest accrued on the swaps.

Note 3:Credit exposure is computed based on the current exposure method.

Note 4:Based on the PV01 of the outstanding derivatives.

Note 5: Based on the absolute value of PV01 of the derivatives outstanding as at the year end. Derivative contracts that are “back-to-back” have not been included herein.

4.1 Non-Performing Assets

(Rs. in million)

Items	March 31, 2014	March 31, 2013
(i) Net NPAs to Net Advances (%)	**0**.33%	0.31%
(ii) Movement in Gross NPAs		
e) Opening balance	4,577.8	3,470.8
f) Additions during the year	6,242.4	5,277.7
Sub-total (A)	10,820.2	8,748.5
g) Reductions during the year		
(iv) Upgradations	801.4	869.2
(v) Recoveries (excluding recoveries made from upgraded accounts)	2,002.7	1,861.4
(vi) Technical/Prudential write-offs	-	-
(vii) Write-offs other than those under (iii) above	1,808.2	1,440.1
Sub-total (B)	4,612.3	4,170.7
h) Closing balance (A-B)	6,207.9	4,577.8
(iii) Movement in Net NPAs		
e) Opening balance	1,367.6	946.7
f) Additions during the year	2,673.9	2,760.2
g) Reductions during the year	2,201.0	2,339.3
h) Closing balance	1,840.5	1,367.6
(iv) Movement in provisions for NPAs (excluding provisions on standard assets)		
d) Opening balance	3,210.2	2,524.1
e) Provisions made during the year	3,568.5	2,517.5
f) Write-off/write-back of excess provisions	2,411.3	1,831.4
d) Closing balance	4,367.4	3,210.2

Notes:

1) Recoveries include sale to SC / RC
2) In line with RBI circular DBOD.BP.BC.No.98/21.04.132/2013-14 dated February 26, 2014, the Bank adjusted the counter cyclical provision of Rs. 272.4 million held against shortfall on sale of non-performing assets to ARC.
3) Provisions for NPAs include floating provisions.

Details of technical write-offs and recoveries made thereon are:

Items	March 31, 2014	March 31, 2013
Opening balance of Technical / Prudential written off accounts	Nil	Nil
Add: Technical / Prudential write-offs during the year	Nil	Nil
Sub-total	Nil	Nil
Less : Recoveries made from previously technical / prudential written-off accounts during the year	Nil	Nil
Closing balance of Technical / Prudential written-off accounts	Nil	Nil

4.2 Sector-wise NPAs

Sl. No.	Sector	% of NPAs to Advances in that sector as on	
		March 31, 2014	**March 31, 2013**
1	Agriculture and allied activities	**1.11%**	1.11%
2	Industry (Micro & Small, Medium and Large)	**1.74%**	1.11%
3	Services	**0.89%**	0.96%
4	Personal Loans*	**11.64%**	45.35%

***** *The amount of Personal Loans outstanding is very insignificant at Rs.616.1* million *(Previous year Rs. 98.2* million*).*

4. Asset Quality *(Continued)*

4.3 Details of Loan Assets subjected to Restructuring as on March 31, 2014

SN	Type of Restructuring→		Under CDR Mechanism $					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification→ Details↓		Stan Dard	Sub-Stan Dard	Doubt ful	Loss	Total	Stan Dard	Sub-Stan dard	Doub t ful	Loss	Total	Stan dard	Sub-Stan Dard	Doubt ful	Loss	Total	Stan Dard	Sub-Stan dard	Doub t ful	Loss	Total
1	Restructured Accounts as on 01/04/2013	No. of borrowers	9	1	1	-	11	1	-	1	-	2	-	-	2	-	2	10	1	4	-	15
		Amount outstanding	1360.4	12.8	132.4	-	1505.6	42.5	-	49.2	-	91.7	-	-	0.4	-	0.4	1402.9	12.8	182	-	1597.7
		Provision thereon	261.2	12.8	109.4	-	383.4	-	-	49.2	-	49.2	-	-	0.4	-	0.4	261.2	12.8	159	-	433
2	Fresh restructuring during the year	No. of borrowers	5	-	-	-	5	-	-	-	-	-	-	-	-	-	-	5	-	-	-	5
		Amount outstanding	1196.3	-	-	-	1196.3	-	-	-	-	-	-	-	-	-	-	1196.3	-	-	-	1196.3
		Provision thereon	245.3	-	23	-	268.3	-	-	-	-	-	-	-	-	-	-	245.3	-	23	-	268.3
3	Upgradation to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-				-	(1)				(1)	-				-	(1)				(1)
		Amount outstanding	-				-	(24.7)				(24.7)	-				-	(24.7)				(24.7)
		Provision thereon	-				-	-				-	-				-	-				-

4.4 Details of Loan Assets subjected to Restructuring as on March 31, 2014 (Continued)

SN	Type of Restructuring→		Under CDR Mechanism $					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification→		Stan Dard	Sub-Stan Dard	Doubt ful	Lo ss	Total	Stan Dard	Sub-Stan dard	Doubt ful	Loss	Total	Stan dard	Sub-Stan Dard	Dou bt ful	Loss	Total	Stan Dard	Sub-Stan dard	Doub t ful	Loss	Total
5	Downgradations of restructured accounts during the FY	No. of borrowers	(1)	1	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(1)	1	-	-	**-**
		Amount outstanding	(85.7)	85.7	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(85.7)	85.7	-	-	**-**
		Provision thereon	(10.3)	10.3	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(10.3)	10.3	-	-	**-**
6	Write-offs of restructured accounts during the FY 2013-14	No. of borrowers	1	1	1	-	**3**	-	-	1	-	**1**	-	-	2	-	2	1	1	4	-	**6**
		Amount outstanding	174.4	85.7	132.4	-	**392.5**	17.8	-	49.2	-	**67**	-	-	0.4	-	0.4	192.2	85.7	182.0	-	**459.9**
		Provision thereon	43.6	10.3	132.4	-	**186.3**	-	-	49.2	-	**49.2**	-	-	0.4	-	0.4	43.6	10.3	182.0	-	**235.9**
7	Restructured Accounts as on 31/03/2014 (closing figure)	No. of borrowers	**12**	**1**	**-**	**-**	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12**	**1**	**-**	**-**	**13**
		Amount outstanding	**2296.6**	**12.8**	**-**	**-**	**2309.4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2296.6**	**12.8**	**-**	**-**	**2309.4**
		Provision thereon	**452.6**	**12.8**	**-**	**-**	**465.4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**452.6**	**12.8**	**-**	**-**	**465.4**

1. Provision also includes FITL/NPA provision, wherever applicable, in addition to provision for diminution in fair value

2. Sr.no 2 includes Rs. 103.9 million of additions to existing restructured accounts (number of accounts 3, provision thereon Rs. 28.2 million).

3. Sr. No.6 includes Rs. 459.9 million (number of accounts 11, provision thereon Rs. 235.9 million) of reduction from existing restructured accounts by way of sale/recovery/exit from CDR/OTS by the Bank.

$ Excluding Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) of Rs.162.7 million *and Convertible Cumulative Preference Shares (CCPS) of Rs.53.8* million

4.5 Details of Loan Assets subjected to Restructuring as on March 31, 2013 *(Continued)*

SN	Type of Restructuring→		Under CDR Mechanism $					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification→ Details↓		**Stan Dard**	**Sub-Stan Dard**	**Doubt ful**	**Loss**	**Total**	**Stan Dard**	**Sub-Stan Dard**	**Doubt ful**	**Loss**	**Total**	**Stan Dard**	**Sub-Stan Dard**	**Doub t ful**	**Loss**	**Total**	**Stan Dard**	**Sub-Stan Dard**	**Doub t ful**	**Los s**	**Total**
1	Restructured Accounts as on 01/04/2012	No. of borrowers	8	-	1	-	**9**	2	1	-	-	**3**	15	-	-	-	**15**	25	1	1	-	**27**
		Amount outstanding	848.9	-	100	-	**948.9**	201.2	57.4	-	-	**258.6**	2.1	-	-	-	2.1	1052.2	57.4	100.0	-	**1209.6**
		Provision thereon	161.9	-	100	-	**261.9**	35.6	46.5	-	-	**82.1**	2.1	-	-	-	2.1	199.6	46.5	100.0	-	**346.1**
2	Fresh restructuring during the year	No. of borrowers	3	1	-	-	**4**	-	-	1	-	**1**	-	-	-	-	**-**	3	1	1	-	**5**
		Amount outstanding	784.3	12.8	-	-	**797.1**	-	-	49.2	-	**49.2**	-	-	-	-	**-**	784.3	12.8	49.2	-	**846.3**
		Provision thereon	150.1	12.8	-	-	**162.9**	-	-	49.2	-	**49.2**	-	-	-	-	**-**	150.1	12.8	49.2	-	**212.1**
3	Upgradation to restructured standard category during the FY	No. of borrowers	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
		Amount outstanding	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
		Provision thereon	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	(1)				**(1)**	-				**-**	-				**-**	(1)				**(1)**
		Amount outstanding	(23.1)				**(23.1)**	-				**-**	-				**-**	(23.1)				**(23.1)**
		Provision thereon	-				**-**	-				**-**	-				**-**	-				**-**

4.6 Details of Loan Assets subjected to Restructuring as on March 31, 2013 *(Continued)*

SN	TYPE OF RESTRUCTURING→ ASSET CLASSIFICATION→		UNDER CDR MECHANISM $					UNDER SME DEBT RESTRUCTURING MECHANISM					OTHERS					TOTAL				
			Stan Dard	**Sub-Stan Dard**	**Doub t ful**	**Los s**	**Total**	**Stan Dard**	**Sub-Stan Dard**	**Do ubt ful**	**Loss**	**Total**	**Stan Dard**	**Sub-Stan Dard**	**Doub t ful**	**Loss**	**Total**	**Stan Dard**	**Sub-Stan Dard**	**Doub t ful**	**Loss**	**Total**
5	DOWNGRADATIONS OF RESTRUCTURED ACCOUNTS DURING THE FY	NO. OF BORROWERS	-	-	1	-	**1**	(1)	-	-	-	**(1)**	(2)	-	2	-	**-**	(3)	-	3	-	**-**
		AMOUNT OUTSTANDING	-	-	132.4	-	**132.4**	(133.3)	-	-	-	**(133.3)**	(0.4)	-	0.4	-	**-**	(133.7)	-	132.8	-	**(0.9)**
		PROVISION THEREON	-	-	109.4	-	**109.4**	(33.9)	-	-	-	**(33.9)**	(0.4)	-	0.4	-	**-**	(34.3)	-	109.8	-	**75.5**
6	WRITE-OFFS OF RESTRUCTURED ACCOUNTS DURING THE FY 2012-13	NO. OF BORROWERS	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
		AMOUNT OUTSTANDING	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
		PROVISION THEREON	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
7	RESTRUCTURED ACCOUNTS AS ON 31/03/2013 (CLOSING FIGURE)**	NO. OF BORROWERS	**9**	**1**	**1**	**-**	**11**	**1**	**-**	**1**	**-**	**2**	**-**	**-**	**2**	**-**	**2**	**10**	**1**	**4**	**-**	**15**
		AMOUNT OUTSTANDING	**1360.4**	**12.8**	**132.4**	**-**	**1505.6**	**42.5**	**-**	**49.2**	**-**	**91.7**	**-**	**-**	**0. 4**	**-**	**0.4**	**1402.9**	**12.8**	**182**	**-**	**1597.7**
		PROVISION THEREON	**261.2**	**12.8**	**109.4**	**-**	**383.4**		**-**	**49.2**	**-**	**49.2**	**-**	**-**	**0.4**	**-**	**0.4**	**261.2**	**12.8**	**159**	**-**	**433**

*** Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable)*

The closing position as on 31 March 2013 does not include accounts/amounts where restructuring has failed, closed accounts and recoveries

Provision thereon includes Sacrifice (diminution in the fair value) and NPA provision

$ Excluding Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) *of Rs. 169.0 million and Convertible Cumulative Preference Shares (CCPS) of Rs. 53.8 million.*

4.7 Details of financial assets sold to Securitisation / Reconstruction Company for asset reconstruction:

(Rs. in million)

Items		**2013-2014**	**2012-2013**
1)	No. of accounts / contracts	1007	1636
2)	Aggregate value (net of provisions) of accounts sold to SC/	1134.1	1262.9
	RC	840.0	1115.0
3)	Aggregate consideration	162.3	13.8
4)	Additional consideration realized in respect of accounts		
	transferred in earlier years	(131.8)	(134.1)
5)	Aggregate gain/ (loss) over net book value		

4.8 During the year, there has been no purchase / sale of non-performing financial assets from/ to other banks (previous year Nil).

4.9 During the year, there was no sale of assets through securitization in respect of Standard Advances (previous year Nil).

4.10 Provision on Standard Assets

In accordance with RBI guidelines, general provision on standard assets is made at the following rates:

(a) At 1% on standard advances to Commercial Real Estate Sector;
(b) At 0.25% on standard direct advances to SME and Agriculture; and
(c) At 0.40% of the balance outstanding in other standard assets.

Standard assets provision as at March 31, 2014 also includes additional provision made on restructured standard assets in compliance with RBI guidelines.

The provision on standard assets is included in 'Other Liabilities and Provisions – Others' in Schedule 5, and is not netted off from Advances. The amount of provision held on standard assets is as below:

(Rs. in million)

Items	**March 31, 2014**	**March 31, 2013**
Cumulative Provision held for Standard Assets	**2,390.9**	1,742.6

4.11 Floating provision

Details relating to floating provisions are given below:

(Rs. in million)

Items	**March 31, 2014**	**March 31, 2013**
Opening Balance as at beginning of the year	**-**	**-**
Provisions made during the year	**500.0**	**-**
Draw-down made during the year	**-**	**-**
Closing Balance as at end of the year	**500.0**	**-**

4.12 Business ratios

Ratio		March 31, 2014	March 31, 2013
i)	Interest income as a percentage to working funds	**10.59%**	10.72%
ii)	Non-interest income as a percentage to working funds	**2.43%**	2.09%
iii)	Operating profit as a percentage to working funds	**3.33%**	2.82%
iv)	Return on assets	**1.81%**	1.63%
v)	Business (deposits plus gross advances) per employee (Rs. in million)	**71.71**	84.05
vi)	Profit per employee(Rs. in million)	**0.90**	0.92
viii)	Provision coverage ratio	**70.35%**	70.13%

Notes:

(1) Working funds are reckoned as the average of total assets as per the monthly returns in Form X filed with RBI during the year.

(2) Business per employee (deposits plus gross advances) is computed after excluding Inter-bank deposits.

(3) Returns on Assets are computed with reference to average working funds.

4. Asset Liability Management

Maturity Pattern of Assets and Liabilities:

(a) As at March 31, 2014:

(Rs. in million)

	Day 1	2 to 7 Days	8 to 14 Days	15 to 28 Days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	3,110.7	26,772.3	22,852.3	38,009.9	120,366.6	91,540.8	65,769.1	81,098.3	41,156.7	114,346.2	**605,022.9**
Loans & Advances	7,179.2	11,601.0	13,408.1	6,029.9	33,195.5	33,500.4	189,301.1	143,937.2	55,133.3	57,732.7	**551,018.4**
Investment Securities *	-	-	16.7	2,496.5	31,577.2	3,631.9	14,882.7	24,096.2	25,767.6	146,070.7	**248,539.5**
Borrowings	-	31,737.1	-	6,291.1	20,824.1	17,176.3	15,796.4	52,705.6	-	3,089.0	**147,619.6**
Foreign currency assets	5,786.4	2,290.8	4,951.0	2,158.9	14,702.3	498.0	10,624.7	336.7	685.9	1,361.0	**43,395.7**
Foreign currency liabilities	19,927.8	3,282.1	12,122.4	14,474.7	11,189.8	593.0	1,499.3	5,867.0	7,274.7	3,229.9	**79,460.7**

** Investment is inclusive of Repo under LAF of Rs. 32,910.0* million.

(b) As at March 31, 2013:

(Rs. in million)

	Day 1	2 to 7 Days	8 to 14 Days	15 to 28 Days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	2,750.5	33,011.5	16,752.2	33,077.9	145,056.4	58,782.0	62,523.0	169,132.2	10,454.70	9,626.8	**541,167.2**
Loans & Advances	35,487.7	9,635.0	8,908.0	6,052.2	30,288.6	30,377.4	151,756.4	134,214.3	25,212.30	28,774.2	**460,706.1**
BRDS*	-	5,000.0	10,000.0	2,500.0	-	-	-	-	-	-	**17,500.0**
Investment Securities $	-	4,300.0	-	-	25,314.7	6,150.3	4,716.1	20,415.40	17,577.90	136,067.3	**214,541.7**
Borrowings	-	15,201.6	2,171.4	4,863.9	7,965.4	18,192.2	11,959.1	31,152.9	-	3,089.1	**94,595.6**
Foreign currency assets	2,432.9	884.5	1,035.8	414.3	3,083.5	2,361.4	8,607	7,263.5	5,386.70	515.9	**31,985.5**
Foreign currency liabilities	1,617.7	4,198.3	2,331.3	5,289.7	7,902.1	18,297.3	4,965.3	2,405.5	363.20	64.0	**47,434.4**

**Bills Re-discounting Scheme*

$ Investment is inclusive of Repo under LAF of Rs. 18,000.0 million.

7. Exposures

7.1 Exposure to Real Estate Sector

(Rs. in million)

Particulars	**March 31, 2014**	**March 31, 2013**
(a) Direct exposure		
(i) Residential Mortgages [of which individual housing loans up to Rs.2.5 million is Rs. 581.90 million (previous year Rs.1,076.90 million)]	**25,449.8**	14,690.4
(ii) Commercial Real Estate [1]	**47,950.5**	21,838.1
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures:		
Residential	**-**	-
Commercial Real Estate	**-**	-
(b) Indirect exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	**7,555.5**	5,036.6
Total Real Estate Exposure	**80,955.8**	41,565.1

(1) Does not include corporate lending backed by mortgage of land and building.

7.2 Exposure to Capital Market:

(Rs. in million)

Particulars	**March 31, 2014**	**March 31, 2013**
(i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt	**61.1**	65.5
(ii) Advances against shares/bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds	**46.3**	73.8
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	NIL	NIL
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances	**3,487.0**	2,860.0
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	**13,608.9**	14,977.1
vi) Loans sanctioned to corporates against the security of shares / bonds/ debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	**NIL**	NIL
(vii) Bridge loans to companies against expected equity flows/issues	**NIL**	NIL

Particulars	March 31, 2014	March 31, 2013
viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	**NIL**	NIL
(ix) Financing to stockbrokers for margin trading	**NIL**	NIL
(x) All exposures to Venture Capital Funds (both registered and unregistered)	**NIL**	NIL
Total Exposure to Capital Market	**17,203.3**	17,976.4

7.3 Risk Category-wise exposure to country risk

(Rs. in million)

Risk category	Exposure (net) as at March 31, 2014	Provision held as at March 31, 2014	Exposure (net) as at March 31, 2013	Provision held as at March 31, 2013
Insignificant	**3,560.7**	-	2,500.9	-
Low	**7,974.7**	-	7,242.5	-
Moderate	**817.7**	-	316.6	-
High	**5,140.4**	-	235.8	-
Very High	**72.9**	-	134.0	-
Restricted	**16.0**	-	20.6	-
Off Credit	**-**	-	-	-
Total	**17,582.4**	-	10,450.4	-

7.4 Single borrower limit and Group Borrower Limit

During the year, the Bank has not exceeded the prudential credit exposure limit in respect of Single Borrower and Group Borrowers (previous year Nil).

7.5 Unsecured advances

The Bank has not extended any project advances where the collateral is an intangible asset such as a charge over rights, licenses, authorizations etc. (Previous year Nil).The Unsecured Advances of Rs. 58,563.4 million (previous year Rs. 42,110.5 million) as disclosed in Schedule 9B (iii) are without any collateral or security.

8. Concentration of Deposits, Advances, Exposures and NPAs

8.1 Concentration of Deposits

(Rs. in million)

	As on March 31, 2014	As on March 31, 2013
Total Deposits of twenty largest depositors	**142,472.80**	147,420.20
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	**23.55%**	27.24%

8.2 Concentration of Advances

(Rs. in million)

	As on March 31, 2014	As on March 31, 2013
Total Advances to twenty largest borrowers	**163,355.8**	162,889.4
Percentage of Advances of twenty largest borrowers to Total Advances of the Bank	**16.34%**	22.59%

Advances are computed as per the definition of Credit Exposure including derivatives as prescribed in Master Circular on Exposure Norms DBOD.No.Dir.BC.13/13.03.00/2013-14 dated July 1, 2013.

8.3 Concentration of Exposures

(Rs. in million)

	As on March 31, 2014	As on March 31, 2013
Total Exposure to twenty largest borrowers / customers	**163,355.8**	162,889.4
Percentage of Exposure of twenty largest borrowers / customers to Total Exposure of the Bank on borrowers / customers	**15.38%**	21.35%

Exposures are computed as per the definition in Master Circular on Exposure Norms DBOD.No.Dir.BC.13/13.03.00/2013-14 dated July 1, 2013.and includes credit and investment exposure.

8.4 Concentration of NPAs

(Rs. in million)

	As on March 31, 2014	As on March 31, 2013
Total Exposure to top four NPA accounts	**1,272.7**	967.8

9. Miscellaneous:

9.1 Amount of Provisions for taxation during the year

(Rs. in million)

Particulars	**2013-14**	**2012-13**
Provision for Income Tax	**7,417.4**	5,225.9
Deferred tax credit	**(219.3)**	(79.1)
Provision for Wealth tax	**5.0**	5.0
Total	**7,203.1**	5,151.8

9.2 Disclosure of penalties imposed by RBI

RBI has not imposed any penalty on the Bank u/s 46(4) of the Banking Regulation Act, 1949 (previous year Nil).

9.3 Fixed Assets

9.3.1 Cost of premises includes Rs. 40.9 million (previous year Rs. 40.9 million) in respect of properties for which execution of documents and registration formalities are in progress. Of these properties, the Bank has not obtained full possession of one property having WDV of Rs. 16.7 million (previous year Rs. 17.0 million) and has filed a suit for the same.

9.3.2 Premises owned by the Bank were revalued as at 31 January 2014 and an amount of Rs. 1,885.4 million (previous year NIL) was credited to Revaluation Reserve.

9.4 Contingent Liabilities

Claims against the Bank not acknowledged as debts comprise of tax demands of Rs. 1,183.8 million (previous year Rs. 1,114.0 million) in respect of which the Bank is in appeal and the cases *sub-judice* Rs. 4,174.5 million (previous year Rs. 3,194.9 million). The above are based on management's estimate, and no significant liability is expected to arise out of the same.

9.5 Other Income

9.5.1 Fees received in Banc assurance business

Commission, Exchange and Brokerage in Schedule 14 include the following fees earned on Banc assurance business**:**

(Rs. in million)

Nature of Income	**March 2014**	**March 2013**
For selling life insurance policies	**417.5**	432.4
For selling non-life insurance policies	**310.0**	272.6
For selling mutual fund products	**392.8**	368.3
Others	**-**	-
Total	**1,120.3**	1,073.3

9.5.2 The Bank does not have any overseas branches and hence the disclosure regarding overseas assets, NPAs and revenue is not applicable (Previous year: Nil).

9.5.3 The Bank does not have any Off-Balance Sheet SPVs (which are required to be consolidated as per accounting standards) (Previous year: Nil).

10. Employee Stock Option Scheme ("ESOS"):

The shareholders of the Bank had approved Employee Stock Option Scheme (ESOS) on September 18, 2007, enabling the Board and / or the Compensation Committee to grant such number of stock options of the Bank not exceeding 7% of the aggregate number of issued and paid up equity shares of the Bank, in line with the guidelines of the Securities & Exchange Board of India (SEBI). The options vest within a maximum period of five years from the date of grant of option. The exercise price for each grant is decided by the Compensation Committee, which is normally based on the latest available closing price. Upon vesting, the options have to be exercised within a maximum period of five years. The ESOS is equity settled where the employees will receive one equity share per option.

Pursuant to the ESOS 2007 scheme, the Compensation Committee of the Bank has granted 3,10,18,700 options as set out below:

Sr. No	**Date of grant**	**No of options**	**Range of exercise price (Rs.)**
1.	18/07/2008	1,21,65,000	48.00 - 50.60
2.	17/12/2008	34,56,000	38.95
3.	05/05/2009	8,15,500	44.00
4.	31/08/2009	3,18,500	100.05
5.	28/01/2010	7,47,000	48.00 - 140.15
6.	28/06/2010	13,57,450	196.50
7.	14/09/2010	73,500	236.20
8.	26/10/2010	1,43,500	274.80
9.	17/01/2011	25,00,000	228.70
10.	07/02/2011	20,49,000	95.45 - 220.45
11.	24/06/2011	21,54,750	253.60

Sr. No	Date of grant	No of options	Range of exercise price (Rs.)
12.	16/08/2011	89,500	254.90
13.	30/09/2011	2,61,000	262.25
14.	21/12/2011	9,20,000	231.95
15.	29/02/2012	1,95,000	304.05
16.	19/04/2012	1,40,500	345.60
17.	25/05/2012	1,34,500	304.55
18.	10/07/2012	2,67,000	343.25
19.	29/08/2012	1,14,000	319.05
20	10/10/2012	23,500	365.75
21	09/01/2013	30,000	433.75
22	18/04/2013	12,500	419.60
23	20/06/2013	1,75,000	478.45
24	18/07/2013	18,35,000	453.90
25	23/09/2013	75,000	411.50
26	29/10/2013	22,000	412.25
27	29/01/2014	7,67,500	300-389.85
28	25/03/2014	1,76,500	490.30

Recognition of expense

Excess of fair market price over the exercise price of an option as at the grant date, is recognized as a deferred compensation cost and amortized on a straight-line basis over the vesting period of such options. The fair market price is the latest available closing price prior to the date of the meeting of the Compensation Committee, in which options are granted, on the stock exchange on which the shares of the Bank are listed. Since shares are listed on more than one stock exchange, the stock exchange where the Bank's shares have been traded highest on the said date is considered.

Stock option activity under the scheme during the year:

	No. of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	1,64,11,180	147.18
Granted during the year	30,63,500	419.35
Forfeited / surrendered during the year	3,98,485	344.95
Exercised during the year	27,68,778	125.79
Expired during the year	-	-
Outstanding at the end of the year	1,63,07,417	197.11
Options exercisable at the end of the year	1,19,49,138	134.12

The weighted average price of options exercised during the year is Rs. 435.49.

Following table summarizes the information about stock options outstanding as at March 31, 2014:

Date of grant	Exercise Price	Number of shares arising out of options	Weighted average life of options (in years)
18 July 2008	48.00	48,50,000	1.68
18 July 2008A	50.60	3,73,000	2.04
17 Dec 2008	38.95	3,19,985	2.37
5 May 2009	44.00	11,700	2.70
31 August 2009	100.05	70,540	3.00

Date of grant	Exercise Price	Number of shares arising out of options	Weighted average life of options (in years)
28 Jan 2010	140.15	16,550	3.23
28 Jan 2010A	48.00	6,00,000	1.83
28 Jun 2010	196.50	3,74,713	3.44
14 Sep 2010	236.20	15,840	4.13
26 Oct 2010	274.80	25,300	3.85
17 Jan 2011	228.70	25,00,000	3.81
7 Feb 2011	220.45	9,42,550	4.04
7 Feb 2011A	95.45	2,84,000	2.86
24 Jun 2011	253.60	11,42,594	4.54
16 Aug 2011	254.90	55,615	4.83
30 Sep 2011	262.25	2,32,420	4.58
21 Dec 2011	231.95	7,99,550	4.76
29 Feb 2012	304.05	1,53,500	4.94
19 April 2012	345.60	1,26,950	5.16
25 May 2012	304.55	1,33,510	5.17
10 July 2012	343.25	2,58,150	5.27
29 Aug 2012	319.05	95,450	5.55
10 Oct 2012	365.75	23,500	5.54

10. Employee Stock Option Scheme ("ESOS")*(Continued)*:

Date of grant	Exercise Price	Number of shares arising out of options	Weighted average life of options (in years)
9 Jan 2013	433.75	15,000	5.79
18 Apr 2013	419.60	5,000	6.06
20 Jun 2013	478.45	1,75,000	6.24
18 Jul 2013	453.90	16,68,000	6.31
23 Sep 2013	411.50	73,000	6.50
29 Oct 2013	412.25	22,000	6.60
29 Jan 2014	389.85	67,500	6.85
29 Jan 2014A	300.00	7,00,000	6.85
25 Mar 2014	490.30	1,76,500	7.00

Fair value methodology:

The fair value of options granted during the year has been estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2013-14
Average dividend yield	1.28%
Expected volatility	34.80% - 51.64%
Risk free interest rates	7.55% - 8.95%
Expected life of options (in years)	3.50 – 5.50

Expected volatility is a measure of the amount by which the equity share price is expected to fluctuate during a period. The measure of volatility used in Black -Scholes option pricing model is the annualized standard deviation of the continuously compounded rates of return on the share over a period of time. Expected volatility has been computed by considering the historical data on daily volatility in the closing equity share price on NSE, over a prior period equivalent to the expected life of the options, till the date of the grant.

The stock-based compensation cost calculated as per the intrinsic value method for the financial year 2013-14 is Rs. 6.4 million. Had the Bank adopted the Black - Scholes model based fair valuation, compensation cost for the year ended March 31, 2014, would have increased by Rs. 324.6 million and the proforma profit after tax would have been lower by Rs. 214.2 million. On a proforma basis, the basic and diluted earnings per share would have been Rs. 26.44 and Rs. 26.00 respectively.

The weighted average fair value of options granted during the year ended March 31, 2014 is Rs.195.70.

11. Disclosures – Accounting Standards

11.1 Employee Benefits (AS-15)

Gratuity:

The benefit of Gratuity is a funded defined benefit plan. For this purpose the Bank has obtained qualifying insurance policies from two insurance companies. The following table summarises the components of net expenses recognized in the Profit and Loss account and funded status and amounts recognized in the Balance Sheet, on the basis of actuarial valuation.

(Rs. in million)

		March 31, 2014	March 31, 2013
Changes in the present value of the obligation			
1	Opening balance of Present Value of Obligation	279.8	226.3
2	Interest Cost	23.1	17.5
3	Current Service Cost	74.5	64.9
4	Benefits Paid	(17.5)	(19.2)
5	Actuarial (gain) / loss on Obligation	(16.3)	(9.7)
6	Closing balance of Present Value of Obligation	343.6	279.8
Reconciliation of opening and closing balance of the fair value of the Plan Assets			
1	Opening balance of Fair value of Plan Assets	286.7	239.4
2	Expected Return on Plan assets	25.1	21.1
3	Contributions	66.5	43.5
4	Benefits Paid	(17.5)	(19.2)
5	Actuarial gain / (loss) Return on Plan Assets	(17.2)	1.9
6	Closing balance of Fair Value of Plan Assets	343.6	286.7
Profit and Loss – Expenses			
1	Current Service Cost	74.5	64.9
2	Interest Cost	23.1	17.5
3	Expected Return on Plan assets	(25.1)	(21.1)
4	Net Actuarial (gain) / loss recognised in the year	0.9	(11.6)
5	Expenses recognised in the Profit and Loss account	73.4	49.7
Actuarial Assumptions			
1	Discount Rate	9.14%	8.00%-8.15%
2	Expected Rate of Return on Plan Assets	8.00-8.48%	8.00%
3	Expected Rate of Salary Increase	5.00%	4.00%-5.00%
4	Employee Attrition Rate		
	Past Service 0 to 5 years	30%	30%
	Past Service above 5 years	0.50%	-

Experience Adjustment

Particulars	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010
Defined Benefit Obligations	343.6	279.8	226.3	196.7	145.9
Plan Assets	343.6	286.7	239.4	198.9	146.7
Surplus / (Deficit)	-	6.9	13.1	2.2	0.8
Experience Adjustments on Plan Liabilities	16.3	12.3	12.4	(10.3)	(31.1)
Experience Adjustments on Plan Assets	(17.2)	1.9	(11.3)	5.6	(4.5)

Provident Fund

The guidance on implementing AS 15, Employee Benefits (revised 2005) states that benefits involving employer established provident funds, which require interest shortfalls to be recompensed are to be considered as defined benefit plans.

The details of the fund and plan assets position as at March 31, 2014, are as follows:

(Rs. in million)

Assets/ Liabilities	March 31, 2014	March 31, 2013
Present value of Interest Rate guarantee on Provident Fund	5.6	7.6
Present value of Total Obligation	872.0	794.0
Fair value of Plan Assets	866.4	786.8
Net Asset/ (liability) recognized in the Balance Sheet	(5.6)	(7.2)
Assumptions		
Normal Retirement age	60 years	60 years
Expected guaranteed interest on PF in future	8.75%	8.50%
Discount rate	9.14%	8.30%

Assets/ Liabilities	March 31, 2014	March 31, 2013
Expected average remaining working lives of employees (years)	14.29 – 22.05	21.38
Benefit on normal retirement	Accumulated account balance	Accumulated account balance
Benefit on early retirement/withdrawal/resignation	Same as normal retirement benefit	Same as normal retirement benefit
Benefit on death in service	Same as normal retirement benefit	Same as normal retirement benefit

11.2 *Segment Reporting (AS 17)*

The Bank operates in four business segments, viz. Treasury, Corporate/ Wholesale Banking, Retail Banking and Other Banking Operations. There are no significant residual operations carried by the Bank.

Business Segments

(Rs. in million)

Business Segment	Treasury		Corporate/ Wholesale Banking		Retail Banking		Other Banking Operation		Total	
Particulars	**31/03/14**	**31/03/13**	**31/03/14**	**31/03/13**	**31/03/14**	**31/03/13**	**31/03/14**	**31/03/13**	**31/03/14**	**31/03/13**
Revenue	**23,027.8**	17,678.9	**36,729.6**	33,692.8	**54,744.9**	44,244.3	**242.0**	228.2	**114,744.3**	95,844.2
Inter Segment Revenue									**(13,303.7)**	(12,382.3)
Total Income									**101,440.6**	83,461.9
Result	**3,221.3**	1,369.4	**7,086.3**	5,753.2	**16,560.3**	11,944.7	**73.2**	61.6	**26,941.1**	19,128.9
Unallocated Expenses									**(981.5)**	(734.3)
Operating Profit									**25,959.6**	18,394.6
Income Taxes and Other Provisions									**(11,879.4)**	(7,782.8)
Extraordinary profit/ loss									**-**	-
Net Profit									**14,080.2**	10,611.8
Other Information:										
Segment Assets	**240,144.8**	215,665.4	**205,146.0**	149,099.8	**395,344.5**	348,080.5	**-**	-	**840,635.3**	712,845.7
Unallocated Assets									**29,624.0**	20,219.5
Total Assets									**870,259.3**	733,065.2
Segment Liabilities	**150,184.3**	95,840.8	**354,984.8**	348,375.8	**256,536**	199,290.3	**-**	-	**761,705.1**	643,506.9
Unallocated Liabilities									**108,554.2**	89,558.3
Total Liabilities									**870,259.3**	733,065.2

Geographic Segments:

The business operations of the Bank are largely concentrated in India. Activities outside India are restricted to resource mobilization in the international markets. Since the Bank does not have material earnings emanating from foreign operations, the Bank is considered to operate only in domestic segment.

11.3 Related party transactions (AS-18)

The following is the information on transactions with related parties:

Key Management Personnel

Mr. Romesh Sobti, Managing Director

Associates:

IndusInd Marketing and Financial Services Private Limited

Subsidiaries

ALF Insurance Services Private Limited (under liquidation)

In accordance with RBI guidelines, details pertaining to the related party transactions have not been provided as there is only one related party in each of the above categories.

11.4 Operating Leases (AS 19)

The Bank has not given any assets on operating lease. The Bank has taken a number of premises on operating lease for branches, offices, ATMs and residential premises for staff. The details of maturity profile of future operating lease payments are given below:

(Rs. in million)

	March 31, 2014	**March 31, 2013**
Future lease rentals payable as at the end of the year:		
- Not later than one year	1,360.1	1,110.8
- Later than one year but not later than five years	4,669.9	3,543.4
- Later than five years	2,328.4	1,650.9
Total of minimum lease payments recognized in the Profit and Loss Account for the year	1,494.0	1,093.2
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-lease	-	-
Sub-lease payments recognized in the Profit and Loss Account for the year	-	-

The Bank has not sub-leased any of the properties taken on lease. There are no provisions relating to contingent rent.

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

11.5 Earnings per share (AS 20)

Details pertaining to earnings per share as per AS-20 are as under:

	Year ended March 31, 2014	**Year ended March 31, 2013**
Net Profit as Reported (Rs. in million)	14,080.2	10,611.8
Basic weighted average number of equity shares	52,44,65,413	48,60,03,221
Diluted weighted average number of equity shares	53,32,37,373	49,58,08,290
Nominal value of Equity Shares (Rs.)	10	10
Basic Earnings per Share (Rs.)	26.85	21.83
Diluted Earnings per Share (Rs.)	26.41	21.40

11.6 Consolidated Financial Statements – Subsidiary (AS 21)

ALF Insurance Services Pvt. Ltd. (ALFS), subsidiary of the Bank, could not commence operations. Consequent to the resolution passed by the Board of Directors, ALFS has initiated the process of winding up which is currently under progress. Since the control is regarded as temporary, no consolidated financial statements have been drawn up as per AS-21 "Consolidated Financial Statements".

11.7 Deferred Tax (AS 22)

The major components of deferred tax assets / liabilities are as under:

(Rs. in million)

Timing difference on account of	**March 31, 2014 Deferred Tax**		**March 31, 2013 Deferred Tax**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Difference between book depreciation and depreciation under the Income Tax Act, 1961	-	210.6	-	146.0
Difference between Provisions for doubtful debts and advances and amount allowable under Section 36(1)(viia) of the Income Tax Act, 1961	2,365.4	-	1,746.2	-
Interest on securities	-	1,426.7	-	1,033.9
Others	186.0	-	128.5	-
Sub-total	2,551.4	1,637.3	1,874.7	1,179.9
Net closing balance carried to the Balance Sheet (included in Sch. 11 – Others)	914.1		694.8	

11. Additional Disclosures

12.1 **Provisions and Contingencies** charged to the Profit and Loss account for the year consist of:

(Rs. in million)

Particulars	**Year ending March 31, 2014**	**Year ending March 31, 2013**
Depreciation on Investments	875.6	13.0
Provision for non-performing assets including bad debts written off net of write backs	3,136.7	2,196.1
Provision towards Standard Assets	648.3	354.9
Income Tax / Wealth Tax / Deferred Tax	7,203.1	5,151.8
Others	15.7	67.0
Total	11,879.4	7,782.8

12.2 Movement in provision for credit card and debit card reward points

(Rs. in million)

Particulars	**2013-14**	**2012-13**
Opening provision	92.6	90.3
Provision for Reward Points made during the year	1.9	68.0
Utilisation / Write back of provision for Reward Points	(8.4)	65.7
Effect of change in rate for accrual of Reward Points	5.8	-
Closing provision for Reward Points	97.1	92.6

12.3 Disclosure of Complaints

A Customer Complaints*:*

No.	Particulars	2013-14	2012-13
(a)	No. of complaints pending at the beginning of the year	377	325
(b)	No. of complaints received during the year	19501	17093
(c)	No. of complaints redressed during the year	19568	17041
(d)	No. of complaints pending at the end of the year	310	377

B. Awards passed by the Banking Ombudsman:

No.	Particulars	2013-14	2012-13
(a)	No. of unimplemented Awards at the beginning of the year	Nil	Nil
(b)	No. of Awards passed by the Banking Ombudsmen during the year	5	1
(c)	No. of Awards implemented during the year	5	1
(d)	No. of unimplemented Awards at the end of the year	Nil	Nil

(Compiled by management and relied by auditors)

12.4 Letters of Comfort

The Bank has not issued any letter of comfort (Previous year: Nil).

12.5 Disclosure on Remuneration

Remuneration Committee (RC)

The RC of the Bank comprises four members of the Board of Directors of the Bank including one member from Risk Management Committee of the Board. The mandate of the RC is to establish, implement and maintain remuneration policies, procedures and practices that are consistent with, and promote, sound and effective risk management to achieve effective alignment between remuneration and risks. The Committee is also mandated to oversee framing, implementation and review of the Bank's Compensation policy as per RBI guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Risk Takers and Control function staff whose professional activities have a material impact on the Bank's risk profile. The RC is also required to ensure that the cost / income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio. The RC reviews compensation structure and the policies of the Bank with a view to attract, retain and motivate employees.

Remuneration Policy

The Remuneration Policy is formulated by the Board in alignment with RBI guidelines, and is structured to cover all components of remuneration including fixed pay, variable pay, perquisites, retirement benefits such as Provident Fund and Gratuity, long term incentive plans, and Employee Stock Options.

The key objectives of the policy are:

i. Benchmark employee compensation with market for various job positions and skills and pay for 'Position, Performance & Person'
ii. Maintain an optimal balance between fixed and variable pay
iii. Pay for Performance
iv. Build employee ownership and long term association through long term incentive plans (ESOPs)

Some of the important features of the Compensation Policy are as below:

i. The RC will oversee the framing, implementation and review of the Compensation Policy.
ii. Remuneration will be market linked for critical roles so as to attract and retain talent.
iii. In respect of WTDs / CEO / Risk Takers, the compensation structure provides for a reasonable increase in fixed pay in line with market benchmarks. Their individual increments are linked to annual performance rating and increment percentages at various performance rating levels, which will be decided on the basis of the financial performance of the Bank. Exceptions will be restricted to a select few high performers to reward performance, motivate and retain critical staff.
iv. The quantum of overall variable pay to be disbursed in a year would vary on the basis of the financial performance of the Bank measured through various parameters such as NIM, NII, ROA, PAT and ROE.
v. Remuneration is linked to performance. Increments and variable pay are linked to the annual performance rating. Annual Performance Rating for an employee is arrived on the basis of tangible performance against pre–set Key Results Areas (KRAs) / Goals set at the beginning of the Financial Year.
vi. The individual variable pay is linked to annual performance rating, and based on variable pay grids outlining variable pay as a percentage of Annual Guaranteed cash at various rating bands for a grade level. Exceptional increments and variable pay may be paid to high performers, but in no case they would violate the stipulated RBI guidelines.
vii. The individual variable pay would not exceed 70% of the fixed pay. Wherever variable pay exceeds a substantial portion of fixed pay as defined by the Bank, variable pay will be deferred over a period of 3 years in a ratio to be decided by management in accordance with the RBI guidelines.
viii. The Bank will enter into a malus / claw-back arrangement with the concerned employees. Malus arrangement would lay down policies to adjust deferred remuneration before vesting and claw-back arrangement would lay down policies to adjust deferred remuneration after vesting. The criteria would be negative contribution by relevant business lines through supervisory oversight, excessive risk taking, integrity / staff accountability issues.
ix. The Compensation Policy does not provide for guaranteed bonus or sign on bonus in cash. Sign on bonus to be paid in form of pre-hiring ESOPs will be very selective for critical hires.
x. The Compensation Policy does not provide for severance pay for any employee.
xi. Retirement benefits in the form of Provident Fund and Gratuity are as per the Bank's HR policies which are in line with the statutory norms.
xii. Perquisites are laid down in HR Policies of the Bank.
xiii. At present, the Bank uses cash based form of variable remuneration. The rationale is that cash based form of variable remuneration leads to an instant reward to the concerned employees and is also easy to administer.
xiv. ESOPs do not form a part of the variable pay and are very selectively granted to attract and retain employees. ESOPs are not granted with a defined periodicity. ESOP grant criteria include grade of the employee, criticality of the position in terms of business contribution and market value of the position, and performance and behavioural track of the employee.

<u>Other Disclosures</u>

	Year ended March 31, 2014	**Year ended March 31, 2013**
Number of meetings held by RC during the financial year and remuneration paid to its members	**During the year, two meetings of Remuneration committee were held. The members were paid a sitting fee of Rs.30,000 per meeting.**	During the year, one meeting of the RC was held. The members were paid a sitting fee of Rs. 30,000.

	Year ended March 31, 2014	**Year ended March 31, 2013**
Number of employees having received a variable remuneration award during the financial year	**51 employees belonging to the category of WTD/CEO/Risk Takers had received a variable remuneration award.**	39 employees defined by the Bank as WTD / CEO / Risk Takers had received a variable remuneration award.
Number and total amount of 'sign on' awards made during the financial year	**Nil**	Nil
Details of guaranteed bonus if any paid as sign on bonus	**Nil**	Nil
Details of severance pay in addition to the accrued benefits	**Nil**	Nil
Total amount of outstanding deferred remuneration split into cash, shares and share linked instruments and other forms	**The outstanding deferred remuneration is NIL.**	Deferred compensation was not applicable for the year.
Total amount of deferred remuneration paid out in the financial year	**Nil**	Nil
Breakdown of amount of remuneration awards for the financial year	**Breakup of remuneration awards for the 57 employees defined as WTD / CEO / Risk Takers:** **(a) Fixed pay - Rs. 730.4 million** **(b) Variable pay – Rs. 219.5 million for F Y 2012 - 2013** **(c) Deferred remuneration – Nil** **(d) Non-deferred remuneration – Rs. 219.5 million**	Breakup of remuneration awards for the 39 employees defined as WTD / CEO / Risk Takers: (a) Fixed pay– Rs. 578.0 million (b) Variable pay – Rs. 175.0 million F Y 2011 - 2012 (c) Deferred remuneration – NIL (d) Non-deferred remuneration – Rs.175.0 million
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and implicit adjustments.	**Nil**	Nil
Total amount of reductions during the FY due to ex – post explicit adjustments	**Nil**	Nil
Total amount of reductions during the FY due to ex – post implicit adjustments	**Nil**	Nil

13. The Micro, Small and Medium Enterprises Development Act, 2006 that came into force from October 2, 2006, provides for certain disclosures in respect of Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or interest payments due to delays in such payments.

14. Previous year's figures have been regrouped / reclassified wherever necessary.

As per our report of even date attached.

For **B S R & Co.LLP**
Chartered Accountants
Firm's Registration No: 101248W

For **IndusInd Bank Limited**

Akeel Master
Partner
Membership No: 046768

R. Seshasayee
Chairman

Kanchan Chitale
Director

Romesh Sobti
Managing Director

S. V. Zaregaonkar
Chief Financial Officer

Mumbai
16 April 2014

Haresh Gajwani
Company Secretary

Independent Auditor's Report

To the Members of
IndusInd Bank Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of IndusInd Bank Limited ('the Bank'), which comprise the Balance Sheet as at 31 March 2015, the Profit and Loss Account, the Cash Flow Statement for the year then ended, a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. 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 financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the 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 provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines 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 internal financial controls, that operate 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

3. Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the applicable 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 of the Bank including its branches in accordance with Standards on Auditing ('the Standards') 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 of material misstatements.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation 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 operating 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.

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

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements 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 accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31 March 2015;

(b) in the case of the Profit and Loss account, of the profit of the Bank for the year ended on that date; and

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

Report on Other Legal and Regulatory Requirements

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

8. 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) during the course of our audit we have visited 27 branches. Since the key operations of the Bank are automated with the key applications integrated to the core banking systems, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein.

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

(i) we have sought and obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit;

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

(iii) the financial accounting systems of the Bank are centralized and, therefore, returns are not necessary to be submitted by the branches;

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

(v) in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent they are not inconsistent with the accounting policies prescribed by RBI;

(vi) on the basis of written representations received from the directors as on 31 March 2015 taken on record by the Board of directors, none of the directors is disqualified as on 31 March 2015 from being appointed as a director in terms of Section 164 (2) of the Act;

(vii) 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:

(a) the Bank has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Schedule 18 - Note 9.4 to the financial statements;

(b) 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 Schedule 18 - Note 9.5 to the financial statements; and

(c) there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

For **B S R & Co. LLP**
Chartered Accountants
Firm’s Registration No: 101248W/W-100022

Akeel Master
Partner
Membership No: 046768

Mumbai
16 April 2015

Balance Sheet as at March 31, 2015

(Rs. in Million)

	Schedule	**As at 31.03.2015**	As at 31.03.2014
Capital and Liabilities			
Capital	*1*	5,294.50	5,256.39
Employee Stock Options Outstanding		140.53	110.20
Reserves and Surplus	*2*	101,010.31	85,063.04
Deposits	*3*	741,343.65	605,022.85
Borrowings	*4*	206,180.56	147,619.57
Other Liabilities and Provisions	*5*	37,189.64	27,187.26
	Total	**1,091,159.19**	**870,259.31**
Assets			
Cash and Balances with Reserve Bank of India	*6*	40,351.43	44,139.16
Balances with Banks and Money at Call and Short Notice	*7*	67,439.99	23,555.26
Investments	*8*	248,593.70	215,629.53
Advances	*9*	687,881.99	551,018.36
Fixed Assets	*10*	11,575.77	10,164.47
Other Assets	*11*	35,316.31	25,752.53
	Total	**1,091,159.19**	**870,259.31**
Contingent Liabilities	*12*	2,089,731.02	1,478,042.64
Bills for Collection		67,289.18	57,745.69
Significant Accounting Policies	*17*		
Notes to the financial statements	*18*		

The schedules referred to above form an integral part of the Balance Sheet.

The Balance Sheet has been prepared in conformity with Form A of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

For IndusInd Bank Ltd.

Akeel Master
Partner
Membership No: 046768

R. Seshasayee
Chairman

T. Anantha Narayanan
Director

Romesh Sobti
Managing Director

S. V. Zaregaonkar
Chief Financial Officer

Place : Mumbai
Date : April 16, 2015

Haresh Gajwani
Company Secretary

Profit and Loss Account for the year ended March 31, 2015

			(Rs. in Million)
	Schedule	**Year ended 31.03.2015**	Year ended 31.03.2014
I. Income			
Interest Earned	*13*	96,919.64	82,535.34
Other Income	*14*	24,038.73	18,905.29
	Total	**120,958.37**	101,440.63
II. Expenditure			
Interest Expended	*15*	62,716.89	53,628.21
Operating Expenses	*16*	27,259.32	21,852.83
Provisions and Contingencies		13,045.01	11,879.37
	Total	**103,021.22**	87,360.41
III.Profit			
Net Profit for the year		17,937.15	14,080.22
Profit brought forward		26,233.34	17,909.30
	Total	**44,170.49**	31,989.52
IV. Appropriations			
Transfer to			
a) Statutory Reserve		4,484.29	3,520.06
b) Capital Reserve		122.75	81.75
c) Investment Reserve Account		371.63	0.75
d) Proposed final dividend		2,120.13	1,840.78
e) Corporate Dividend Tax		431.53	312.84
		7,530.33	**5,756.18**
Balance carried over to the Balance Sheet		36,640.16	26,233.34
	Total	**44,170.49**	31,989.52
V. Earnings per equity share			
(Face value of Rs.10/- per share)(Rupees)			
Basic	*18(11.5)*	33.99	26.85
Diluted	*18(11.5)*	33.41	26.41
Significant Accounting Policies	*17*		
Notes to the financial statements	*18*		

The schedules referred to above form an integral part of the Profit and Loss Account.
The Profit and Loss Account has been prepared in conformity with Form B of the Third Schedule to the Banking Regulation Act, 1949.
As per our report of even date.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Akeel Master
Partner
Membership No: 046768

For IndusInd Bank Ltd.

R. Seshasayee
Chairman

T. Anantha Narayanan
Director

Romesh Sobti
Managing Director

S. V. Zaregaonkar
Chief Financial Officer

Place : Mumbai
Date : April 16, 2015

Haresh Gajwani
Company Secretary

Cash Flow Statement for the year ended March 31, 2015

	Year ended 31.03.2015	Year ended 31.03.2014
		(Rs. in Million)
A. Cash Flow from Operating Activities		
Net Profit before taxation	27,091.70	21,283.29
Adjustments for :		
Depreciation on Fixed assets	1,268.49	981.48
(Appreciation) / Depreciation on Investments	(664.26)	875.65
Employees Stock Option expenses	30.34	3.08
Loan Loss and Other Provisions	4,554.72	3,800.66
Amortisation of premium on HTM investments	315.75	261.28
Interest paid on Borrowings	10,996.28	9,804.17
Loss / (Profit) on sale of fixed assets	19.15	(1.70)
Operating Profit before Working Capital changes	43,612.17	37,007.90
Adjustments for :		
Increase in Advances	(141,418.35)	(111,612.92)
Increase in Investments	(32,615.66)	(20,224.80)
Increase in Other Assets	(7,498.24)	(7,894.53)
Increase in Deposits	136,320.79	63,855.70
Increase in Other Liabilities	9,605.05	5,603.48
Cash generated from / (used in) Operations	8,005.76	(33,265.17)
Direct Taxes paid (net of refunds)	(11,220.09)	(7,792.41)
Net Cash used in Operating Activities	(3,214.33)	(41,057.58)
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets (including WIP)	(2,786.26)	(1,770.55)
Proceeds from sale of Fixed Assets	24.70	33.54
Net Cash used in Investing Activities	(2,761.56)	(1,737.01)
C. Cash Flow from Financing Activities		
Proceeds from issue of equity shares (net of issue expenses)	662.52	351.59
Proceeds from issue of Long Term Infrastructure Bonds	5,000.00	0.00
Dividends paid	(2,154.34)	(1,569.75)
Redemption of Sub-ordinated Tier II capital	(2,251.00)	(500.00)
Increase in Borrowings	55,811.99	53,524.01
Interest paid on Borrowings	(10,996.28)	(9,804.17)
Net Cash generated from Financing Activities	46,072.89	42,001.69
Net Increase / (Decrease) in Cash and Cash Equivalents	40,097.00	(792.90)
Cash and Cash Equivalents at the beginning of the year	67,694.42	68,487.32
Cash and Cash Equivalents at the end of the year	107,791.42	67,694.42

Notes:

1. The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statements.

2. Figures in bracket indicate cash outflow.

3. Cash and cash equivalents comprises of Cash in Hand and Balances with RBI and Balances with Banks and Money at Call and Short Notice.

As per our report of even date.

For **B S R & Co. LLP**	**For IndusInd Bank Ltd.**	
Chartered Accountants		
Firm's Registration No: 101248W/W-100022		
Akeel Master	**R. Seshasayee**	**T. Anantha Narayanan**
Partner	*Chairman*	*Director*
Membership No : 046768		
	Romesh Sobti	**S. V. Zaregaonkar**
	Managing Director	*Chief Financial Officer*
Place : Mumbai		**Haresh Gajwani**
Date : April 16, 2015		*Company Secretary*

Schedules

	(Rs. in Million)	
	As at 31.03.2015	**As at 31.03.2014**
Schedule - 1 Capital		
Authorised Capital		
55,00,00,000 (Previous year 55,00,00,000) equity shares of Rs. 10/- each	**5,500.00**	5,500.00
Issued, Subscribed and Called Up Capital		
52,94,50,209 (Previous year 52,54,46,484) equity shares of Rs. 10/- each	**5,294.50**	5,254.47
Paid up Capital		
52,94,50,209 (Previous year 52,54,46,484) equity shares of Rs. 10/- each	**5,294.50**	5,254.47
Add : NIL (Previous year 3,84,200) Forfeited equity shares of Rs. 10/- each	**0.00**	1.92
Refer Schedule No. 18(9.12)		
Total	**5,294.50**	**5,256.39**
Schedule - 2 Reserves And Surplus		
I Statutory Reserve		
Opening balance	**11,857.56**	8,337.50
Additions during the year	**4,484.29**	3,520.06
	16,341.85	**11,857.56**
II Share Premium Account		
Opening balance	**41,503.59**	41,179.69
Additions during the year	**615.75**	323.90
Less: Share issue expenses	**0.00**	0.00
	42,119.34	**41,503.59**
III General Reserve		
Balance as at the end of the year	**13.56**	13.56
	13.56	**13.56**
IV Capital Reserve		
Opening balance	**1,438.62**	1,356.87
Additions during the year	**131.40**	81.75
	1,570.02	**1,438.62**
V Investment Allowance Reserve		
Balance as at the end of the year	**10.00**	10.00
	10.00	**10.00**
VI Investment Reserve Account		
Opening Balance	**33.67**	32.92
Additions during the year	**371.63**	0.75
	405.30	**33.67**
VII Revaluation Reserve		
Opening balance	**3,972.70**	2,126.88
Addition during the year	**0.00**	1,885.35
Less : Deductions during the year	**62.62**	39.53
	3,910.08	**3,972.70**
VIII Balance in the Profit and Loss Account	**36,640.16**	**26,233.34**
TOTAL	**101,010.31**	**85,063.04**

Schedules

	As at 31.03.2015	As at 31.03.2014
		(Rs. in Million)
Schedule - 3 Deposits		
A I **Demand Deposits**		
i) From Banks	5,509.71	5,719.75
ii) From Others	118,050.53	92,036.89
II **Savings Bank Deposits**	129,435.70	99,152.50
III **Term Deposits**		
i) From Banks	52,000.99	36,693.41
ii) From Others	436,346.71	371,420.30
TOTAL	**741,343.64**	**605,022.85**
B **Deposits of Branches**		
I In India	741,343.64	605,022.85
II Outside India	0.00	0.00
TOTAL	**741,343.64**	**605,022.85**
Schedule - 4 Borrowings		
I **Borrowings in India**		
i) Reserve Bank of India	0.00	550.00
ii) Other Banks	87,633.83	42,613.04
iii) Other Institutions and Agencies	89,795.23	58,852.67
iv) Unsecured Non-Convertible Redeemable Debentures/Bonds (Subordinated Tier-II Bonds)	5,350.00	7,601.00
v) Unsecured Non-Convertible Redeemable Non-Cumulative Subordinated Upper Tier II Bonds	3,089.00	3,089.00
vi) Long Term Infrastructure Bonds	5,000.00	0.00
II **Borrowings outside India**	15,312.50	34,913.86
TOTAL	**206,180.56**	**147,619.57**
Secured borrowings included in I & II above	0.00	0.00
Schedule - 5 Other Liabilities And Provisions		
I Inter-office Adjustments (Net)	0.00	621.74
II Bills Payable	3,551.76	3,110.95
III Interest Accrued	4,528.30	5,330.04
IV Proposed Dividend	2,548.93	2,151.61
V Others [(including Standard Asset Provisions of Rs. 3,430.9 million) (Previous year Rs.2,390.9 million)]	26,560.65	15,972.92
TOTAL	**37,189.64**	**27,187.26**
Schedule - 6 Cash And Balances With Reserve Bank Of India		
I **Cash in hand (including foreign currency notes)**	6,711.98	4,967.56
II **Balances with Reserve Bank of India**		
i) In Current Account	33,639.45	39,171.60
ii) In Other Accounts	0.00	0.00
TOTAL	**40,351.43**	**44,139.16**
Schedule 7 Balances With Banks And Money At Call And Short Notice		
I **In India**		
i) Balances with Banks		
a) In Current Accounts	4,595.14	3,629.55
b) In Other Deposit Accounts	52,968.02	17,135.61
ii) Money at Call and Short Notice - With Other	0.00	0.00

Institutions

TOTAL	**57,563.16**	**20,765.16**
II **Outside India**		
i) In Current Accounts	3,626.83	1,031.59
ii) In Other Deposit Accounts	0.00	0.00
iii) Money at Call and Short Notice	6,250.00	1,758.51
TOTAL	**9,876.83**	**2,790.10**
GRAND TOTAL	**67,439.99**	**23,555.26**

Schedules *(Rs. in Million)*

	As at 31.03.2015	**As at 31.03.2014**
Schedule - 8 Investments		
I **In India**		
Gross Value	2,48,862.20	216,616.05
Less : Aggregate of provision/depreciation	268.50	986.52
Net value of Investments in India	**248,593.70**	**215,629.53**
Comprising :		
i) Government securities*++	179,061.30	153,800.07
ii) Other approved securities	0.00	0.00
iii) Shares	279.69	526.96
iv) Debentures and bonds	16,256.63	13,903.06
v) Subsidiaries and/ or Joint Ventures	5.00	5.00
vi) Others - Deposits under RIDF scheme with NABARD	19,810.32	16,432.64
Security Receipt, Units of schemes of Mutual Funds and Others	33,180.76	30,961.80
II **Outside India**	0.00	0.00
TOTAL	**248,593.70**	**215,629.53**

*Includes securities costing Rs. 3,875.7 million (previous year Rs. 2,069.2 million) pledged for clearing facility and margin requirements.
++Inclusive of Repo Borrowings of Rs.67,010.0 million (previous year Rs. 32,910.0 million) under the Liquidity Adjustment Facility in line with RBI requirements.

Schedule - 9 Advances		
A i) Bills Purchased and Discounted	18,245.09	20,479.96
ii) Cash Credits, Overdrafts and Loans Repayable on Demand	177,349.92	144,967.42
iii) Term Loans	492,286.98	385,570.98
TOTAL	**687,881.99**	**551,018.36**
B i) Secured by Tangible Assets (includes advances against book debts)	585,242.68	485,229.66
ii) Covered by Bank/ Government Guarantees (includes advances against L/Cs issued by Banks)	14,458.34	7,225.32
iii) Unsecured	88,180.97	58,563.38
TOTAL	**687,881.99**	**551,018.36**
C I) Advances in India		
i) Priority Sector	229,072.03	181,581.82
ii) Public Sector	11,307.14	11,880.78
iii) Banks	2.58	0.44
iv) Others	447,500.24	3,57,555.32
TOTAL	**687,881.99**	**551,018.36**
II) Advances Outside India	0.00	0.00
TOTAL	**687,881.99**	**551,018.36**

Schedule - 10 Fixed Assets
I PREMISES

i) At cost, as at the beginning of the year	5,954.33	4,059.97
ii) Revaluation during the year	0.00	1,885.35
iii) Additions during the year	4.88	9.01
	5,959.21	5,954.33
iv) Less : Deductions during the year	0.00	**0.00**
v) Less : Depreciation to date (Refer Schedule No. 18(9.13)	589.90	504.91
Total	**5,369.31**	**5,449.42**
II Other Fixed Assets (including furniture and fixtures)		
i) At cost, as at the beginning of the year	10,097.50	8,690.07
ii) Additions during the year	2,650.02	1,664.95
	12,747.52	10,355.02
iii) Less : Deductions during the year	423.33	257.52
iv) Less : Depreciation to date (Refer Schedule No. 18(9.13))	6,497.88	5,634.37
Total	**5,826.31**	**4,463.13**
III Capital Work in Progress	380.15	251.92
GRAND TOTAL	**11,575.77**	**10,164.47**

Schedules

(Rs. in Million)

	As at 31.03.2015	**As at 31.03.2014**
Schedule - 11 Other Assets		
I Inter-office Adjustments (Net)	**136.50**	0.00
II Interest Accrued	**7,338.66**	6,293.07
III Tax Paid in Advance / tax deducted at source (net of provision)	**3,920.62**	2,654.87
IV Stationery and Stamps	**16.44**	18.92
V Non-banking assets acquired in satisfaction of claims	**411.98**	0.00
VI Others [including deferred tax assets (net) of Rs.133.6 million (previous year Rs.914.1 million)]	**23,492.10**	16,785.67
TOTAL	**35,316.30**	**25,752.53**

Schedule - 12 Contingent Liabilities		
I Claims against the Bank not acknowledged as debts	**5,477.40**	5,358.26
II Liability on account of outstanding Forward Exchange Contracts	**961,873.11**	784,912.12
III Liability on account of outstanding Derivative Contracts	**792,176.71**	453,916.27
IV Guarantees given on behalf of constituents		
- In India	**279,879.22**	185,023.31
- Outside India	**0.00**	0.00
V Acceptances, Endorsements and Other Obligations	**50,199.32**	48,832.68
VI Other Items for which the Bank is contingently liable		
- The Depositor Education and Awareness Fund	**125.26**	0.00
Total	**2,089,731.02**	**1,478,042.64**

	Year ended 31.03.2015	Year ended 31.03.2014
Schedule - 13 Interest Earned		
I Interest/ Discount on Advances/ Bills	**77,169.08**	66,273.55
II Income on Investments	**16,804.20**	14,770.26
III Interest on Balances with RBI and Other Inter-Bank Funds	**2,773.00**	1,485.02
IV Others	**173.36**	6.51
Total	**96,919.64**	**82,535.34**
Schedule - 14 Other Income		
I Commission, Exchange and Brokerage	**15,484.38**	11,705.90
II Profit on Sale of Investments*	**1,177.36**	1,281.66
III Profit/ (Loss) on Sale of Land, Buildings and Other Assets (Net)	**(19.15)**	1.70
IV Profit on exchange transactions / Derivatives (Net)*	**7,203.89**	5,400.07
V Income earned by way of dividend from companies in India	**34.10**	32.60
VI Miscellaneous Income	**158.15**	483.36
Total	**24,038.73**	**18,905.29**

* During the current year, Profit / (Loss) on derivative transactions has been classified alongwith profit on exchange transactions from Profit on sale of investments. Previous year numbers have been regrouped accordingly.

Schedules

(Rs. in Million)

	Year ended 31.03.2015	Year ended 31.03.2014
Schedule - 15 Interest Expended		
I Interest on Deposits	51,720.60	43,824.05
II Interest on Reserve Bank of India/ Inter-Bank Borrowings	2,999.16	2,989.37
III Others (including interest on Subordinated Debts and Upper Tier II bonds)	7,997.13	6,814.79
Total	**62,716.89**	**53,628.21**
Schedule - 16 Operating Expenses		
I Payments to and Provisions for Employees	9,804.79	8,092.95
II Rent, Taxes and Lighting (includes operating lease rentals)	2,346.41	1,878.09
III Printing and Stationery	430.64	335.31
IV Advertisement and Publicity	428.87	295.40
V Depreciation on Bank's Property	1,268.49	981.48
VI Directors' Fees, Allowances and Expenses	11.18	8.60
VII Auditors' Fees and Expenses	13.62	12.66
VIII Law Charges	375.63	352.74
IX Postage, Telegrams, Telephones, etc.	969.29	744.34
X Repairs and Maintenance	1,647.74	1,258.27
XI Insurance	759.74	595.38
XII Service Provider Fees	2,242.00	1,832.41
XIII Other Expenditure	6,960.92	5,465.20
Total	**27,259.32**	**21,852.83**

Schedule 17 Significant accounting policies

1. General

1.1 IndusInd Bank Limited ('the Bank') was incorporated in 1994 under the Companies Act, 1956 and is licensed by the Reserve Bank of India (RBI) to operate as a commercial bank under the Banking Regulation Act 1949. The Bank is publicly held and provides a wide range of banking products and financial services to corporate and retail clients besides undertaking treasury operations. The Bank operates in India and does not have a branch in any foreign country.

1.2 The accompanying financial statements have been prepared under the historical cost convention except where otherwise stated, and in accordance with statutory requirements prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by RBI from time to time (RBI guidelines), accounting standards referred to in Section 133 of the Companies Act, 2013 (the Act) and practices prevailing within the banking industry in India.

1.3 The preparation of the financial statements in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent liabilities on the date of the financial statements. Management believes that the estimates and assumptions used in the preparation of the financial statements are prudent and reasonable. Any revision to accounting estimates is recognised prospectively in current and future periods.

2. Transactions involving Foreign Exchange

2.1 Monetary assets and liabilities denominated in foreign currency are translated at the Balance Sheet date at the closing rates of exchange notified by the Foreign Exchange Dealers' Association of India ('FEDAI') and the resulting gains or losses are recognised in the Profit and Loss account.

2.2 Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

2.3 All foreign exchange contracts outstanding at the Balance Sheet date are re-valued on present value basis and the resulting gains or losses are recognised in the Profit and Loss account.

2.4 Swap Cost arising on account of foreign currency swap contracts to convert foreign currency funded liabilities and assets into rupee liabilities and assets is amortised to the Profit and Loss account under the head 'Interest – Others' over the underlying swap period.

2.5 Income and expenditure denominated in a foreign currency are translated at the rates of exchange prevailing on the date of the transaction.

2.6 Contingent liabilities at the Balance Sheet date on account of outstanding forward foreign exchange contracts, guarantees, acceptances, endorsements and other obligations denominated in a foreign currency are stated at the closing rates of exchange notified by the FEDAI.

3. Investments

Significant accounting policies in accordance with RBI guidelines are as follows:

3.1 Categorisation of Investments :

The Bank classifies its investment at the time of purchase into one of the following three categories:

(i) **Held to Maturity (HTM) –** Securities acquired with the intention to hold till maturity.
(ii) **Held for Trading (HFT) –** Securities acquired with the intention to trade.
(iii) **Available for Sale (AFS) –** Securities which do not fall within the above two categories.

Subsequent shifting amongst the categories is done in accordance with RBI guidelines.

3.2 Classification of Investments:

For the purpose of disclosure in the Balance Sheet, investments are classified under six groups viz., (i) Government Securities, (ii) Other Approved Securities, (iii) Shares, (iv) Debentures and Bonds, (v) Investments in Subsidiaries and Joint Ventures, and (vi) Other Investments.

3.3 Acquisition cost

(i) Broken period interest on debt instruments is treated as a revenue item.
(ii) Brokerage, commission, etc. pertaining to investments, paid at the time of acquisition is charged to the Profit and Loss account.
(iii) Cost of investments is computed based on the weighted average cost method.

3.4 Valuation of Investments:

(i) **Held to Maturity** – Each security in this category is carried at its acquisition cost. Any premium on acquisition of the security is amortised over the balance period to maturity. The amortized amount is classified under Interest earned – Income on investments (Item II of Schedule 13). The book value of the security is reduced to the extent of amount amortized during the relevant accounting period. Diminution, other than temporary, is determined and provided for each investment individually.

(ii) **Held for Trading –** Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification is ignored, while net depreciation is provided for.

(iii) **Available for Sale** – Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification, is ignored, while net depreciation is provided for.

3.4 Valuation of Investments: *(Continued)*

(iv) Market value of government securities (excluding treasury bills) is determined on the basis of the prices / YTM declared by Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association (FIMMDA).

(v) Treasury bills are valued at carrying cost, which includes discount amortised over the period to maturity.

(vi) Fair value of other debt securities is determined based on the yield curve and spreads provided by FIMMDA.

(vii) Quoted equity shares are valued at lower of cost or the closing price on a recognised stock exchange. Unquoted equity shares are valued at their break-up value or at Re. 1 per company where the latest Balance Sheet is not available.

(viii) Units of the schemes of mutual funds are valued at the lower of cost and Net Asset Value (NAV) provided by the respective schemes of mutual funds.

(ix) Investments in equity shares held as long-term investments by erstwhile IndusInd Enterprises & Finance Limited and Ashok Leyland Finance Limited (since merged with the Bank) are valued at cost and classified as part of HTM category. Provision towards diminution in the value of such long-term investments is made only if the diminution in value is not temporary in the opinion of management.

(x) Security Receipts (SR) are valued at the lower of redemption value or NAV obtained from the Securitisation Company (SC) / Reconstruction Company (RC).

(xi) Trade date method of accounting is followed for purchase and sale of investments, except for Government of India and State Government securities where settlement date method of accounting is followed in accordance with RBI guidelines.

(xii) Provision for non-performing investments is made in conformity with RBI guidelines.

(xiii) Repurchase (Repo) / Reverse Repurchase (Reverse Repo) transactions (except transactions under Liquidity Adjustment Facility (LAF) with RBI) are accounted for as Borrowing / Lending respectively. On completion of the second leg of the Repo / Reverse Repo transaction, the difference between the consideration amounts is reckoned as Interest Expenditure / Income. Amounts outstanding in Repo / Reverse Repo account as at the Balance Sheet date is shown as part of Borrowings / Money at Call and at Short Notice respectively, and the accrued expenditure / income till the Balance Sheet date is recognised in the Profit and Loss account.

In respect of repo transactions under LAF with RBI, monies borrowed from RBI are credited to investment account and reversed on maturity of the transaction. Costs thereon are accounted for as interest expense. In respect of reverse repo transactions under LAF, monies lent to RBI are debited to investment account and reversed on maturity of the transaction. Revenues thereon are accounted for as interest income.

(xiv) In respect of the short sale transactions in Central Government dated securities, the short position is covered by outright purchase of an equivalent amount of the same security within a maximum period of three months including the day of trade. The short position is reflected as the amount received on sale in a separate account and is classified under 'Other Liabilities'. The short position is marked to market and loss, if any, is charged to the Profit and Loss account, while gain, if any, is not recognized. Profit / loss on settlement of the short position is recognized in the Profit and Loss account.

(xv) Profit in respect of investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and transfer to Statutory Reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to Capital Reserve account.

(xvi) In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the Profit and Loss account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provisions) is appropriated to an Investment Reserve account (IRA).
The balance in IRA account is used to meet provision on account of depreciation in AFS and HFT categories by transferring an equivalent amount to the Profit and Loss Appropriation account as and when required.

4. Derivatives

Derivative contracts are designated as hedging or trading and accounted for as follows:

4.1 The hedging contracts comprise of Forward Rate Agreements, Interest Rate Swaps, and Currency Swaps undertaken to hedge interest rate and currency risk on certain assets and liabilities. The net interest receivable / payable is accounted on an accrual basis over the life of the swaps. However, where the hedge is designated with an asset or liability that is carried at market value or lower of cost and market value, then the hedging instruments is also marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated assets or liabilities.

4.2 The trading contracts comprise of trading in Interest Rate Swaps, Interest Rate Futures and Currency Futures. The gain / loss arising on unwinding or termination of the contracts, is accounted for in the Profit and Loss account. Trading contracts outstanding as at the Balance Sheet date are re-valued at their fair value and resulting gains / losses are recognised in the Profit and Loss account.

4.3 Gains or losses on the termination of hedge swaps is deferred and recognised over the shorter of the remaining life of the hedge swap or the remaining life of the underlying asset / liability.

4.4 Premium paid and received on currency options is accounted when due in the Profit and Loss Account.

4.5 Provisioning of overdue customer receivable on derivative contracts is made as per RBI guidelines.

5. Advances

5.1 Advances are classified as per RBI guidelines into standard, sub-standard, doubtful and loss assets after considering subsequent recoveries to date.

5.2 Specific provisions for non-performing advances and floating provisions are made in conformity with RBI guidelines.

5.3 A general provision on standard assets is made in accordance with RBI guidelines. Provision made against standard assets is included in 'Other Liabilities and Provisions'.

5.4 Advances are disclosed in the Balance Sheet, net of provisions and interest suspended for non-performing advances, and floating provisions.

5.5 Advances exclude derecognised securitised advances, inter-bank participation certificates issued and bills rediscounted.

5.6 Amounts recovered during the year against bad debts written off in earlier years are recognised in the Profit and Loss account.

5.7 Provision no longer considered necessary in the context of the current status of the borrower as a performing asset, are written back to the Profit and Loss account to the extent such provisions were charged to the Profit and Loss account

5.8 For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by RBI, which requires the diminution in the fair value of the assets to be provided at the time of restructuring. The restructured accounts are classified in accordance with RBI guidelines, including special dispensation wherever allowed.

6. Securitisation transactions and direct assignments

6.1 The Bank transfers its loan receivables both through Direct Assignment route as well as transfer to Special Purpose Vehicles ('SPV').

6.2 The securitization transactions are without recourse to the Bank. The transferred loans and such securitized receivables are de-recognized as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Gains / losses are recognized only if the Bank surrenders the rights to the benefits specified in the loan contracts.

6.3 In terms of RBI guidelines, profit / premium arising on account of sale of standard assets, being the difference between the sale consideration and book value, is amortized over the life of the securities issued by the Special Purpose Vehicles (SPV). Any loss arising on account of the sale is recognized in the Profit and Loss account in the period in which the sale occurs.

6.4 In case of sale of non-performing assets through securitization route to SC / RC by way of assignment of debt against issuance of SRs, the recognition of sale and accounting of profit and loss thereon is done in accordance with applicable RBI guidelines. Generally, the sale is recognized at the lower of redemption value of SR and the Net Book Value (NBV) of the financial asset sold, and the surplus is recognized in the Profit and Loss Account; shortfall if any, is charged to the Profit and Loss account subject to regulatory forbearance, if any, allowed from time to time.

Profit or loss realized on ultimate redemption of the SR is recognized in the Profit and Loss Account.

7. Fixed assets and depreciation

7.1 Fixed assets are stated at cost (except in the case of premises which were re-valued based on values determined by approved valuers) less accumulated depreciation and impairment, if any. Cost includes incidental expenditure incurred on the assets before they are ready for intended use.

7.2 The appreciation on account of revaluation is credited to Revaluation Reserve. Depreciation relating to revaluation is adjusted against the Revaluation Reserve.

7.3 Depreciation is provided over the useful life of the assets, *pro rata* for the period of use, on a straight-line method. The useful life estimates prescribed in Part C of Schedule II to the Companies Act, 2013 are generally adhered to, except in respect of asset classes where, based on technical evaluation, a different estimate of useful life is considered suitable. Pursuant to this policy, the useful life estimates in respect of the following assets are as follows:

(a) Computers at 3 years
(b) Application software and perpetual software licences at 5 years
(c) Printers, Scanners, Routers, Switch at 5 years
(d) ATMs at 7 years
(e) Network cabling, Electrical Installations, Furniture and Fixtures, Other Office Machinery at 10 years.
(f) Vehicles at 5 years
(g) Buildings at 60 years.

The useful life of an asset class is periodically assessed taking into account various criteria such as changes in technology, changes in business environment, utility and efficacy of an asset class to meet with intended user needs, etc. Whenever there is a revision in the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset.

7.4 The carrying amount of fixed assets is reviewed at the Balance Sheet date to determine if there are any indications of impairment based on internal / external factors. In case of impaired assets, the impairment loss i.e. the amount by which the carrying amount of the asset exceeds its recoverable value is charged to the Profit and Loss account to the extent the carrying amount of assets exceeds its estimated recoverable amount.

8. Revenue Recognition

8.1 Interest and discount income on performing assets is recognised on accrual basis. Interest and discount income on non-performing assets is recognised on realisation.

8.2 Interest on Government securities, debentures and other fixed income securities is recognised on a period proportion basis. Income on discounted instruments is recognised over the tenor of the instrument on a straight-line basis.

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

8.4 Commission (except for commission on Deferred Payment Guarantees which is recognised over the term on a straight line basis), Exchange and Brokerage are recognised on a transaction date and net off directly attributable expenses.

8.5 Fees are recognised on an accrual basis, except in cases where the Bank is uncertain of realisation.

8.6 Income from distribution of third party products is recognised on the basis of business booked.

9. Operating Leases

9.1 Lease rental obligations in respect of assets taken on operating lease are charged to the Profit and Loss account on a straight-line basis over the lease term.

9.2 Assets given under leases in respect of which all the risks and benefits of ownership are effectively retained by the Bank are classified as operating leases. Lease rentals received under operating leases are recognized in the Profit and Loss account as per the terms of the contracts.

10. Employee Benefits

10.1 The Gratuity scheme of the Bank is a defined benefit scheme and the expense for the year is recognized on the basis of actuarial valuation at the Balance Sheet date. The present value of the obligation under such benefit plan is determined based on independent actuarial valuation using the Projected Unit Credit Method which recognizes each period of service that gives rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Payment obligations under the Group Gratuity scheme are managed through purchase of appropriate policies from insurers.

10.2 Provident Fund contributions are made under trusts separately established for the purpose and the scheme administered by Regional Provident Fund Commissioner (RPFC), as applicable. The rate at which the annual interest is payable to the beneficiaries by the trusts is being administered by the government. The Bank has an obligation to make good the shortfall, if any, between the return from the investments of the trusts and the notified interest rates. Actuarial valuation of this Provident Fund Interest shortfall is done as per the guidance note on Valuation of Interest Rate Guarantees on Exempt Provident Funds under AS 15 (Revised) issued by the Institute of Actuaries of India, and such shortfall, if any, is provided for.

10.3 Provision for compensated absences is made on the basis of actuarial valuation as at the Balance Sheet date. The actuarial valuation is carried out using the Projected Unit Credit Method.

10.4 Intrinsic value method is applied to account for the compensation cost of ESOP granted to the employees of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying shares on the grant date exceeds the exercise price of the options. Accordingly, such compensation cost is amortized over the vesting period.

11. Segment Reporting

In accordance with the guidelines issued by RBI, the Bank has adopted Segment Reporting as under:

(a) **Treasury** includes all investment portfolios, Profit / Loss on sale of Investments, Profit / Loss on foreign exchange transactions, equities, income from derivatives and money market operations. The expenses of this segment consist of interest expenses on funds borrowed from external sources as well as internal sources and depreciation / amortisation of premium on Held to Maturity category investments.

(b) **Corporate / Wholesale Banking** includes lending to and deposits from corporate customers and identified earnings and expenses of the segment.

(c) **Retail Banking** includes lending to and deposits from retail customers and identified earnings and expenses of the segment.

(d) **Other Banking Operations** includes all other operations not covered under Treasury, Corporate / Wholesale Banking and Retail Banking.

Unallocated includes Capital and Reserves, Employee Stock Options (Grants) Outstanding and other unallocable assets, liabilities, income and expenses.

12. Debit and Credit Card reward points liability

12.1 The liability towards Credit Card reward points is computed based on an actuarial valuation and the liability towards Debit Card reward points is computed on the basis of management estimates considering past trends.

13. Bullion

13.1 The Bank imports bullion including precious metal bars on a consignment basis for selling to its customers. The imports are on a back-to-back basis and are priced to the customer based on the prevailing price quoted by the supplier and the local levies related to the consignment like customs duty etc. The profit earned is included in commission income.

13.2 The Bank sells gold coins to its customers. The difference between the sale price to customers and purchase price is reflected under commission income.

14. Income-tax

14.1 Tax expenses comprise of current and deferred taxes. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognized, in general, only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized; where there are unabsorbed depreciation and/or carry forward of losses under tax laws, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realized against future taxable income. Unrecognized deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

15. Earnings per share

15.1 Earnings per share is calculated by dividing the Net Profit or Loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding as at end of the year.

16. Provisions, contingent liabilities and contingent assets

16.1 A provision is recognized when there is an obligation as a result of past event, and it is probable that an outflow of resources will be required to settle the obligation, and in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

16.2 A disclosure of contingent liability is made when there is:

(a) A possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the bank; or

(b) A present obligation arising from a past event which is not recognized as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

16.3 When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

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

17. Cash and Cash equivalents

17.1 Cash and cash equivalents comprises of Cash in Hand and Balances with RBI and Balances with Banks and Money at Call and Short Notice.

Schedule 18 Notes forming part of the financial statements

1. Capital Adequacy Ratio

The Bank computes Capital Adequacy Ratio as per RBI guidelines. Basel III Capital Regulations issued by RBI are applicable to the Bank with effect from April 1, 2013. Under Basel III Capital Regulations, the Bank has to maintain a Minimum Total Capital (MTC) of 9% of the total risk weighted assets (RWAs) of which at least 5.50% (Previous Year 5.00%) shall be from Common Equity Tier I (CET1) capital and at least 7.00% (Previous Year 6.50%) from Tier I capital. The capital adequacy ratio of the Bank calculated as per Basel III Capital Regulations is set out below:

(Rs. in million)

		March 31, 2015	**March 31, 2014**
1.	Common Equity Tier 1 capital ratio	11.22%	12.71%
2.	Tier 1 capital ratio	11.22%	12.71%
3.	Tier 2 capital ratio	0.87%	1.12%
4.	Total Capital ratio (CRAR)	12.09%	13.83%

		March 31, 2015	March 31, 2014
5.	Amount of equity capital raised	662.5	351.6
6.	Amount of Additional Tier 1 capital raised; of which		
	Perpetual Non-Cumulative Preference Shares (PNCPS)	-	-
	Perpetual Debt Instruments (PDI)	-	-
7.	Amount of Tier 2 capital raised; of which		
	Debt capital instrument: Preference Share Capital Instruments [Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]	-	

2. Investments

2.1 Details of Investments:

(Rs. in million)

	March 31, 2015	March 31, 2014
(1) Value of Investments		
(i) Gross value of Investments	248,862.2	216,616.0
(a) In India	248,862.2	216,616.0
(b) Outside India	-	-
(ii) Provisions for Depreciation	268.5	986.5
(a) In India	268.5	986.5
(b) Outside India	-	-
(iii) Net value of Investments	248,593.7	215,629.5
(a) In India	248,593.7	215,629.5
(b) Outside India	-	-
(2) Movement in provisions held towards depreciation on Investments		
(i) Opening balance	986.5	117.4
(ii) Add: Provision made during the year	32.7	870.6
(iii) Less: Write-off / (write-back) of excess provisions during the year	(750.7)	(1.5)
(iv) Closing balance	268.5	986.5

2.2 Category wise details of Investments (Net of provision for depreciation):

(Rs. in million)

	As at March 31, 2015			As at March 31, 2014		
	HTM	AFS	HFT	HTM	AFS	HFT
i) Government securities	112,592.1	66,469.2	-	126,225.9	27,574.2	-
ii) Other approved securities	-	-	-	-	-	-
iii) Shares	47.5	232.2	-	47.5	479.4	-
iv) Debentures and bonds	-	16,256.6	-	-	13,903.1	-
v) Subsidiaries and/ or Joint Ventures	5	-	-	5	-	-
vi) Others - Deposits under RIDF scheme with NABARD, Security Receipts/ Pass Through Certificates, investment in units of Mutual Funds, Commercial Paper, etc.	19,810.3	33,180.8	-	16,432.6	30,961.8	-
Total	132,454.9	116,138.8	-	142,711.0	72,918.5	-

2.3 Details of Repo / Reverse Repo including under Liquidity Adjustment Facility (LAF) transactions (in face value terms):

(Rs. in million)

	Minimum outstanding during the year	**Maximum outstanding during the year**	**Daily average outstanding during the year**	**Balance as at the year end**
Year ended March 31, 2015				
Securities sold under repo				
v) Government Securities	10.3	67,010.0	35,863.3	67,010.0
vi) Corporate Debt securities	-	-	-	-
Securities purchased under reverse repo				
v) Government Securities	50.7	6,000.0	441.1	-
vi) Corporate Debt Securities	-	-	-	-
Year ended March 31, 2014				
Securities sold under repo				
v) Government Securities	1,130.0	32,910.0	4,823.5	32,910.0
vi) Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo				
v) Government Securities	204.8	1,445.1	60.6	-
vi) Corporate Debt Securities	-	-	-	-

2.4 a) Issuer composition of Non-SLR investments as at March 31, 2015:

(Rs. in million)

No.	**Issuer**	**Amount[(1)]**	**Extent of private placement**	**Extent of 'below investment grade' securities**	**Extent of 'unrated' securities[(2)]**	**Extent of 'unlisted' securities[(3)]**
				(5)	*(6)*	*(7)*
(1)	*(2)*	*(3)*	*(4)*			
1	Public Sector Undertakings	1,450.7	1,450.7	-	-	-
2	Financial Institutions[(4)]	24,668.7	4,858.4	-	-	-
3	Banks	24,749.2	24,749.2	-	-	-
4	Private corporates	12,427.0	12,251.6	-	-	70.0
5	Subsidiaries / Joint Ventures	5.0	-	-	-	5.0
6	Others	6,500.3	6,500.3	-	-	-
			(245.5)	-	-	(22.5)
7	Provision held towards depreciation	(268.5)				
	Total	**69,532.4**	**49,564.7**	-	**-**	**52.5**

2.4 ***Issuer composition of Non-SLR investments as at March 31, 2014:***

(Rs. in million)

No.	Issuer	Amount[(1)]	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities[(2)]	Extent of 'unlisted' securities[(3)]
				(5)	*(6)*	*(7)*
(1)	*(2)*	*(3)*	*(4)*			
1	Public Sector Undertakings	2,712.3	2,712.3	-	-	-
2	Financial Institutions[(4)]	17,648.1	1,215.5	-	-	-
3	Banks	23,873.7	23,873.7	-	-	-
4	Private corporates	14,815.1	13,553.9	-	-	65.1
5	Subsidiaries / Joint Ventures	5.0	-	-	-	5.0
6	Others	3,025.9	3,025.9	-	-	-
7	Provision held towards depreciation	(250.6)	(231.5)	-	-	(17.5)
	Total	**61,829.5**	**44,149.8**	**-**	**-**	**52.6**

Notes:

(6) Does not include amount of securities pledged with Central Counter Parties viz., Clearing Corporation of India Ltd., National Securities Clearing Corporation of India Limited and Multi Commodity Exchange of India Limited.

(7) Excludes investment in RIDF scheme of NABARD and equity shares.

(8) Excludes investment in RIDF scheme of NABARD, commercial papers, Certificates of Deposit and preference shares acquired by way of conversion of debts.

(9) Includes investment in RIDF scheme of NABARD.

(10) Amounts reported under columns 4, 5, 6 and 7 are not mutually exclusive.

2.4 ***b) Non-performing Non-SLR investments:***

(Rs. in million)

Particulars	**Year ended March 31, 2015**	**Year ended March 31, 2014**
Opening balance	71.4	71.4
Additions during the year	5.0	-
Reductions during the year	(53.8)	-
Closing balance	22.6	71.4
Total provisions held	22.6	71.4

2.5 During the year, the value of sales and transfer of securities to / from HTM category, excluding one-time transfer of securities from HTM and sale on account of Open Market Operation (OMO), has not exceeded 5% of the book value of investments held in HTM category at the beginning of the year. As such, in line with RBI guidelines, specific disclosures on book value, market value, and provisions if any, relating to such sale and transfers are not required to be made.

3. Derivatives

3.1 Interest Rate Swaps, Forward Rate Agreements and Cross Currency Swaps:

(Rs. in million)

Particulars	**As at March 31, 2015**	**As at March 31, 2014**
(i) Notional principal of swap agreements	7,57,868.4	4,31,990.8
(ii) Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	16,669.0	12,357.9
(iii) Collateral required by the Bank upon entering into swaps	-	-
(iv) Concentration of credit risk arising from the swaps – With banks	59.75%	53.00%
(v) Net Fair value of the swap book	1221.8	(667.9)

Interest Rate Swaps, Forward Rate Agreements and Cross Currency Swaps :

The nature and terms of Interest Rate Swaps (IRS) outstanding as on March 31, 2015 are set out below:

(Rs. in million)

Nature	**No.**	**Notional Principal**	**Benchmark**	**Terms**
Merchant and Cover	1	1,000.0	MIBOR	Fixed Payable Vs Floating Receivable
Merchant and Cover	1	1,000.0	MIBOR	Fixed Receivable Vs Floating Payable
Trading	88	42,278.9	MIBOR	Fixed Payable Vs Floating Receivable
Trading	100	50,434.9	MIBOR	Fixed Receivable Vs Floating Payable
Trading	195	156,420.0	MIFOR	Fixed Payable Vs Floating Receivable
Trading	196	149,150.0	MIFOR	Fixed Receivable Vs Floating Payable
Merchant and Cover	1	112.5	EURIBOR	Fixed Payable Vs Floating Receivable
Merchant and Cover	1	112.5	EURIBOR	Fixed Receivable Vs Floating Payable
Trading	4	496.5	EURIBOR	Fixed Payable Vs Floating Receivable
Trading	13	709.5	EURIBOR	Fixed Receivable Vs Floating Payable
Merchant and Cover	3	175.8	LIBOR	Fixed Payable Vs Floating Receivable
Merchant and Cover	3	175.8	LIBOR	Fixed Receivable Vs Floating Payable
Trading	57	54,708.7	LIBOR	Fixed Payable Vs Floating Receivable
Trading	167	55,029.1	LIBOR	Fixed Receivable Vs Floating Payable

3.1 Interest Rate Swaps, Forward Rate Agreements and Cross Currency Swaps (Continued):

The nature and terms of IRSs outstanding as on March 31, 2014 are set out below:

(Rs. in million)

Nature	No.	Notional Principal	Benchmark	Terms
Merchant and Cover	1	1,000.0	MIBOR	Fixed Payable Vs Floating Receivable
Merchant and Cover	1	1,000.0	MIBOR	Fixed Receivable Vs Floating Payable
Trading	94	46,246.6	MIBOR	Fixed Payable Vs Floating Receivable
Trading	105	52,217.5	MIBOR	Fixed Receivable Vs Floating Payable
Trading	56	50,650.0	MIFOR	Fixed Payable Vs Floating Receivable
Trading	82	57,950.0	MIFOR	Fixed Receivable Vs Floating Payable
Merchant and Cover	1	230.3	EURIBOR	Fixed Payable Vs Floating Receivable
Merchant and Cover	1	230.3	EURIBOR	Fixed Receivable Vs Floating Payable
Trading	6	91.0	EURIBOR	Fixed Payable Vs Floating Receivable
Trading	3	39.5	EURIBOR	Fixed Receivable Vs Floating Payable
Merchant and Cover	26	1,387.0	LIBOR	Fixed Payable Vs Floating Receivable
Merchant and Cover	26	1,387.0	LIBOR	Fixed Receivable Vs Floating Payable
Trading	37	19,119.7	LIBOR	Fixed Payable Vs Floating Receivable
Trading	64	15,675.6	LIBOR	Fixed Receivable Vs Floating Payable

3.1 Interest Rate Swaps, Forward Rate Agreements and Cross Currency Swaps (Continued):

The nature and terms of Cross Currency Swaps (CCSs) outstanding as on March 31, 2015 are set out below:

(Rs. in million)

Nature	**No.**	**Notional Principal**	**Benchmark**	**Terms**
Merchant and Cover	8	9,856.2	LIBOR	Fixed Receivable Vs Floating Payable (Cross Currency Swap)
Merchant and Cover	8	7,545.5	LIBOR	Fixed Payable Vs Floating Receivable (Cross Currency Swap)
Merchant and Cover	14	7,699.1	NA	Fixed Payable (Principal Only Swap)
Merchant and Cover	14	9,224.0	NA	Fixed Receivable (Principal Only Swap)
Merchant and Cover	15	19,745.1	NA	Fixed Vs Fixed (Cross Currency Swap)
Merchant and Cover	2	1,122.6	NA	Fixed Vs Fixed (Principal Only Swap)
Merchant and Cover	2	4,533.4	NA	Fixed Vs Fixed (Coupon Only Swap)
Trading	166	80,610.3	LIBOR	Fixed Receivable Vs Floating Payable (Cross Currency Swap)
Trading	39	49,728.0	LIBOR	Fixed Payable Vs Floating Receivable (Cross Currency Swap)
Trading	4	2,119.3	LIBOR	Floating Vs Floating (Cross Currency Swap)
Trading	9	3,980.5	NA	Fixed Payable (Principal Only Swap)
Trading	18	11,925.0	NA	Fixed Receivable (Principal Only Swap)
Trading	2	5,323.1	NA	Fixed Vs Fixed (Principal Only Swap)
Trading	16	10,275.9	NA	Fixed Vs Fixed (Cross Currency Swap)
Trading	3	4,767.8	NA	Fixed Vs Fixed (Coupon Only Swap)
Trading	8	17,574.9	LIBOR / MIFOR	Floating Vs Floating (Cross Currency Swap)
Trading	1	33.5	EURIBOR	Fixed Receivable Vs Floating Payable (Coupon Only Swap)

3.1 Interest Rate Swaps, Forward Rate Agreements and Cross Currency Swaps (Continued):

The nature and terms of CCSs outstanding as on March 31, 2014 are set out below:

(Rs. in million)

Nature	**No.**	**Notional Principal**	**Benchmark**	**Terms**
Merchant and Cover	14	9,581.9	LIBOR	Fixed Receivable Vs Floating Payable (Cross Currency Swap)
Merchant and Cover	14	7,657.9	LIBOR	Fixed Payable Vs Floating Receivable (Cross Currency Swap)
Merchant and Cover	20	8,253.9	NA	Fixed Payable (Principal Only Swap)
Merchant and Cover	20	9,446.7	NA	Fixed Receivable (Principal Only Swap)
Merchant and Cover	15	21,190.2	NA	Fixed Vs Fixed (Cross Currency Swap)
Merchant and Cover	2	1,096.9	NA	Fixed Vs Fixed (Principal Only Swap)
Merchant and Cover	2	4,428.7	NA	Fixed Vs Fixed (Coupon Only Swap)
Trading	98	40,387.5	LIBOR	Fixed Receivable Vs Floating Payable (Cross Currency Swap)
Trading	43	43,570.8	LIBOR	Fixed Payable Vs Floating Receivable (Cross Currency Swap)
Trading	5	8,029.4	LIBOR	Floating Vs Floating (Cross Currency Swap)
Trading	13	3,473.1	NA	Fixed Payable (Principal Only Swap)
Trading	8	6,281.1	NA	Fixed Receivable (Principal Only Swap)
Trading	11	6,611.0	NA	Fixed Vs Fixed (Cross Currency Swap)
Trading	3	5,196.2	NA	Fixed Vs Fixed (Coupon Only Swap)
Trading	4	9,561.0	LIBOR / MIFOR	Floating Vs Floating (Cross Currency Swap)

3.2 *Exchange Traded Interest Rate Derivatives*

The details of Exchange Traded Interest Rate Derivatives undertaken during the year ended March 31, 2015 are as below:

(Rs. in million)

Sr. No.	***Particulars***	***Amount***
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	11,053.0
	a) NSE883GS Apr 14	21,170.3
	b) NSE883GS May 14	1,390.6
	c) NSE883GS Jun 14	8,528.3
	d) NSE883GS Jul 14	14,963.0
	e) NSE840GS Aug 14	4,769.7
	f) NSE840GS Sep 14	206.3
	g) NSE840GS Oct 14	5,145.0
	h) NSE840GS Dec 14	6,445.8
	i) NSE840GS Jan 15	7,329.8
	j) NSE840GS Feb 15	
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on March 31, 2015 (instrument-wise)	NIL
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	NIL
(iv)	Marked-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	NIL

The details of Exchange Traded Interest Rate Derivatives undertaken during the year ended March 31, 2014 are as below:

(Rs. in million***)***

Sr. No.	***Particulars***	***Amount***
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	
	a) NSE883GS23 Feb 14	16,590.80
	b) MCX883GS23 Feb 14	10.10
	c) NSE883GS23 Mar 14	19,961.60
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on March 31, 2014 (instrument-wise)	NIL
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	NIL
(iv)	Marked-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	NIL

3.3 *Disclosures on Risk Exposure in Derivatives*

Derivatives Policy approved by Board of Directors defines the framework for carrying out derivatives business and lays down policies and processes to measure, monitor and report risk arising from derivative transactions. The policy provides for (a) appropriate risk limits for different derivative products and (b) authority levels for review of limit breaches and to take appropriate actions in such events. As part of the Derivatives Policy, the Bank has a Product Suitability and Customer Appropriateness Policy, which is used to classify customers on the basis of their need for various derivative products as well as their competence in understanding such products and the attendant risks involved.

Risk Management Department of the Bank is responsible for measuring, reporting and monitoring risk arising from derivatives transactions. It functions independent of Treasury business and undertakes the following activities:

- Monitors derivatives operations against prescribed policies and limits on a daily basis;
- Daily review of product-wise profitability and activity reports for derivatives operations;
- Daily submission of MIS and details of exceptions to the Top Management; and
- Monitoring effectiveness of derivative deals identified as hedges against the terms of the hedging instruments and underlying hedged risk.
- Collaterals are generally kept as cash or cash equivalent for securing derivative transactions.

The Risk Management function applies a host of quantitative tools and methods such as Value at Risk, PV01, stop-loss limits, counterparty limits, deal size limits and overnight position limits.

The Bank undertakes derivative transactions for hedging customers' exposure, hedging the Bank's own exposure, as well as for trading purposes, wherever permitted by RBI. The customers use these derivative products to hedge their forex and interest rate exposures.

The following table presents quantitative disclosures relating to Derivatives:

(Rs. in million)

Sr. No	Particulars	March 31, 2015 Currency derivatives	March 31, 2015 Interest rate derivatives	March 31, 2014 Currency derivatives	March 31, 2014 Interest rate derivatives
1	Derivatives (Notional Principal Amount) (note 1)	**12,42,245.5**	**5,11,804.3**	9,91,604.0	2,47,224.4
	a) For hedging	**-**	**-**	-	-
	b) For trading	**12,42,245.5**	**5,11,804.3**	9,91,604.0	2,47,224.4
2	Marked to Market Positions (note 2)				
	a) Asset (+)	**25,061.6**	**3,831.0**	26,230.6	2,881.6
	b) Liability (-)	**(25,035.7)**	**(3,136.8)**	(25,049.5)	(3,112.0)
3	Credit Exposure (note 3)	**82,158.9**	**9,169.5**	45,359.0	5,457.0
4	Likely impact of one percentage change in interest rate (100*PV01) (Note 4)				
	a) on hedging derivatives	**-**	**-**	-	-
	b) on trading derivatives	**86.1**	**80.7**	91.7	148.5
5	Maximum and Minimum of 100*PV01 observed during the year (Note 5)				
	a) on hedging	**Nil**	**Nil**	Nil	Nil
	b) on trading				
	Maximum	**289.4**	**352.4**	306.3	319.0
	Minimum	**0.1**	**4.2**	5.6	1.1

Note 1: There were no outstanding currency and interest rate futures as on March 31, 2015.
Note 2: Marked to Market positions includes interest accrued on the swaps.
Note 3: Credit exposure is computed based on the current exposure method.
Note 4: Based on the PV01 of the outstanding derivatives.
Note 5: Based on the absolute value of PV01 of the derivatives outstanding as at the year end.

4 Asset Quality

4.1 Non-Performing Assets

(Rs. in million)

Items	March 31, 2015	March 31, 2014
(i) Net NPAs to Net Advances (%)	**0.31%**	0.33%
(ii) Movement of Gross NPAs	**6,**207.9	4,577.8
a) Opening balance	8,872.9	6,242.4
b) Additions during the year	15,080.8	10,820.2
Sub-total (A)		
c) Reductions during the year	668.5	801.4
(viii) Upgradations	2,758.6	2,002.7
(ix) Recoveries (excluding recoveries made from	-	-
upgraded accounts)	6,024.5	1,808.2
	9,451.6	4,612.3
(x) Technical/Prudential write-offs		
	5,629.2	6,207.9
(xi) Write-offs other than those under (iii) above		
Sub-total (B)		
	1,840.5	1,367.6
d) Closing balance (A-B)		
	2,027.4	2,673.9
(iii) Movement of Net NPAs		
	1,763.1	2,201.0
a) Opening balance		
	2,104.8	1,840.5
b) Additions during the year		
c) Reductions during the year		
d) Closing balance		
	4,367.4	3,210.2
(iv) Movement of provisions for NPAs		
	6,845.5	3,568.5
(excluding provisions on standard assets)		
	7,688.5	2,411.3
a) Opening balance		
	3,524.4	4,367.4
b) Provisions made during the year		
c) Write-off/write-back of excess provisions		
d) Closing balance		

Notes:

4) Recoveries include sale to SC / RC.
5) In terms of RBI circular number DBOD.BP.BC.No.98/21.04.132/2013-14 dated February 26, 2014, in respect of assets sold to SC/RCs, during the last quarter of the year ended March 31, 2015, the loss on sale arrived at by deducting sale consideration and provisions held as on the date of sale from the outstanding amount, is being amortized over a period of two years. Accordingly, the Bank has charged to the Profit and Loss account an amount of Rs.320.9 million during the year ended March 31, 2015.
6) Provisions include floating provisions, to the extent available.
7)

4.2 Provision coverage ratio

Provision coverage ratio as at March 31, 2015 is 62.61% (previous year 70.35%).

4.3 ***Details of technical write-offs and recoveries made thereon***

Items	**March 31, 2015**	**March 31, 2014**
Opening balance of Technical / Prudential written off accounts	Nil	Nil
Add: Technical / Prudential write-offs during the year	Nil	Nil
Sub-total	Nil	Nil
Less : Recoveries made from previously technical / prudential written-off accounts during the year	Nil	Nil
Closing balance of Technical / Prudential written-off accounts	Nil	Nil

4.4 ***Sector-wise advances***

(Rs. in million)

Sr. No.	**Sector**	**2014-15 Outstanding Total Advances**	**2014-15 Gross NPAs**	**2014-15 % of Gross NPAs to Total Advances**	**2013-14 Outstanding Total Advances**	**2013-14 Gross NPAs**	**2013-14 % of Gross NPAs to Total Advances**
A	**Priority Sector**						
1	Agriculture and allied activities	79,847.3	551.2	0.69%	52,165.6	583.4	1.12%
2	Advances to industries sector eligible as priority sector lending	10,824.0	5.5	0.05%	5,623.2	60.8	1.08%
	Of which:						
a)	*Gems and Jewellery*	*3,274.3*	-	-	*69.5*	-	-
b)	*Construction (Other than Infrastructure)*	*19.5*	-	-	*12.2*	-	-
c)	*Power*	*5.6*	-	-	-	-	-
3	Services	138,995.5	1,677.7	1.21%	124,288.2	1,502.9	1.21%
4	Personal loans	506.2	47.6	9.40%	627.4	21.1	3.36%
	Sub-total (A)	230,173.0	2,282.0	0.99%	182,704.4	2,168.2	1.19%
B	**Non Priority Sector**						
1	Agriculture and allied activities	-	-	-	-	-	-
2	Industry	133,010.7	1,037.0	0.78%	117,495.4	1,707.0	1.45%
	Of which:						
a)	*Gems and Jewellery*	*13,326.2*	*348.0*	*2.61%*	*10,882.4*	*348.0*	*3.20%*
b)	*Construction (Other than Infrastructure)*	*15,326.0*	*115.5*	*0.75%*	*17,492.4*	*463.5*	*2.65%*
c)	*Power*	*24,389.7*	-	-	*10,491.2*	-	-
3	Services	300,177.6	1,210.7	0.40%	235,099.5	1,198.7	0.51%
4	Personal loans	28,045.1	1,099.5	3.92%	20,086.5	1,134.0	5.65%
	Sub-total (B)	461,233.4	3,347.2	0.73%	372,681.4	4,039.7	1.08%
	Total (A+B)	**691,406.4**	**5,629.2**	**0.81%**	**555,385.8**	**6,207.9**	**1.12%**

4. Asset Quality *(Continued)*

(Rs in million)

SN	Type of Restructuring→		Under CDR Mechanism $					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification→ Details↓		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts as on 01/04/2014	No. of borrowers	12	1	-	-	**13**	-	-	-	-	-	-	-	-	-	-	12	1	-	-	**13**
		Amount outstanding	2,296.6	12.80	-	-	**2,309.4**	-	-	-	-	-	-	-	-	-	-	2,296.6	12.8	-	-	**230.94**
		Provision thereon	452.6	12.80	-	-	**465.4**	-	-	-	-	-	-	-	-	-	-	452.6	12.8	-	-	**46.54**
2	Fresh restructuring during the year	No. of borrowers	7	-	-	-	**7**	3	-	-	-	3	-	1	1	-	**2**	10	1	1	-	**12**
		Amount outstanding	4,213.9	-	-	-	**4,213.9**	333.3	-	-	-	333.3	-	7.1	2.4	-	**9.5**	4,547.2	7.1	2.4	-	**455.67**
		Provision thereon	688.5	-	-	-	**688.5**	25.9	-	-	-	25.9	-	1.4	1.0	-	**2.4**	714.4	1.4	1.0	-	**71.68**
3	Upgradation to restructured standard category during the FY	No. of borrowers	-	-	-	-	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-3				**-3**	-				-	-				-	-3				-3
		Amount outstanding	(525.6)				**(525.6)**	-				-	-				-	(525.6)				(525.6)
		Provision thereon	(75.7)				**(75.7)**	-				-	-				-	(75.7)				(75.7)

4.5 Details of Loan Assets subjected to Restructuring as on March 31, 2015

4. Asset Quality *(Continued)*

4.5 Details of Loan Assets subjected to Restructuring as on March 31, 2015 (Continued)

(Rs in million)

SN	Type of Restructuring→		Under CDR Mechanism $					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification→		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
5	Downgradations of restructured accounts during the FY	No. of borrowers	-3	2	1	-	-	-1	1	-	-	-	-	-	-	-	-	-4	3	1	-	-
		Amount outstanding	(1,449.4)	1436.6	12.8	-	-	(10.0)	10.0	-	-	-	-	-	-	-	-	(1,459.4)	1,446.6	12.8	-	-
		Provision thereon	(297.7)	284.9	12.8	-	-	(1.0)	1.0	-	-	-	-	-	-	-	-	(298.7)	285.9	12.8	-	-
6	Write-offs of restructured accounts during the FY 2014-15	No. of borrowers	-	3	1	-	**4**	-	1	-	-	1	-	1	-	-	1	-	5	1	-	**6**
		Amount outstanding	481.3	1,449.4	12.8	-	**1,943.5**	-	10.0	-	-	10.00	-	7.1	-	-	7.1	481.3	1466.5	12.8	-	**1,960.6**
		Provision thereon	84.3	297.7	12.8	-	**394.8**	-	1.0	-	-	1.00	-	1.4	-	-	1.4	84.3	300.1	12.8	-	**397.2**
7	Restructured Accounts as on 31/03/2015 (closing figure)	No. of borrowers	**13**	**-**	**-**	**-**	**13**	**2**	-	-	-	**2**	-	-	**1**	-	**1**	**15**	**-**	**1**	**-**	**16**
		Amount outstanding	**4,054.2**	**-**	**-**	**-**	**4,054.2**	**323.3**	-	-	-	**323.30**	-	-	**2.4**	-	**2.4**	**4377.5**	**-**	**2.4**	**-**	**4379.9**
		Provision thereon	**683.4**	**-**	**-**	**-**	**683.4**	**24.9**	-	-	-	**24.90**	-	-	**1.0**	-	**1.0**	**708.3**	**-**	**1.0**	**-**	**709.3**

1. Provision also includes FITL/NPA provision, wherever applicable, in addition to provision for diminution in fair value.
2. Sr. No. 2 includes Rs. 104.1 million of additions to existing restructured accounts (number of accounts 5, provision thereon Rs. 55.4 million).
3. Sr. No. 6 includes Rs. 481.3 million (number of accounts 4, provision thereon Rs. 84.3 million) of reduction from existing restructured accounts by way of sale / recovery / exit from CDR / OTS by the Bank.

$ Excluding Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) of Rs.147.9 million.

SchAsset Quality *(Continued)*

4.5 Details of Loan Assets subjected to Restructuring as on March 31, 2014

(Rs in million)

SN	Type of Restructuring→		Under CDR Mechanism $					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification→ Details↓		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts as on 01/04/2013	No. of borrowers	**9**	**1**	**1**	**-**	**11**	**1**	**-**	**1**	**-**	**2**	**-**	**-**	**2**	**-**	**2**	**10**	**1**	**4**	**-**	**15**
		Amount outstanding	**1360.4**	**12.8**	**132.4**	**-**	**1505.6**	**42.5**	**-**	**49.2**	**-**	**91.7**	**-**	**-**	**0.4**	**-**	**0.4**	**1402.9**	**12.8**	**182.**	**-**	**1597.7**
		Provision thereon	**261.2**	**12.8**	**109.4**	**-**	**383.4**	**-**	**-**	**49.2**	**-**	**49.2**	**-**	**-**	**0.4**	**-**	**0.4**	**261.2**	**12.8**	**159.**	**-**	**433.0**
2	Fresh restructuring during the year	No. of borrowers	5	-	-	-	**5**	-	-	-	-	-	-	-	-	-	-	5	-	-	-	**5**
		Amount outstanding	1196.3	-	-	-	**1196.3**	-	-	-	-	-	-	-	-	-	-	1196.3	-	-	-	**1196.3**
		Provision thereon	245.3	-	23.0	-	**268.3**	-	-	-	-	-	-	-	-	-	-	245.3	-	23.0	-	**268.3**
3	Upgradation to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-				-	(1)				**(1)**	-				-	(1)				**-1**
		Amount outstanding	-				-	(24.7)				**(24.7)**	-				-	(24.7)				**-24.7**
		Provision thereon	-				-	-				-	-				-	-				-
5	Downgradations of restructured accounts during the FY	No. of borrowers	(1)	1	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)	1	-	-	-
		Amount outstanding	(85.7)	85.7	-	-	-	-	-	-	-	-	-	-	-	-	-	(85.7)	85.7	-	-	-
		Provision thereon	(10.3)	10.3	-	-	-	-	-	-	-	-	-	-	-	-	-	(10.3)	10.3	-	-	-
6	Write-offs of restructured accounts during the FY 2013-14	No. of borrowers	1	1	1	-	**3**	-	-	1	-	**1**	-	-	2	-	2	1	1	4	-	**6**
		Amount outstanding	174.4	85.7	132.4	-	**392.5**	17.8	-	49.2	-	**67.0**	-	-	0.4	-	0.4	192.2	85.7	182.0	-	**459.9**
		Provision thereon	43.6	10.3	132.4	-	**186.3**	-	-	49.2	-	49.2	-	-	0.4	-	0.4	43.6	10.3	182.0	-	**235.9**
7	Restructured Accounts as on 31/03/2014 (closing figure)	No. of borrowers	**12**	**1**	**-**	**-**	**13**	-	-	-	-	-	-	-	-	-	-	**12**	**1**	**-**	**-**	**13**
		Amount outstanding	**2,296.6**	**12.8**	**-**	**-**	**2,309.4**	-	-	-	-	-	-	-	-	-	-	**2,296.6**	**12.8**	**-**	**-**	**2,309.4**
		Provision thereon	**452.6**	**12.8**	**-**	**-**	**465.4**	-	-	-	-	-	-	-	-	-	-	**452.6**	**12.8**	**-**	**-**	**465.4**

1. Provision also includes FITL/NPA provision, wherever applicable, in addition to provision for diminution in fair value

2. Sr. No. 2 includes Rs. 103.9 million of additions to existing restructured accounts (number of accounts 3, provision thereon Rs. 28.2 million).

3. Sr. No.6 includes Rs. 459.9 million (number of accounts 11, provision thereon Rs. 235.9 million) of reduction from existing restructured accounts by way of sale/recovery/exit from CDR/OTS by the Bank.

$ Excluding Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) of Rs.162.7 million and Convertible Cumulative Preference Shares (CCPS) of Rs. 53.8 million.

4.6 ***a) Details of financial assets sold to Securitisation Company (SC) / Reconstruction Company (RC) for asset reconstruction:***

(Rs. in million)

Items		2014-2015	2013-2014
1)	No. of accounts	10,680.0	10,070.0
2)	Aggregate value (net of provisions) of accounts sold to SC/ RC	4,555.3	1,134.1
		1,940.0	840.0
3)	Aggregate consideration	7.2	162.3
4)	Additional consideration realized in respect of accounts transferred in earlier years	(2,608.1)	(131.8)
5)	Aggregate gain/ (loss) over net book value *		

Also refer 4.1 - note 2 of Schedule 18

b) Details of book value of investment in security receipts:

(Rs. In million)

Particulars	Backed by NPAs sold by the Bank as underlying		Backed by NPAs sold by the other Banks/Financial Institutions/Non-Banking Financial Companies as underlying		Total	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Book value of investmer security receipts	1,602.9	1,380.0	-	-	1,602.9	1,380.0

4.7 During the year, there has been no purchase / sale of non-performing financial assets from/ to other banks (previous year Nil).

4.8 During the year, there was no sale of assets through securitization except sale of assets to SC/RC (previous year Nil).

4.9 ***Provision on Standard Assets***

In accordance with RBI guidelines, general provision on standard assets is made at the following rates:

(a) At 1% on standard advances to Commercial Real Estate Sector;

(b) At 0.25% on standard direct advances to SME and Agriculture; and

(c) At 0.40% of the balance outstanding in other standard assets.

Standard assets provision as at March 31, 2015 also includes additional provision made on restructured standard assets in compliance with RBI guidelines.

The provision on standard assets is included in 'Other Liabilities and Provisions – Others' in Schedule 5, and is not netted off from Advances. The amount of provision held on standard assets is as below:

(Rs. in million)

Items	March 31, 2015	March 31, 2014
Cumulative Provision held for Standard Assets {Including Rs.320.0 million towards UFCE of clients (Previous year NA)}	3430.9	2,390.9

4.10 Unhedged Foreign Currency Exposure (UFCE) of Clients

Foreign exchange risk is the risk of loss arising out of adverse movements in foreign exchange rates affecting both on-balance sheet and off-balance sheet exposures. The forex positions that are not effectively hedged either by way of natural hedge or through derivatives/forward contracts expose a client to the risk of loss due to volatility in the forex rates. The Bank assesses the risk arising out of such UFCE of the clients at the time of credit appraisal and monitors the same at regular intervals. The provision for standard assets as of March 31, 2015 included an amount of Rs.320.0 million (Previous Year NA) towards UFCE. Further, capital held under Basel III Capital Regulations, as of March 31, 2015 includes an amount of Rs. 1,015.0 million (Previous Year NA) on account of UFCE, computed at the applicable risk weights.

4.11 Floating provision

(Rs. in million)

Items	**March 31, 2015**	**March 31, 2014**
Opening Balance as at beginning of the year	500.0	-
Provisions made during the year	-	500.0
Draw-down made during the year	500.0	-
Closing Balance as at end of the year	-	500.0

In accordance with RBI guidelines, the Bank has utilized floating provision towards making specific provisions for NPAs and for absorbing loss on sale of NPAs to RC.

4. Business ratios

Ratio		**March 31, 2015**	**March 31, 2014**
i)	Interest income as a percentage to working funds	10.27%	10.59%
ii)	Non-interest income as a percentage to working funds	2.55%	2.43%
iii)	Operating profit as a percentage to working funds	3.28%	3.33%
iv)	Return on assets	1.90%	1.81%
v)	Business (deposits plus gross advances) per employee (Rs. in million)	71.9	71.7
vi)	Profit per employee (Rs. in million)	0.9	0.9

Notes:

(1) Working funds are reckoned as the average of total assets as per the monthly returns in Form X filed with RBI during the year.

(2) Returns on Assets are computed with reference to average working funds.

(3) Business per employee (deposits plus gross advances) is computed after excluding Inter-bank deposits.

6.1 Maturity Pattern of certain items of Assets and Liabilities:

a) As at March 31, 2015:

(Rs. in million)

	Day 1	2 to 7 Days	8 to 14 Days	15 to 28 Days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	4,088.1	32,403.9	22,536.0	22,151.4	150,278.7	66,357.8	92,135.6	90,046.0	35,736.9	225,609.2	**741,343.6**
Loans & Advances	8,175.9	29,226.1	27,515.0	8,436.1	37,487.6	40,230.5	61,340.1	352,843.1	68,903.2	53,724.4	**687,882.0**
Investments*	-	-	2,050.0	-	36,007.0	13,972.4	33,488.6	30,638.5	44,532.3	154,914.9	**315,603.7**
Borrowings	0.2	36,438.5	9,375.0	-	8,937.5	15,916.9	53,824.4	72,036.6	1,562.5	8,089.0	**206,180.6**
Foreign currency assets	2,504.1	11,167.9	3,945.1	1,742.6	4,688.2	4,817.7	2,928.5	64,648.2	2,507.3	1,560.7	**100,510.3**
Foreign currency liabilities	678.9	6,326.2	9,633.1	148.8	9,182.1	6,261.1	28,449.2	25,326.0	15,706.9	2,629.7	**104,342.0**

** Investment is inclusive of Repo under LAF of Rs. 67,010.00* million.

b) As at March 31, 2014:

(Rs. in million)

	Day 1	2 to 7 Days	8 to 14 Days	15 to 28 Days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	3110.7	26,772.3	22,852.3	38,009.9	120,366.6	91,540.8	65,769.1	81,098.3	41,156.7	114,346.2	**605,022.9**
Loans & Advances	7179.2	11,601.0	13,408.1	6029.9	33,195.5	33,500.4	189,301.1	143,937.2	55,133.3	57,732.7	**551,018.4**
Investments *	-	-	16.7	2496.5	31,577.2	3631.9	14,882.7	24,096.2	25,767.6	1,46,070.7	**248,539.5**
Borrowings	-	31,737.1	-	6291.1	20,824.1	17,176.3	15,796.4	52,705.6	-	3089.0	**147,619.6**
Foreign currency assets	5786.4	2290.8	4951	2158.9	14,702.3	498	10,624.7	336.7	685.9	1361.0	**43,395.7**
Foreign currency liabilities	19,927.8	3282.1	12,122.4	14,474.7	11,189.8	593	1499.3	5867	7274.7	3229.9	**79,460.7**

** Investment is inclusive of Repo under LAF of Rs. 32,910.00* million.

6.2 Liquidity Coverage Ratio (LCR)

The Bank adheres to RBI guidelines relating to the Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and the LCR Disclosure Standards pursuant to the Basel III Framework on Liquidity Standards that are applicable to banks in India with effect from January 1, 2015.

LCR, as laid down in the guidelines, measures the bank's ability to manage and survive for 30 days under a significant stress scenario that combines an idiosyncratic as well as a market-wide shock that would result in accelerated withdrawal of deposits from retail as well wholesale depositors, partial loss of secured funding, increase in collateral requirements, unscheduled draw down of unused credit lines, etc.

The Bank depends on balanced funding from retail as well as wholesale depositors. The Bank computes LCR in all significant currencies using the factors mentioned in RBI guidelines. High Quality Liquid Assets (HQLA) of the Bank consist of cash, unencumbered excess SLR, a portion of statutory SLR as allowed under the guidelines, cash balance with RBI in excess of statutory cash reserve requirements, and high rated corporate bonds issued by entities other than financial institutions. Major components of the Bank's Balance Sheet are in domestic currency, and it uses foreign currency sources to predominantly fund foreign currency advances.

Collaterals are generally kept as cash or cash equivalent for securing derivative transactions. The largest absolute net 30-day collateral flows realized during the preceding 24 months has been considered as potential outflow on account of change in valuation of derivative trades.

The Asset Liability Management Committee (ALCO) of the Bank is the governing body to decide on composition of funding sources and accordingly guide different business units. The Balance Sheet Management Group (BSMG), under the guidance of the ALCO, is responsible for operationalizing liquidity management within the Bank.

Quantitative disclosure:

Following is the quantitative disclosures relating to LCR:

(Rs. In million)

		2014-15	
		Total Unweighted Value (average)	**Total Weighted Value (average)**
	High Quality Liquid Assets		
1	Total High Quality Liquid Assets (HQLA)		**75,597.1**
	Cash Outflows		
2	Retail deposits and deposits from small business customers, of which:		
(i)	Stable deposits	80,385.7	4019.3
(ii)	Less stable deposits	138,761.0	138,761.0
3	Unsecured wholesale funding, of which:		

		2014-15	
		Total Unweighted Value (average)	Total Weighted Value (average)
(i)	Operational deposits (all counterparties)	69,256.4	17,144.2
(ii)	Non-operational deposits (all counterparties)	118,831.3	92,637.8
(iii)	Unsecured debt		
4	Secured wholesale funding		-
5	Additional requirements, of which		
(i)	*Outflows related to derivative exposures and other collateral requirements*	77,805.3	77,805.3
(ii)	*Outflows related to loss of funding on debt products*		
(iii)	*Credit and liquidity facilities*		
6	Other contractual funding obligations	30,606.2	30,606.2
7	Other contingent funding obligations	38,442.5	1,922.1
8	**Total Cash Outflows**		**238,011.0**
	Cash Inflows		
9	Secured lending (e.g. reverse repos)		
10	Inflows from fully performing exposures	147,765.4	115,575.5
11	Other cash inflows		
12	**Total Cash Inflows**		115,575.5
			Total Adjusted Value
13	**Total HQLA**		**75,597.1**
14	**Total Net Cash Outflows**		**122,435.5**
15	**Liquidity Coverage Ratio (%)**		**61.74%**

Note: Since the above disclosure is applicable from current year, no comparative numbers have been provided.

6. Exposures

7.1 Exposure to Real Estate Sector

(Rs. in million)

Particulars	March 31, 2015	March 31, 2014
(a) Direct exposure		
(i) Residential Mortgages	**38,447.1**	25,449.8
-of which housing loans eligible for inclusion in priority sector advance Rs. 511.1 million (previous year Rs. 581.9		

million)]		
(ii) Commercial Real Estate [1]	**77,588.7**	47,950.5
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures:		
Residential	**-**	-
Commercial Real Estate	**-**	-
(b) Indirect exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	**17,049.5**	7,555.5
Total Real Estate Exposure	**133,085.3**	80,955.8

(1) Does not include corporate lending backed by mortgage of land and building.

7.2 Exposure to Capital Market:

(Rs. in million)

Particulars	**March 31, 2015**	**March 31, 2014**
(i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt	**167.7**	61.1
(ii) Advances against shares/bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds	**NIL**	NIL
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	**54.5**	46.3
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds/convertible debentures/ units of equity oriented mutual funds does not fully cover the advances	**5,288.7**	3,487.0
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	**21,242.8**	13,608.9
vi) Loans sanctioned to corporates against the security of shares / bonds/ debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	**NIL**	NIL
(vii) Bridge loans to companies against expected equity flows/issues	**NIL**	NIL
viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	**NIL**	NIL
(ix) Financing to stockbrokers for margin trading	**NIL**	NIL

Particulars	March 31, 2015	March 31, 2014
(x) All exposures to Venture Capital Funds (both registered and unregistered)	**NIL**	NIL
Total Exposure to Capital Market	**26,753.7**	17,203.3

7.3 Risk Category-wise exposure to country risk

(Rs. in million)

Risk category	**Exposure (net) as at March 31, 2015**	**Provision held as at March 31, 2015**	**Exposure (net) as at March 31, 2014**	**Provision held as at March 31, 2014**
Insignificant	3269.8	-	3560.7	-
Low	13,446.3	-	7974.7	-
Moderate	550.6	-	817.7	-
High	5110.9	-	5140.4	-
Very High	56.7	-	72.9	-
Restricted	32.4	-	16	-
Off Credit	-	-	-	-
Total	22,466.7	-	17,582.4	-

7.4 Single borrower limit and Group Borrower Limit

During the year, the Bank has not exceeded the prudential credit exposure limit in respect of Single Borrower and Group Borrowers (previous year Nil).

7.5 Unsecured advances

The Bank has not extended any project advances where the collateral is an intangible asset such as a charge over rights, licenses, authorizations etc. (Previous year Nil). The Unsecured Advances of Rs. 88,181.00 million (previous year Rs. 58,563.40 million) as disclosed in Schedule 9B (iii) are without any collateral or security.

8. Concentration of Deposits, Advances, Exposures and NPAs

8.1 Concentration of Deposits

(Rs. in million)

	As on March 31, 2015	**As on March 31, 2014**
Total Deposits of twenty largest depositors	**193,298.8**	142,472.8
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	**26.07%**	23.55%

8.2 Concentration of Advances

(Rs. in** million**)

	As on March 31, 2015	**As on March 31, 2014**
Total Advances to twenty largest borrowers	**225,664.6**	163,355.8
Percentage of Advances of twenty largest borrowers to Total Advances of the Bank	**17.50%**	16.34%

Advances are computed as per the definition of Credit Exposure including derivatives as prescribed in Master Circular on Exposure Norms DBOD.No.Dir.BC.12/13.03.00/2014-15 dated July 1, 2014.

8.3 Concentration of Exposures

(Rs. in million)

	As on March 31, 2015	**As on March 31, 2014**
Total Exposure to twenty largest borrowers / customers	**228,478.5**	163,355.8
Percentage of Exposure of twenty largest borrowers / customers to Total Exposure of the Bank on borrowers / customers	**17.14%**	15.38%

Exposures are computed as per the definition in Master Circular on Exposure Norms DBOD.No.Dir.BC.12/13.03.00/2014-15 dated July 1, 2014 and includes credit and investment exposure.

8.4 Concentration of NPAs

(Rs. in million)

	As on March 31, 2015	**As on March 31, 2014**
Total Exposure to top four NPA accounts	**1004.9**	1272.7

8.5 Intra-Group Exposure

(Rs. in million)

	As on March 31, 2015	**As on March 31, 2014**
Total amount of intra-group exposure	**-**	-
Total amount of top-20 intra-group exposure	**-**	-
Percentage of Intra Group Exposure to Total Exposure of the Bank on borrower/ Customer	**-**	-
Details of Breach of Limit on Intra Group exposure and Regulatory action thereon if any	**-**	-

Miscellaneous:

9.1 Amount of Provisions for taxation during the year

(Rs. in million)

Particulars	**2014-15**	**2013-14**
Provision for Income Tax	**8369.5**	7417.4
Deferred tax credit	**780.5**	(219.3)
Provision for Wealth tax	**4.5**	5.0
Total	**9154.5**	7203.1

9.2 Disclosure of penalties imposed by RBI

During the year, RBI imposed penalty of Rs. 1.00 million on the Bank under section 47A(1) read with section 46(4) of the Banking Regulation Act, 1949 in respect of deficiencies in adherence to certain RBI guidelines on advances relating to one borrower account (Previous Year Nil).

9.3 Fixed Assets

9.3.1 Cost of premises includes Rs. 40.9 million (previous year Rs. 40.9 million) in respect of properties for which execution of documents and registration formalities are in progress. Of these properties, the Bank has not obtained full possession of one property having written down value of Rs. 16.3 million (previous year Rs. 16.7 million) and has filed a suit for the same.

9.3.2 Computer software

The movement in fixed assets capitalized as computer software is given below:

(Rs. in million)

Particulars	**31 March 2015**	**31 March 2014**
At cost at the beginning of the year	1,781.1	1,493.6
Addition during the year	312.5	287.5
Deduction during the year	-	-
Accumulated Depreciation as at 31 March	1,279.6	1,034.4
Closing Balance as at 31 March	814.0	746.7
Depreciation charge for the year	245.2	196.2

9.4 Contingent Liabilities

The Bank's pending litigations comprise of claims against the Bank by the clients and proceedings pending with Income Tax authorities. The Bank has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements. Claims against the Bank not acknowledged as debts comprise of tax demands of Rs. 1271.2 million (previous year Rs. 1,183.8 million) in respect of which the Bank is in appeal and the legal cases *sub judice* of Rs. 4,206.2 million (previous year Rs. 4,174.5 million). The Bank carries a provision of Rs. 39.7 million against cases *sub judice*. The amount of contingent liabilities is based on management's estimate, and no significant liability is expected to arise out of the same.

9.5 The Bank has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Bank has reviewed and ensured that adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts (including derivative contracts) has been made in the books of account.

9.6.1 Bancassurance business

Commission, Exchange and Brokerage in Schedule 14 include the following fees earned on Bancassurance business**:**

(Rs. in million)

Nature of Income	**March 2015**	**March 2014**
For selling life insurance policies	472.0	417.5
For selling non-life insurance policies	397.3	310.0
For selling mutual fund products	787.7	392.8
Others	-	-
Total	1,657.0	1,120.3

9.6.2 The Bank does not have any overseas branches and hence the disclosure regarding overseas assets, NPAs and revenue is not applicable (Previous year: Nil).

9.6.3 The Bank does not have any Off-Balance Sheet SPVs (which are required to be consolidated as per accounting standards) (Previous year: Nil).

9.7 Disclosure relating to Depositor Education and Awareness Fund (DEAF):

(Rs. In million)

Particulars	**2014-15**	**2013-14**
Opening balance of amounts transferred to DEAF	Nil	Nil
Add: Amounts transferred during the year	127.2	Nil
Less: Amounts reimbursed by DEAF towards claims	1.9	Nil
Closing balance of amounts transferred to DEAF	125.3	Nil

9.8 There is no delay in transferring amounts to Investor Education and Protection Fund by the Bank (Previous year: Nil).

9.9 Corporate Social Responsibility (CSR)

During the year under review, the Bank constituted a CSR Committee of Board of Directors to comply with provisions of sub section (2) to (5) of section 135 of the Companies Act, 2013. The Bank has spent an amount of Rs. 175.4 million towards CSR initiatives through various projects in the areas of Rural Development and Inclusiveness, Environment Sustainability, Preventive Healthcare and certain areas of special interest such as Environmental, Education, etc. Of the total CSR spends, an amount of Rs. 145.8 million was incurred towards capital expenditure.

9.10 Drawdown from Reserves

The Bank has not undertaken any drawdown from reserves during the year (Previous Year Nil).

9.11 Credit default swaps

The Bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year (Previous Year Nil).

9.12 Shares Forfeited

During the year, the Bank cancelled the shares forfeited till date. Consequently, the moneys collected on such forfeited shares amounting to Rs.8.6 million, consisting of Rs.1.9 million lying in the Share Forfeiture Account and Rs.6.7 million lying in the Share Premium Account, were transferred to the Capital Reserve Account.

9.13 Movement in depreciation of Fixed Assets

(Rs. In million)

Depreciation	**2014-15**	**2013-14**
Premises		
At the beginning of the year	504.9	444.6
Transferred from Revaluation Reserve	62.6	39.5
Charge for the year	22.4	20.8
Deduction during the year	-	-
Depreciation to date	589.9	504.9
Other Fixed Assets		
At the beginning of the year	5,634.4	4,899.4
Charge for the year	1,249.7	960.7
Deduction during the year	386.2	225.7
Depreciation to date	6,497.9	5,634.4

10. Employee Stock Option Scheme ("ESOS"):

The shareholders of the Bank approved Employee Stock Option Scheme (ESOS) on September 18, 2007. ESOS enables the Board and / or the HR and Remuneration Committee to grant such number of stock options of the Bank not exceeding 7% of the aggregate number of issued and paid up equity shares of the Bank, in line with the guidelines of the Securities & Exchange Board of India (SEBI). The options vest within a maximum period of five years from the date of grant of option. The exercise price for each grant is decided by the Compensation Committee, which is normally based on the latest available closing price. Upon vesting, the options have to be exercised within a maximum period of five years. The stock options are equity settled where the employees will receive one equity share per stock option.

Pursuant to the ESOS 2007 scheme, the HR and Remuneration Committee of the Bank has granted 3,45,67,700 options as set out below:

Sr. No	**Date of grant**	**No of options**	**Range of exercise price (Rs.)**
1.	18-Jul-08	1,21,65,000	48.00 - 50.60
2.	17-Dec-08	34,56,000	38.95
3.	05-May-09	8,15,500	44.00
4.	31-Aug-09	3,18,500	100.05
5.	28-Jan-10	7,47,000	48.00 - 140.15
6.	28-Jun-10	13,57,450	196.50
7.	14-Sep-10	73,500	236.20
8.	26-Oct-10	1,43,500	274.80
9.	17-Jan-11	25,00,000	228.70
10.	07-Feb-11	20,49,000	95.45 - 220.45
11.	24-Jun-11	21,54,750	253.60
12.	16-Aug-11	89,500	254.90
13.	30-Sep-11	2,61,000	262.25
14.	21-Dec-11	9,20,000	231.95
15.	29-Feb-12	1,95,000	304.05
16.	19-Apr-12	1,40,500	345.60
17.	25-May-12	1,34,500	304.55
18.	10-Jul-12	2,67,000	343.25
19.	29-Aug-12	1,14,000	319.05
20.	10-Oct-12	23,500	365.75

Sr. No	Date of grant	No of options	Range of exercise price (Rs.)
21.	09-Jan-13	30,000	433.75
22.	18-Apr-13	12,500	419.60
23.	20-Jun-13	1,75,000	478.45
24.	18-Jul-13	18,35,000	453.90
25.	23-Sep-13	75,000	411.50
26.	29-Oct-13	22,000	412.25
27.	29-Jan-14	7,67,500	300-389.85
28.	25-Mar-14	1,76,500	490.30
29.	15-May-14	65,500	537.05
30.	02-Jun-14	32,69,500	533.95
31	09-Jul-14	33,000	551.90
32	13-Oct-14	74,500	623.25
33	17-Jan-15	47,500	831.85
34	23-Feb-15	48,000	876.80
35	30-Mar-15	11,000	880.75

Recognition of expense

The Bank follows the intrinsic value method to recognize employee costs relating to ESOS, in accordance with the Guidance Note on "Accounting for Employee Share-based Payments" issued by the ICAI. Excess of fair market price over the exercise price of an option at the grant date, is recognized as a deferred compensation cost and amortized on a straight-line basis over the vesting period of such options. The fair market price is the latest available closing price on the stock exchange on which the shares of the Bank are listed, prior to the date of the meeting of the Compensation Committee in which stock options are granted. Since shares are listed on more than one stock exchange, the exchange where the Bank's shares have been traded highest on the said date is considered for this purpose.

Stock option activity under the scheme during the year:

	No. of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	1,63,07,417	197.11
Granted during the year	35,49,000	545.74
Forfeited / surrendered during the year	2,97,895	451.95
Exercised during the year	4,003,725	164.36
Expired during the year	-	-
Outstanding at the end of the year	1,55,54,797	280.21
Options exercisable at the end of the year	1,00,98,782	164.35

The weighted average price of options exercised during the year is Rs. 623.19.

Following table summarizes the information about stock options outstanding as at March 31, 2015:

Date of grant	Exercise Price	Number of shares arising out of options	Weighted average life of options (in years)
18-Jul-08	48.00	31,40,000	0.83
18-Jul-08	50.60	3,01,000	0.97
17-Dec-08	38.95	2,83,990	1.42
5-May-09	44.00	-	-
31-Aug-09	100.05	42,240	2.03

Date of grant	Exercise Price	Number of shares arising out of options	Weighted average life of options (in years)
28-Jan-10	140.15	-	-
28-Jan-10 A	48.00	6,00,000	0.83
28-Jun-10	196.50	1,62,896	2.44
14-Sep-10	236.20	6,000	3.46
26-Oct-10	274.80	15,100	2.70
17-Jan-11	228.70	25,00,000	2.81
7-Feb-11 A	220.45	6,16,450	2.99
7-Feb-11	95.45	2,84,000	1.86
24-Jun-11	253.60	4,85,277	3.55
16-Aug-11	254.90	17,650	4.38
30-Sep-11	262.25	24,720	4.08
21-Dec-11	231.95	4,66,600	4.30
29-Feb-12	304.05	1,34,500	4.05
19-Apr-12	345.60	1,11,095	4.20
25-May-12	304.55	75,550	4.30
10-Jul-12	343.25	2,35,615	4.30
29-Aug-12	319.05	52,050	5.06
10-Oct-12	365.75	11,950	5.04
9-Jan-13	433.75	15,000	4.79
18-Apr-13	419.60	5,000	5.06
20-Jun-13	478.45	149,000	5.24
18-Jul-13	453.90	1,340,849	5.43
23-Sep-13	411.50	70,525	5.53
29-Oct-13	412.25	22,000	5.60
29-Jan-14	389.85	60,240	5.97
29-Jan-14A	300.00	700,000	5.85
25-Mar-14	490.30	176,500	6.00
15-May-14	537.05	53,500	6.14
02-Jun-14	533.95	3,187,000	6.19
9-Jul-14	551.10	30,000	6.29
13-Oct-14	623.25	72,000	6.55
17-Jan-15	831.85	47,500	6.82
23-Feb-15	876.80	48,000	6.92
30-Mar-15	880.75	11,000	7.01

Fair value methodology:

The fair value of options granted during the year has been estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2014-15
Average dividend yield	0.99%
Expected volatility	34.73-43.71%
Risk free interest rates	7.76-8.83%
Expected life of options (in years)	3.50 - 5.50

Expected volatility is a measure of the amount by which the equity share price is expected to fluctuate during a period. The measure of volatility used in Black -Scholes option pricing model is the annualized standard deviation of the continuously compounded rates of return on the share over a period of time. Expected volatility has been computed by considering the historical data on daily volatility in the closing equity share price on the National Stock Exchange of India Limited (NSE), over a prior period equivalent to the expected life of the options, till the date of the grant.

The stock-based compensation cost calculated as per the intrinsic value method for the year is Rs. 34.8 million. Had the Bank adopted the Black - Scholes model based fair valuation, compensation cost for the year ended March 31, 2015, would have increased by Rs. 595.4 million and the proforma profit after tax would have been lower by Rs. 393.1 million. On a proforma basis, the basic and diluted earnings per share would have been Rs. 33.25 and Rs. 32.68 respectively.

The weighted average fair value of options granted during the year is Rs. 228.99.

11. Disclosures – Accounting Standards

11.1 Employee Benefits (AS-15)

Gratuity:

Gratuity is a defined benefits plan. The Bank has obtained qualifying insurance policies from two insurance companies. The following table summarises the components of net expenses recognized in the Profit and Loss account and funded status and amounts recognized in the Balance Sheet, on the basis of actuarial valuation.

(Rs. in million)

		March 31, 2015	March 31, 2014
Changes in the present value of the obligation			
1	Opening balance of Present Value of Obligation	343.6	279.8
2	Interest Cost	28.7	23.1
3	Current Service Cost	99.5	74.5
4	Benefits Paid	(50.5)	(17.5)
5	Actuarial loss / (gain) on Obligation	42.5	(16.3)
6	Closing balance of Present Value of Obligation	463.8	343.6
Reconciliation of opening and closing balance of the fair value of the Plan Assets			
1	Opening balance of Fair value of Plan Assets	343.6	286.7
2	Adjustment to Opening Balance	10.3	-
3	Expected Return on Plan assets	31.4	25.1
4	Contributions	164.5	66.5
5	Benefits Paid	(50.5)	(17.5)
6	Actuarial loss Return on Plan Assets	(3.5)	(17.2)
7	Closing balance of Fair Value of Plan Assets	495.8	343.6
Profit and Loss – Expenses			
1	Current Service Cost	99.5	74.5
2	Interest Cost	28.7	23.1
3	Expected Return on Plan assets	(31.4)	(25.1)
4	Net Actuarial loss recognised in the year	46.0	0.9
5	Expenses recognised in the Profit and Loss account	142.8	73.4

Gratuity:

Funded status	**March 31, 2015**	**March 31, 2014**
Funded status	100 % insurance managed funds	100 % insurance managed funds

Gratuity:

		March 31, 2015	**March 31, 2014**
Actuarial Assumptions			
1	Discount Rate	**7.90%**	9.14%
2	Expected Rate of Return on Plan Assets	**8.00%**	8.00-8.48%
3	Expected Rate of Salary Increase	**5.00%**	5.00%
4	Employee Attrition Rate		
	Past Service 0 to 5 years	**30%**	30%
	Past Service above 5 years	**0.50%**	0.50%

Estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Experience Adjustment

Particulars	**March 31, 2015**	**March 31, 2014**	**March 31, 2013**	**March 31, 2012**	**March 31, 2011**
Defined Benefit Obligations	463.8	343.6	279.8	226.3	196.7
Plan Assets	495.8	343.6	286.7	239.4	198.9
Surplus / (Deficit)	32.0	-	6.9	13.1	2.2
Experience Adjustments on Plan Liabilities	(42.5)	16.3	12.3	12.4	(10.3)
Experience Adjustments on Plan Assets	(3.5)	(17.2)	1.9	(11.3)	5.6

Contributions expected to be paid to the plan during the annual period beginning after the Balance Sheet date is Rs. 150 million.

Provident Fund

The guidance note on implementing AS 15, Employee Benefits (revised 2005) states that benefits involving employer established provident funds, which require interest shortfalls to be recompensed are to be considered as defined benefits plans.

The details of the fund and plan assets position as at March 31, 2015, are as follows:

(Rs. in million)

Assets/ Liabilities	**March 31, 2015**	**March 31, 2014**
Present value of Interest Rate guarantee on Provident Fund	1.45	0.56
Present value of Total Obligation	103.46	87.2
Fair value of Plan Assets	102.01	86.64
Net liability recognized in the Balance Sheet	(1.45)	(0.56)
Assumptions		
Normal Retirement age	60 years	60 years
Expected guaranteed interest on PF in future	8.75%	8.75%
Discount rate	7.90%	9.14%
Expected average remaining working lives of employees (years)	6.28 – 13.98	14.29 – 22.05
Benefit on normal retirement	Accumulated account balance	Accumulated account balance
Benefit on early retirement/withdrawal/resignation	Same as normal retirement benefit	Same as normal retirement benefit
Benefit on death in service	Same as normal retirement benefit	Same as normal retirement benefit

11.2 Segment Reporting (AS 17)

The Bank operates in four business segments, viz. Treasury, Corporate/ Wholesale Banking, Retail Banking and Other Banking Operations. There are no significant residual operations carried by the Bank.

Business Segments

***(Rs. in** million)*

Business Segment	**Treasury**		**Corporate/ Wholesale Banking**		**Retail Banking**		**Other Banking Operation**		**Total**	
Particulars	**31/03/15**	**31/03/14**	**31/03/15**	**31/03/14**	**31/03/15**	**31/03/14**	**31/03/15**	**31/03/14**	**31/03/15**	**31/03/14**
Revenue	27,530.4	23,027.8	40,255.0	36,729.6	64,483.1	54,744.9	253.3	242.0	132,521.8	114,744.3
Inter Segment Revenue									(11,563.4)	(13,303.7)
Total Income									120,958.4	101,440.6
Result	3,665.9	3,221.3	8,778.4	7,086.3	19,728.9	16,560.3	77.5	73.2	32,250.7	26,941.1
Unallocated Expenses									(1,268.5)	(981.5)
Operating Profit									30,982.2	25,959.6
Provisions and Contingencies (other than tax)									(3,890.5)	(4,676.3)
Tax Expenses									(9,154.5)	(7,203.1)
Extraordinary profit/ loss									-	-
Net Profit									17,937.2	14,080.2
Other Information:										
Segment Assets	285,030.5	240,144.8	277,369.3	205,146.0	489,342.5	395,344.5	-	-	1,051,742.3	840,635.3
Unallocated Assets										
Total Assets										
Segment Liabilities	207,971.4	150,184.3	391,443.5	354,984.8	356,189.4	256,536.0	-	-	955,604.3	761,705.1
Unallocated Liabilities										
Total Liabilities										

Geographic Segments:

The business operations of the Bank are largely concentrated in India. Activities outside India are restricted to resource mobilization in the international markets. Since the Bank does not have material earnings emanating from foreign operations, the Bank is considered to operate only in domestic segment.

11.3 Related party transactions (AS-18)

The following is the information on transactions with related parties:

Key Management Personnel

Mr. Romesh Sobti, Managing Director

Associates

IndusInd Marketing and Financial Services Private Limited

Subsidiaries

ALF Insurance Services Private Limited (under liquidation)

In accordance with RBI guidelines, details pertaining to the related party transactions have not been provided as there is only one related party in each of the above categories.

11.4 Operating Leases (AS 19)

The Bank has taken a number of premises on operating lease for branches, offices, ATMs and residential premises for staff. The Bank has not given any assets on operating lease. The details of maturity profile of future operating lease payments are given below:

(Rs. in million)

	March 31, 2015	**March 31, 2014**
Future lease rentals payable as at the end of the year:		
- Not later than one year	1,898.5	1,360.1
- Later than one year but not later than five years	6,418.3	4,669.9
- Later than five years	2,938.6	2,328.4
Total of minimum lease payments recognized in the Profit and Loss Account for the year	1,829.1	1,494.0
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-lease	-	-
Sub-lease payments recognized in the Profit and Loss account for the year	-	-

The Bank has not sub-leased any of the properties taken on lease. There are no provisions relating to contingent rent.

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

11.5 Earnings per share (AS 20)

Details pertaining to earnings per share as per AS-20 are as under:

	Year ended March 31, 2015	**Year ended March 31, 2014**
Net Profit after tax (Rs. in million)	17,937.2	14,080.2
Basic weighted average number of equity shares	52,77,22,078	52,44,65,413
Diluted weighted average number of equity shares	53,69,08,824	53,32,37,373
Nominal value of Equity Shares (Rs.)	10	10
Basic Earnings per Share (Rs.)	33.99	26.85
Diluted Earnings per Share (Rs.)	33.41	26.41

11.6 Consolidated Financial Statements – Subsidiary (AS 21)

ALF Insurance Services Private Limited (ALFIS), a wholly owned subsidiary of the Bank, could not commence operations pending regulatory approvals. Consequent to a resolution passed by its Board of Directors in March 2011, ALFIS has appointed a Liquidator under the provisions of the Companies Act, 1956 and the process of winding up is currently under progress. Since the process of winding up is already under way, control is regarded as temporary and consolidated financial statements have not been drawn up under AS-21 Consolidated Financial Statements. Such non-consolidation or the winding up proceedings does not have any material impact on the financial results or the financial status of the Bank.

11.7 Deferred Tax (AS 22)

The major components of deferred tax assets / liabilities are as under:

(Rs. in million)

Timing difference on account of	**March 31, 2015 Deferred Tax Assets**	**March 31, 2015 Deferred Tax Liabilities**	**March 31, 2014 Deferred Tax Assets**	**March 31, 2014 Deferred Tax Liabilities**
Difference between book depreciation and depreciation under the Income Tax Act, 1961	-	259.6	-	210.6
Difference between Provisions for doubtful debts and advances and amount allowable under Section 36(1)(viia) of the Income Tax Act, 1961	2,676.3	-	2,365.4	-
Loss on sale of NPAs to RCs	-	763.4	-	-
Interest on securities	-	1,751.7	-	1,426.7
Others	232.0	-	186.0	-
Sub-total	2,908.3	2,774.7	2,551.4	1,637.3
Net closing balance carried to the Balance Sheet (included in Sch. 11 – Others)	133.6		914.1	

12. Additional Disclosures

12.1 Provisions and Contingencies charged to the Profit and Loss account for the year consist of:

(Rs. in million)

Particulars	**March 31, 2015**	**March 31, 2014**
(Appreciation)/ Depreciation on Investments	(664.3)	875.6
Provision for non-performing assets including bad debts written off (net of write backs)	3,389.1	3,136.7
Provision towards Standard Assets	1,040.0	648.3
Income Tax / Wealth Tax / Deferred Tax	9,154.5	7,203.1
Others	125.7	15.7
Total	13,045.0	11,879.4

12.2 Movement in provisions

a) Movement in provision for credit card and debit card reward points

(Rs. in million)

Particulars	**2014-15**	**2013-14**
Opening provision	**97.1**	92.6
Provision for Reward Points made during the year	**91.2**	1.9
Utilisation / Write back of provision for Reward Points	**(64.8)**	(8.4)
Effect of change in rate for accrual of Reward Points	**-**	5.8
Closing provision for Reward Points	**123.5**	97.1

b) Movement in provision for frauds included under other liabilities:

(Rs. in million)

Particulars	**2014-15**	**2013-14**

Opening provision	**65.1**	27.8
Provision during the year	**12.5**	45.8
Utilisation / Write back of provision	**(26.5)**	(8.5)
Closing provision	**51.1**	65.1

12.3 Disclosure relating to Complaints

A Customer Complaints*:*

No.	Particulars	2014-15	2013-14
(a)	No. of complaints pending at the beginning of the year	**310**	377
(b)	No. of complaints received during the year	**22199**	19501
(c)	No. of complaints redressed during the year	**22169**	19568
(d)	No. of complaints pending at the end of the year	**340**	310

B. Awards passed by the Banking Ombudsman:

No.	Particulars	2014-15	2013-14
(a)	No. of unimplemented Awards at the beginning of the year	**Nil**	Nil
(b)	No. of Awards passed by the Banking Ombudsman during the year	**Nil**	5
(c)	No. of Awards implemented during the year	**Nil**	5
(d)	No. of unimplemented Awards at the end of the year	**Nil**	Nil

(Compiled by management and relied upon by auditors)

12.4 Letters of Comfort

The Bank has not issued any letters of comfort (Previous year: Nil).

12.5 Disclosure on Remuneration

<u>HR and Remuneration Committee</u>

During the year, the Board of Directors of the Bank decided to merge the Human Resources Committee and the Remuneration Committee into HR and Remuneration Committee of the Bank. The HR and Remuneration Committee of the Bank comprise four members of the Board of Directors of the Bank including one member from Risk Management Committee of the Board. The mandate of the HR and Remuneration Committee is to establish, implement and maintain remuneration policies, procedures and practices that are consistent with, and promote, sound and effective risk management to achieve effective alignment between remuneration and risks. The Committee is also mandated to oversee framing, implementation and review of the Bank's Compensation policy as per RBI guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Risk Takers and Control function staff. The Committee is also required to ensure that the cost / income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio. The HR and Remuneration committee reviews compensation structure and the policies of the Bank with a view to attract, retain and motivate employees.

<u>Remuneration Policy</u>

The Remuneration Policy is formulated by the Board in alignment with RBI guidelines and is structured to cover all components of remuneration including fixed pay, variable pay, perquisites, retirement benefits such as Provident Fund and Gratuity, Long term incentive plans and Employee Stock Options.

The key objectives of the policy are:

(i) Benchmark employee compensation with market for various job positions and skills and pay for 'Position, Performance & Person'

(ii) Maintain an optimal balance between fixed and variable pay

(iii) Pay for Performance

(iv) Build employee ownership and long term association through long term incentive plans (ESOPs)

Some of the important features of the Compensation Policy are as follows:

(i) The Bank has defined “Risk Takers and Risk Controllers” and prepared separate lists of Risk Takers and Risk Controllers. Risk Takers are defined as employees in Grades Senior Vice President 3 (SVP3) and above belonging to business line functions of Corporate & Commercial Banking Group, Global Markets Group, Transaction Banking Group, Consumer Banking and Consumer Finance Division, whose functioning and decisioning impacts the Bank materially on tangible financial performance aspects of revenues, costs, and profits. Risk Controllers are defined as employees in Grades SVP3 and above belonging to support functions of Chief Operating Officer (Operations, Finance & Accounts, Information Technology, Secretarial, etc.),Chief Risk Officer (Credit, Risk, Financial Restructuring & Reconstruction Group, Credit Quality Loan Assurance Review), Human Resources, Inspection and Audit, Investor Relations, Marketing, etc, who support the business line functions through back office processes and activities and their functioning does not have a revenue impact through business generation.

(ii) The HR & Remuneration committee will oversee the framing, implementation and review of the Compensation Policy.

(iii) Remuneration will be market linked for critical roles so as to attract and retain talent.

(iv) In respect of WTDs / CEO / Risk Takers / Control function staff of the Bank, the compensation structure provides for a reasonable increase in fixed pay in line with the market benchmarks. Their individual increments are linked to annual performance rating and increment percentages at various performance rating levels, which will be decided on the basis of the financial performance of the Bank. Exceptions will be restricted to a select few high performers to reward performance, motivate and retain critical staff. The Bank also makes a distinction between Risk Takers and Risk Controllers and incorporates separate parameters on variable pay for these segments in its compensation policy.

(v) The quantum of overall variable pay to be disbursed in a year would vary on the basis of the financial performance of the Bank measured through various parameters such as Net Interest Margin, Net Interest Income, Return on Assets, Profit After Tax and Return on Equity.

(vi) Remuneration is linked to performance. Increments and variable pay are linked to the annual performance rating. Annual Performance Rating for an employee is arrived on the basis of tangible performance against pre–set Key Results Areas (KRAs) / measurable objectives set at the beginning of the financial year.

(vii) The individual variable pay is linked to the annual performance rating, and based on variable pay grids outlining variable pay as a percentage of Annual Guaranteed cash at various rating bands for a grade level. Exceptional increments and variable pay may be paid to select high performers, but in no case they would violate the stipulated RBI guidelines.

(viii) The individual variable pay would not exceed 70% of the fixed pay. Wherever variable pay exceeds a substantial portion of fixed pay as defined by the Bank, (currently defined at 65% of fixed pay), variable pay will be deferred over a period of 3 years in a ratio to be decided by management in accordance with RBI guidelines.

(ix) The Bank will implement malus / claw-back arrangements with the concerned employees in case of deferred pay as defined above. Malus arrangement would lay down policies to adjust deferred remuneration before vesting and claw-back arrangement would lay down policies to adjust deferred remuneration after vesting. The criteria would be negative contributions to the bank and/or relevant line of business in any year.

(x) The Compensation Policy does not provide for guaranteed bonus or sign on bonus in cash. Sign on bonus to be paid in form of pre-hiring ESOPs, will be very selective for critical hires.

(xi) The Compensation Policy does not provide for severance pay for any employee.

(xii) Retirement benefits in the form of Provident Fund and Gratuity are as per the Bank's HR policies which are in line with the statutory norms.

(xiii) Perquisites are laid down in HR Policies of the Bank.

(xiv) At present, the Bank uses cash based form of variable remuneration. The rationale is that cash based form of variable remuneration leads to an instant reward to the concerned employees and is also easy to administer.

(xv) ESOPs do not form a part of the variable pay and are very selectively granted to attract and retain employees. ESOPs are not granted with a defined periodicity. ESOP grant criteria include grade of the employee, criticality of the position in terms of business contribution and market value of the position, and performance and behavioural track of the employee.

Other Disclosures

	Year ended March 31, 2015	**Year ended March 31, 2014**
Number of meetings held by RC during the financial year and remuneration paid to its members	**During the year, two meetings of Remuneration committee were held. The members were paid aggregate sitting fee of Rs.1,00,000 for the two meetings.** **During the year, two meetings of HR and Remuneration committee were held. The members were paid aggregate sitting fees of Rs.1,40,000 for the two meetings.**	During the year, two meetings of Remuneration committee were held. The members were paid aggregate sitting fee of Rs.30,000 per meeting.
Number of employees having received a variable remuneration award during the financial year	**64 employees belonging to the category of WTD / CEO / Risk Takers/Other Control function staff had received a variable remuneration award.**	51 employees belonging to the category of WTD / CEO / Risk Takers had received a variable remuneration award.
Number and total amount of 'sign on' awards made during the financial year	**Nil**	Nil
Details of guaranteed bonus if any paid as sign on bonus	**Nil**	Nil
Details of severance pay in addition to the accrued benefits	**Nil**	Nil
Total amount of outstanding deferred remuneration split into cash, shares and share linked instruments and other forms	**The outstanding deferred remuneration is Rs.12.2 million to be paid as cash in FY 2015-16 and FY 2016-17**	The outstanding deferred remuneration is NIL.
Total amount of deferred remuneration paid out in the financial year	**Nil**	Nil
Breakdown of amount of remuneration awards for the financial year	**Breakup of remuneration awards for the 66 employees defined as WTD / CEO / Risk Takers/ Other control function staff** **(a) Fixed pay - Rs. 760.1 million**	Breakup of remuneration awards for the 57 employees defined as WTD / CEO / Risk Takers: (a) Fixed pay - Rs. 730.4 million (b) Variable pay – Rs. 219.5 million for F Y 2012-13

	Year ended March 31, 2015	Year ended March 31, 2014
	(b) Variable pay-Rs. 286.6 million for FY 2013–14 **(c) Deferred remuneration – Rs. 12.2 million** **(d) Non-deferred remuneration – Rs. 274.4 million**	(c) Deferred remuneration – Nil (d) Non-deferred remuneration – Rs. 219.5 million
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and implicit adjustments.	**Nil**	Nil
Total amount of reductions during the FY due to ex – post explicit adjustments	**Nil**	Nil
Total amount of reductions during the FY due to ex – post implicit adjustments	**Nil**	Nil

13. The Micro, Small and Medium Enterprises Development Act, 2006 that came into force from October 2, 2006, provides for certain disclosures in respect of Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or interest payments due to delays in such payments.

14. Previous year's figures have been regrouped / reclassified wherever necessary.

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

For **IndusInd Bank Ltd.**

Akeel Master
Partner
Membership No: 046768

R. Seshasayee
Chairman

T.Anantha Narayanan
Director

Romesh Sobti
Managing Director

S. V. Zaregaonkar
Chief Financial Officer

Mumbai
April 16, 2015

Haresh Gajwani
Company Secretary

DECLARATION

The Bank certifies that all relevant provisions of Chapter VIII and Schedule XVIII of the ICDR Regulations have been complied with and no statement made in this Placement Document is contrary to the provisions of Chapter VIII and Schedule XVIII of the ICDR Regulations and that all approvals and permissions required to carry on its business have been obtained, are currently valid and have been complied with. The Bank further certifies that all the statements in this Placement Document are true and correct.

Romesh Sobti
Managing Director and Chief Executive Officer

S.V. Zaregaonkar
Chief Financial Officer

Date: June 30, 2015
Place: Mumbai, India

DECLARATION

We, the Directors of the Bank certify that:

(i) the Bank has complied with the provisions of the Companies Act, 2013 and the rules made thereunder;

(ii) the compliance with the Companies Act, 2013 and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government; and

(iii) the monies received under the offer shall be used only for the purposes and objects indicated in the Placement Document (which includes disclosures prescribed under Form PAS-4).

Signed by:

____

Romesh Sobti
Managing Director and Chief Executive Officer

I am authorized by the Finance Committee of the Bank, vide resolution dated June 30, 2015 to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and the Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Signed:

____

S.V. Zaregaonkar
Chief Financial Officer

Date: June 30, 2015
Place: Mumbai, India

ISSUER

IndusInd Bank Limited

REGISTERED OFFICE OF THE ISSUER
2401 Gen. Thimmayya Road
(Cantonment)
Pune 411001
India
Tel: +91 20 3046 1600; Fax: +91 20 2634 3241

CORPORATE OFFICE OF THE ISSUER
One Indiabulls Centre, 8th Floor, Tower 1
841 Senapati Bapat Marg, Elphinstone Road (W)
Mumbai 400 013,
India
Tel: +91 22 2423 1999; Fax: +91 22 2423 1998

Website: www.indusind.com; CIN: L65191PN1994PLC076333

COMPLIANCE OFFICER

Mr. Haresh Gajwani
731, Solitaire Corporate Park
167, Guru Hargovindji Marg
Andheri (E), Mumbai 400 093
Tel: +91 22 6641 2485; Fax: +91 22 6641 2347; Email: haresh.gajwani@indusind.com

JOINT GLOBAL COORDINATORS AND BOOK RUNNING LEAD MANAGERS

Morgan Stanley India Company Private Limited
19F, Tower 2
One Indiabulls Centre
841 Senapati Bapat Marg
Mumbai 400 013, India

JM Financial Institutional Securities Limited (formerly JM Financial Institutional Securities Private Limited)
7th Floor, Cnergy Appasaheb Marathe Marg, Prabhadevi
Mumbai 400 025, India

CLSA India Private Limited
(formerly CLSA India Limited)
8/F, Dalamal House
Nariman Point
Mumbai 400 021, India

BOOK RUNNING LEAD MANAGERS

Citigroup Global Markets India Private Limited
1202, 12th Floor, First International Financial Centre, G Block, Bandra Kurla Complex, Bandra East, Mumbai 400 051,
India

Credit Suisse Securities (India) Private Limited
9th Floor, Ceejay House, Shivsagar Estate, Dr. Annie Besant Road, Worli, Mumbai 400 018,
India

Goldman Sachs (India) Securities Private Limited
951-A, Rational House, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025
India

J.P. Morgan India Private Limited
J.P. Morgan Tower
Off CST Road, Kalina
Santacruz (East) Mumbai 400 098
India

INDIAN LEGAL ADVISORS TO THE ISSUER

Khaitan & Co
One Indiabulls Centre
13th Floor, Tower 1
841 Senapati Bapat Marg
Mumbai 400 013
India

INDIAN LEGAL ADVISORS TO THE LEAD MANAGERS

S&R Associates
One Indiabulls Centre
1403 Tower 2 B
841 Senapati Bapat Marg
Lower Parel, Mumbai 400 013 India

U.S. LEGAL ADVISORS TO THE LEAD MANAGERS
(as to U.S. federal securities law)

Dorsey &Whitney LLP
50 South Sixth Street
Suite 1500
Minneapolis, Minnesota 55402
U.S.A.

AUDITORS

B S R & Co. LLP
Lodha Excelus
1st Floor, Apollo Mills Compound
N. M. Joshi Marg
Mahalakshmi, Mumbai 400 011