ANNUAL REPORT
2013-14

IndusInd Bank

SMART INNOVATION.
SIMPLIFYING BANKING.

Get your favourite numbers as
your Bank Account Number

My ACCOUNT
My NUMBER

Board of Directors (as at March 31, 2014)

Mr. R. Seshasayee, Chairman
Mr. Ajay Hinduja
Mr. S. C. Tripathi
Mr. Ashok Kini
Mrs. Kanchan Chitale
Mr. Vijay Vaid
Mr. T. Anantha Narayanan
Mr. Romesh Sobti, Managing Director & CEO
Mr. Y. M. Kale (Alternate Director to Mr. Ajay Hinduja)

Company Secretary

Mr. Haresh K. Gajwani

Auditors

M/s B S R & Co. LLP
Lodha Excelus
1st Floor, Apollo Mills Compound
N. M. Joshi Marg
Mahalakshmi, Mumbai 400 011

Solicitors

M/s Crawford Bayley & Co.
Solicitors & Advocates
State Bank Building
NGN Vaidya Marg
Mumbai – 400 023

Registrar & Share Transfer Agent

Link Intime India Pvt. Ltd.
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (West)
Mumbai – 400 078
Tel : 022 25946980 / 25963838
Fax : 022 25946969

Contents

Registered Office
2401, Gen. Thimmayya Road
(Cantonment)
Pune - 411001

Corporate Office
8th Floor, Tower 1, One Indiabulls Centre
841, Senapati Bapat Marg
Elphinstone Road (W)
Mumbai – 400 013

Secretarial & Investor Services
731, Solitaire Corporate Park
167, Guru Hargovindji Marg
Andheri (E), Mumbai 400 093

Message from Managing Director

Dear Shareholders,

The Board of Directors and the Management Team are privileged, once again, to present your Bank's Annual Report for the Financial Year 2013-14.

The year 2013-14 was especially significant for all of us in the Bank as it completed 20 years of operations in the banking industry.

During that financial year, your Bank adopted several coping actions to counter the weakened operating environment and strengthen its platform for profitable growth and improve on key success parameters viz., Net Profit, Operating Profit, Net Interest Income, Fee Income, Return on Assets and Return on Equity. The Bank's Loan Book remained healthy with stable Gross and Net Non-Performing Assets.

Six years running, thus, IndusInd Bank has delivered consistently robust growth and earnings.

The Bank's customer centric stance has continued to help maintain its growth trajectory. Keeping in line with the theme of 'Responsive Innovation', which is deeply ingrained in our business model, the Bank continued to introduce market-first products - the latest being 'My Account My Number' which enables customers to choose the Bank Account Numbers of their choice.

The Bank's expanding network has been one of its major strengths; as on March 31, 2014, IndusInd Bank had 602 branches and 1110 ATMs spread across 404 geographical locations of the country with representative offices in London and Dubai, enabling the Bank to cater to the evolving financial requirements of its customers.

The Bank also won several awards and accolades; it was awarded 'Fastest Growing Mid-Size Bank' from Business World-PwC Best Bank Survey 2013, the 'Best Private Sector Bank - Priority Sector Lending' at Dun & Bradstreet - Polaris Financial Technology Banking Awards 2013 and was also awarded with 'Best Initiative of the Year-TACK India, Indus Pro' at the Global World Congress. In addition, IndusInd Bank received the 'Financial Inclusion Payment Systems Award 2013' organized by Elets Technomedia, also 'Best Bank Award for Customer Management and Business Intelligence Initiatives' - Among Small Banks 2012-13 by IDRBT.

As a committed practioner of Green Banking and Sustainability, the Bank continues to adopt supportive practices. In recognition, it has also been conferred with ABP News Global CSR Excellence & Leadership Awards in the category 'Best Use of CSR Practices in Banking & Finance'. These awards are bestowed for the Best innovative use of CSR Practices in Banking & Finance at the Global CSR Excellence & Leadership Awards 2013.

I place on record my sincere appreciation of the contribution of all our employees and also thank all stakeholders, especially our Board of Directors for supporting us. This has helped your Bank achieve the level of performance as reflected in this report.

I look forward to being in touch with you and sharing my perceptions in future also, at the coming AGM.

With best wishes to each one of you and your family members.

Yours sincerely,

Romesh Sobti
Managing Director & CEO

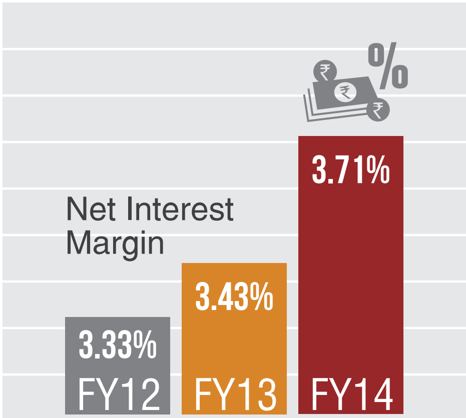
Key Business Highlights

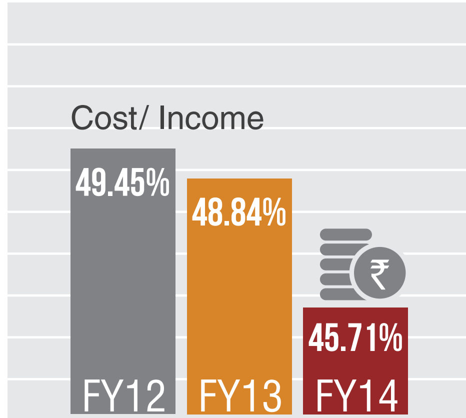
NET WORTH MOVED TO ₹ 8,646 CRORES	NET PROFIT UP BY 33% TO ₹ 1,408.02 CRORES	NET INTEREST INCOME UP BY 29% TO ₹ 2,890.71 CRORES	CORE FEE INCOME UP BY 30% TO ₹ 1,609.72 CRORES
CAPITAL ADEQUACY RATIO (CAR) AT 13.83% CAPITAL ADEQUACY RATIO - TIER I AT 12.71%	RETURN ON ASSETS (ROA) AT 1.81% AS AGAINST 1.63%	NET NPA AT 0.33% AS ON MARCH 31, 2014 AS COMPARED WITH 0.31% THE PREVIOUS YEAR	PROVISIONING COVERAGE RATIO AGAINST NPAs AT 70.35% AS AGAINST 70.13%
BRANCH NETWORK INCREASED TO 602 & 1110 ATMs SPREAD ACROSS 404 GEOGRAPHIC LOCATIONS OF THE COUNTRY	EARNINGS PER SHARE (BASIC) INCREASED TO ₹26.85 FROM ₹21.83	DIVIDEND DECLARED OF 35% AS AGAINST 30% THE PREVIOUS YEAR	

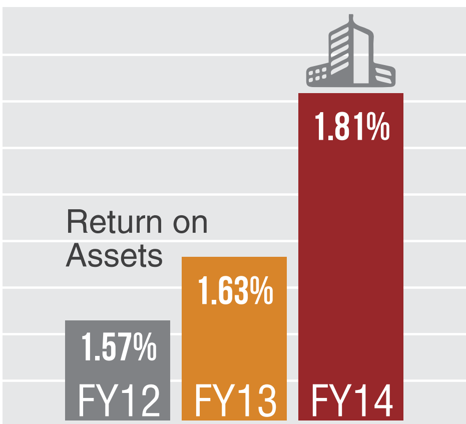
Ratings

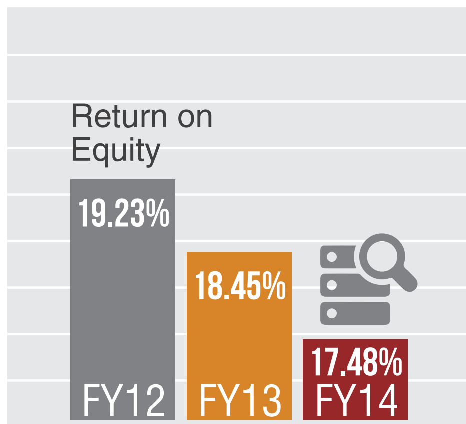
- ICRA AA for Lower Tier II subordinate debt program by ICRA
- ICRA AA- for Upper Tier II bond program by ICRA
- CRISIL A1+ for certificate of deposit program by CRISIL
- CARE AA for Lower Tier II subordinate debt program by CARE
- IND A1+ Short Term rating by India Ratings and Research
- IND AA for Lower Tier II subordinate debt program by India Ratings and Research
- IND AA- for Upper Tier II bond program by India Ratings and Research

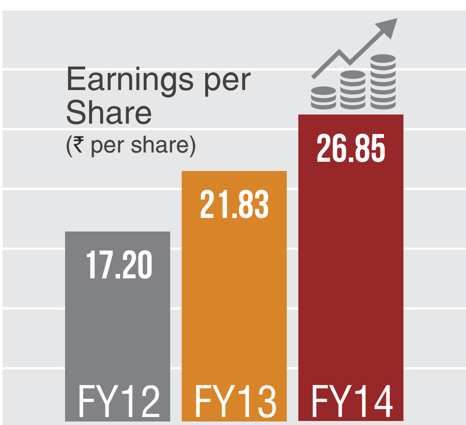
Consistent delivery over the past 3 years

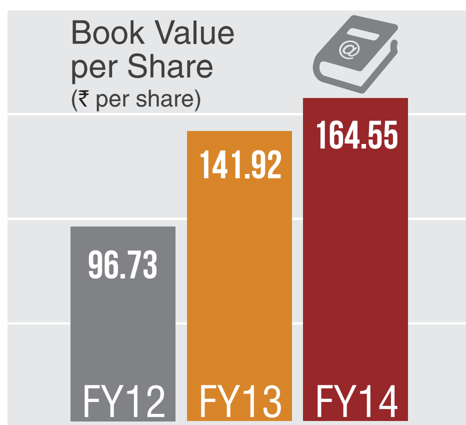












Awards and Accolades

'Banking Frontier - Finnoviti Awards 2013' for My Account My Number

'Financial Inclusion Payment Systems Award 2013' organized by Elets Technomedia

'Best Initiative of the Year - TACK India' at the Global World Congress held at Athens for Indus Pro

'Best Private Sector Bank - Priority Sector Lending' at Dun & Bradstreet - Polaris Financial Technology Banking Awards 2013

'Fastest Growing Mid-Size Bank' by Businessworld-PwC Best Banks Survey 2013

'Banker of the Year' awarded to Mr. Romesh Sobti at Businessworld-PwC Best Bank Survey 2013

'Roll of Honour - India's Best CEOs' by Business Today-KPMG India Listing of India's top 100 CEOs

'IT Excellence Award' by VMware, for Virtualisation of Critical business applications

CISO - Awarded one of the Top 100 Chief Information Security Officer awards 2014

'Best Bankers Awards 2013 - Best Banker - Growth, Mid-Sized' by The Sunday Standard

'Best Bank Award' - Customer Management and Business Intelligence Initiatives among Small Banks 2012-13 by IDRBT.

'Best Use of CSR Practices in Banking & Finance' at ABP News Global CSR Excellence & Leadership Awards 2013

'Mixed Media Category' for My Account My Number, awarded by Paul Writers, at the Marketing Hall of Fame 2014

'5th Retail Banker International Asia Trailblazer Summit' - Excellence in Customer Centricity & Dynamic Third Party Partnerships, for Super Saver Packs

'Best use of Technology in Training and E-Learning (1st Runners-up) at IBA Banking Technology Awards 2012-13

'Infosec Maestros Award' by Infosecurity, for information security initiatives at the Bank

The Core Executive Team

Romesh Sobti
Managing Director & CEO

Paul Abraham
Chief Operating Officer

Suhail Chander
Head - Corporate & Commercial Banking

Sumant Kathpalia
Head - Consumer Banking

K. S. Sridhar
Chief Risk Officer

Arun Khurana
Head - Global Markets Group

S. V. Parthasarathy
Head - Consumer Finance

Ramesh Ganesan
Head - Transaction Banking

S. V. Zaregaonkar
Chief Financial Officer

Sanjeev Anand
Deputy Head - Corporate & Commercial Banking

Zubin Mody
Head - Human Resources

Sanjay Mallik
Head - Investor Relations & Strategy

Roopa Satish
Head - Corporate, Institutions & Investment Banking

Driving the future with smart innovations

During the year 2013-14, IndusInd Bank drove the wheels of innovation through initiatives that helped widen the brand visibility. Your Bank took an interesting and innovative year long multimedia communication approach by making it more relatable and contemporary.

Strengthening its position as a leading banking institution, your Bank laid focus on having well-thought out marketing campaigns coupled with below-the-line activities at branch levels, which enhanced your Bank's image and recall value.

My Account My Number

In line with the theme of Smart Innovation, IndusInd Bank launched a pioneering proposition service called 'My Account. My Number.' - A unique marketing initiative that gave people more power and personalization when it came to selecting their Bank Account Number. Customers could choose 10 out of 12 digits of their Account Number based on their preference for favorite numbers of their choice. The novelty and simplicity of this innovation helped build a stronger, personalized association in the minds of the customers.

To build on this innovation, IndusInd Bank adopted a 360 degree integrated marketing approach. Television, OOH, Radio, Digital and Cinema were leveraged for mass awareness. One such interesting channel of communication which your Bank explored, was the creation of an interactive application uploaded on the Bank's Facebook page. This application enabled users to know their lucky number, in turn encouraging them to open a Bank account with the same number. The interactivity and novelty of the application helped the Facebook fanbase increase manifold, garner rave reviews from online users and thereby brought in tremendous visibility.

IndusInd Cybercity

Another feather to the cap, your Bank acquired the 'Naming and Branding Rights' of a Rapid Metro Station in Gurgaon called as the 'IndusInd Cybercity'. Your Bank has become the First Bank in India to have a Metro Station named after it thus making this an excellent example of transit mode of advertising in the country. IndusInd Bank Cybercity station has a rich aesthetic and artistic feel to it as the interiors and exteriors of the station don the brand colours conveying the inherent brand values of the Bank. The grand illustrations at the station have brought alive the great heritage of one of the oldest civilisations of the world- the Indus Valley civilisation from where the Bank derives its name and inspiration.

IndusInd Cybercity

IndusInd Cybercity - Photo Gallery

Indulge Credit Card

Strengthening IndusInd Bank's product innovation, your Bank launched a customer centric product 'IndusInd Bank Indulge Credit Card', a marquee credit card designed for the distinguished individual who wields influence and power in the social hierarchy. The exclusive credit card comes with 'no-preset-spending-limit' that gives the cardholder additional spending flexibility over and above his credit limit depending on his past spends and payment history. Considering the exclusivity of the product, your Bank tailor made marketing campaign in select print media and used direct mailing activity to reach out to its target audience.

Now in your Neighbourhood - Reaching out to Vadodara

IndusInd Bank captured the imagination of the people of Vadodara with the campaign "Now in your Neighbourhood" through a host of innovative activations including canter road shows, engagement programs at malls and popular hubs, display hoardings, billboards, and a radio campaign. Built around the philosophy of "Apne chaha, Hamne kiya", the main attraction of this campaign was 'My Account My Number'. Select branches of Vadodara invited Numerologists who helped customers to know their Lucky Numbers which they could use to open their Bank Account. This campaign further fuelled a series of customer engagement programs.

Online Account Opening

In yet another progressive move that benefit customers, and helps them make the most of their time, IndusInd Bank enables online bank account opening. Customers can also enjoy a host of other benefits, including choosing an account number of their own choice, and personalising their debit and credit cards with their own photograph.

Employee Engagements

This year MyIdea initiative has gathered momentum and has grown exponentially. The novel concept which started in 2008 has been a forefront of various innovative solutions which have benefited the Bank. It is one such long standing initiative which encourages the employees to contribute new ideas.

The new MyIdea portal has enabled real time tracking of the ideas submitted. This year the portal has received around 800 new ideas. This is a very powerful tool which engages the employees and helps the Bank to endorse the Responsive Innovation theme internally.

Building a Sustainable World

Sustainability and green living form an integral part of the business values at IndusInd Bank. Your Bank actively participated in building a better environment and reducing the carbon footprint through various activities and practices which not only resulted in reduction of costs but also witnessed several successes in terms of sustainable development.

Sustainability as a Way of Life

Your Bank believes that sustainability is not just an act of thinking but an act of living. It is this belief that has made sustainability a part of your Bank's corporate DNA. Incorporating sustainable practices in every aspect of day-to-day work not only benefits the planet, but it also impacts people including employees, consumers, partners and the local communities where your Bank does its business. For your Bank, sustainability means building a successful business and creating long-term value for people, customers, shareholders and the wider community. Here are some steps that your Bank has taken in that direction.

Energy

Power Management: Various policies were implemented across the organisation on 10,739 desktops and laptops. These policies have resulted in reduction of power consumption by about 27.87 kWh per machine per annum. This has translated in to savings of approximately ₹.25.15 lakhs and reduction in CO_2 emission by about 273 tonnes in the year 2013-14.

Server Virtualisation: Over 400 Servers have been virtualised on 47 physical servers resulting in cumulative savings of ₹1,248 lakhs in capex cost so far and electricity savings of ₹ 99.15 lakhs per year.

Thin Computing: Continued adoption of low power consuming thin clients resulted in savings of 300 kWh per year with a saving of ₹ 2,380 per user per year towards the cost of power.

Solar Powered Premise: 21,679 kWh of energy was generated through solar installation at Bank's owned premise at Karapakkam, Chennai which was a pilot project for a larger power output. This installation resulted with a saving of ₹ 1.3 lakhs in commercial electricity and saving of ₹ 2.6 lakhs in DG power.

ATMs with Solar Panels: Solar panels on 100 ATMs resulted in generation of energy equaling 1,23,241 kWh with a saving of ₹ 7.60 lakhs in commercial electricity and savings of ₹ 14.78 lakhs in DG power. A total of 1,46,655 kilos of carbon was mitigated.

Timers in Signages: Signages are switched off without manual intervention through timers at branches across India, preventing wastage of

THIN COMPUTING SAVED 300 kWh POWER AND POWER COST OF ₹ 2380 PER UNIT PA

POWER SAVING DEVICE - SAVINGS OF ₹ 50 LAKHS APPROX

POWER MANAGEMENT POLICIES REDUCED POWER CONSUMPTION BY 27.87 kWh PMPA APPROX. SAVINGS OF ₹ 25.15 LAKHS

SERVER VIRTUALISATION SAVED ₹ 1248 LAKHS CAPEX COST SO FAR AND ELECTRICITY OF ₹ 99.15 LAKHS PA

SOLAR PANELS AT ATMs & OFFICE PREMISES SAVED ₹ 26.28 LAKHS

TIMERS IN SIGNAGES RESULTED IN SUBSTANTIAL REDUCTION IN COSTS

electricity. This resulted not only in saving energy but also substantial reduction in costs during 2013-14. In prominent branch locations where signages have to be lit throughout the night, LED lights have been used.

Power Saving Devices: Installation of power saving devices at select branches and offices has resulted in reduction in the consumption of electricity and in savings of approximately ₹ 50 lakhs (on an average) in electricity costs during 2013-14.

Paper

By switching to eco-friendly A4 paper made from Bagasse instead of wood pulp and centralised supply, the Bank has improved the logistics and generated cost savings.

Deploying paperless fax servers avoided printing about 90,000 sheets of incoming fax messages.

The Bank uses state-of-the-art Hand-Held Terminals for the loan collection in all regions. The use of these devices has significantly reduced the amount of paper needed for the printing of receipts.

Staff Awareness

Employee Engagement - A Successful Strategy

Environmentally educated employees can improve business profitability and help an entity retain skilled workers, improve community and customer relations and reach its sustainability goals.

The Bank's efforts on this front have shown good results, with reduction in energy and paper consumption. The Adopt-a-Plant & Tree Plantation programmes and innovative waste management initiatives were planned, executed and monitored by Green Champion employees.

The programme has increased employee pride and commitment, giving the workforce a compelling new way to connect with the Bank as well as the customers.

Looking at the enthusiastic participation by employees in CSR Initiatives, the Bank recently created a new line of employees to support the Green Champions, called "Green Commandos". More than 1,300 employees have registered as Green Commando, emphasizing the fact that Sustainability has been steadily drilled into the core of the Bank

Events/ Campaigns

World Environment Day: World Environment Day was celebrated in branches across the country on June 5, 2013, to propagate the message of conservation of resources and preservation of nature.

The Bank sponsored the 5th National Cricket Tournament for Blinds in association with Blind Welfare Organization to support them for National Cricket tournament. Almost 120 visually challenged players from 8 States participated to celebrate the game of cricket.

The Bank encouraged employees to participate in various marathons to promote the "Hum aur Hariyali" initiative, e.g. Delhi Half Marathon, Mumbai Marathon and Terry Fox Run.

On the eve of Christmas, the Bank organized an X'mas sale at its Andheri office with 'SUPPORT', an NGO. The Bank helped children from the NGO to sell the articles made by them, viz., Handmade Bags, Cloth Pouches, Key Chains, Earrings, Table Mats, etc.

Environment Conservation Initiatives

Managing e-waste: Your Bank launched a new bank-wide e-waste Cleanup campaign called Operation Tsunami. The e-waste Collection Drive, initiated from Corporate Office, was managed by the Green Champions. Nearly 21,455.35 kilos of e-waste was collected and disposed through Government authorised recyclers.

Managing Paper Waste: The Bank partnered with ITC in Southern India for collecting of waste paper and recycling it, a small but significant step towards environment protection. The Bank continues to focus on its 'Adopt-a-Plant' and 'Tree Plantation' campaigns at various branches, which has not only generated business but also helped in brand-building.

Sustainability Week: The Corporate Global Market Operations(CGMO) Department of the Bank celebrated Sustainability Week across India during the FY 2013-14. Various activities were conducted throughout the week which included e-learning, e-statement registration, saving paper, mandatory 2 side print settings across all CGMO locations. During the week expert speakers shared key insights on various topics like Water Conservation, Blood Disorder Thalassemia among others.

Promoting e-statements: e-statement drive called Mission 41,700 was launched to encourage customers to switch to e-statements. National e-statement Day was celebrated across the Bank on January 24, 2014.

Tree Plantations: Your Bank has institutionalized Adopt-a-plant program that includes the distribution of free saplings to employees and customers. We have partnered with several local communities for tree-plantation and sapling distribution activities.

Carbon Disclosure Project: Your bank participated as a signatory from India in the Carbon Disclosure Project (CDP) - a global initiative for sustainable development.

Donations

The Bank donated Air Conditioners to S. N. Medical College in Agra for the Intensive Care Unit of the Hospital.

The Bank also donated to Chief Minister's Relief Fund during the Uttarakhand natural calamity. The Bank also supported Helpage India to provide necessary help to senior citizens with food and medical supplies during the said natural calamity.

Bank's employees accompanied the Helpage team travelling on temporary roads, jungle terrain and trekked mountain routes to reach to the victims of the tragedy. People from nearby villages came for medical treatment.

Your bank assisted doctors in being able to help around 150 patients with free medicines and doctor's consultation.

DIRECTORS' REPORT: 2013-14

The Bank's Directors have pleasure in presenting the Twentieth Annual Report covering business and operations of the Bank, together with the audited financial accounts for the year ended March 31, 2014.

The financial performance for the year ended March 31, 2014 is summarized as under:

(₹ in crores)

	As on March 31, 2014	As on March 31, 2013
Deposits	60,502.29	54,116.72
Advances	55,101.84	44,320.61
Operating Profit (before Depreciation and Provisions and Contingencies)	2,694.11	1,912.89
Net Profit	1,408.02	1,061.18

Despite the deceleration in growth rate in the Indian economy and a challenging macroeconomic environment, the Bank's deposits grew during the year by 11.80% and advances increased by 24.33%.

The focus during the year continued to be on increasing earnings from core banking business, and on strengthening the fee income streams.

Operating Profit (before Depreciation and Provisions and Contingencies) during the year under review rose by 40.84% to ₹ 2,694.11 crores, from the level of ₹ 1,912.89 crores in the previous year.

The Bank's Net Profit, after considering necessary Provisions and Contingencies and all expenses, was higher by 32.68% at ₹ 1,408.02 crores as against ₹ 1,061.18 crores in the previous year.

Appropriations

The Directors recommend appropriation of Profit as under:

(₹ in crores)

Operating Profit before Depreciation and Provisions & Contingencies	**2,694.11**
Less: Depreciation on Fixed Assets	98.15
Less: Provisions & Contingencies inclusive of Income Tax	1,187.94
Net Profit	**1,408.02**
Profit Brought forward	**1,790.93**
Amount available for Appropriation	**3,198.95**
Transfer to Statutory Reserve	352.01
Transfer to Capital Reserve	8.18
Transfer to Investment Reserve Account	0.07
Proposed Dividend	184.08
Tax on Dividend	31.28
Balance carried over to Balance Sheet	2,623.33
Total Appropriations	**3,198.95**

Dividend

The Earning per Share (EPS) of the Bank has risen to ₹ 26.85 during the year 2013-14, from ₹ 21.83 in the previous year.

Considering the overall improvement in performance, the Directors recommend Dividend of ₹ 3.50 per equity share of ₹ 10/- each for the year ended March 31, 2014. (Dividend for the year 2012-13 was ₹ 3.00 per equity share of ₹ 10/- each).

The Bank shall pay tax on the amount of Dividend paid, which will be tax-free in the hands of the shareholders.

Financial Performance

The operating environment in the Indian economy witnessed significant turbulence throughout the year, incorporating worsening liquidity conditions and inflationary pressures coupled with volatility in currency exchange rates. During the year, RBI increased Repo Rate to 8.00% from 7.50% and CRR was kept constant at 4.00%.

During the year 2013-14, the Bank continued to leverage its business on the three performance planks of Productivity, Profitability and Efficiency and focused on scalability, which helped to significantly improve its profitability.

The Bank's Total Income grew by 21.54% to ₹ 10,144.06 crores from ₹ 8,346.19 crores, backed by improved business.

The sharp rise in profitability was the result of a healthy increase in core earnings of the Bank through Net Interest Income (NII) and robust growth in Non-Interest Income streams. Net Interest Income improved by 29.46% to ₹ 2,890.71 crores from ₹ 2,232.86 crores while Non-Interest Income rose to ₹ 1,890.53 crores from ₹ 1,362.96 crores, a rise of 38.71%.

The year 2013-14 has been one of sustained hardening of interest rates and shrinking of lending margins. The Yield on Advances dropped marginally to 13.56% during the year, the Cost of Deposits reduced to 8.17% as against 8.49% in the previous year (decrease of 32 basis points). The Net Interest Margin (NIM) increased to 3.71% during the year, as compared with 3.43% in 2012-13, owing to reduction in the total cost of funds.

Fee and Miscellaneous Income at ₹ 1,890.53 crores showed sustained annual growth. Core Fee Income such as Commission, Exchange, Fees on distribution of third-party products and earnings from foreign exchange business, etc. grew by 29.89% to ₹ 1,609.72 crores from the level of ₹ 1,239.34 crores last year.

The Bank expanded its branch network rapidly to reach 602 branches, as against 500 branches at the beginning of the year. Revenue per employee during the year remained steady at ₹ 31 lakhs.

Quality of the Bank's assets remained stable, with Net Non-Performing Assets (Net NPAs) at 0.33% as at March 31, 2014 from 0.31% last year. The Provisioning Coverage Ratio (PCR) stood at 70.35%, as compared to 70.13% in the previous year.

On the liabilities side, the emphasis continued to be on broadbasing the deposit franchise. This task was accomplished by leveraging the expanded branch network and the pan-India marketing set-up, offering innovative products and service propositions, sustained promotional campaigns, and enabling customers with alternate channels like ATMs, Internet Banking, etc.

The Bank introduced several new products and services for its chosen client segments through its Transaction Banking Group and Global Markets Group. Deeper understanding of client requirements and the ability to put technology to efficient use formed the bedrock on which new products and service propositions were created.

The Bank kept up its focus on deepening as well as strengthening the fee-based income streams, resulting in a smart growth in non-interest income. Going forward, the Bank plans to upscale the growth momentum through further enhancements in diverse revenue streams such as Foreign Exchange business, Investment Banking, structured Trade and Treasury products, distribution of third party products like Mutual Funds and Insurance, international remittances, Bullion operations and Transaction Banking activities, including the Depository business and the Commodity Market business.

Share Capital

During the year under review, the Bank allotted 27,68,778 shares pursuant to the exercise of Options under its Employees Stock Option Scheme, 2007.

Pursuant to the above, the Paid-up Share Capital and Share Premium Account increased by ₹ 2.77 crores and ₹ 32.39 crores respectively.

As at March 31, 2014, the Paid-up Equity Capital of the Bank consisted of 52,54,46,484 shares of ₹ 10/- each, excluding forfeited shares.

Tier II Capital

The Bank did not raise any Tier II Capital during the year.

Capital Adequacy

The Bank is adequately capitalized. The Capital Adequacy Ratio of the Bank, calculated as per the New Capital Adequacy Framework of RBI, is set out below:

		March 31, 2014 (Basel III)	March 31, 2013 (Basel II)
i)	Capital Adequacy Ratio (CRAR)	13.83%	15.36%
ii)	CRAR- Tier I Capital	12.71%	13.78%
iii)	CRAR- Tier II Capital	1.12%	1.58%

Ratings

Instruments	Rating	Rating Agency
Lower Tier II Subordinate Debt program	AA	ICRA
Upper Tier II Bond program	AA-	ICRA
Certificates of Deposit	A1+	CRISIL
Lower Tier II Subordinate Debt program	AA	CARE
Short Term Rating	A1+	India Ratings and Research
Lower Tier II Subordinate Debt program	AA	India Ratings and Research
Upper Tier II Bond program	AA-	India Ratings and Research

Subsidiary Company

ALF Insurance Services Pvt. Ltd., the Bank's subsidiary company which was set up to do the business of Insurance Corporate Broking, is currently under voluntarily winding up, and the process is expected to be completed soon.

Directors

Mr. Ajay Hinduja, Non-executive Director, retires by rotation, and being eligible offers himself for re-appointment.

Mr. T. Anantha Narayanan was appointed "Additional Director" in the category of "Non-Executive Independent" by the Board at its meeting held on March 25, 2014, and shall hold office up to the date of the ensuing Annual General Meeting (AGM).

Upon implementation of the Companies Act, 2013 w.e.f. April 1, 2014, it is required to obtain approval of the shareholders for appointment of all the Independent Directors, viz., Mr. S.C. Tripathi, Mr. Ashok Kini, Mrs. Kanchan Chitale, Mr. Vijay Vaid and Mr. T. Anantha Narayanan, at the ensuing AGM.

Dr. T. T. Ram Mohan, who was associated with the Bank as "Independent Director" since January 16, 2006, ceased to hold office w.e.f. January 16, 2014, on completion of the maximum permissible tenure of 8 years laid down in Section 10-A(2-A) (i) of the Banking Regulation Act, 1949.

The Directors wish to place on record their sincere appreciation for the valuable contributions made by Dr. T. T. Ram Mohan towards the deliberations in the Board Meetings during his tenure as Director of the Bank.

Mr. R. S. Sharma, who was associated with the Bank as "Independent Director" since April 19, 2012, expressed his desire to step down from the Board owing to professional preoccupations. Mr. Sharma's resignation was accepted by the Board on August 7, 2013.

The Directors wish to place on record their sincere appreciation for the valuable contributions made by Mr. Sharma towards the deliberations in the Board Meetings during his tenure as Director of the Bank.

Mr. R. Seshasayee, Chairman – Members of the Bank had, in the 19th Annual General Meeting held on June 28, 2013, approved the re-appointment of Mr. R. Seshasayee as Part-time Non-executive Chairman for a period of two years, w.e.f. July 24, 2013, subject to approval of Reserve Bank of India (RBI).

RBI have since approved the re-appointment of Mr. R. Seshasayee for a period of two years w.e.f. July 24, 2013.

Mr. Romesh Sobti, Managing Director & CEO - Members of the Bank had, in the 19th Annual General Meeting held on June 28, 2013, approved the re-appointment of Mr. Romesh Sobti as Managing Director & CEO for a period of three years w.e.f. February 1, 2014, subject to approval of RBI.

RBI have since approved the re-appointment of Mr. Romesh Sobti as Managing Director & CEO of the Bank for a period of one year w.e.f. February 1, 2014.

Brief profiles of the Directors seeking appointment / re-appointment at the ensuing AGM have been furnished in the Report on Corporate Governance under the section titled "Board of Directors".

Auditors

M/s B S R & Co. LLP, Chartered Accountants, Statutory Auditors, who have audited the accounts of the Bank for the year 2013-14, shall retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

Members are requested to consider their re-appointment and to authorise the Board to fix their remuneration. Re-appointment of the Statutory Auditors is subject to approval of the Reserve Bank of India, which has been received.

Independent Auditor's Report

M/s B S R & Co. LLP, Chartered Accountants, have audited the accounts of the Bank for the year 2013-14, and their Report is annexed. There are no qualifications in the Auditor's Report.

Statutory Disclosures

Information, wherever required under the Banking Regulation Act, 1949 or the Companies Act, 1956 as applicable to a banking company, has been laid out in the schedules attached and forms part of the Balance Sheet and the Profit and Loss Account.

There are no material changes and commitments affecting the financial position of the Bank, which have occurred between the end of the financial year 2013-14 to which the Balance Sheet relates and the date of this Report.

Considering the nature of activities as an entity in the financial services sector, the provisions of Section 217(1)(e) of the Companies Act, 1956 relating to conservation of energy and technology absorption do not apply to the Bank. The Bank has, however, made optimum use of information technology in its operations.

The Bank had 15,590 employees on its rolls as on March 31, 2014. The information required under Section 217(2A) of the Companies Act, 1956 and the Rules made thereunder is given in the Annexure appended hereto and forms part of this Report. In terms of Section 219(1)(iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid Annexure. Any shareholder interested in obtaining a copy of the said Annexure may write to the Company Secretary at the Secretarial & Investor Services Office of the Bank.

Business Responsibility Report

The Securities & Exchange Board of India, vide their circular dated August 13, 2012 have mandated top 100 listed entities, based on their market capitalization on BSE Limited and National Stock Exchange of India Ltd., to include the 'Business Responsibility Report' (BRR) as part of the Annual Report. Accordingly, the Business Responsibility Report of the Bank has been enclosed as an Annexure I to this Report.

Employee Stock Option Scheme

The Bank had instituted Employee Stock Option Scheme (ESOS – 2007) to enable its employees, including Whole-time Directors, to participate in the future growth of the Bank. Under the Scheme, Options can be granted, which upon exercise could give rise to the issuance of a number of shares upto 7% of the issued equity capital of the Bank from time to time. The Employee Stock Option Scheme is in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The eligibility and number of Options to be granted to an employee is determined on the basis of criteria laid down in the Scheme and is approved by the Compensation Committee of the Board of Directors.

An aggregate of 3,10,18,700 Options, comprising 5.90% of the Bank's equity capital, have been granted under the Scheme. Statutory disclosures as required by the SEBI Guidelines on ESOS are given at 'Annexure II' in this Report.

Corporate Governance

The Bank continues its endeavour to adopt the best prevalent Corporate Governance practices.

A separate Report on the status of implementation of Corporate Governance, as required under Clause 49 of the Listing Agreement with Stock Exchanges, is included in the section on 'Corporate Governance' which forms part of this Report. M/s Bhandari & Associates, Company Secretaries have certified that the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreements with the Stock Exchanges have been complied with by the Bank. A copy of their Certificate is also attached at 'Annexure III' to this Report.

Directors' Responsibility Statement

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors hereby certify and confirm that:

(i) in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;

(ii) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as at March 31, 2014 and of the profit of the Bank for the year ended on that date;

(iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and Banking Regulation Act, 1949 for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities; and

(iv) the Annual Accounts have been prepared on a 'going concern' basis.

Acknowledgements

The Directors are grateful to the shareholders of the Bank for the trust and confidence reposed by them in the Bank.

The Directors are also grateful to the Reserve Bank of India, the Ministry of Corporate Affairs, Securities and Exchange Board of India, Insurance Regulatory and Development Authority and the Stock Exchanges for the guidance and support extended by them to the Bank.

The Board expresses its deep sense of appreciation to all employees for their excellent performance, strong work ethic and unswerving commitment, which qualities have contributed to the Bank's continued progress in a challenging environment.

The Board thanks its valued customers for their patronage and looks forward to the growing of this mutually supportive relationship in future.

For and on behalf of the Board of Directors

Sd/-

Place : Mumbai
Date : May 15, 2014

R. Seshasayee
Chairman

ANNEXURE I - DIRECTORS' REPORT

Business Responsibility Report

(As per SEBI Circular CIR/CFD/DIL/8/2012 of August 13, 2012)

Section A: General Information about the Company	
1. Corporate Identity Number (CIN) of the Company	L65191PN1994PLC076333
2. Name of the Company	IndusInd Bank Limited
3. Registered address	2401, Gen. Thimmayya Road, (Cantonment), Pune – 411001.
4. Website	www.indusind.com
5. E-mail id	csrsupport@indusind.com
6. Financial Year reported	April 1, 2013 – March 31, 2014
7. Sector(s) that the Company is engaged in (industrial activity code-wise)	Banking
8. List three key products/services that the Company manufactures/provides (as in balance sheet)	All banking and para-banking services, including accepting of deposits such as Savings Accounts, Current Accounts, Fixed Deposits, and granting of loans to various segments including industries / business and Retail loans to individuals, etc.
9. Total number of locations where business activity is undertaken by the Company	602 branches across India, Corporate Office and Back Offices.
i. Number of International Locations (Provide details of major 5)	Representative Offices at Dubai and London.
ii. Number of National Locations	602 branches across India, Corporate Office and Back Offices.
10. Markets served by the Company – Local / State / National / International	All
Section B: Financial Details of the Company	
1. Paid up Capital (INR)	525.45 crores
2. Total Turnover (INR)	1,15,604 crores (Total Business)
3. Total profit after taxes (INR)	1408.02 crores
4. Total Spending on Corporate Social Responsibility (CSR) as percentage of Profit After Tax (%)	a) During FY 2013-14, the Bank reached out to around 1.1 million households from the 'Base of the Pyramid' (BoP) segment, both through Direct and Indirect channels, spread across 24 States. Out of the same, the Bank has directly reached out to about 5,60,000 clients spread across 9 States covering more than 11,000 villages and 182 slums. Majority of the areas are from under banked districts and districts which rank low on the CRISIL Financial Inclusion Index. b) In terms of socio-economic composition, 70% of the population belong to Backward Communities, with SC / ST categories constituting 33% by number and amount. 100% of these loans were to women organised in Joint Liability Groups and around 43.4% of the loans were to Agri and Agri-Allied sectors, with balance towards Micro Enterprises (Manufacturing, Trade and Service). Over 70% of the loans are for amount below ₹ 15,000/-. c) During the year, the Bank also spent approx. ₹ 30 lakhs on branches opened in centres where there are no branches of scheduled commercial banks. The Bank has spent ₹ 12.69 crores on various social and environmental activities during the year 2013-14, which is 0.90% of the net profit.

List of activities in which expenditure in 4 above has been incurred:- a. b. c.	Activities include: a. Energy conservation b. Renewable Energy c. Environment d. Social Spending e. Arts & Culture f. Promotion of sports for differently abled persons
Section C: Other Details	
1. Does the Company have any Subsidiary Company/ Companies?	Yes. Currently under voluntary liquidation.
2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s).	Not applicable
3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%].	Not applicable
Section D: BR Information	
1. Details of Director/Directors responsible for BR	
a) Details of the Director/Director responsible for implementation of the BR policy/policies	
DIN Number	00031034
Name	Mr. Romesh Sobti
Designation	Managing Director & CEO
b) Details of the BR head:	
DIN Number (if applicable)	----
Name	Mr. Adwait Hebbar
Designation	Head Corporate Services
Telephone number	91.22.6106 9280
e-mail id	adwait.hebbar@indusind.com

2. Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)

S. No.	Questions	Business Ethics	Product Respon-sibility	Wellbeing of employ-ees	Stakeholder engage-ment	Human Rights	Environ-ment	Public Policy	Inclusive Growth and Equitable Development	Customer Relations
		P 1	P2	P 3	P4	P 5	P 6	P 7	P 8	P 9
1.	Do you have a policy / policies for....	Y	Y	Y	Y	Y	Y	N*	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	-	Y	Y
3.	Does the policy conform to any national / international standards? If yes, specify? (50 words)	Y	Y	Y	Y	Y	Y	-	Y	Y
		The Policies are in line with Reserve Bank of India guidelines and other regulations / guidelines as applicable.								

S. No.	Questions	Business Ethics	Product Respon-sibility	Wellbeing of employ-ees	Stakeholder engage-ment	Human Rights	Environ-ment	Public Policy	Inclusive Growth and Equitable Development	Customer Relations
		P 1	P2	P 3	P4	P 5	P 6	P 7	P 8	P 9
4.	Has the policy being approved by the Board? Is yes, has it been signed by MD/ owner/ CEO/appropriate Board Director?	Y	Y	Y	Y	Y	Y	-	Y	Y
5	Does the company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	-	Y	Y
6	Indicate the link for the policy to be viewed online?	http://www.indusind.com/content/home/important-links/other-useful-information.html								
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	-	Y	Y	Y	Y	-	-	Y
8	Does the company have in-house structure to implement the policy/policies.	Y	Y	Y	Y	Y	Y	-	Y	Y
9	Does the Company have a grievance redressal mechanism related to the policy / policies to address stakeholders' grievances related to the policy / policies?	Y	-	Y	-	Y	-	-	-	Y
10	Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	-	-	N	Y

2a. If answer to Sr. No. 1 against any principle, is 'No', please explain why: (Tick upto 2 options)

S. No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1	The company has not understood the Principles							-		
2	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles							-		
3	The company does not have financial or manpower resources available for the task							-		
4	It is planned to be done within next 6 months							-		
5	It is planned to be done within the next 1 year							-		
6	Any other reason (please specify)							*		

*The Bank is a member of various industry forums, where it participates and represents its views.

3. Governance related to BR

Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year	Annually.
Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?	Yes. The Bank publishes Sustainability Report every year. The same shall be uploaded on the Bank's website by June 25, 2014.

Section E: Principle-wise performance

Principle 1

1. **Does the policy relating to ethics, bribery and corruption cover only the company? Yes/ No.**

   Does it extend to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others?

   Policy relating to ethics, bribery and corruption covers the Bank, as also the Suppliers / Contractors / Others, and is embedded in the Bank's Human Resources Policy, Code of Conduct and Discipline, Employee Service Rules, Outsourcing Agreements with vendors / contractors, etc.

2. **How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? *If so, provide details thereof, in about 50 words or so.***

   No complaints have been received with respect to ethics, bribery and corruption.

Principle 2

1. **List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and / or opportunities.**

   Not Applicable.

2. **For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):**

   i. **Reduction during sourcing / production / distribution achieved since the previous year throughout the value chain?**

      Not Applicable

   ii. **Reduction during usage by consumers (energy, water) has been achieved since the previous year?**

      Not Applicable

3. **Does the company have procedures in place for sustainable sourcing (including transportation)?**

   The Bank endeavors to buy environment-friendly products, even if these are slightly expensive.

   i. **If yes, what percentage of your inputs was sourced sustainably? *Also, provide details thereof, in about 50 words or so.***

      The Bank has invested significantly in Green IT by virtualizing servers, installation of low power thin clients, paperless fax server and power management policies. Signages in several branches have been retrofitted with timers which shut down without manual intervention. LED lights are used in signages at branches in prominent locations wherein they are lit for a longer duration. A4 paper made from Bagasse is used instead of paper made from wood pulp. The Bank's Visiting Cards are printed on recycled paper.

4. **Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?**

   If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

   Not Applicable.

5. **Does the company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.**

   The Bank is committed to dispose electronic and toxic waste through authorized e-waste vendors. In 2013-14, the Bank disposed of 21,455.35 kgs of e-waste. The Bank has also tied up with ITC Ltd. at a few centres in their 'Wealth Out of Waste' (WOW), ITC's waste paper collection arrangement.

Principle 3

1. **Please indicate the Total number of employees.**

   Total number of employees is 15,590.

2. **Please indicate the Total number of employees hired on temporary/contractual/casual basis.**

   Total number of employees hired on temporary / contractual / casual basis is 1,646.

3. **Please indicate the Number of permanent women employees.**

   Number of permanent women employees is 2,479.

4. **Please indicate the Number of permanent employees with disabilities**

   Number of permanent employees with disabilities is 5.

5. **Do you have an employee association that is recognized by management?**

   There is no employee association in the Bank.

6. **What percentage of your permanent employees is members of this recognized employee association?**

   Not Applicable.

7. **Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.**

S. No.	Category	No of complaints filed during the financial year	No of complaints pending as on end of the financial year
1	Child labour / forced labour / involuntary labour	Nil	Nil
2	Sexual harassment	10	10
3	Discriminatory employment	Nil	Nil

8. **What percentage of your undermentioned employees were given safety & skill up-gradation training in the last year?**

   - **Permanent Employees**
   - **Permanent Women Employees**
   - **Casual/Temporary/Contractual Employees**
   - **Employees with Disabilities**

Total Empl. Strength	No. of programs	Total no. of employees covered	Total Man hrs achieved	Average Man hrs	Average Man days achieved
15,590	904	73,070 attendees	4,30,310	32	4

Principle 4

1. **Has the company mapped its internal and external stakeholders? Yes/No**

   Yes

2. **Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders.**

   Yes.

3. **Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders? If so, provide details thereof, in about 50 words or so.**

   The outreach and level of activity demonstrates the success of the Bank's initiative. Employees present at different locations oversee the implementation of the inclusive program through customer interaction and on the ground verification. Through the Bank's donation programme, assistance has been extended to SUPPORT, an NGO based in Mumbai, to rehabilitate street children addicted to drugs.

Principle 5

1. **Does the policy of the company on human rights cover only the company or extend to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others?**

   The Policy is applicable to the Bank.

2. **How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**

   The Bank has not received any complaints pertaining to human rights.

Principle 6

1. **Does the policy related to Principle 6 cover only the company or extends to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others.**

   While the policy related to Principle 6 is applied across the Bank, our endeavor is to embrace the vendors who are engaged in following best environmental practices.

2. **Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/ N. If yes, please give hyperlink for webpage etc.**

   Given the nature of the Bank's business, we have undertaken initiatives and sustainable practices within the bank such as:

   Green IT:

   Power Management policies: Power management policies were implemented across the organisation on 10,739 desktops and laptops. The steps resulted in reduction of power consumption by about 27.87 KWh per machine per annum. This has translated in savings of approximately ₹ 25.15 lakhs and reduction in CO2 emission by about 273 tonnes in the year 2013-14.

   Server Virtualization: 405 Servers have been virtualized on 47 physical servers, resulting in cumulative saving of ₹ 1,248 lakhs in capex cost so far and electricity savings of ₹ 99.15 lakhs per year.

   Thin Computing: Continued adoption of low power consuming thin clients resulted in savings of 300 kwh per year with a saving of ₹ 2,380 per user per year towards the cost of power.

   Paperless Fax: Deploying paperless fax servers avoided printing about 90,000 sheets incoming faxes during the year.

   ATMs with Solar Panels: Through the installation of 100 Solar ATMs in areas of power shortage, the Bank not only successfully generated 1,23,241 kWh of solar energy during but also mitigated 14,66,55 kgs of Carbon.

   Solar-powered Premises: 21,679 kwh of energy was generated through solar installation at the Bank's owned premise at Karapakkam, Chennai, which was the pilot project for a larger power output.

   Green Procurement: IndusInd Bank considers attributes such as recycled content and energy efficiency, when interacting with vendors and suppliers; hence we procure mainly from Original Equipment manufacturers who are leading suppliers in the country and abroad.

   Power-saving Devices: Efficiency of devices such as Air-conditioners, Air-coolers, etc. was increased by using power-saving devices, thus reducing the energy consumed.

   Paper conservation: The Bank has implemented several technology solutions to reduce paper consumption, such as paperless fax, multifunctional devices, document Imaging, etc. The Bank has replaced regular A4 papers with eco-friendly paper made from Bagasse. The Bank participated with ITC to recycle waste paper in a joint programme called Wealth out of Waste (WOW), where used paper was collected and recycled into notebooks & stationary, which were then distributed to underprivileged children in municipal schools. Along with e-statements, the Bank is promoting several other e-facilities amongst its customers, including the option of making online transfers & bill payments.

   LED Signages: Branches in prominent locations which had signages switched on for longer duration were changed to LED lighting.

   Hand-held Terminals in the Consumer Finance Division: Bank's representatives were given Hand-held devices for Loan collection mechanism in all the regions, which reduced the amount of paper needed for printing of receipts.

   E-waste: The Bank disposed 21,455.35 kgs of E-waste through authorised recycle vendors who follow environment norms laid down by the Government.

3. **Does the company identify and assess potential environmental risks? Y/N**

   The Bank addresses environmental risks by procuring eco-friendly A4 papers, generation of energy through installation of solar panels, saving of electricity through implementation of various Green IT initiatives, printing of Visiting Cards on recycled paper, etc.

4. **Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?**

   Not Applicable

5. **Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.**

   Yes. The Bank has installed a 45KW Solar Installation at Karapakkam in Tamil Nadu. Details are available in this Report under the caption 'Green Practices towards Sustainability'.

6. **Are the Emissions / Waste generated by the company within the permissible limits given by CPCB / SPCB for the financial year being reported?**

   Not Applicable.

7. **Number of show cause / legal notices received from CPCB / SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year**

   Not Applicable.

Principle 7

1. **Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:**

   Yes. Few major ones are as under:

   a. Confederation of Indian Industry (CII)
   b. Indian Merchants Chambers (IMC)
   c. Bombay Chamber of Commerce & Industry (BCCI)
   d. Indian Banks Association (IBA)
   e. Indian Institute of Banking and Finance (IIBF)
   f. The Banking Codes & Standards Board of India (BCSBI)

2. **Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)**

   No

Principle 8

1. **Does the company have specified programmes / initiatives / projects in pursuit of the policy related to Principle 8? If yes details thereof.**

   Over the last 6 years, the Bank has developed the 'Hum aur Hariyali' program. The program has focused on several areas including the facilitation and implementation of green solutions or projects, a comprehensive e-learning program and monitoring evaluation and reporting of the Bank's environmental impact.

   The Bank has taken several initiatives, primary among them being 100 ATMs operated from solar energy, Bank's premises powered by solar energy at Karapakkam in Chennai, use of environment-friendly A4 paper instead of normal paper and investments in Green IT. The impact has been significant in terms of savings in energy consumption and reduction in carbon emission.

   The Bank also encourages employees to support an NGO called 'SUPPORT', which is primarily engaged in the rehabilitation of street children addicted to drugs. Through SUPPORT, over 30,000 children / youth have benefitted.

   The Bank has followed the CSR agenda in the following manner:

   a. Continued focus on Financial Inclusion, opening of branches in rural and unbanked centres and increase in Priority Sector Lending.
   b. Focus on environment as a major focus of sustainable growth. The Bank has spent on Green IT, Renewable Energy, environment-friendly paper and equipments and practices that reduce consumption of energy and thereby contribute to a better environment.

      Financial inclusion is considered imperative in order to create a strong and healthy ecosystem of financial services for the poor. As a first step, the Bank has tied up with select Microfinance Institutions (MFIs) as reliable intermediaries for extending its products and services.

In order to drill Sustainability into the DNA of the Bank, the Bank has adopted several sustainable practices encouraging employees to participate in collection of waste paper for recycling, identifying and collecting E-waste to dispose through Government authorized vendors, celebrating Sustainability Week within departments, observing awareness days like World Environment Day, E-statement Day, E-waste Drive and completing E-learning module on environment.

The IndusInd 'Green Champion' (GC) Programme has been pursued since 2009, with initiatives taken at various branches / offices of the Bank. The GC programme is driven by a group of 35 employee volunteers working hand-in-hand with CSR Department. A Green Champion must execute 2 activities in a year, which will include but would not be limited to:

a. 'Adopt a Plant' campaign

b. E-waste collection drive

c. Energy conservation drive

d. 'WOW' recycling initiative

e. E-learning module

Further to the Green Champion Programme's success and increase in employee participation, in order to accommodate larger employee participation, the Green Champion Programme has an offshoot called 'Green Commandos', where employees contribute their time to Bank-initiated CSR Initiatives monitored and managed by the Green Champions.

2. Are the programmes / projects undertaken through in-house team / own foundation / external NGO/government structures / any other organization?

The programmes / projects / initiatives are undertaken through in-house team, business correspondent, NGO and environment advisors.

3. Have you done any impact assessment of your initiative?

Yes. The Bank has undertaken impact assessment for a few of its initiatives by analyzing cost savings, electricity saving, etc. The Bank is also a signatory to CDP reporting that provides an overview of Bank's emission activity based on the electricity consumption, resource consumption and other factors.

4. What is your company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken.

During FY 2013-14, the Bank reached out to around 1.1 million households from the 'Base of the Pyramid' (BoP) segment, both through Direct and Indirect Channels.

- **Geographical Spread**

a. 24 States, 393 Districts

b. Out of the above, Bank has directly reached out to about 5,60,000 clients spread over 9 States and 49 Districts, covering more than 11,000 villages and 182 slums

c. Majority of the above are from under-banked districts and from districts which rank low on the CRISIL Financial Inclusion Index.

d. 100% of these loans were to women organised in Joint Liability Groups (JLG). Various international studies have shown that such loans extended along with other financial services in a responsible manner would help improve the quality of lives and help empower the women over a period of time. It is the Bank's endeavour to deepen the engagement with these clients to help them move out of poverty and improve their standard of living on a sustainable basis.

- **Socio / Economic Status**

e. Out of the above, 70% of the population belongs to Backward Communities, with SC / ST categories constituting 33% by number and amount

f. About 43.4% of these loans belong to Farm sector (Agri and Agri Allied), and the balance to Micro Enterprises (Manufacturing, Trade and Service). Activities covered under these include Vegetable Cultivation, Release of land Mortgaged with Moneylenders, Borewell digging, Pumpset, Land Development, Livestock loans – Buffalo, Cows, Sheep-rearing, Kitchen poultry units, etc. On the Micro Enterprises activities, i.e., Saree Trading, Fruits Business, Kirana stores, Snacks stores, Road side Dhabas, Cycle repair shops, Tea Stalls, Agarbathi making, Tailoring, etc. In the process, the Bank has financed more than 1000 activities, thus touching virtually every aspect of clients in the BoP segment.

g. In terms of loan sizes, about 70% of the above loans are < ₹ 15,000

The Bank has spent ₹12.69 crores on various social and environmental activities during the year 2013-14 which is 0.90% of its Net Profit.

5. **Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.**

Following are the key ingredients of successful adoption of community development initiative:

- **Products suiting the needs:** The products offered are unconventional, with flexible repayment frequencies (weekly / fortnightly / monthly).
- **Counter-party assessment:** Given the lack of proper documentary evidence to establish the income, cash flows to assess credit-worthiness and the segment's inability to offer collateral, social collateral in the form of joint liability is obtained which has proven to be robust and efficient. This is supported by mandatory credit bureau enquiry for every applicant helping to make an informed credit decision. The testimony is evident from the fact that the program till date had negligible delinquencies. Portfolio At Risk for more than 30 days is 0.16%.
- **Customer convenience:** Considering the nature of activities that the target segment is engaged in, it requires the financial and banking services to be available to them at flexible and convenient times. The customer service point (first point of contact with client) visits the customers in early morning / late evening, as desired.
- **Continuous Client engagement**: The segment lacks financial discipline due to their low literacy and awareness levels. Continuous engagement in the form of group meetings at frequent intervals (weekly / fortnightly, monthly) is made, aligning with the repayments, to instill and reinforce discipline.
- **Feedback system:** Regular client meetings and visits to houses of the customers helps in effective feedback system and helps sense early warning signals for taking corrective action.
- **Appropriate IT systems:** Complex nature of business and multitude of business models with various service providers across the country requires a system which is flexible, robust and user-friendly. The Bank has in place a customised software application which is working seamlessly with 9 service providers, with number of transactions crossing over 13 million.
- **Robust Monitoring:** Multi-pronged approach is adopted in monitoring. The Bank has set up a dedicated Analytics Team which does data mining and monitoring, and a Process and Control Team which has on-ground presence with field staff headquartered in operational locations. In addition to regular supervision, this makes the monitoring robust.
- **Centralized Processing:** Operations are centralized and are carried out by dedicated staff for financial inclusion initiatives of the Bank. Technology, Systems and controls are well in place to ensure quick turnaround time of the loan applications received. The customer on-boarding and KYC verification is done in accordance with regulatory guidelines for every single member under the FI initiative.

Principle 9

1. **What percentage of customer complaints/consumer cases are pending as on the end of financial year.**

1.56% customer complaints are pending at the end of the financial year.

2. **Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A./Remarks (additional information)**

Not Applicable.

3. **Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.**

No.

4. **Did your company carry out any consumer survey / consumer satisfaction trends?**

Yes, the Bank regularly conducts consumer survey / consumer satisfaction trends for its retail products.

ANNEXURE II - DIRECTORS' REPORT

STATUTORY DISCLOSURES REGARDING ESOPs (FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2014)

Sr. No.	Particulars	ESOP 2007 (As at March 31, 2014)	Options Granted on April 18, 2013	Options Granted on June 20, 2013	Options Granted on July 18, 2013	Options Granted on September 23, 2013	Options Granted on October 29, 2013	Options Granted on January 29, 2014	Options Granted on January 29, 2014	Options Granted on March 25, 2014
1	No. of Options granted	31,018,700	12,500	175,000	1,835,000	75,000	22,000	67,500	700,000	176,500
2	No. of Options surrendered (cancelled)	1,261,939	7,500	-	167,000	2,000	-	-	-	-
3	Pricing Formula	Options granted at market price, except some options granted on July 18, 2008, January 28, 2010, February 7, 2011 and January 29, 2014 at discount to market price.								
4	No. of Options Vested	25,398,482	-	-	3000*	-	-	-	-	-
5	No. of Options Exercised	13,449,344	-	-	-	-	-	-	-	-
6	No. of shares arising as a result of exercise of options	13,449,344	-	-	-	-	-	-	-	-
7	Options Lapsed	Nil	-	-	-	-	-	-	-	-
8	Variation in terms of ESOP	N.A.	-	-	-	-	-	-	-	-
9	Money realised by exercise of Options (₹ in lakhs)	10,847.22	-	-	-	-	-	-	-	-
10	Total No. of Options in force	16,307,417	5,000	175,000	1,668,000	73,000	22,000	67,500	700,000	176,500
11	Employee-wise details of Options granted to:									
	(a) Key managerial personnel i.e MD & CEO and SEVPs	14,084,000	-	-	-	-	-	-	-	-
	Mr. Romesh Sobti (MD & CEO)		-	-	-	-	-	-	700,000	-
	(b) Any other employee who receives a grant in any one year of options amounting to 5% or more of the options granted during the year	1,585,000	-	-	-	-	-	-	-	-
	(c) Identified employees who were granted option, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	Nil	-	-	-	-	-	-	-	-
12	Diluted Earnings per share (EPS) pursuant to issue of shares on exercise of option, calculated as per Accounting Standard (AS) 20- "Earning Per Share"	The Diluted EPS of the Bank calculated after considering the effect of potential equity shares arising on account of exercise of options is ₹ 26.41								

Sr. No.	Particulars	ESOP 2007 (As at March 31, 2014)	Options Granted on April 18, 2013	Options Granted on June 20, 2013	Options Granted on July 18, 2013	Options Granted on September 23, 2013	Options Granted on October 29, 2013	Options Granted on January 29, 2014	Options Granted on January 29, 2014	Options Granted on March 25, 2014
13	Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed	The Bank has charged ₹ 0.64 crores to the Profit and Loss account being the intrinsic value of stock options granted for the year ended March 31, 2014. Had the Bank adopted the Black Scholes model based fair valuation, compensation cost for the year ended March 31, 2014, would have increased by ₹ 32.46 crores and the proforma profit after tax would have been lower by ₹ 32.46 crores. On a proforma basis, the basic and diluted earnings per share would have been ₹ 26.44 and ₹ 26.00, respectively.								
14	Weighted average exercise prices and weighted average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock	The weighted average market price of options exercised during the year is ₹ 435.49 **Grants whose Exercise Price is equal to market price:** The weighted average exercise price of options granted during the year is ₹ 454.69 The weighted average fair value of options granted during the year is ₹ 197.46 **Grants whose Exercise price is less than market price:** The weighted average exercise price of options granted during the year is ₹ 300 The weighted average fair value of options granted during the year is ₹ 189.75								
15	A description of the method and significant assumptions used during the year to estimate the fair value of Options, including the following weighted-average information:	The fair value has been calculated using the Black Scholes Option Pricing model.								
	Risk Free Interest Rate		7.62%	7.56%	8.35%	8.84%	8.65%	8.86%	8.86%	8.87%
	Expected Life		4.51	4.51	4.51	4.51	4.51	4.51	4.51	4.51
	Expected Volatility		44.19%	42.56%	42.42%	42.80%	42.54%	40.41%	40.41%	40.17%
	Dividend Yield		1.28%	1.28%	1.28%	1.28%	1.28%	1.28%	1.28%	1.28%
	Price of the underlying share in the market at the time of Options grant.		450.35	449.25	465.00	386.00	435.15	380.30	380.30	486.10

* Accelerated Vesting

ANNEXURE III – DIRECTORS' REPORT

Certificate on compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement.

To the Members of IndusInd Bank Ltd.:

We have examined the compliance of conditions of Corporate Governance by INDUSIND BANK LTD. ("the Bank") for the year ended on 31st March 2014 as stipulated in Clause 49 of the Listing Agreement of the said Bank with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Bank for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Bank has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the Management has conducted the affairs of the Bank.

For **Bhandari & Associates**
Company Secretaries

S. N. Bhandari
Proprietor
C. P. 366

Mumbai, May 12, 2014

Management Discussion & Analysis

Macroeconomic Scenario and Banking Environment

Global economic activity remained subdued during the first half of the financial year as a consequence of tapering of the asset purchase programme by the US Federal Reserve, and sluggish growth in developed markets. This, coupled with weaker economic output in Emerging Market Economies (EMEs), resulted in portfolio outflows from EMEs, including India, contributing to currency volatility.

Demand from advanced economies registered a marked improvement in the latter half of the financial year, leading to a pick-up in EMEs growth to clock 4.7% in 2013. With the uncertainty arising from the US tapering having diminished, focus of policy makers globally has shifted to tackling the residual risks to growth and inflationary pressures faced mainly by EMEs.

On the domestic front, the economy was confronted with structural headwinds in the form of the 'twin deficits' (Fiscal and Current Account) and elevated inflation levels. In order to curb volatility in forex markets, RBI announced exceptional policy measures in July 2013. These measures included restricting access to funds under the Liquidity Adjustment Facility (LAF) while simultaneously increasing the Marginal Standing Facility (MSF) rate by 200 bps. These steps led to tightening of liquidity with an overnight spurt in rates, and rise in interest rates across the short and long end of the curve by 200 - 300 bps. The measures succeeded in immediately calming the markets. The RBI announced new measures on September 4, 2013 to further the soothing-effect on the market. These included concessional Swap Windows for FCNR Deposits and Foreign Currency Loans raised by Indian banks. These measures eased pressure on liquidity and strengthened the Rupee.

During the year, the Government continued its fiscal consolidation process, resulting in lowering of FY14 Fiscal Deficit at 4.6% of GDP against the targeted 4.8%. Broader structural issues such as addressing the subsidy burden and augmenting revenue receipts would have to be addressed by the political formation brought to office in General Elections 2014. Unless these broad issues are addressed, fiscal consolidation would have to be undertaken through ad hoc cuts to spending, which may impair the productivity of the economy in the long-run.

With the 'twin-deficits' (Fiscal and Current Account) under control, the RBI adopted the recommendations of Dr. Urjit Patel Committee Report in January 2014. The recommendations included adopting headline Consumer Price Index (CPI) as the nominal anchor for Monetary Policy regime and suggested a disinflationary 'glide-path' (bringing down inflation to 8% by January 2015 and 6% by January 2016). The operative framework to ensure consistency with the broad policy theme included introduction of Term Repos of varying maturities and Open Market Operations (OMOs) being linked solely to liquidity management. CPI inflation which was above 10% (y-o-y) till November 2013 finally fell below its double digit mark to 9.87% (y-o-y) for the month of December 2013 and continued to ease thereafter, and core CPI inflation had trended down to below 8% in February 2014.

Against such a backdrop, most banks have had to manage productivity and efficiency levels through liquidity and resource mobilisation strategies that proactively factor in the changing market conditions.

Given weak growth, manageable Current Account Deficit, reasonably stable currency and moderating inflation as indicated by data over the last couple of months, no significant tightening is expected over the next few quarters. With the Government of India's commitment to contain Fiscal Deficit below 4.6%, low GDP growth (4.7% for FY 2013-14), coupled with possible achievement of a disinflationary glide path, the macro-economic environment may provide headroom for policy action with a focus on stimulating growth.

Bank's Performance during 2013-2014

Business Performance

The salient features of the Bank's operating performance during the year 2013-14 are summarized in the table below:

(₹ in crores)

	2013-14	2012-13	Y-o-Y Growth
Interest Earned	8,253.53	6,983.23	18.19%
Interest Expended	5,362.82	4,750.37	12.89%
Net Interest Income	2,890.71	2,232.86	29.46%
Other Income	1,890.53	1,362.96	38.71%
Total Operating Income	4,781.24	3,595.82	32.97%
Operating Expenses excluding Depreciation	2,087.13	1,682.93	24.02%
Operating Profit before Depreciation and Provisions	2,694.11	1,912.89	40.84%
Less: Depreciation	98.15	73.43	33.66%
Less: Provisions & Contingencies	1,187.94	778.28	52.64%
Net Profit	1,408.02	1,061.18	32.68%

Despite the tough operating environment that prevailed through most part of the financial year, the Bank's Net Profit, after considering all expenses and necessary Provisions and Contingencies, rose by 32.68% to ₹ 1,408.02 crores, as against ₹ 1,061.18 crores in the previous year. The Operating Profit (before Depreciation and Provisions and Contingencies) was higher at ₹ 2,694.11 crores as against ₹ 1,912.89 crores in the previous year, a rise of 40.84%.

Core earnings of the Bank through Net Interest Income improved by 29.46% to ₹ 2,890.71 crores from ₹ 2,232.86 crores. Yield on Advances dropped by 21 bps at 13.56%, but Cost of Deposits showed a sharper decrease of 32 bps at 8.17%, helping enhance the margins. Net Interest Margin (NIM) improved to 3.71% during the year, as compared with 3.43% in 2012-13.

Fee and Miscellaneous Income during the year was ₹ 1,890.53 crores, as compared to ₹ 1,362.96 crores in the previous year, showing a strong growth of 38.71% on a y-o-y basis. Increase in Core Fee Income such as Commission, Exchange, Fees on distribution of third-party products and earnings from Foreign Exchange business, etc. was equally robust at ₹ 1,609.72 crores as against ₹ 1,239.34 crores, registering 29.89% growth.

Net Profit
32.68%

Operating Profit
40.84%

Other Income
38.71%

Net Interest Income
29.46%

The Bank expanded its branch network rapidly to reach 602 branches, as against 500 at the beginning of the year. Revenue per employee during the year remained steady at ₹ 31 lakhs.

Quality of the Bank's assets was stable, with Net Non-Performing Assets (Net NPAs) at 0.33% at March 31, 2014 as against 0.31% the previous year. Provisioning Coverage Ratio (PCR) was maintained at a satisfactory level of 70.35%, compared with 70.13% in the previous year.

During the year under review, the Bank allotted 27,68,778 shares, pursuant to the exercise of Options under its Employees Stock Option Scheme, 2007. An aggregate of 3,10,18,700 Options, comprising 5.90% of the Bank's equity capital, have been granted under the Scheme.

During the year, the Bank has received the IBA Award for "Best Use of Technology in Training and eLearning" amongst Private Sector Banks, ACI Excellence Award 2014 for Operational Excellence, Top Green IT Enterprise Award 2013, Top 100 CISO Award 2014, Infosec Maestros Award 2014 in recognition of the Information Security projects implemented by the Bank, Customer Management & Business Intelligence Award in the Small Banks category and the VMWARE Award for virtualization of critical business applications.

Consumer Banking

During 2013-14, the Bank's Consumer Banking business showed healthy growth in revenue, recording a y-o-y rise of 36%, on the back of 40% rise in the Retail Book (Assets + Liabilities). The Bank's strategy of driving Savings book growth continued to show results, with 41% y-o-y growth driven by the segmented client approach and a growing distribution network.

The Bank continued its business segment led focus on Current Accounts by enhancing the existing product suite. The 'Indus Infotech Current Account' offers a comprehensive package with the best-in-class banking products and services that include Current Account, Trade & Forex, Salary Account and Retail Forex Services.

Bank's deposits grew during the year by 11.80%, to ₹ 60,502.29 crores from ₹ 54,116.72 crores. CASA stood at 32.55% of Deposits, from the level of 29.32% last year. The number of branches doubled during the year, and the customer base expanded to about 5 million from about 2 million.

The Home Loan distribution tie-up with HDFC Limited has been well established now, with their products being offered across all branches in the country. Housing Loan disbursals have grown by 73% during the financial year. The 'Loans against Property' (LAP) book grew by 77% during the year. The Bank launched Business Loans, Personal Loans and Gold Loans.

With the aim of providing best-in-class products and services in the area of Health Insurance, the Bank tied up with Religare Health Insurance to distribute comprehensive Health Insurance solutions through the Bank's branch network.

The Business Banking Group achieved growth of 35% in overall assets, with substantial growth of 39% in Working Capital and of 16% in the Term Loan Book.

The Bank continued to scale-up the Credit Card business by increasing distribution in new cities and introducing new product variants, including the 'Iconia' range of Cards on the American Express and VISA networks.

The Bank retained its No.1 ranking in the Prime Database statistics on public issue collections.

Innovations

In line with the theme of "Responsive Innovation", the Bank launched 'My Account My Number' (MAMN), which allows a customer to choose an Account Number of his / her choice when opening an account with the Bank. This service proposition has been well received and substantial CASA deposits mobilization in the year was acquired under this unique feature.

Distribution

The Bank opened 102 new branches as part of the strategy of expanding banking network to different locations in the country. 160 new branches are planned to be opened during the current year in select geographies and 250 ATMs to be set up across key markets.

The Bank focused on key service propositions such as client engagement and operating process management to enhance the quality of delivery of banking products and services.

102 New Branches

228 New ATMs

11.80% Deposits

Credit Cards

The Credit Cards business made robust strides during the year 2013-2014 with strong and attractive product launches, continued robust portfolio performance and strong increase in key portfolio drivers such as customer spends and activity. The business continues to be profitable and forms a key diversification in the overall assets strategy of the Bank. The business continues to be scaled up in a prudent manner, with measured growth in new accounts and receivables given the unsecured nature of the portfolio.

New cities wherein Credit Cards distribution was opened up during the year included Ludhiana, Kanpur, Vadodara, Nagpur and Vishakhapatnam. The business deepened its distribution capabilities in the existing cities, to further leverage the opportunities of cross-sell to the Bank's existing and new customers.

In addition to the existing issuance capabilities on the Visa and MasterCard brands, the business also started issuing cards on the American Express (Amex) brand through a strategic tie-up with American Express GNS (Global Network Services). Issuance on the Amex brand ties in with the overall affluent segment-targeted growth strategy.

The Bank has successfully managed to grow customer outstandings and spends while controlling risk. Risk underwriting is based on astute use of the CIBIL database, along with prudent underwriting norms, which has ensured that the portfolio continues to perform well.

The Bank's Credit Cards are embedded with microprocessor chips, and are based on the EMV (Europay, MasterCard, Visa) issuance platform as mandated by the regulator.

The business continues to be focused on maintaining enhanced service delivery platforms, and retains a focus on astute portfolio management through strong client engagement programs with a view to ensuring that quality of customer service and strong value propositions forms the key differentiator for the businessin the marketplace.

Consumer Finance

The Consumer Finance Division (CFD) extends funding for a wide range of Vehicles / Equipment, which includes Commercial Vehicles, viz., Heavy, Light and Small vehicle segments used both for goods and passenger applications, Passenger Cars, Utility Vehicles, Two-wheelers and Construction Equipment such as Excavators, Loaders, Tippers, Cranes, etc. Finance is extended for both new and used assets in all the above segments.

The year 2013-14 witnessed continued slowdown in the automobile segment with the overall automobile segment witnessing growth of a mere 3.53%. Commercial Vehicles segment declined by 20.23% over the previous year, Passenger Vehicles declined by 6.05%, Three-wheelers by 10.90% and only Two-wheelers grew by 7.31% (Source- SIAM data). Construction segment showed de-growth of 17.4% (Source - Manufacturer Data).

Aggregate disbursements made during the year 2013-14 were ₹ 14,110 crores as against ₹ 14,808 crores in 2012-13, a drop of 5%. New loan accounts numbering 9.26 lakhs were added in 2013-14 as against 8.40 lakhs in 2012-13. Growth in fresh loans disbursed (10% over previous year) was thus healthy, in the background of slowdown in the vehicle segment.

The focus during the year was on optimizing the product mix to maximize yields, while maintaining portfolio quality despite the industry slowdown. During the year 2013-14, Used Vehicles loans amounted to ₹ 2,693 crores as against ₹ 2,426 crores in 2012-13, a growth of 11%. Loans for Two-wheelers, the flagship segment of the year, grew by 24%, with disbursement of ₹ 2,641 crores, up from ₹ 2,134 crores in 2012-13. The number of loans disbursed grew to 6.79 lakhs from 5.75 lakhs.

This Division also earned Commission income of ₹ 23.69 crores, primarily through distribution of various third-party insurance products through Cholamandam MS General Insurance, strategic partner of the Bank for bancassurance under the General Insurance segment.

The operations of this Division are efficiently supported by document storage and retrieval facility at the Bank's Karapakkam Unit (near Chennai), which handles processing of Loan Documents and maintenance of records. This Unit handled 1.5 million Loan bookings and closure transactions and 22 million customer service / accounting transactions during the year 2013-14.

The Bank's Data Centre, also located at Karapakkam, has state-of-the-art facilities in terms of data / equipment protection mechanisms and is equipped with access rights with sensors to facilitate monitoring of movement within the Centre. The Data Centre has a backup at the Bank's G. N. Chetty Road premises, as part of Business Continuity Planning.

During the year, Hand-Held Terminals were deployed across India to handle CFD's collection activity, thus enhancing process efficiencies and facilitating real-time collection monitoring.

Corporate and Commercial Banking Group

Corporate Banking:

Corporate & Investment Banking (C & I) provides Universal Banking Solutions to large Indian and multinational corporates. Over the past 5 years, this unit has become a banker to almost all the well-known industrial houses of the country and actively participates in their short-term and longer-term financing requirements.

- The Group has built specialist capabilities in executing structured solutions in the Trade Finance and Foreign Exchange hedging for its clients.
- This has increased penetration in the top corporate groups through a variety of funded and non-funded transactions including trade products, foreign exchange products and Investment Banking activities.
- The group consolidated on its strong reputation as a provider of innovative solutions to complex funding requirements, with quick turnaround times.

Public Sector Group:

- The Group handles relationships with more than 150 Public Sector clients including Maharatnas and Navratnas.
- The business showed healthy growth in FY14. This unit is emerging as one of the major contributors to the Bank's revenue. The Group successfully executed several collection mandates for Bonds and Dividend payments from key Public Sector Units, and has been appointed as the leading Cash Management Banker for several of its clients. This business is also a large and stable source of liabilities for the Bank.

Investment Banking (IB):

- IB Fee grew by over 74% as a result of strong origination skills and disciplined execution.
- Investment Banking at the Bank has 3 main businesses: Debt Capital Markets (DCM), Advisory (M&A and Private Equity) and Structured & Project Finance. This positions the Bank as a partner through the entire life cycle of growth-oriented corporates.
- The DCM Desk syndicates Project and Capital Expenditure loans for corporates across banks and financial institutions. This business grew well as the Bank was successfully able to leverage relationships and get several prestigious loan syndication mandates.

- Structured / Project Finance deals were successfully executed in sectors like Aviation, Engineering Services, Real Estate and Financial Services.
- The Advisory Business is aimed at providing M&A and Private Equity advisory services.

Financial Institutions Group (FIG):

- FIG manages relationships with domestic and international banks and Financial Institutions.
- The Group manages a large network of correspondent banks across the globe. These relationships in different geographies support the scaling up of the Trade and Treasury businesses of the Bank and ensure seamless execution of cross-border deals. The Group also successfully raised foreign currency resources from key correspondents which helped support the lending book in Foreign Currency, thus supporting the Bank's liquidity needs and facilitating reduction in costs.

Capital & Commodities Markets Division:

- The Capital and Commodity Markets Division focuses on serving Capital and Commodity Exchanges and their Members.
- The Bank is one of the Clearing-cum-Settlement Bankers to both NSE and BSE in the Capital and Futures Market segments and to all the Commodity and Currency Futures Exchanges in the country.

Commercial Banking Group (CBG):

Set up with a view to target the 'sweet spot' of the Indian corporate space, the Commercial Banking Group focuses on companies in the fast growing mid-market segments.

The Bank's initiatives in Supply Chain Finance, Corporate & SME Agricultural Business Finance and the Inclusive Banking Division are also housed within this Business Unit.

The broad business theme of the Group is centred on the following:

- Offering a full bouquet of customized products to clients, for their working capital requirements;
- Increasing the client-base to create a sustainable earnings stream for the Bank;
- Increased cross-sell through alignment of Relationship Managers and the Product Groups, i.e., the Transaction Banking, Global Markets and Investment Banking;
- Offering structured solutions through Transactional and Investment Banking products to clients for specific needs; and
- Meeting the stipulated Priority Sector Lending requirements through its Inclusive Business Group and Agri Business Group initiatives.

The highlights of the year are:

- Focus had been laid on building a sustainable working capital client portfolio and the year saw further strengthening of this position. The Group's Loan Book crossed ₹ 11,000 crores.
- Increase in product offerings to the clients. Special emphasis was laid on concluding structured Foreign Exchange (FX) as well as Trade Finance offerings to clients. Cash Management, Bond Collections and Dividend Payments were successfully marketed and executed, showcasing the Bank's capability to offer efficient and customized solutions.
- CBG ventured into newer sectors, viz., Real Estate, Healthcare and Education, where profitable relationships were built with established players.

  The Inclusive Banking arm of the Group was the Market Leader in launching the "Partnership Model" with Microfinance Institutions providing micro loans to Weaker Sections of society. The program is now geographically well diversified, and has spread to 49 districts across 9 States with a network of 206 MFI branches.

  This Group actively works with more than 9,50,000 clients, all of which are women, providing them with micro loans for productive purposes.
- For providing specialized services to clients in the Agriculture segment, an integrated Agri Business Group was initiated, comprising specialized Agriculture Finance professionals to cover all segments of the agriculture finance spectrum. In its first year of operations itself, the Group established significant presence in Dairy and other allied sectors.

  The Commercial Banking Group also houses the Commodity Finance Team, which is focused on specific banking requirements of producers and traders of agricultural products and works on a fully collateralized basis, managing financing against 36 commodities through a network of 8 collateral managers in the key agricultural belts of the country across 12 States. The Group has been able to place the Bank amongst the Top 3 Private Sector Banks under Commodity Finance and the only Bank with Nil overdues and NPAs.

  Collateral Managers are engaged in providing Risk Management Services relating to commodities and inventories, which includes Field Warehousing Arrangements, Inventory Audit services, Storage & Preservation Services, Procurement Services, Testing & Certification Services, etc., thus helping in mitigation of various risks associated with commodities pledged as collateral for the facilities availed.

  The Supply Channel Finance Division had 712 Channel Finance Dealers and 284 Vendors of automobiles and other products, and provides short term inventory finance through 36 different specially designed programs for individual industries.

Global Markets Group

The Global Markets Group (GMG) comprises three main functions: Trading (Interest Rates, Government Bonds and Corporate Bonds), Sales (Client Risk Solutions across foreign exchange, interest rates and derivatives) and ALM (Asset Liability Management).

The year 2013-2014 has been one of the most volatile years for both, foreign exchange and interest rates. The year started with a backdrop of improved economic conditions that saw the Reserve Bank lowering interest rates in the first quarter. The second quarter saw a rise in inflation coupled with a large Current Account Deficit, leading the Rupee to depreciate against the US Dollar by 29% to an all-time low, from 53.66 to 68.84.

Most emerging market currencies also fell in value during the period that saw varying response from respective authorities, ranging from capital controls on the one hand to taking measures to attract relatively longer term flows on the other.

RBI hiked the Marginal Standing Facility (MSF) rate by 200 basis points on July 15, 2013, from 8.25% to 10.25% to prevent slide of the Rupee. The spread of 300 basis points between MSF and Repo Rate resulted in a spike in short-term Money Market rates on Sovereign and Corporate Debt, the yield on 3-Month Treasury Bills touching 12% and 3-Month PSU Bank CDs touching 11.85%. RBI also modified the rules related to CRR maintenance. Import of Bullion was restricted and Customs Duty on imports was increased in steps to 10% from 6%. These measures had an immediate impact on the Rupee, but the effect was not sustained as the USD / INR level touched a low of ₹ 68.84 by end-August.

RBI, with the new Governor in office, announced a slew of measures on September 4, 2013 including offering a concessional Swap Window on FCNR deposits and Foreign Currency loans to banks. These measures eased the pressure on liquidity and strengthened the Rupee. The market however remained listless in the wake of continued high inflation and worry on Current Account Deficit. At the end of the financial year, market sentiments were positive, with increased FII interest and a relatively stable Rupee and interest rate regime.

The Money Markets and Balance Sheet Management Unit manages the regulatory requirements:

Cash Reserve Ratio and Statutory Liquidity Ratio, Resource Mobilisation and Liquidity Management, Asset Liability Management, and Funds Transfer Pricing, in order to manage and mitigate market and liquidity risks in the Balance Sheet.

The liquidity and resource mobilisation strategy proactively addressed to these conditions to have a significant cost reduction in Bank's sources of funds with an optimal mix of Term Deposits, Market Borrowings and Refinance. The drive during September -November 2013 for raising FCNR Deposits and overseas borrowings increased the liability profile of the Balance Sheet. Through a dynamic management of the liquidity requirements of the Bank, the Desk could maintain a better cost of funding the assets.

In spite of the progressively hardening interest rate cycle witnessed during the year, right strategies backed by accurate short-term interest rate views brought in improvement in the yield of core SLR portfolio and the Trading Desk managed to pare the deterioration of portfolio value.

The Trading Desk in Rates and Foreign Exchange aims to maximise the Bank's revenue by taking proprietary positions in the Rupee market as well as in G-7 currencies juxtaposed to its timely entry / exit in the currency and interest rate markets. The Trading Desk had curtailed its back-to-back covering of risk on swaps and the IRS and MIFOR risks during the year. The Desk also provides competitive rates to the client-facing team in order to enhance client value, besides using trading techniques in increasing revenues in the inter-bank market.

The Credit Trading and Sales Desk was set up during the financial year with a view to provide to clients a complete suite of Fixed Income products and enhancing trading profits and fees through arranging and trading Non-SLR products such as Corporate Bonds, Commercial Paper (CPs) and Certificates of Deposit (CDs). The Desk arranged and invested in various issuances of bonds and CPs of corporates.

The Desk focused on maximising profits and managing risk, rather than targeting league tables. Despite a challenging and highly volatile market during the year, in terms of interest rates and credit spreads, the Desk has been profitable and managed well the risk of the Bank's Trading Book.

The client-facing team in Global Markets Group is broadly segmented into three parts – the CRS Team (Client Risk Solutions), the SRS Team (Structured Risk Solutions) and the Bullion Team.

The Client Risk Solutions (CRS) Desk advises Institutional and Corporate clients on their FX and Interest Rate-related exposures, and provides tailor-made solutions to hed ge such exposures. The spectrum of Advisory Services includes domestic as well as cross-border transaction flows and risk management of related exposures on clients' Balance Sheets. CRS covers the India geography through Dealers / Dealing Centres in Ahmedabad, Bengaluru, Coimbatore, Chennai, Gurgaon, Hyderabad, Jaipur, Kolkata, Lucknow, Ludhiana and Mumbai. It has extended its geographical reach through FastForex, Bank's internet platform, to a wider Emerging Corporate Client base and branch network, thereby ensuring faster delivery and access to real-time market prices.

The SRS team provides structured risk management solutions and advisory to Bank's corporate clients, using various Derivatives products. The Bullion Desk helped

clients of that segment with hedging requirements for the metal, in accordance with the regulatory environment prevailing from time to time.

During the year, the CRS Desk successfully handled various large onshore FX flow transactions of corporate as well as Financial Institutional clients, and a few large cross-border trades related to capital market flows. SRS Desk's timely advisory on structured Derivatives solutions helped increase mindshare amongst large and medium corporate and institutional clients, and the Desk saw a healthy upsurge in client volumes.

The Bank has a well laid-out set of Operational Policy guidelines, risk management policies, including Client Suitability Policy and appropriate systems support to monitor transactions and risk on real-time basis.

The sustained growth of the Global Markets Group and its ability to offer new products and solutions encompasses need for automation and upgrading of the technological environment. The Bank is implementing an integrated Treasury application interfaced with the Risk monitoring system, which will enable the Bank to expand its client offering and market making in certain Derivatives products, as well as manage the risk positions effectively.

Transaction Banking Group

The Transaction Banking Group provides solutions under Cash Management, Trade Services, Supply Chain Financing, Commodity Financing, Global Remittances, Electronic Banking and the Gems & Jewellery sector.

The Bank's Global Remittances business continued to experience robust growth in transaction flows, with the business witnessing about 40% growth in flows in FY 2013-14.

The year saw high growth in Bank's Online Remittances coming into India, with Canada being the latest geography added to the Bank's online offering. The Bank continues to hold a position of significance with partner-Exchange Houses, acting as the 'India Correspondent' for over 60 relationships. The Bank features amongst the largest players in the industry for Inward Remittances under Rupee Drawing Arrangement of RBI.

Impressive growth was also witnessed in the Outward Remittances business handled by the Bank. The overall revenues from cross-border remittance products grew over 80% during 2013-14.

Under the Cash Management Services (CMS), the Bank offers products such as collections and payments of its corporate clients, thus helping grow the Current Account base and fees. The CMS throughput witnessed 73% increase in transaction volumes during the year, with several new CMS mandates added during the year.

The year 2013-14 saw the Bank focus on technology-enabled solutions offered to its corporate clients, such as Payment Gateway solutions and Host-to-Host solutions. Focus on Electronic Payments saw the Bank bagging several corporate mandates involving Host-to-Host integration, a completely seamless solution enabling corporate clients to make their payments in a fully automated and secure environment. This places the Bank amongst the best-in-class players offering corporate payments solutions, implementing such solutions with flexibility to connect with platforms like SAP, Oracle, etc.

The Bank also launched during the year its global Host-to-Host service for seamlessly integrating with the processing systems of the Overseas Money Transfer operators. The Bank remains committed to pursuing the philosophy of STP (Straight Through Processing) in its transaction handling. Last year, the Bank handled nearly 3.6 million STP transactions originated on its Corporate & Remittance online channels, up by 35% over the previous year's volume.

The Bank was yet again ranked as the # 1 Collecting Bank across all public issues that hit the market in 2013-14 under 'Debt' category. (Source: Prime Database Rankings.)

The Bank had opened two Currency Chests during the last financial year and the year 2013-14 saw the Bank capitalising on these to drive home significant benefits from these facilities. While on one hand, Currency Chests helped the Bank to efficiently manage cash holdings across its branches and ATMs, on the other hand, it has helped the Bank to make impressive inroads with various new corporate relationships. The fee generated at the Bank from Currency Chests showed a substantial jump in FY 2013-14. The Bank plans to open two more Currency Chest's in the current year, which will further compliment its network expansion strategy as well as help grow its Cash Management Services. The Bank has been providing competitive structured solutions to customers under its Trade Services umbrella, thereby effectively assisting corporates in funds management and efficient management of their working capital flows. The Bank's ability to provide Structured Trade solutions has enabled clients to unlock their capital funds, leading to reduction in their interest cost and improvement in their profitability. To enhance the scope and reach of tech-savvy corporates, the Bank is proposing to launch a new state-of-the-art Trade Online Platform that would enable clients to seamlessly interact with the Bank for their Trade Finance requirements in a secure and efficient environment.

Global Remittance Business 40%

Cross-border Remittance Revenues 80%

Cash Management Services 73%

Under Trade Services, in addition to usual Trade facilities such as Letters of Credit and Guarantees, the Bank offers customized working capital management solutions to clients as per their business requirements. This has reflected in the growth in Trade business, with trade fees growing by about 29% last year.

The Bank's Supply Chain Business solutions are highly effective in strengthening relationships between corporate buyers, their strategic partners and core suppliers. Taking a commercial approach based on key market trends, these solutions help clients to unlock working capital, maximise returns and support sales efforts to develop new markets. The Supply Chain Finance solutions also help manufacturing sector clients in negotiating preferential purchase terms and strengthening channel relationships. Bank's online portal enables clients to obtain finance in the most efficient and convenient manner. Under Channel Finance, the Bank presently provides Short Term Finance to over 712 dealers of large manufacturing companies.

Priority Sector Lending

The Bank has achieved the RBI-prescribed target for Priority Sector Advances. Priority Sector Advances aggregated ₹ 18,270.44 crores at the end of March 2014, representing 40.93 % of the Adjusted Net Bank Credit (ANBC) of the previous year, as compared to 40.56 % at the end of March 2013.

Advances to Agriculture

During the year, the Bank financed over 6,12,946 agriculturists, and its Aggregate Direct Agricultural Advances stood at ₹ 4,089.60 crores, representing 9.16 % of ANBC at the end of March 2014. The overall Agricultural Advances (i.e., Direct Agriculture and Indirect Agriculture) of ₹ 5,216.56 crores, amounted to 11.69 % of the ANBC at the end of March 2014. Although lower than March 2013 in terms of percentage of ANBC, this reflects an absolute growth of ₹ 868.66 crores, a sizeable increase in Advances to this important sector.

Advances to other segments of Priority Sector

During the year, the Bank's finance to 'Weaker Sections' increased by ₹ 696.12 crores and stood at ₹ 3,685.19 crores, representing 8.26% of ANBC as at the end of March 2014. Finance to Small Enterprises represented 29.24% of the ANBC at the end of March 2014.

Approach to Priority Sector Lending

To achieve this sizeable exposure to the sector, the Bank has:

- Reached out to about 1.1 million households from the Base of the Pyramid (BoP) Segment, both through Direct and Indirect Channels.
- Spread operations to 24 States, 393 districts in total whilst directly reaching out to about 560,000 clients spread over 9 States and 49 Districts covering more than 11,000 villages and 182 slums mostly from under-banked districts and districts which rank low on the CRISIL Financial Inclusion Index.
- 100% of these loans were to Women, organised in Joint Liability Groups (JLG).
- About 43.4% of these loans were towards Farm (Agri and Agri-Allied) and the balance towards Micro Enterprises (Manufacturing, Trade and Services). Activities covered under these include Vegetable Cultivation, Release of Land Mortgaged with moneylenders, Borewell digging, Pumpsets, Land Development, Livestock loans, i.e., Buffalo, Cows, Sheep-rearing, Kitchen poultry units, etc. On the Micro Enterprises activities, i.e., Saree Trading, Fruits Business, Kirana stores, Snacks stores, Road Side Dhabas, Cycle repair shops, Tea Stalls, Agarbathi-making, Tailoring, etc. In the process, we have touched more than 1,000 economic activities. In terms of loan sizes, about 70% of the above loans are for amounts less than ₹ 15,000.

Risk Management

Banking business is exposed to a wide spectrum of risks and it is imperative that the various risks faced by the Bank are effectively measured, monitored and managed. A robust Enterprise-wide Risk Management (ERM) framework enables effective and proactive management of various risks while supporting business growth. ERM helps reduce volatility in earnings and enhances shareholder value.

The ERM framework provides single-window view of the risks that the Bank is exposed to and facilitates effective management of associated risks in an integrated manner. The Bank has an integrated Risk Management Department, independent of business functions, covering Credit Risk, Market Risk, Asset Liability Management (ALM) and Operations Risk including Information Security risk functions. Risk Management practices have been aligned with best industry practices and are adaptable to a dynamic operating environment and market conditions.

Reinforcement of Risk Management - Basel II / III

The Bank has implemented the New Capital Adequacy framework, which enables allocation of capital based on risk sensitivity of respective asset classes. During the year, the Bank has implemented the new RBI guidelines on Basel III Capital Regulations, and has been maintaining capital requirements as per norms stipulated therein.

The Bank has implemented a highly sophisticated system which enables automated computation of capital requirements under the Basel III framework.

As part of Capital Adequacy framework, the Bank has implemented Internal Capital Adequacy Assessment Process (ICAAP) which facilitates identification and measurement of material risks other than the risks covered under Pillar I of Basel II guidelines. The Bank has further strengthened quantification and management of the material risks under Pillar II. The Bank has undertaken substantive initiatives to equip itself for migration to advanced approaches of risk assessment under Basel II.

The Bank has implemented state-of-the-art Market Risk Management System which enables adoption of Internal Model Approach for computation of Capital Charge towards market risk.

Credit Risk Management

Credit Risk is managed both at transactions level as well as portfolio level. The key objective of Credit Risk Management is to maintain credit quality within the defined risk appetite, while achieving appropriate returns in relation to risks assumed.

Various measures adopted for management of Credit Risk are mentioned hereunder:

- Gauging Credit Risk at the time of credit approval by means of risk rating models implemented for different segments of obligors;
- Credit Portfolio Management analysis to monitor credit quality, composition of portfolios, concentration risk, yield monitoring and business growth;
- Measurement and monitoring of credit quality regularly by means of Weighted Average Credit Rating (WACR) of the credit portfolio;
- Prudential internal limits prescribed for assuming exposures on counterparties, industries, sectors, etc.;
- Measurement of credit quality of Consumer Finance portfolios by means of Behaviour Modeling;
- Management of exposures to counterparty banks and countries by setting exposure limits basis their risk profiles and monitoring the exposures regularly;
- Stress Testing of credit portfolios to measure shock absorbing capacity under multiple stressed scenarios and assessment of impact of potential credit losses on profitability and capital adequacy, thus enabling initiation of appropriate risk mitigation measures. Stress Testing of credit portfolios to measure shock absorbing capacity under multiple stressed scenarios and assessment of impact of potential credit losses on profitability and capital adequacy, thus enabling initiation of appropriate risk mitigation measures.

Market Risk Management

Market Risk arises from changes in interest rates, exchange rates, equity prices and risk-related factors such as market volatilities.

The Bank manages Market Risk in trading portfolios through a robust market risk management framework prescribed in its Market Risk Management Policy.

The Bank has successfully implemented a state-of-the-art Market Risk system to enhance the existing Risk Management Framework to keep in step with the new concepts in the Market Risk Management domain. The Market Risk system has strengthened VaR, Stress Testing and Capital Computation framework, which has helped manage market risk effectively in a volatile market condition.

The framework includes monitoring of PV01 limits, Value-at-Risk (VaR) limits for Forex, Investments, Equity and Derivatives Portfolios, besides Stop-Loss limits, Exposure limits, Deal-size limits and various operational limits.

The Market Risk Management Group functions independent of Treasury business and is responsible for:

- Designing and updating comprehensive policies framework for Funds and Investments, Foreign Exchange Dealing, Derivatives and Equities;
- Implementation of methodologies for measurement and monitoring the market risks associated with respective portfolios;
- Monitoring market risk exposures in line with risk limits prescribed in the policies.

Asset Liability Management (ALM)

The Bank's Asset Liability Management system supports effective management of liquidity risk and interest rate risk, covering all assets and liabilities.

- Liquidity Risk is managed through Structural Liquidity Gaps, Liquidity Simulation, Dynamic Liquidity monitoring, Liquidity Ratios analysis, Behavioral analysis of liabilities and assets and prudential limits for negative gaps in various time buckets.
- Interest Rate Sensitivity is monitored through prudential limits for Rate Sensitive Gaps, Earning at Risk, Modified Duration of Equity and other risk parameters.
- Interest Rate Risk on Investment portfolios is monitored through, PV01, VaR and Modified Duration on a daily basis. Optimum risk is assumed through duration, to balance between risk containment and profit generation from market movements.

Detailed analysis of liquidity position, interest rate risks, product mix, business growth versus budgets, interest rate outlook, etc. is presented to the Asset Liability Management Committee (ALCO) which meets frequently and deliberates on liquidity position and interest rate risk and reviews business strategies.

The ALCO provides directional guidance to Business Units towards effective management of liquidity position, while achieving business goals. The Bank assesses its structural liquidity position on a daily basis for managing liquidity in a cost-effective manner.

Stress Testing - Liquidity Risk

The Bank carries out stress tests on liquidity position regularly to simulate impact of stressed liquidity scenarios on funding and liquidity position. Stress Tests help the Bank to be better equipped to meet stressed situations and have contingency funding plans in place.

Contingency Funding Planning

Contingency funding plans have been developed to respond swiftly to any anticipated or actual stressed market conditions. Bank reviews its contingency plans considering the evolving market conditions. Contingency funding plan covers available sources of funds to supplement cash flow gaps in the event of stressed scenarios, roles and responsibilities of those involved in execution of contingency plans and the contingency triggers.

Interest Rate Risk on Banking Book (IRRBB)

Interest Rate Risk on Banking Book largely arises on account of (i) Re-pricing Risk; (ii) Optionality; (iii) Basis Risk; and (iv) Yield Curve Risk.

From an economic value perspective, it is the Bank's policy to minimise sensitivity to changes in interest rates on assets and liabilities. Interest Rate risk is measured basis re-pricing behaviour of each of the items under asset, liability and off-Balance Sheet products. The Bank's Assets and Liabilities Management Policy has laid down limits basis risk appetite, and the impact on NII and Economic Value of Equity (EVE) for a given change in interest rate.

The Bank has put in place necessary framework to measure and monitor Interest Rate Risk on Banking Book using the Duration Gap Approach, besides the Traditional Gap Approach.

Operational Risk Management

Operational Risk is the risk of incurring loss due to failure of systems, technology, processes, employees, projects, disasters, external factors, frauds, etc., including legal and regulatory risk. Operational Risk occurs on account of human error, failed processes, inadequate systems, fraud, damage to physical assets, improper behaviour or external events. The Bank seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, standard operating processes and procedures and tools to identify, assess, monitor and control such inherent risks in its businesses.

The Bank's Risk Management Department provides necessary direction and undertakes various initiatives under its Operational Risk Management (ORM) Framework for mitigation of risks. The ORM Framework comprises Policy guidelines, Risk and Control Self-Assessment (RCSA), Loss Data Analysis, Key Risk Indicators (KRIs), Risk Profiling of branches, implementation of Basel II Guidelines, etc.

The RCSA of all major Operations functions have been carried out and necessary risk mitigation plans have been designed and implemented. Loss Data Analysis, basis internal as well as external loss data, is carried out periodically to identify trends and reinforce operational controls. An Incident Reporting tool has been implemented for reporting Operational Risk incidents across Bank and monitoring actions thereon for mitigation of risk.

The Bank has initiated scenario-based assessment of identified plausible Operational Risks. The scenario analysis shall be used in creation of statistical models with respect to computation of Operational Risk Capital Charge under Advanced Measurement Approach of Basel II.

New products / processes are assessed for associated risks before their launch. All new products / processes are approved by the Operational Risk Management Committee (ORMC), which identifies the risks inherent in the products and prescribes necessary controls to mitigate such risks.

The Bank's Audit mechanism covers periodical on-site audit, concurrent audits and off-site surveillance enabled by the Bank's advanced technology-driven processes and the Core Banking System.

The Bank has implemented a comprehensive Bank-wide Business Continuity Plan to ensure continuity of its critical functions during disruption / disaster situations.

Systems Risk

As part of Systems-related Operational Risk Management initiatives, the Bank has implemented the following:

- Formulated and implemented a comprehensive Business Continuity Plan (BCP) to ensure continuity of its critical business functions and extension of banking services to its customers;
- Established an effective Disaster Recovery site at a distant location, with on-line real-time replication of data, both in Mumbai and Chennai;
- A comprehensive Information Security Policy and necessary framework have been put in place to ensure complete data security, confidentiality and integrity;

The Bank has housed its Data Centre in a professionally managed environment with sophisticated and fool-proof security features and assured supply of utilities.

Financial Restructuring and Reconstruction Group

All activities relating to recovery of non-performing loans and restructuring of stressed assets are handled by the Financial Restructuring and Reconstruction Group (FRRG). The role of FRRG has assumed importance, given the challenging credit environment faced by banks in India during the past few years.

The Bank has actively utilized the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 for recovering its dues, wherever considered appropriate. The Bank is now a permanent member of the Corporate Debt Restructuring Forum, so as to efficiently handle restructuring of viable businesses in coordination with other lenders.

During the year, the Bank recovered an amount of ₹ 35.72 crores in written-off accounts (Previous Year: ₹ 14.80 crores). The Bank's Provision Coverage Ratio is now at 70.35% (Previous Year 70.13%). The Net NPAs of the Bank stood at 0.33% of the Total Advances (Previous Year: 0.31%), while the ratio of Gross NPAs as percentage of Total Advances is 1.12% (Previous Year: 1.03%).

Banking Operations

The Bank has strengthened the policy framework on "Know Your Customer" (KYC) norms and "Anti Money Laundering" (AML) measures from time to time, in line with the policies of Reserve Bank of India. The Bank has implemented a simplified procedure of "Know Your Customer" which will benefit lower income group persons to open accounts with minimal documentation.

The Bank had implemented a state-of-the-art Workflow and Imaging System during the year 2009-10. The System has been implemented in the Account Opening process, automate the Fixed Deposits opening and renewals, Trade Finance-related processing, Third Party products sales operations and centralisation of Branch Expenses processing. The plan is to migrate further processes on to the platform as per the operational needs.

The System enables faster turnaround times, movement of work from branch locations across the country to the Central Operations Unit in real time, thus reducing the time it took for physical forms to arrive through courier. This has helped in freeing up manpower at the branches to tend to customer service as well as help provide online status of processing of customer requests / new applications.

As mandated in RBI directives, the Bank has undertaken review of risk categorisation of all customers' accounts.

The Bank is a member of Banking Codes and Standard Board of India (BCSBI), which was set up to ensure that banks in India adhere to a voluntary Code, which sets minimum standards for fair treatment to customers availing of banking services. The Bank has made a commitment to adhere to all the provisions of the Code prescribed by BCSBI. The Bank has taken steps to implement the provisions of the Code of Commitment to the Customers (Individuals). The Code is displayed at all the branches and the same is also posted on Bank's website in thirteen languages.

The Bank similarly has also adopted the "Code of Commitment to Micro and Small Enterprises" (MSE code) issued in June, 2008 for customers belonging to Micro and Small Enterprises segment. This Code was further revised in 2012 by BCSBI and duly approved by the Board of Directors. The MSE Code sets the minimum standards of banking practices and explains how to deal with these customers in day to day operations and in times of financial difficulty.

The Bank has also formulated the Policy on 'Financing to Micro, Small and Medium Enterprises', and the same is made available on the Bank's website.

Centralized clearing has been implemented in Ahmedabad, Bengaluru, Bhubaneswar, Chandigarh, Chennai, Coimbatore, Delhi, Goa, Hyderabad, Jaipur, Jodhpur, Kochi, Kolkata, Lucknow, Ludhiana, Mumbai, Nagpur, Pune, Salem, Surat, Thiruvananthapuram, Udaipur, Vadodara and Vishakhapatnam for quicker and efficient processing. It will be the Bank's constant endeavour to bring more centres under Centralised Clearing.

The Bank has also started participating in NACH (National Automated Clearing House) transactions both for Debit and Credit (ECS) at Mumbai, as also Aadhar-Based Payment System (ABPS) transactions through NPCI.

Cheque Truncation System (CTS), which was implemented in New Delhi by RBI, was operationalised in March 2008 and has been fully stabilised and the Bank is participating in clearing through CTS. In FY 2011-12, the Bank had stabilised CTS operations in Chennai, Bengaluru and Coimbatore through National Payment Corporation of India (NPCI). During the year 2012-13, the Bank successfully implemented CTS operations in Chandigarh, Kolkata and Ludhiana. During 2013-14, the Bank successfully implemented CTS operations in Mumbai and also operationalized grid clearing for 18 locations connected to Mumbai grid. 102 locations are covered under grid clearing through our three CTS centers at Mumbai / Chennai / Delhi, as on March 31, 2014.

The Bank has improved internal controls and compliance through the following:

- Separate and independent Compliance function has been set up for Bank-wide compliance;
- Instituting of the Vigilance function;
- Expenses management software has been deployed at all branches for facilitating cost control;
- Standard Operating Procedures have been defined for processes at branches to ensure consistency of delivery with expanding branch network;
- Branch Monitoring Unit is operative for regular monitoring of branch operations;
- Voucher verification process has been operationalised for checking all the entries posted by the branches; and
- The Process Adherence and Quality function has been operationalised for attaining uniformity in processes followed by branches, to minimise operational risk.

The Bank has revised and adopted a "Comprehensive Policy", in pursuance of RBI advices, on settlement of claims in respect of deceased depositors. The policy covers all types of deposits, and has simplified the procedure for settlement and forms are provided on Website.

The Bank has adopted the "Best Practice Code", relating to transaction processing, with the objective of documenting the procedures in line with national and international best practices.

The Bank has put in place a "Deposit Policy" and a "Fair Practice Code". While the former outlines the guiding principles in respect of various products of the Bank, the terms and conditions governing the operations of the accounts and the rights of depositors, the Fair Practice Code is a voluntary code establishing standards to be followed by all our branches in their dealings with the customers.

The Bank has framed the "Citizen's Charter" to promote fair banking practices and to give information in respect of various activities relating to customer service.

The Bank has put in place "Compensation Policy" as part of the commitment to customers to compensate them in case of the Bank being unable to meet the service levels committed to the customers. The main objective of the policy is to establish a system whereby the Bank shall compensate the customer for any direct and actual loss by way of internal loss / payment of charges by customer due to deficiency in service, to the extent mentioned in the policy. The policy is based on principle of transparency and fairness in dealings with customers.

The Bank has framed the "Unclaimed Deposit Policy" based on RBI guidelines with objective of classification of unclaimed deposits and setting up the grievance redressal mechanism for quick resolution of complaints and record-keeping.

Corporate and Global Markets Operations (CGMO)

Corporate & Global Market Operations (CGMO), which manages the operations related to Trade Services, Cross Border Remittances, Supply Chain Finance, Global Markets, Cash Management Services, Payments, Depository and Capital Markets and servicing of all clients across both the Corporate and Retail segments, continued to increase its focus on operational efficiency, proactive risk management and client-focused initiatives.

CGMO led transformational process re-engineering in Global Remittances, Bank Guarantees and Client Servicing, in addition to consolidation and centralization of complex functions. The Bank is among the market leaders in handling assignments of Bankers to the Issue, Tea Trade Settlements, and has seen significant growth in volumes relating to Depository Operations. In all, over 100 change projects were successfully implemented to support business initiatives and increase operational efficiency, all of which also improved the client experience.

CGMO continued in its journey towards 'Continuous Improvement' with the objective of building a mindset of continuous improvement, and to deliver year-on-year efficiency benefits. This program focuses on increasing 'Client Delight', 'Empowerment' and 'Rewards & Recognition'. As part of this initiative, 5S has been implemented across its processing centers, over 450 process improvements were initiated and implemented by staff themselves and a training program on continuous improvement was rolled out for all staff.

CGMO focuses on managing Risk proactively and conducts regular risk reviews across all its processing centres. Risk monitoring activities were also centralized, providing better visibility and control. Advanced Risk Awareness sessions were conducted for all staff, keeping them updated on the latest trends in Risk.

CGMO is currently leading projects to re-platform the Treasury and Market Risk Management Systems for the Global Markets Group, the Trade System and Currency Derivative Systems. State-of-the-art systems have been identified after a detailed evaluation process.

The Treasury System, which will be capable of handling high volumes of complex Global Market products, is under implementation. Further, commensurate with the Bank's plans to grow its Treasury and Derivatives products, and with a view to control and manage related risks effectively, a suitable Market Risk Management system has also been finalized for implementation. All these systems will significantly boost capabilities in these product segments and offer clients with world class products and services.

Internal Control Systems and their adequacy

Operational Controls

The Bank has laid down the policy framework related to "Know Your Customer" (KYC) norms, "Anti Money Laundering Measures" (AML) and Combating of Financing Terrorism (CFT). The policy has been framed on the basis of recommendations of the Financial Action Task Force and the Paper issued on 'Customer Due Diligence for Banks' by the Basel Committee on Banking Supervision. The AML software that has been implemented effectively has brought the operations risk under control. A systems solution has been implemented to operationalise Re-KYC guidelines and follow up on outstanding discrepancies.

In accordance with RBI's recommendations, a Committee on Procedures and Performance Audit on Public Service in Banks (CPPAPS), comprising senior functional heads of the Bank and a few customers, has been established. The Bank has also constituted a Customer Service Committee of the Board of Directors (CSCB) to review the performance of the CPPAPS.

Customer Service

The Bank has constituted Branch Level Customer Service Committees (CSC) at all branches, comprising employees and customers. CSC meetings are convened every month to examine complaints / suggestions, cases of delay, difficulties faced / reported by customers / members of the Committee. Feedback and suggestions are submitted to CPPAPS.

CPPAPS examines and provides relevant feedback to the Customer Service Committee of the Board for necessary policy / procedural action.

In May 2009, the Bank implemented “Talisma”, a ‘Customer Requests, Complaints and Requests Management System’. The key objective of this solution is to have a single system to track requests, complaints and queries at customer level so that the service standards as set out by the Bank are managed and enhanced. The System has been implemented across all branches and the Bank’s Contact Centres in Mumbai and Chennai.

Grievance Redressal Mechanism

The Bank has designed an escalation process for all customer complaints received at branches and at Corporate Office.

A quarterly report related to complaints received and redressed is placed before the Board of Directors. Based on the recurrence of complaints in specific areas, causative factors are identified and necessary remedial measures are initiated.

The Bank maintains a dedicated page for lodging of complaints and complaint redressal mechanism on its website www.indusind.com where information on the escalation process and the details of the Nodal Officer / Regional Managers to receive complaints has been furnished.

These details are also displayed at the Bank’s branches. Details of the Banking Ombudsman Scheme, 2006 are also displayed at Branches and provided on the website.

The Bank has also created a link on our website for a “Complaint Form”, which gives opportunity to all customers to air their grievances in a simplified way and get their complaints redressed without delay. Further, customers can contact the respective Branch Manager or Call our Contact Center on toll-free number or send email to customercare@indusind.com to lodge their grievances.

Internal Audit

The Bank’s Internal Audit function is adequately equipped to make an independent and objective evaluation of the adequacy and effectiveness of internal controls on an on-going basis to ensure that units adhere to compliance requirements and internal guidelines. To achieve this, comprehensive processes have been established for the Internal Auditors to ensure that all facets of the Bank’s operations are subjected to scrutiny.

The Internal Audit function undertakes a comprehensive risk-based audit of all its operating units. An audit plan is drawn up on the basis of risk-profiling of auditee units. Accordingly, the Bank undertakes internal audit of its operating units at a frequency synchronized to the risk profile of each unit in line with the spirit of guidelines relating to Risk–Based Internal Audit. The scope of risk-based internal audit, besides examining the adequacy and effectiveness of internal control systems and external compliance, also evaluates the risk residing at the auditee units. The Internal Audit function proactively recommends improvements in operational processes and service quality.

The Bank’s Internal Audit function is operating as an integrated unit based out of different locations within the country, to cover all its operational activities. The Bank has developed an effective online surveillance system by using its fully networked Core Banking System, well-defined and strong internal controls, need-based access to computer systems and clear audit trails which have helped to mitigate operational risks. Further, to complement the Internal Audit Function and have real time supervision and control, critical units of the Bank are covered under concurrent audits.

Post issue of audit reports, there is a process for monitoring of progress on implementation of action plans. Status of resolution tracking as well as pending issues is reported to Top Management and Audit Committee of the Board on a regular basis.

To ensure independence of Internal Audit, the function has a reporting to the Audit Committee of the Board, and only for administrative purpose, to the Managing Director. Audit Committee of the Board reviews the performance of the Internal Audit Department and effectiveness of controls laid down by the Bank and compliance with regulatory guidelines.

Compliance

The Board and Management of the Bank are committed to high standards in maintaining a corporate culture of observing what is legally binding, and of embracing broader standards of integrity and ethical conduct.

The Bank has a distinct Central Compliance Department that facilitates management of Compliance Risk. The Compliance Function undertakes macro-level compliance activities namely, putting in place Compliance Policy of the Bank, monitoring compliance aspects, providing guidance on regulatory and statutory provisions pertaining to various business activities to the concerned functional units, and assisting functional units in ensuring that the Bank's Policies, Processes, and Products meet the regulatory and statutory requirements. The Compliance Function is a mandatory stakeholder of the Operations Risk Management Committee (ORMC) and provides sign-off for a new Product / Process routed this channel. The Chief Compliance Officer is also the Principal Officer of the Bank under the Prevention of Money Laundering Act.

The function also independently monitors compliance aspects at various stages. Besides the system of Monthly Compliance Certificates from branches and various Corporate Office functions, Compliance Test Studies are carried out to assess the level of compliance covering the branches, the Corporate Office functions, and also various associate agencies.

To promote and strengthen compliance culture among the workforce, the Compliance Function regularly conducts seminars for branch staff at all levels, ranging from the frontline Marketing / Operations executives to the Branch Managers; circulates short notes on important topics, and analysis of / learnings from cases. It also publishes monthly newsletter containing, inter alia, regulatory highlights, and a quarterly bulletin containing compliance related matters, and conducts Compliance Contests.

Human Resources

The Bank is on a high growth path. The Bank's HR objectives are derived from the Bank's business strategy and objectives. The role of HR is to facilitate business growth through talent acquisition, development, management and retention.

The Bank's business performance and improved market positioning attracts quality talent to the Bank. The Bank is seen as a "preferred career destination" which is exhibited by:

- High quality professionals with proven track records willing to make a long term career within the Bank.
- Lower attrition levels, higher employee life span, high offer acceptance ratio, increased hires through employee referrals are positive indicators.
- Virtually negligible attrition at leadership and strategic managerial layers, supplements the belief that employees want to be a part of the Bank's journey.

Key highlights:

- Hired quality manpower (leaders and achievers) to lead the Bank's business growth. The Bank used diversified hiring sources, namely, Employee Referral schemes, Job Portals, Placement Agencies, Campus Hiring and Tie-ups with agencies to work on Hire-Train-Deploy model to identify and hire appropriate talent. The Bank also employed assessment tests and multi-layered interviews to recruit the right resources. In line with the business objectives, the manpower strength increased to 15,590 employees from 11,502 employees a year ago.
- The Bank's learning interventions aimed at equipping employees with desired functional / behavioral competencies to enhance business success. During FY14, the Bank conducted 430,000 learning man-hours for over 70,000 participants through well-designed classroom and e-learning initiatives. Several learning programs in areas of Performance Management, Leadership Development, Managerial Effectiveness, Sales Processes, Communication and Negotiation Skills, Banking Products and Operational Processes were conducted during the year. E-learning initiatives comprising online course modules and assessment tests offered standardized and cost-effective learning solutions to the employees.
- A robust Online Performance Management System based on "SMART Goal-setting" continues to run successfully across the Bank. The Performance Management processes (Goal-setting, Mid-year Review, Annual Performance Review) help to accurately outline employee performance objectives, engage with employees, review performance, recognize and reward based on tangible performance, identify and nurture leaders to spearhead business growth. The annual performance appraisal for FY13 was executed in alignment with the Bank's objective of rewarding performance against goal achievements. Mid-year Performance Review for FY14 was used as a platform by the Line Managers and HR to analyze performance, provide developmental feedback and develop performance road-maps for employees to facilitate achievement of their annual "SMARTs".
- The Bank's Compensation Policy is based on the philosophy of 'Pay-for-Performance'. Compensation policies of the Bank are completely aligned to the regulatory compensation guidelines. The key objectives include benchmarking employee compensation with market salaries for various job positions, paying for "position, performance & person", maintaining an optimal balance between fixed and variable pay, building long-term employee ownership and association through Employee Stock Options.
- Several Employee engagement initiatives were pursued to connect and bond with employees, understand employee problems and seek remedials. Quarterly webcasts by the MD & CEO, Branch visits by HR and Line Managers, Skip-level meetings across the Business Units, Annual Reward and Recognition programs helped to connect with employees. Employee recreation programs as business off-sites, team get-togethers, sports, festivals, etc. helped to build enthusiasm and creativity at the work-place. Skip-level CET meeting was initiated to involve functional heads to collect business insights for developing the Bank's business plans. "My idea" an ideation platform, continues to generate innovative ideas for business process improvement and enhancing customer delight. The Bank also launched a "Workplace health and safety policy" for building a safe and secure work environment.
- Technology drives HR Operational Processes. There was seamless management of all Employee life cycle HR processes relating to Onboarding, Attendance, Leave, Payroll, Confirmations, Loans, Mediclaim, Gratuity, Exits, F&F, etc. The focus has been on responsiveness towards end-user needs by ensuring better TATs, error-free and proactive service delivery.
- The Bank pursues values of "Discipline and Compliance" to create an amiable workplace where employees can actualize their potential. The Bank espouses an adherence to the Code of Conduct, which clearly outlines the desired employee professional and personal conduct. Any deviation from the acceptable norms pertaining to breach of employee integrity and non- conformance to the Bank's Code of Conduct is treated as a deviation resulting in an appropriate action.

The Bank realizes the importance of its human capital in achieving its business ambition. In pursuance of the Bank's growth imperatives, HR's strategic agenda remains to delight employees by offering a fulfilling career, work-life balance, market-linked compensation & employee development through several benchmark HR practices.

Employee Stock Option Scheme

The Bank had instituted an Employee Stock Option Scheme to enable its employees to participate in its future growth.

The Scheme functions in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The eligibility of an employee and number of Options to be granted are approved by the Compensation Committee of the Board of Directors.

An aggregate of 3,10,18,700 Options, comprising 5.90% of the Bank's equity capital, have been granted. Statutory disclosures as required by the revised SEBI Guidelines on ESOS are given in the Annexure to the Directors' Report.

Other Initiatives Underway

Quality

Quality is a prime differentiator in a service industry, and the Bank has had the distinction of having had its entire Branch network certified as compliant with ISO 9001:2000. However, with the passage of time, it was necessary to move beyond this, and to embed quality in every aspect of the activities.

A responsive and responsible organisational culture is a key ingredient to quality in every aspect of our business and includes people, products, systems, processes and customer interaction. Balanced score cards, process engineering, staff training and recognition, effective deployment of technology, Customer Relationship Management, channel efficacy and error-free compliant operations are key ingredients of service quality. Service quality is measured through a variety of techniques such as turn-around times, loyalty scores, mystery shopping, quality assurance and others. Specifically, the Bank has a "Solution Delivery" Team that sits between business and operational imperatives so as to deliver innovative and customer-friendly products, services and channel interface.

Some of the innovative service quality initiatives introduced by the Bank include multi- lingual Contact Centre, Direct Connect to Contact Centres without going through menu options, Mobile remittances to ATMs wherein cash can be withdrawn without the requirement of a Card, choice of note denominations at ATMs, printing of scanned images of customers' cheques cleared on the reverse of Bank Statements,

a CRM system that provides a 360-degree view of the customer, instant redemption in customer's account of Credit Card Reward Points and many more.

With the growth in electronic channels, the Bank analyzes effectiveness of electronic channels on a regular basis. Customer behaviour relating to registration, usage, transactions, repeat usage, drop-offs, etc. are monitored on a regular basis. This channel has been growing rapidly and promotes the effectiveness of seamless error free service quality anytime and anywhere.

Shareholder Satisfaction

Effective April 1, 2013 the Bank's stock was inducted into the 'NIFTY 50' Benchmark of the National Stock Exchange of India. The Bank continues to deliver full, fair, timely and clear disclosures through various modes of communications, with shareholders and the investment community.

With a view to promoting transparency and enhancing shareholder satisfaction, apart from frequent interaction with the Registrar & Transfer Agent, steps have

been taken to obtain contact details such as e-mail IDs, cell phone numbers and telephone numbers of the shareholders so as to communicate to shareholders the information about developments in the Bank. This direct communication is in addition to the regular dissemination of information through usual channels such as the Stock Exchanges, Press, Bank's website, RTA's website, etc.

Shareholders of the erstwhile IndusInd Enterprises & Finance Limited (IEFL), which was amalgamated with the Bank in 2003, were sent three reminders. Shareholders who did not come forward have subsequently been contacted individually through Bank's branches, encouraging them to exchange Share Certificates of IEFL for Certificates of the Bank.

Going forward, the Bank's shareholders shall continue to receive best-of-class shareholder services and be promptly informed of the developments in the institution.

The Bank has been at the forefront in "Green Initiatives", and through this process aspires to graduate to paperless compliances.

Shareholders are requested to furnish their e-mail IDs at investor@indusind.com or inform telephonically on 022 - 6641 2487 to help accelerate the Bank's migration to paperless compliances.

In line with Circular issued by MCA, the Bank sought the consent of the shareholders to send the Annual Report i.e., Notice convening the Meeting, Financial Statements, Directors' Report, Auditor's Report, etc., in electronic form, to the e-mail address provided by you / made available to us by the Depositories.

The full text of these reports shall also be made available in an easily navigable format on the website www.indusind.com under the link 'Investors Reports and Presentation / Annual Reports'.

Shareholders have been intimated from time to time to claim the dividend amounts lying unclaimed with the Bank.

Information Technology

Information Technology has provided a sustained thrust in optimizing customer experience and improving operational efficiencies. The Bank regularly invests in IT infrastructure and technology innovations to stay ahead of competitors. This year, the focus was on technology upgrade for multiple applications to cater to business growth.

Information Technology Initiatives

Customer-oriented Initiatives

- My Account My Number:

  'My Account My Number', an offering that has become immensely popular, is a unique proposition to enhance growth in CASA. This software, developed internally, enables a customer to choose an Account Number according to his / her preference, usually based on a specific pattern, such as a lucky number, favourite combination or just something simple to remember.

- Implementation of RBI's "Next Generation RTGS":

  The benefits of Next Generation RTGS, successfully implemented in Oct 2013, are:

  i. Faster customer credits and settlement: End-to-end fund transfer is now possible in 30 minutes.

  ii. Penalty for cases of delayed credit and / or returns, forcing banks to take prompt action.

  iii. RBI Payment system is now integrated to the Core Banking System, to know the real time liquidity position.

iv. High value transaction alert to banks: This is auto-generated email received whenever a high value transaction hits RBI system.

- Western Union RDA:

  During the year, Cross Border Remittance System, an in-house developed system designed for Western Union and other RDA (Rupee Drawing Arrangements), went live. The system pulls / pushes the encrypted file through secure FTP via VPN and processes inward remittances via remittance platform.

- SAS - RMfB (Risk Management for Banking):

  RMfB (Risk Management for Banking), the Market Risk system from SAS, went live in the month of February, 2014. Latest analytical tools like SAS BI, SAS data integration, SAS management console, SAS information delivery portal, etc. have been deployed. Currently the ETL (Extract Transfer Load) runs on various source systems like CBS, Treasury, CTFS, Market Data from Reuters, etc. It provides standardized reports, Value at Risk, Sensitivity Analysis, Stress Test, interactive reports and various market risk management related analyses.

- 'Bank to Corporate Client' system connectivity:

  A Corporate Connectivity Solution which provides a direct interface between the corporate customers' ERP systems and the Bank for sending payment instructions.

  Using this system, the customer can process bulk payment data from his ERP / Account System and authorize it on Bank's Corporate Banking Portal online. The system uses Data Encryption, by which data security and confidentiality are achieved. This reduces manual intervention and creates efficiency in processing.

- Cheque Truncation System (CTS) - Image-based Clearing - Western Grid:

  IndusInd was among the first seven banks to go live with CTS Western Grid on April 27, 2013, along with RBS, SCB, CITI, PMC, BoA and ICICI Bank. This facility is expected to benefit customers through faster clearing.

- IndusPay Plus - Consumer Finance Division (CFD):

  It is a new payment facility for customers to pay their outstanding dues online, instead of making payment by cash or cheques. Using this facility, customers can conveniently pay their dues through Net Banking of other banks, since this has been linked through Bill Desk.

- DD and PO printing from State Offices – Consumer Finance Division (CFD):

  DD and PO printing from State Offices instead of at same city IBL branches has reduced time and errors, improved efficiency and resulted in satisfaction of external vendors and dealers.

- Workflow for Repossessed and Sale of vehicles - Consumer Finance Division (CFD):

  A workflow-based process was launched for initiating of sale of repossessed vehicles to prospective buyers. It enables recording of sale of vehicles and benefits by way of improved TAT, complete data ownership and enhanced controls on asset liquidation.

- Chola E-Policy Integration - Consumer Finance Division (CFD):

  An interface has been built wherein the Chola E-Policy servers carry out online checks of Customer / Vehicle / Policy details with the base application 'Prolendz'. This has enhanced controls and avoided disputes between Chola and customers through better integration between the systems of the Bank and Chola. To enhance customer service, a copy of the policy is sent to customers through mail and SMS. This has been well received by customers.

Internal Efficiency

- Adoption of SFMS messages for Domestic Trade Finance transactions:

  The Ministry of Finance, through the Indian Banks Association, had directed all banks to adopt Structured Financial Messaging System (SFMS) for Domestic Trade Finance transactions in lieu of the existing paper-based instruments and communications, to avoid delays and frauds. The Bank has integrated the CTFS Trade Finance application with XMM – SFMS messaging solution. This system integration will ensure seamless message flow between the applications avoiding manual intervention leading to user efficiency operational controls.

- System Upgrades:

Talisma Upgrade

System upgrade was done to support the increase in concurrent users. 'Talisma' is used across Bank's branches, Contact Centre, CPU and Credit Card Division for tracking of customers' complaints. Additional modules built on Talisma platform such as Deliverable Module, RM Management, Super Saver Pack Tracking, 2 way SMS Alerts, Outbound Lead Management for Personal Banking have brought in operational efficiencies.

Considering business expectations and projections of user concurrency in the years ahead, the Talisma Upgrade project has gone live on February 17, 2014.

NEFT / RTGS processing capacity enhancement

This rollout has increased the NEFT/RTGS transaction processing capability from 3,500 transactions per hour to 10,000 transactions per hour and enhanced architecture for STP processing, user interface and reports.

ATM Switch Upgrade

All the Bank's ATMs are driven by Base24 Switch software. Upgrade of the Switch was initiated in August 2013 was successfully completed in December 2013, covering 1000+ ATMs, connectivity with interchanges like NFS, Visa and Master and integration with other systems such as IVR, DCMS, Net Banking and Mobile Banking.

IWorks System Upgrade

The IWorks application that supports key processes, including Accounts Opening, Trade Works, Procurement, Accounts Payable, Corporate Loans Module, Cheque Referral process, etc. was successfully upgraded in December 2013.

Intellimatch - Reconciliation System

The Bank successfully implemented the latest version of Intellimatch system which covers Nostro Reconciliation, Multi-Currency General Ledger Reconciliation and Foreign Exchange Deal Matching. Some of the benefits of the new system are:

> Reduces exposure and operational risk through early exception identification

> Centralizes reconciliation and exception management

> Allows standardization of business transaction

> Improves productivity by using consistent matching rules.

- Expansion and upgrade of British Telecom (BT) and Nice Logger:

In the month of February 2014, the Bank upgraded the capacity of BT Integrated Trading System and Nice Logger for voice recording. Prior to its upgradation, the system was supporting 32 turrets (telephones used by Trading Desk). The expansion enables it to support 120 turrets. Some of the benefits of this new platform are:

> Onsite redundancy for these systems.

> Addional features to capture all CII data (Incoming, Outgoing, Trader IDs, Hotline label, etc.)

> Supports Dashboard.

> Built-in Trader Playback request, workflow mechanism available i.e., Request, Approve, Replay and Audit.

> Tagging of trade through reference number.

> Inbuilt e-mail alerting mechanism for monitoring the system.

- Western Union Inward remittances:

An exclusive module, MT103 was developed and implemented for WUIB, using which it is possible to transfer the remittance in the prescribed SWIFT message format without manual intervention. This has helped in business growth from WUIB in addition to processing efficiencies.

- Printing of Form 35 with NOC - Consumer Finance Division (CFD):

Automation of printing of Form 35 along with NOC was launched. This has enhanced process control and will help save about ₹ 12 lakhs per annum. The automation introduced additional controls like specimen signature of authorized signatory, Hologram reference printing and provision to incorporate customer's specimen signature.

- 'ProDox' Scanning solution - Consumer Finance Division (CFD):

  'ProDox' is an application that was developed in-house, for scanning Loans files in CFD at Karapakkam. The application would first be used in PPD, and will then be used in respect of CV files. This will reduce storing space and enable quick retrieval, apart from helping save ₹ 2.81 crores per annum.

- Capacity upgrade at Data Center:

  Accelerated growth of the Bank has given rise to more applications and servers, which has resulted in growth in the number of active network ports. A new Core layer switch-based (top-of-rack) architecture is followed, which helps build high availability redundancy and minimizes accidental disruptions by reducing excessive cable and patch panel management.

- MyClaim Portal:

  Launched MyClaim portal through which the employees can log their claims online for reimbursement of mobile bills. Bills are scanned and uploaded on the portal for payment, processed and dues are credited directly to employee's bank account. Usage and movement of paper is avoided, which is a 'Green' initiative.

- Assymetrix's EVC System - Credit Risk:

  The Bank is currently using Reveleus software for computation of Capital under Basel II for the 'Standardized Approach'. As part of regulatory requirement, the Bank needs to do capital calculation under the AIRB approach also. The Bank has therefore implemented a new application from Assymetrix Pvt. Ltd. for EVC (Evaluation, Calibration and Validation). This EVC system does the undermentioned activities for use of credit risk department and going to be input for advance approach for capital computation for Basel II.

  > Rating Validation.
  > Probability of Default (PD) Estimation.
  > Probability of Default (PD) Validation
  > Probability of Default (PD) Calibration.
  > Loss Given Default (LGD) Estimation.
  > Loss Given Default (LGD) Validation.
  > Exposure at Default (EAD) Estimation
  > Exposure at Default (EAD) Validation
  > Low Default Portfolios.
  > Validation of Retail pooling.

- Options Trading - CDS:

  The Bank is actively participating in Currency Futures in the Currency Derivatives Segment since August 2011, both as Proprietary as well as on behalf of Clients (Corporates and Individuals).

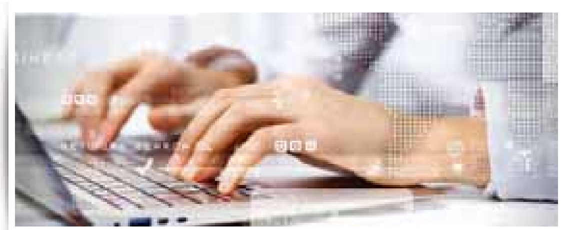
  Until now, Currency Futures were offered on NSE platform to clients. With a view to broadbase the product range, the Bank has offered Currency Options to its clients on NSE platform and for USD / INR pair only. The Currency Option has been implemented on the existing platform, i.e., Ensette from NSE-IT, which supports all statutory reports sent to client for Currency Options as well as Online Margins Monitoring, Collateral Management, Contract Report, Ledger, Profit / Loss Report, Brokerage Report, etc.

- Outstation Voice logging system (Avaya & Voicegate) for GMG locations:

  As part of expansion of GMG's outstation locations, voice logging systems were set up at six locations. The new centres are Ahmedabad, Pune, Coimbatore, Ludhiana, Lucknow and Jaipur. For this set-up, we are using Avaya IPO500 telephony system and Voicegate voice logger. Apart from the main dealing room at Mumbai (which is on BT and Nice logger set-up), we have now extended outstation dealing room voice logging to 14 locations now (including 3 location of CGMO-RET requirement).

- Business Continuity Planning & Disaster Recovery (DR) System:

  The Bank conducted DR Drills for 15 applications, which included critical applications like Finacle Core Banking System, IndusNet Internet Banking and the Base 24 - ATM Switch.



Information Security Review

The Bank has made steady progress in implementation of RBI Guidelines on Information Security, Technology Risk Management, Cyber Fraud and Electronic Banking.

Due care is taken to protect the complex technology environment from sophisticated attacks and new approaches have been applied right from inception to implementation and operations of systems. The Bank is in the process of strengthening web application security, mobile security, online fraud detection and prevention security, identity and access management and data leakage prevention, etc.

Additionally customers and community are being made aware of information security through various ways.

The Bank has undertaken several initiatives to educate employees, customers and non-customers through variety of mediums like emails, SMSs, websites, online trainings and workshop.

No incident of Information Security breach occurred during the year.

Legal

The important legislative / regulatory changes during the year were as under:

- Introduction of new Companies Act, 2013, replacing Companies Act, 1956.
- Amendment of Section 28 of the Indian Contract Act, 1872.
- Amendment to the Prevention of Money Laundering Act, 2002.

The salient features are as under:

Provisions in Companies Act 2013 pertaining to giving of loans and guarantees by a company

Under the provisions of the Companies Act, 1956, it was possible for companies to freely give guarantees or offer security to secure loans granted by banks and Financial Institutions to the Director of a company or concerns in which such Director was interested or loans granted to other corporates. Under Section 185 and 186 of the Companies Act, 2013 (New Act), these powers have been restricted / regulated. Under Section 185 of the new Act, companies are prohibited from giving loans or offering guarantee / security in respect of loans granted to its Directors or concerns in which such Directors are interested. In respect of loans granted to other companies by banks and Financial Institutions, the Board of Directors of the company have power to give guarantee only up to 60% of the Paid-up Capital and Free Reserves or up to 100% of the Reserves of the company. Prior approval of the shareholders of the company in General Meeting by Special Resolution is required in the event of the level being exceeded.

The above provisions will affect the ability of companies to raise loans from banks and Financial Institutions.

Amendment of Section 28 of the Indian Contract Act, 1872

While issuing Bank Guarantees, banks normally insert a Limitation Clause specifying certain period within which the beneficiaries are required to enforce the Guarantees. Insertion of the Clause was challenged by many beneficiaries, especially Government Departments as being in violation of the provisions of Section 28 of the Indian Contract Act, 1872. A few Courts have struck down such Clauses.

This development was affecting the banking industry and banks were required to keep the liability open in their books until the Guarantees were returned by the beneficiary duly discharged or the period under the Law of Limitation was over (which is 3 years in case of private parties and 30 years in case of Government Departments). In the light of the representation made by banks through Indian Banks Association, Section 28 of the Indian Contract Act, 1872 has been amended and the following Exception has been inserted:

"Exception 3.-----This section shall not render illegal a contract in writing by which any bank or financial institution stipulate a term in a guarantee or any agreement making a provision for guarantee for extinguishment of the rights or discharge of any party thereto from any liability under or in respect of such guarantee or agreement on the expiry of a specified period which is not less than one year from the date of occurring or non-occurring of a specified event for extinguishment or discharge of such party from the said liability."

This new provision now enables a bank or financial institution to limit the period within which a guarantee must be invoked by a beneficiary, in order for it to be honoured.

Amendment to the Prevention of Money Laundering (Amendment) Act, 2012

Consequent upon the submission of an Action Plan to the Financial Action Task Force to bring anti-money laundering legislation in India at par with international standards and to obviate some of the deficiencies in the Act experienced by the implementing agencies, the Prevention of Money Laundering Act has been amended. The salient features of the amendments are as follows:

- It introduces the concept of 'corresponding law' to link the provisions of Indian law with the laws of foreign countries and provides for transfer of the proceeds of the foreign predicate offence in any manner in India.
- It introduces the concept of 'reporting entity' to include therein a banking company, financial institution, intermediary or a person carrying on a designated business or profession.
- The Act enlarges the definition of offence of money-laundering to include therein the activities like concealment, acquisition, possession and use of proceeds of crime as criminal activities.
- It provides for attachment and confiscation of the proceeds of crime even if there is no conviction, so long as it is proved that offence of money laundering has taken place and property in question is involved in money laundering.
- The Act stipulates that in the proceedings relating to money laundering, the funds shall be presumed to be involved in the offence, unless proved otherwise.
- It makes the reporting entity, its designated directors on the Board and employees responsible for omissions or commissions in relation to the reporting obligations.

The Bank is not involved in any legal proceedings, and is not aware of any threatened legal proceedings, which if determined adversely, could result in a material adverse effect on the business. Further, there are certain legal proceedings in the context of banking activity which are not unusual for a bank of comparable size.

Corporate Communications

During the year 2013-14, the Bank adopted various initiatives to increase the brand visibility quotient and ensured clutter free communication with an interesting and innovative marketing approach.

In an attempt to differentiate itself and stand out as a leading banking institution, the Bank laid focus on having well thought out marketing campaigns evenly spread out during the year on various channels of communication. The Bank continued to conduct below-the-line activities at branch levels which have not only enhanced the reputation, image and recall value, but has also established the Bank as young, progressive and agile brand.

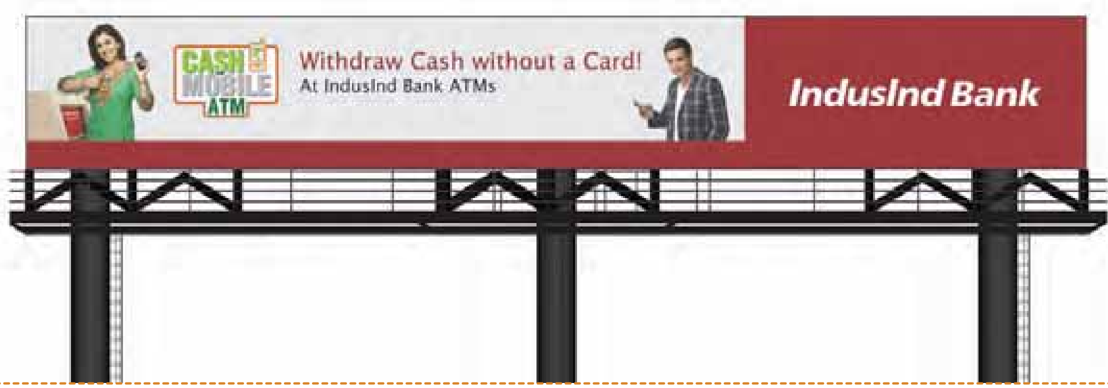
In line with the theme of Responsive Innovation, the Bank launched yet another innovative service called ‘My Account My Number’ which enables the customers to choose the Bank Account Numbers of their choice. Customers can choose 10 out of 12 digits of their account number basis their preference for lucky numbers, favourite numbers, phone numbers, birthdates, years or just something simple.

The Bank adopted a 360-degree integrated marketing approach to propagate the service message. Television, Out-of-Home, Radio, Digital and Cinema were considered as an integral part of this multimedia Advertising campaign. One such interesting channel of communication which the Bank leveraged upon, is the creation of an exciting application, uploaded on the Bank’s Facebook page. This application enables the user to know his lucky number and helps in opening the bank account. The application received rave reviews from online users and brought in tremendous visibility to the new product and adulation to the Brand too. The application helped the Bank to engage and have a direct interactivity with customers. The Bank’s fan base on its Facebook page also increased manifold.

Another feather to the cap, the Bank acquired the ’Naming and Branding Rights’ of a Rapid Metro Station in Gurgaon called as the ’IndusInd Cybercity’. The Bank has become the first bank in India to have a Metro Station named after it, thus making this an excellent example of transit mode of advertising in the country. IndusInd Bank Cybercity Station has a rich aesthetic and artistic feel to it as the interiors, and exteriors of the station don the brand colours conveying the inherent brand values of the Bank. The grand illustrations at the station have brought alive the great heritage of one of the oldest civilizations of the world - the Indus Valley Civilization, from where the Bank derives its name and inspiration.

During the year, the Bank launched IndusInd Bank Indulge credit card, a marquee credit card designed for the distinguished individual who wields influence and power in the social hierarchy. The exclusive credit card comes with ‘no-preset-spending-limit’ that gives the cardholder additional spending flexibility over and above his credit limit depending on his past spends and payment history. Considering the exclusivity of the product, the Bank tailor-made marketing campaign in select print media and used direct mailing activity to reach out to its target audience.

Another significant achievement during the year has been the opening of new branches at semi-urban and urban locations and the introduction of the concept ‘Priority Markets’, whereby the Bank created increased density of the branch network in a particular region. The Bank identified 6 such priority market cities in the country and developed specific marketing plan for each location which entailed initiating communication



with the local population. The Bank embarked on a multi-faceted branding campaign- "Now in your neighborhood" in one such identified city Vadodara. The Bank reached out to customers at Vadodara through canter road shows, display hoardings, billboards and many other interesting engagement programs at malls and popular hubs - all in local flavour to reach out to the regional population.

The Bank acknowledges that no communication is complete without the wholehearted support of its internal stakeholders. In this regard, the Bank developed interesting and engaging series of awareness-building e-direct mailers for specific campaigns, which received overwhelming response from the employees. There were many engaging contests which brought in maximum participation from the employees.

Several other communication initiatives undertaken by the Bank include:

- Sponsorships / donations / events with reputed Associations / Trusts which in turn have given higher visibility and reinforced the brand image. The Bank participated in activities having multi-purpose objectives such as sports, philanthropy, music, etc. alongwith service organisations / NGOs and corporate bodies to make the Bank's presence felt in the community. Some of the major events were Pandit Chaturlal Memorial Music concert, Saaz aur Awaaz, Design One by Sahachari Foundation, Annual Polo Event organised by Rajmata Vijaya Raje Scindia Centre for Development (RVRSCD) and many other events at various branch locations.
- Regular client engagement activities, debit and credit card promotions, regional level promotions, branch launches, an extensive round of development of various collaterals for new products / services, and tactical promotions during festive / seasonal offers.
- The Bank's activities have received extensive coverage both in the print and electronic channels, which has enhanced the Bank's image amongst its stakeholders and has created a strong perception of the Bank in industry circles.
- Periodic concalls, one-on-one investor meetings, roadshows and annual analysts' meets have all created a positive impact on the Bank's image.
- Increase in the number of ATMs at strategic / high traffic zones has given the Bank desired visibility. The Bank has invested in opening ATMs at premium locations like Airports, Malls, Metro Stations, Hi Streets of Metro cities, etc. This has enabled the brand to be more visible to the mass affluent audience.
- The Bank had a series of well–laid TV campaigns in the US, UK and Canada markets for its 'Indus Fast Remit' service, targeting the NRI community. The Bank also continued to emphasize on the social media, and digital marketing to its target audience.

Branch Network

The Bank opened 102 new branches and 228 ATMs during the year 2013-14. As on March 31, 2014, the Bank had a total network of 602 branches spread across 404 geographical locations and 1,110 ATMs inclusive of 613 off-site ATMs. The Bank has presence in 31 States and Union Territories.

In addition, the Bank also has representative offices in London and Dubai.

Infrastructure

During the year 2013-14, apart from expanding its Branch network to reach pan-India network of 602 branches, the Bank also refurbished / re-modeled 7 branches, set up 8 new administrative offices and relocated 8 branches towards better business prospects. Apart from the two Currency Chests set up during the last year, work is in progress at two more Currency Chests (Kolkata & Chennai) which are expected to significantly enhance in-house capabilities and provide support for increased business profitability.

CORPORATE GOVERNANCE

Bank's Philosophy on the Code of Corporate Governance

- The Bank believes that consistent implementation of good Corporate Governance practices contributes towards developing and sustaining the best operating systems and procedures.
- The systems which have evolved allow sufficient freedom to the Board and the Management to make decisions and take actions towards the growth of the Bank, and simultaneously remain within the framework of effective accountability. To maintain high standards of good Corporate Governance, the Directors have formed various Committees of the Board. The Committees meet regularly to achieve their specific objectives.
- The Bank is committed to operate on commercial principles ensuring, at the same time, the need to remain accountable, transparent and responsive to its stakeholders.
- The Bank acknowledges the need to uphold the integrity of every transaction it enters into and believes that honesty and integrity in its internal conduct would be judged by its external behaviour. In this context, the Directors have adopted a 'Code of Conduct for Directors and Senior Management'. This Code attempts to set forth the guiding principles on which the Bank shall operate and conduct its daily business with its multitudinous stakeholders, Government and regulatory agencies, media, and anyone else with whom it is connected.

Certification by the Chief Financial Officer and the Managing Director

In terms of Clause 49 of the Listing Agreement, the Certification by the Managing Director & CEO and the Chief Financial Officer of the Bank, on the financial statements and the internal controls relating to financial reporting has been obtained and submitted to the Board.

Code of Conduct for Directors and Senior Management

The Board of Directors has laid down a 'Code of Conduct for Directors and Senior Management' of the Bank. The said Code has been uploaded on the Bank's website (www.indusind.com) under the head 'Investors'> 'Corporate Profile'> 'Code of Conduct'.

Declaration by the Managing Director: All members of the Board and Senior Management have affirmed to the Board, of having complied with the 'Code of Conduct' during the year ended March 31, 2014 and no violation of the 'Code of Conduct' has been reported during the year.

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* For this purpose, the term 'Senior Management' means personnel of the Bank who are members of its Core Management Team, excluding Board of Directors. This comprises members of management who are of the level of functional heads.

MISSION

"We will consistently add value to all our stakeholders and emerge as Best-in-Class, in the chosen parameters amongst the comity of banks, by doubling our profits, clients and branches within the next three years."

VISION

"IndusInd Bank will be:

- A relevant business and banking partner to its clients.
- Customer Responsive, striving at all times to collaborate with clients in providing solutions for their banking needs.
- A forerunner in the market place in terms of profitability, productivity and efficiency.
- Engaged with all our stakeholders and will deliver sustainable and compliant returns."

QUALITY POLICY

"IndusInd Bank is committed to meet and strive to exceed customer requirements through timely, error-free and courteous service. We shall continually improve the effectiveness of our work process through training, customer feedback and review of systems."

Board of Directors

i. Composition

The Board comprises Directors who have specialised knowledge and professional experience in diverse fields. Information in respect of each of the Directors is given below:

Name of Director	Nature of Directorship	Special Knowledge / Practical Experience	Occupation
Mr. R. Seshasayee	Part-time, Non-executive Chairman	Finance and General Management	Non-executive Vice Chairman, Ashok Leyland Ltd.
Mr. Ajay Hinduja	Non-executive	Banking & Finance	Industrialist. Director, IndusInd International Holdings Ltd., Mauritius, a promoter company
Mr. S. C. Tripathi	Independent Non-executive	Rural Economy & Co-operation	I.A.S. (Retd.), Advocate
Mr. Ashok Kini	Independent Non-executive	Banking	Managing Director (Retd.), State Bank of India
Mrs. Kanchan Chitale	Independent Non-executive	Accountancy	Practising Chartered Accountant
Mr. Vijay Vaid	Independent Non-executive	SSI	Industrialist
Mr. T. Anantha Narayanan	Independent Non-executive	Accountancy & Agriculture	Retired Executive Director (Finance), Ashok Leyland Ltd.
Mr. Romesh Sobti	Whole-time Director	Banking	Managing Director & CEO
Mr. Y. M. Kale	Alternate Director to Mr. Ajay Hinduja	Corporate Governance, Accounting & Taxation	Service

ii. Meetings

During the year ended March 31, 2014, seven (7) meetings of the Board were held, on April 18, 2013, May 8, 2013, June 28, 2013, July 10, 2013, October 14, 2013, January 10, 2014 and March 25, 2014. Details of attendance at the Board Meetings, other Directorships, Membership and Chairmanship of Committees pertaining to each Director are as follows:

Name of the Director	No. of Board Meetings attended #	Number of other Directorships		No. of Committees of other companies in which Member	No. of Committees of other companies in which Chairman
		Indian Public Limited Companies	Other Companies		
Mr. R. Seshasayee	6/7	8	1	2	2
Dr. T. T. Ram Mohan*	6/6	N.A.	N.A.	N.A.	N.A.
Mr. Ajay Hinduja**	4/7	0	2	0	0
Mr. S. C. Tripathi	7/7	7	1	6	1
Mr. Ashok Kini	5/7	6	0	2	1
Mrs. Kanchan Chitale	7/7	1	1	0	1
Mr. Vijay Vaid	6/7	0	4	0	0
Mr. R. S. Sharma***	3/4	N.A.	N.A.	N.A.	N.A.
Mr. Y. M. Kale**	3/7	4	1	1	1
Mr. Romesh Sobti	7/7	0	0	0	0
Mr. T. Anantha Narayanan ****	Nil	5	-	2	1

* Dr. T. T. Ram Mohan ceased to hold office from January 16, 2014 upon completion of 8 years on the Board of the Bank.

** Out of 7 meetings, 3 meetings were attended by Mr. Y. M. Kale, Alternate Director to Mr. Ajay Hinduja.

*** Resigned from the Board w.e.f. August 7, 2013.

**** Inducted as 'Additional Director' w.e.f. March 25, 2014

Includes attendance through video conference.

Note:

Pursuant to Clause 49 of the Listing Agreement, for the purpose of considering the limit of the Committees on which the Directors are Members / Chairmen, all Public Limited companies, whether listed or not, are included. Private Limited companies, Foreign companies and companies under Section 25 of the Companies Act, 1956 (not for profit) are excluded. Further Chairmanship / Membership only of the Audit Committee and the Shareholders' Grievance Committee have been considered.

Attendance at previous AGM

All the Directors of the Bank, except Mr. Ajay Hinduja, attended the previous Annual General Meeting of the Bank held on June 28, 2013.

iii. Remuneration:

All Non-executive Directors receive remuneration only by way of Sitting Fee for attending the meetings of the Board and various Board Committees. As per the Bank's policy, no Stock Options were granted to the Non-executive Directors.

The criteria for making payment of remuneration to the Non-executive Directors are as follows:

a. An amount of ₹ 20,000/- per meeting has been paid to the Non-executive Directors towards Sitting Fee for attending meetings of the Board of Directors, Committee of Directors and of the Audit Committee, in accordance with Rule 10B of the Companies (Central Government's) General Rules & Forms, 1956.

b. With effect from May 2, 2006, the Board had decided that an amount of ₹ 10,000/- per meeting be paid as Sitting Fee to the Non-executive Directors for attending meetings of Committees of the Board other than those mentioned in (a) above.

The details of Sitting Fees paid to the Non-executive Directors for attending the Board and Committee meetings held during the year 2013-14 are as under:

Name of Director	Sitting Fees (₹)
Mr. R. Seshasayee	5,20,000
Dr. T. T. Ram Mohan *	4,50,000
Mr. Ajay P. Hinduja	1,20,000
Mr. S. C. Tripathi	2,80,000
Mr. Ashok Kini	2,40,000
Mrs. Kanchan Chitale	3,70,000
Mr. Vijay Vaid	2,00,000
Mr. R. S. Sharma **	1,60,000
Mr. Y. M. Kale	70,000

* Dr. T. T. Ram Mohan ceased to hold office from January 16, 2014 upon completion of 8 years on the Board of the Bank.

** Resigned from the Board w.e.f. August 7, 2013.

Whole-time Directors' compensation: The appointment of Whole-time Directors is made with the approval of the Reserve Bank of India.

Mr. Romesh Sobti, Managing Director & CEO:

Mr. Romesh Sobti was appointed as 'Managing Director & CEO' of the Bank w.e.f February 1, 2008.

For the financial year 2013-14, the details of remuneration of Mr. Romesh Sobti are: Salary ₹ 141.38 lakh, Other Allowances ₹ 171.05 lakh, facility of company-leased and furnished accommodation, Provident Fund at 12% of Salary, Gratuity at one month's Salary, Pension at two months' Salary, Medical Expenses reimbursement upto ₹ 1.40 lakh, Leave Fare Concession of ₹ 1.40 lakh, Mediclaim for self and family members, Personal Accident Insurance, Performance-based Bonus, Membership of two clubs and two official cars with drivers.

iv. Shareholding

Equity shares held by the Directors as on March 31, 2014 are: (i) Mr. Romesh Sobti: 3,50,000 shares (0.0666%); and (ii) Mr. T. Anantha Narayanan: 580 shares (0.0001%).

None of the Directors hold shares in the Bank for other person(s) on a beneficial basis. Further, no Director holds any other security issued by the Bank.

Details of Directors seeking appointment / re-appointment at the AGM

Mr. Ajay Hinduja, Non-executive Director retires by rotation, and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting (AGM).

Mr. T. Anantha Narayanan, who was appointed as "Additional Director" on March 25, 2014 in the category of "Non-executive Independent", shall hold office upto the date of the ensuing AGM, and is eligible for appointment. Further, in terms of the applicable provisions of the Companies Act, 2013, all the five Directors on the Board of the Bank, viz., Mr. S. C. Tripathi, Mr. Ashok Kini, Mrs. Kanchan Chitale, Mr. Vijay Vaid and Mr. T. Anantha Narayanan satisfy the criteria specified under Section 149 (6) of the Companies Act, 2013, and approval of the shareholders is requested for appointment of all the Independent Directors at the ensuing AGM.

A brief profile of the Directors seeking appointment / re-appointment is given below:

Director	Qualifications	Expertise in specific functional area	Date of Appointment	Name of companies in which Director	Committees of other companies in which Member	Shareholding in Bank (No. of shares)
Mr. Ajay Hinduja	Degree in Economics (With specialisation in Finance)	Banking & Finance	October 31, 2006	• Hinduja Bank (Switzerland) Ltd. • IndusInd International Holdings Ltd. (Mauritius)	Nil	Nil
Mr. T. Anantha Narayanan	B. Com, ACA, AICWA	Accountancy & Agriculture	March 25, 2014	• Hinduja Leyland Finance Ltd. • Allsec Technologies Ltd. • Sundaram Asset Management Co. Ltd. • Sanco Trans Ltd. • Hinduja Foundries Ltd.	• Hinduja Leyland Finance Ltd., Audit Committee • Allsec Technologies Ltd., Audit Committee • Sundaram Asset Management Ltd., Audit Committee	Nil
Mr. Vijay Vaid	B.Com	Small Scale Industry (SSI)	October 18, 2011	• Vaid Elastomer Processors Pvt. Ltd. • Vijay Elastomer Processors Pvt. Ltd. • Vaid Overseas Pvt. Ltd. • Nine Enterprises Pvt. Ltd.	Nil	Nil
Mr. Ashok Kini	B. Sc., M.A., CAIIB	Banking	January 30, 2008	• Gulf Oil Corporation Ltd. • Edelweiss Asset Reconstruction Company Pvt. Ltd. • UTI Trustee Company Pvt. Ltd. • SBI Capital Markets Ltd. • Fino Trusteeship Services Ltd. • Fino Paytech Ltd.	• Gulf Oil Corporation Ltd., Audit Committee • Edelweiss Asset Reconstruction Company Ltd., Audit Committee • Fino Paytech Ltd., Audit Committee.	Nil

Director	Qualifications	Expertise in specific functional area	Date of Appointment	Name of companies in which Director	Committees of other companies in which Member	Shareholding in Bank (No. of shares)
Mr. S. C. Tripathi	M. Sc., LLB. P.G. Diploma in Development (Cantab), AIMA Diploma in Management	Rural Economy & Cooperation	February 14, 2007	• IL&FS Infrastructure Development Corporation • Reliance Capital Asset Management Co. Ltd. • Shipping Corporation of India Ltd. • Gammon Infrastructure Projects Ltd. • ILFS Energy Development Corporation Ltd. • Motherson Sumi Systems Ltd. • State Trading Corporation Ltd. • Kailash Healthcare Pvt. Ltd. (Deemed Public Limited Company)	• IL&FS Infrastructure Development Corporation Audit Committee • Reliance Capital Asset Management Co. Ltd. Audit Committee • Shipping Corporation of India Ltd. Audit Committee • Gammon Infrastructure Projects Ltd. Audit Committee • ILFS Energy Development Corporation Ltd. Audit Committee • State Trading Corporation Ltd. Audit Committee • Kailash Healthcare Pvt. Ltd. Audit Committee	Nil
Mrs. Kanchan Chitale	B. Com, FCA	Accountancy	October 18, 2011	• Gulf Oil Corporation Ltd. • Harkan Management Consultancy Services Pvt. Ltd.	• Gulf Oil Corporation Ltd., Audit Committee, Remuneration Committee and Nomination Committee	Nil

Committees of the Board

The Board has constituted several Committees of Directors to take decisions and monitor the activities falling within their terms of reference. The Board's Committees are as follows:

Audit Committee of the Board

Terms of reference

The role of the Audit Committee includes, inter alia: (1) Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible; (2) Recommending to the Board, the appointment / re-appointment of Auditors and fixation of audit fees; (3) Reviewing with the Management, the quarterly and annual financial statements before submission to the Board for approval, with particular reference to: (i) Changes, if any, in accounting policies and practices and reasons for the same; (ii) Major accounting entries involving estimates based on the exercise of judgment by the Management; (iii) Significant adjustments made in the financial statements arising out of audit findings; (iv) Disclosure of related party transactions, if any; (v) Qualifications in the draft Audit Report; and (vi) Review of Management Discussion and Analysis of Bank's financial condition and results of operations.

The specialised functions of the Audit Committee include: (1) Reviewing with the Management, the performance of Statutory and Internal Auditors and the adequacy of the internal control systems; and (2) Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature.

Composition

The Committee comprised four members, viz., Mrs. Kanchan Chitale, Mr. S. C. Tripathi, Mr. Ashok Kini, and Mr. R. S. Sharma (resigned from the Board w.e.f August 7, 2013) and Mr. T. Anantha Narayanan (w.e.f. April 16, 2014).

Meetings

The Committee met 6 times during the financial year 2013-14, viz., on April 17, 2013, May 8, 2013, July 9, 2013, September 20, 2013, October 14, 2013 and January 9, 2014.

The attendance details of the members are as under (#):

Name of Member	Number of Meetings attended
Mrs. Kanchan Chitale	5
Mr. S. C. Tripathi	6
Mr. Ashok Kini	4
Mr. R. S. Sharma	2
Mr. Vijay Vaid *	1

* Mr. Vijay Vaid was co-opted for the meeting held on January 9, 2014, owing to Mr. Ashok Kini's inability to attend.

Includes attendance through video conference.

Committee of Directors

Terms of Reference The Committee of Directors exercises powers delegated to it by the Board, for managing the affairs of the Bank; for efficient control over operational areas; and for ensuring speedy disposal of matters requiring immediate approval.

Composition The Committee comprised four members, viz., Mr. R. Seshasayee, Dr. T. T. Ram Mohan (ceased to hold office from January 16, 2014 upon completion of 8 years on the Board), Mr. R. S. Sharma (resigned from the Board w.e.f August 7, 2013), Mr. T. Anantha Narayanan (inducted w.e.f. April 16, 2014), Mrs. Kanchan Chitale (inducted w.e.f. April 16, 2014) and Mr. Romesh Sobti.

Meetings The Committee met 16 times during the financial year 2013-14, viz., on May 8, 2013, May 31, 2013, June 24, 2013, July 19, 2013, August 13, 2013, September 16, 2013, September 23, 2013, November 1, 2013, November 8, 2013, November 26, 2013, December 11, 2013, December 20, 2013, December 27, 2013, January 31, 2014, March 7, 2014 and March 21, 2014.

The attendance details of the members are as under (#):

Name of Member	Number of Meetings attended
Mr. R. Seshasayee	14
Dr. T. T. Ram Mohan	13
Mr. R. S. Sharma	3
Mr. Romesh Sobti	13
Mrs. Kanchan Chitale *	1

* Mrs. Kanchan Chitale was co-opted for the meeting held on March 7, 2014.

Includes attendance through video conference.

Nomination Committee

Terms of reference The Committee conducts due diligence as to the credentials of a Director before his / her appointment and makes appropriate recommendations to the Board, in consonance with the recommendations of Dr. Ganguly Committee and the requirements of RBI.

Composition The Committee comprised four members, viz., Mr. R. Seshasayee, Mr. Ajay Hinduja, Mrs. Kanchan Chitale and Mr. Romesh Sobti.

Meetings The Committee met twice during the financial year 2013-14, viz., on April 18, 2013 and March 25, 2014.

The attendance details of the members are as under (#):

Name of Member	Number of Meetings attended
Mr. R. Seshasayee	2
Mr. Ajay Hinduja	1
Mrs. Kanchan Chitale	2
Mr. Romesh Sobti *	1

* Mr. Sobti, being interested, abstained from attending the meeting held on April 18, 2013.

Includes attendance through video conference.

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 Committee comprised two members, viz., Mr. Vijay Vaid and Mr. Romesh Sobti.

Meetings The Committee met twice during the financial year 2013-14, viz., on October 14, 2013 and March 24, 2014.

The attendance details of the members are as under (#):

Name of Member	Number of Meetings attended
Mr. Vijay Vaid	2
Mr. Romesh Sobti	2

Includes attendance through video conference.

Special Committee of the Board (for monitoring large value frauds)

Terms of Reference In accordance with the directives of Reserve Bank of India, a Special Committee has been set up for monitoring and follow-up of cases of frauds involving amounts of ₹ 1 crore and above.

Composition The Committee comprised three members, viz., Dr. T. T. Ram Mohan (ceased to hold office from January 16, 2014 upon completion of 8 years on the Board of the Bank), Mrs. Kanchan Chitale, Mr. Ashok Kini and Mr. Romesh Sobti.

Meetings The Committee met twice during the financial year 2013-14, viz., on September 20, 2013 and March 24, 2014.

The attendance details of the members are as under (#):

Name of Member	Number of Meetings attended
Dr. T. T. Ram Mohan	1
Mrs. Kanchan Chitale	1
Mr. Ashok Kini	2
Mr. Romesh Sobti	1

Includes attendance through video conference.

Customer Service Committee

Terms of reference The Committee's function is to monitor the quality of customer service extended by the Bank, and to attend to the needs of customers.

Composition The Committee comprised three members, viz., Dr. T. T. Ram Mohan (ceased to hold office from January 16, 2014 upon completion of 8 years on the Board of the Bank), Mr. Ashok Kini, Mr. Vijay Vaid and Mr. Romesh Sobti.

Meetings The Committee met twice during the financial year 2013-14, viz., on September 20, 2013 and March 24, 2014.

The attendance details of the members are as under:

Name of Member	Number of Meetings attended
Dr. T. T. Ram Mohan	1
Mr. Ashok Kini	2
Mr. Vijay Vaid	2
Mr. Romesh Sobti	-

Risk Management Committee

Terms of reference The Committee's role is to examine risk policies and procedures developed by the Bank and to monitor adherence to various risk parameters and prudential limits by the various operating departments.

Composition The Committee comprised three members, viz., Dr. T. T. Ram Mohan (ceased to hold office from January 16, 2014 upon completion of 8 years on the Board of the Bank), Mr. Ajay Hinduja, Mr. Ashok Kini (inducted w.e.f. April 16, 2014) and Mr. Romesh Sobti.

Meetings The Committee met four times during the financial year 2013-14, viz., on April 17, 2013, July 9, 2013, October 11, 2013 and January 9, 2014.

The attendance details of the members are as under (#):

Name of Member	Number of Meetings attended
Dr. T. T. Ram Mohan	4
Mr. Ajay Hinduja*	1
Mr. Romesh Sobti	4

* One meeting was attended by Mr. Y M Kale, Alternate Director to Mr. Ajay Hinduja.

\# Includes attendance through video conference.

Finance Committee

Terms of reference The Committee's role is to decide on the appropriate mode of issue of capital; to finalise, settle, approve or agree to terms and conditions including the pricing for the said capital-raising programme; finalise, settle, approve, and authorise the executing of any document, deed, writing, undertaking, guarantee or other papers (including any modification thereof) in connection with the capital-raising programme and authorise the affixing of the Common Seal of the Company, if necessary thereto in accordance with the provisions of Articles of Association of the Company; to appoint and to fix terms and conditions of merchant bankers, investment bankers, lead or other managers, advisors, solicitors, agents or such other persons or intermediaries as may be deemed necessary for the capital-raising programme; to do all such things and deal with all such matters and take all such steps as may be necessary to give effect to the resolution for raising of capital and to settle / resolve any question or difficulties that may arise with regard to the said programme.

Composition The Committee comprised four members, viz., Mr. R. Seshasayee, Mr. S. C. Tripathi, Mr. Ajay Hinduja and Mr. Romesh Sobti.

Meetings There was no event during 2013-2014 and hence no meetings were convened.

Compensation Committee

Terms of reference The Committee's role is to make recommendations on the issuance of the Bank's shares to its employees under the Employees Stock Option Scheme.

Composition The Committee comprised two members, viz., Mr. R. Seshasayee and Mrs. Kanchan Chitale.

Meetings The Committee met six times during the financial year 2013-14, viz., on April 18, 2013, June 28, 2013, September 23, 2013, October 29, 2013, January 29, 2014 and March 25, 2014.

The attendance details of the members are as under:

Name of Member	Number of Meetings attended
Mr. R. Seshasayee	6
Mrs. Kanchan Chitale	6

Vigilance Committee

Terms of reference The Committee conducts overview of cases of lapses of vigilance nature on the part of employees of the Bank.

Composition The Committee comprised two members, viz., Dr. T. T. Ram Mohan (ceased to hold office from January 16, 2014 upon completion of 8 years on the Board of the Bank), Mr. S. C. Tripathi and Mr. Romesh Sobti.

Meetings The Committee met twice during the financial year 2013-14, viz., on September 20, 2013 and March 25, 2014.

The attendance details of the members are as under :

Name of Member	Number of Meetings attended
Dr. T. T. Ram Mohan	1
Mr. S. C. Tripathi	2
Mr. Romesh Sobti	1

I.T. Strategy Committee

Terms of reference The Committee conducts Board-level overview of aligning Information Technology with the business strategy of the Bank aimed at offering better service to customers, improved risk management and superior performance.

Composition The Committee comprised two members, viz., Mr. Ashok Kini and Mr. Romesh Sobti.

Meetings The Committee met twice during the financial year 2013-14, viz., on June 13, 2013 and March 24, 2014.

The attendance details of the members are as under:

Name of Member	Number of Meetings attended
Mr. Ashok Kini	2
Mr. Romesh Sobti	2

Human Resources Committee

Terms of reference The Committee reviews the Bank's HR function.

Composition The Committee comprised two members, viz., Mr. R. Seshasayee and Mr. Ajay Hinduja.

Meetings The Committee met twice during the financial year 2013-14, viz., on September 30, 2013 and January 10, 2014.

The attendance details of the members are as under (#):

Name of Member	Number of Meetings attended
R. Seshasayee	2
Mr. Ajay Hinduja	2

Includes attendance through video conference.

Remuneration Committee

Terms of reference The Committee oversees the framing, review and implementation of the Bank's Compensation Policy for Whole Time Directors / Chief Executive Officers / Risk Takers and Control function staff towards ensuring effective alignment between remuneration and risks.

Composition The Committee comprised four members, viz., Mr. R. Seshasayee, Mrs. Kanchan Chitale, Mr. Vijay Vaid and Mr. Romesh Sobti.

Meetings The Committee met twice during the financial year 2013-14, viz., on April 18, 2013 and March 25, 2014.

The attendance details of the members are as under:

Name of Member	Number of Meetings attended
R. Seshasayee	2
Mrs. Kanchan Chitale	2
Mr. Vijay Vaid	2
Mr. Romesh Sobti *	-

* Mr. Romesh Sobti, being interested, abstained from attending the meetings.

Corporate Social Responsibility (CSR) Committee

As per the Companies Act, 2013 (which has come into effect from April 1, 2014), every company having Net Worth of ₹ 500 crore or more, or Turnover of ₹ 1,000 crore or more or Net Profit of ₹ 5 crore or more, during any financial year shall constitute a 'Corporate Social Responsibility (CSR) Committee' of the Board consisting of three or more Directors, out of which at least one Director shall be an Independent Director.

Accordingly, the CSR Committee was constituted on October 14, 2013

Terms of reference The 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 Committee comprised four members, viz., Mr. Ashok Kini, Mrs. Kanchan Chitale, Mr. Vijay Vaid and Mr. Romesh Sobti.

Meetings The Companies Act 2013, having come into effect from April 1, 2014, no meetings were held during the financial year 2013-14.

Details of the three previous Annual General Meetings:

AGM	Day and Date	Time	Venue	Whether Special Resolution Passed
19th	Friday, June 28, 2013	2.00 p.m.	Hotel Le Meridien, Raja Bahadur Mill Road, Pune – 411001.	No
18th	Tuesday, July 17, 2012	2.00 p.m.	Hotel Le Meridien, Raja Bahadur Mill Road, Pune – 411001.	Yes
17th	Friday, July 15, 2011	2.00 p.m.	Hotel Sun-n-Sand, 262, Bund Garden Road, Pune – 411001.	Yes

Special Resolutions:

The details of Special Resolutions passed at the Annual General Meetings of shareholders in the last three years are given below:

Annual General Meeting	Date	Resolution
19th Annual General Meeting	June 28, 2013	Nil
18th Annual General Meeting	July 17, 2012	• Resolution No. 9 Authority for augmentation of capital through further issue / placement of securities including American Depository Receipts / Global Depository Receipts / Qualified Institutional Placement, etc.
17th Annual General Meeting	July 15, 2011	• Resolution No. 7 Authority for augmentation of capital through further issue / placement of securities including American Depository Receipts / Global Depository Receipts / Qualified Institutional Placement, etc. • Resolution No. 8 Increase in Authorised Capital from the existing ₹ 500 crores to ₹ 550 crores.

Postal Ballot:

In accordance with Section 192A of the Companies Act, 1956, read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011, as amended from time to time (the 'Postal Ballot Rules'), the consent of the shareholders for any resolution for alteration in the Object Clause of the Memorandum of Association is required to be obtained by means of a Postal Ballot instead of transacting the same in the General Meeting.

Accordingly, a Postal Ballot was conducted prior to the 20th Annual General Meeting, to pass appropriate resolutions as Special Resolution for amending the Main Objects Clause of the Memorandum of Association by deleting the word 'life' appearing after the words 'to solicit and procure' in sub-clause 18C under Clause III (A) of the Memorandum of Association. The amended sub-clause 18C under Clause III (A) would read as 'To solicit and procure insurance business as Corporate Agent and to undertake such other activities as are incidental or ancillary thereto.'

The Bank had appointed Mr. S. N. Bhandari, Practising Company Secretary, as Scrutinizer for conducting the Postal Ballot process. The Scrutinizer submitted his report to the Managing Director of the Bank after completion of scrutiny in a fair and transparent manner and the result of passing the above-mentioned Special Resolutions through Postal Ballot was announced on February 17, 2014 at 4.00 p.m. at the Corporate Office and at the Registered Office of the Bank.

Material Disclosures:

Related Party Transactions: During the year, there were no materially significant related party transactions that could have had any potential for conflict with the interests of the Bank at large. Details are available at Schedule 18 (Notes on Accounts) forming part of the Audited Financial Statements for the year.

Disqualification of Directors: As on March 31, 2014, none of the Directors of the Bank were disqualified under Section 274(1) (g) of the Companies Act, 1956.

Mandatory requirements of Clause 49: The Bank has complied with all the mandatory requirements of Corporate Governance stipulated under Clause 49 of the Listing Agreement. A certificate to this effect has been issued by M/s Bhandari & Associates, Company Secretaries, and the same has been incorporated elsewhere in this document.

Accounting Standards: In the preparation of financial statements for the year 2013-2014, the treatment prescribed in the Accounting Standards issued by the Institute of Chartered Accountants of India from time to time, has been followed by the Bank.

Non-Mandatory requirements of Clause 49 of the Listing Agreement:

The status of compliance with the non-mandatory requirements of Clause 49 of the Listing Agreement is given below.

Chairman's Office: The Chairman has been provided with an office at the Corporate Office of the Bank.

Tenure of Independent Directors: While Clause 49 puts forth a non-mandatory requirement that the tenure of a Director may be restricted to nine years, according to Section 10A (2A) of the Banking Regulation Act, 1949, "No director of a banking company, other than its Chairman or Whole-time Director, by whatever name called, shall hold office continuously for a period exceeding eight years."

Remuneration Committee: The Board of Directors has constituted the Remuneration Committee, in terms of guidelines issued by Reserve Bank of India (RBI) for Compensation for Whole Time Directors / Chief Executive Officers/ Risk Takers and Control function staff. The Committee's role is to oversee framing, implementation and review of the Bank's Compensation Policy.

Shareholders' Rights: The Bank publishes its results on its website (www.indusind.com) which is accessible to the public at large. Besides this, the quarterly financial results are published in newspapers, apart from being reported on the websites of the Stock Exchanges. Therefore, the Bank does not find it expedient to send individual communications to the shareholders regarding significant events and financial performance every half-year.

All information pertaining to business and developmental activities are intimated to the Stock Exchanges on a continuous basis. The Stock Exchanges in turn announce the corporate information on their respective websites.

E-mail messages and SMS messages were sent during the year to shareholders whose e-mail IDs and cell phone numbers were available with the Bank, informing them about declaration of the Bank's Quarterly and Annual Financial Results.

The Bank has continued the exercise of collecting the e-mail IDs of shareholders, so as to communicate more regularly via e-mail.

Audit qualifications: The Bank endeavors to remain in a regime of unqualified financial statements.

Training of Board Members: The Directors are provided with opportunities to attend seminars and workshops in order to equip them with relevant inputs for effective discharge of their responsibilities as Directors.

Mechanism for evaluating Non-executive Board Members: The Bank does not have a mechanism for evaluating the performance of Non-executive Directors.

Whistleblower Policy: In line with RBI regulations towards strengthening financial stability and enhancing public confidence in the robustness of the financial sector, the Bank has instituted the 'Protected Disclosures Scheme'. The Bank has also instituted a 'Whistleblower Policy'.

None of the Bank's personnel have been denied access to the Audit Committee.

IndusInd Bank Ltd. – Code of Conduct for prevention of Insider Trading

In accordance with the requirements of the Securities and Exchange Board of India ([Prohibition of] Insider Trading) Regulations, 1992, the Bank has instituted a comprehensive 'Code of Conduct for prevention of Insider Trading'.

Means of Communication

Besides communicating to the Stock Exchanges where the Bank's shares are listed, the financial results of the Bank are also published on a quarterly basis in leading financial publications and regional newspaper in the Bank's Registered Office location, viz., Economic Times, Financial Express, Maharashtra Times, Business Standard and Mint.

Quarterly Compliance Reports on Corporate Governance as prescribed under Clause 49 of the Listing Agreement and the Shareholding Pattern of the Bank as prescribed under Clause 35 of the Listing Agreement with the Stock Exchanges are also filed through NSE Electronic Application Processing System (NEAPS) and BSE Listing Centre.

Information relating to the financial results is also hosted under "Investors" > "Shareholders Corner" > "Financials" on the Bank's website (www.indusind.com). The said sections are updated regularly.

Quarterly Press meets are organized during which the results are formally announced to the media and press releases are issued for publication. Regular interviews with the electronic channels on the awareness of results and other available opportunities are arranged for the Managing Director and the Chief Operating Officer.

Analyst Meets and Conference Calls with the Analyst fraternity are also held periodically. A transcript of the calls is hosted in the Bank's website.

The Management's Discussion and Analysis report for 2013-14 forms part of this Annual Report.

Subsidiary Company – ALF Insurance Services Private Ltd.

The Bank does not have a "material non-listed Indian subsidiary" as defined in Clause 49 of the Listing Agreement. However, ALF Insurance Services Private Ltd. is a wholly-owned subsidiary of the Bank. The Company was set up to do the business of Insurance Corporate Broking, but had not commenced operations. The Bank has since decided against entering into Insurance Broking business and voluntary winding up proceedings have been initiated.

Corporate Social Responsibility

Corporate Social Responsibility has been and continues to be an integral part of the business objectives of the Bank. It is the foundation for economic, organisational, social and technological innovations and helps boost the topline / bottomline growth of the Bank. During the year, the Bank saw many achievements in the "Green Banking" project under the "Hum Aur Hariyali" campaign.

The Bank is closely associated with Centre for Environment and Research Education (CERE), an NGO, for guidance on green practices.

Sustainability-driven Growth

The Bank believes that a company has never truly integrated sustainability until sustainability has become a part of its very culture and corporate DNA. Creating a sustainable company not only benefits the planet, but it also impacts people – from employees and consumers to partners and the local communities where we do business. For the Bank, sustainability means building a successful business and creating long-term value for our people, our customers, our shareholders and the wider community.

Reporting:

In terms of SEBI guidelines, Business Responsibility Report (BR Report) is to be included in the Annual Reports of listed entities. The BR Report is governed by certain key principles adopted from the National Voluntary Guidelines (NVG) and the description of the core elements under these principles are as under:

Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

Principle 3: Businesses should promote the wellbeing of all employees.

Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

Principle 5: Businesses should respect and promote human rights.

Principle 6: Business should respect, protect, and make efforts to restore the environment.

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

Principle 8: Businesses should support inclusive growth and equitable development.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner.

With the implementation of the Companies Act, 2013 and the Rules made thereunder, companies can send Annual Reports and other communications through electronic mode to those shareholders who have registered their email addresses with the Company or made available by the Depository.

The full text of these reports shall also be made available in an easily navigable format on the Bank's website, www.indusind.com.

General Information for Shareholders

Registration No.	:	11-76333
CIN	:	L65191PN1994PLC076333
Financial Year	:	2013-2014
Board meeting for adoption of Audited Financial Accounts	:	April 16, 2014
Posting of Annual Report 2013-14	:	June 3, 2014
Day, Date and Time of 20th Annual General Meeting	:	Friday, June 27, 2014 at 2.00 p.m.
Venue	:	Hotel Sun-n-Sand, Pune
Financial Calendar	:	April 1 to March 31
Book Closure	:	Wednesday, June 18, 2014 to Friday, June 27, 2014
Date of Dividend Payment	:	July 1, 2014
Bank's Website	:	www.indusind.com

Distribution of Shareholding - March 31, 2014

Range – Shares	No. of Folios	Percentage of Folios	No. of shares	Percentage of Shares
Upto 1,000	93,807	93.48	1,75,34,422	3.34
1,001 - 5,000	5,159	5.14	1,05,86,437	2.01
5,001 - 10,000	526	0.52	39,54,030	0.75
10,001 – 50,000	488	0.49	1,09,56,124	2.09
50,001 & above	375	0.37	48,24,15,471	91.81
TOTAL	**1,00,355**	**100.00**	**52,54,46,484**	**100.00**

Outstanding GDRs / ADRs / Warrants or any Convertible Debentures, conversion date and likely impact on equity

The Bank has 6,46,82,364 GDRs (equivalent to 6,46,82,364 equity shares) outstanding, which constituted 12.31% of the Bank's total equity capital as at March 31, 2014.

Shareholding as on March 31, 2014

i. Distribution

			Category	No. of shares held	% of shareholding
A.	**Promoters' holding**			**7,98,99,984**	**15.21**
B.	**Non-Promoters' holding**			**44,55,46,500**	**84.79**
	(i)	**Institutional Investors**			
	a.	Mutual Funds and UTI		2,54,17,071	4.84
	b.	Banks, Financial Institutions, Insurance Companies (Central / State Gov. Institutions / Non-government Institutions)		1,37,94,817	2.62
	c.	FIIs		22,74,17,505	43.28
		Sub Total		**26,66,29,393**	**50.74**
	(ii)	**Global Depository Receipts**		**6,46,82,364**	**12.31**
	(iii)	**Others**			
	a.	Private Corporate Bodies		6,95,03,868	13.23
	b.	Indian Public*		3,73,39,566	7.11
	c.	NRIs/OCBs		55,79,030	1.06
	d.	Clearing Members		14,75,820	0.28
	e.	Trusts		3,36,459	0.06
		Sub Total		**11,42,34,743**	**21.74**
		GRAND TOTAL		**52,54,46,484**	**100.00**

* 'Indian Public' includes 3,53,880 shares held by Resident Directors

ii. Major Shareholders (with more than 1% shareholding)

Sr. No.	Name of Shareholder	No. of shares held	% of shareholding
1	The Bank of New York Mellon (GDR Depository)	6,46,82,364	12.3100
2	IndusInd International Holdings Ltd.	6,03,99,984	11.4950
3	GA Global Investments Limited	2,58,94,839	4.9282
4	Bridge India Fund	2,22,63,458	4.2371
5	IndusInd Limited	1,95,00,000	3.7111
6	Afrin Dia	1,61,65,000	3.0764
7	Goldman Sachs Investments (Mauritius) I Ltd	1,52,95,985	2.9110
8	Life Insurance Corporation of India	1,23,59,404	2.3522
9	HDFC Standard Life Insurance Company Limited	97,84,162	1.8621
10	IDL Speciality Chemicals Limited	87,98,000	1.6744
11	ICICI Prudential Life Insurance Company Ltd.	78,85,269	1.5007
12	Aasia Management and Consultancy Private Limited	78,39,117	1.4919
13	Franklin Templeton Mutual Fund A/c Franklin India Bluechip Fund	76,89,526	1.4634
14	Norwest Venture Partners X FII-Mauritius	67,18,087	1.2785
15	Government of Singapore	63,81,838	1.2146
16	Birla Sun Life Trustee Company Private Limited A/C Birla Sun Life Frontline Equity Fund	62,67,150	1.1927
17	CPCI (Mauritius) Ltd	61,54,168	1.1712
18	DVI Fund Mauritius Limited	56,86,300	1.0822
19	Franklin Templeton Investment Fund	53,19,928	1.0125

iii. Total Foreign Shareholding

	No. of shares held	% of shareholding
Total Foreign shareholding	37,75,79,150	71.86
Of which GDRs	6,46,82,364	12.31

Details of complaints received and resolved from April 1, 2013 to March 31, 2014

Complaints	Received	Attended to	Pending
Non-Receipt of Share Certificate	*63	63	0
Non-Receipt of Dividend Warrants	*39	39	0
Non-Receipt of Endorsement Stickers	0	0	0
Non-Receipt of Annual Report	1	1	0
Non-Receipt of Demat Credit / Remat Certificate	0	0	0
Non-Receipt of Rejected DRF	1	1	0
Non-Receipt of Exchanged Certificate	10	10	0
Non-Receipt of Split / Duplicate / Replacement Certificate	1	1	0
Others	1	1	0
Total	**116**	**116**	**0**

* One complaint each pertaining to financial year 2012-13

Listing details of the Bank's Equity Shares / GDRs on Stock Exchanges

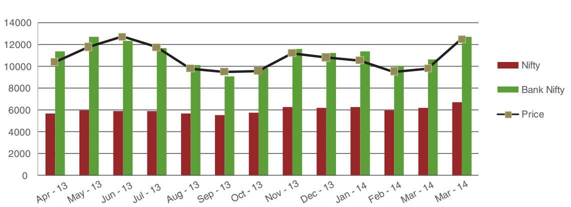
Name of the Stock Exchange	Address of the Stock Exchange	Stock Code No.
BSE Ltd.	Phiroze Jeejeebhoy Towers Dalal Street, Mumbai 400001.	532187
National Stock Exchange of India Ltd.	Exchange Plaza, 5th Floor Bandra-Kurla Complex, Plot No. C/1, G Block, Bandra (E), Mumbai - 400 051.	INDUSINDBK
Luxembourg Stock Exchange (Global Depository Receipts)	Société de la Bourse de Luxembourg Societe Anonyme RC Luxembourg B 6222.	111202

The Bank has paid annual listing fees on its capital for the relevant period to BSE Ltd. and National Stock Exchange of India Ltd. where its shares are listed and to Luxembourg Stock Exchange where its Global Depository Receipts are listed.

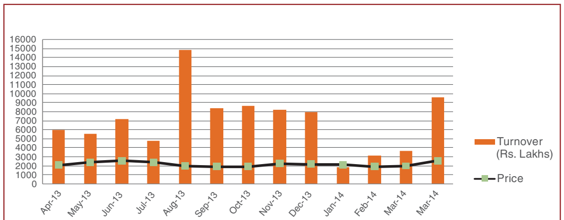
Market Price Data of the Bank's shares

i. National Stock Exchange of India Ltd.

Date	Price of Shares				Turnover in ₹ Lakhs	Nifty	Bank Nifty
	Open (₹)	High (₹)	Low (₹)	Close (₹)			
01-Apr-13	407.50	417.90	403.60	415.70	5910.05	5704.40	11425.55
2-May-13	467.00	476.70	465.00	472.80	5465.27	5999.35	12709.95
3-Jun-13	520.00	525.40	501.45	509.90	7157.79	5939.30	12402.10
1-Jul-13	466.50	481.90	465.00	471.95	4771.90	5898.85	11714.90
1-Aug-13	391.95	398.60	368.10	392.95	14769.97	5727.85	10142.95
2-Sep-13	357.95	383.35	357.95	381.05	8329.74	5550.75	9139.50
1-Oct-13	371.00	386.50	366.50	383.05	8563.25	5780.05	9883.30
1-Nov-13	443.00	455.95	442.10	449.15	8167.88	6307.20	11628.65
2-Dec-13	425.40	435.55	422.20	433.40	7928.76	6217.85	11284.35
1-Jan-14	422.60	424.60	421.35	423.35	1843.72	6301.65	11385.60
3-Feb-14	380.45	384.95	377.70	382.30	3089.54	6001.80	10102.10
3-Mar-14	397.00	403.75	390.35	392.25	3590.49	6221.45	10651.95
31-Mar-14	505.00	508.45	496.15	501.85	9556.32	6704.20	12742.05



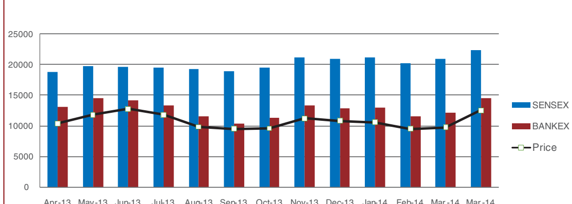
(Actual values of indices have been retained in the graph whereas the price has been factored for the purpose of comparison. The prices have been multiplied by 25).



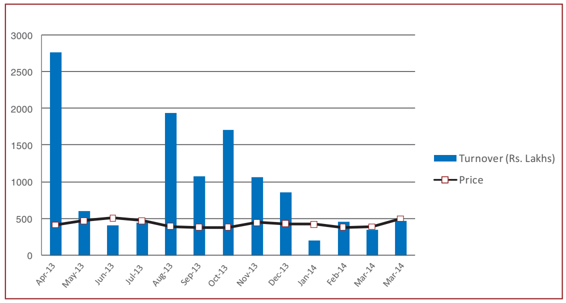
(Actual values of trade has been retained in the graph while the price has been factored for the purpose of comparision. The prices have been multiplied by 5)

ii. BSE Ltd.

Date	Price of Shares				Turnover in ₹ Lakhs	SENSEX	BANKEX
	Open (₹)	High (₹)	Low (₹)	Close (₹)			
1-Apr-13	416.00	418.10	404.00	416.00	2773.90	18864.75	13115.20
2-May-13	470.70	476.70	465.80	471.90	608.22	19735.77	14531.74
3-Jun-13	517.00	521.20	501.50	510.65	415.19	19610.48	14182.67
1-Jul-13	471.30	481.35	466.80	471.85	444.31	19577.39	13382.58
1-Aug-13	391.80	398.40	368.20	393.35	1937.40	19317.19	11578.72
2-Sep-13	356.00	385.00	356.00	380.65	1080.52	18886.13	10397.96
1-Oct-13	372.90	386.80	366.75	383.25	1710.46	19517.15	11257.05
1-Nov-13	446.50	456.00	443.00	448.80	1074.05	21196.81	13276.15
2-Dec-13	425.00	435.40	422.45	432.60	858.46	20898.01	12878.19
1-Jan-14	424.00	425.00	421.40	423.80	210.12	21140.48	13010.39
3-Feb-14	383.00	384.70	377.65	382.25	459.14	20209.26	11554.48
3-Mar-14	397.00	403.80	390.20	392.25	355.33	20946.65	12180.67
31-Mar-14	505.70	508.45	496.25	501.20	471.22	22386.27	14572.46



(Actual values of indices have been retained in the graph whereas the price has been factored for the purpose of comparison. The prices have been multiplied by 25)



Dematerialisation of shares and liquidity

The Bank's shares are tradable (in electronic form only) at the BSE Ltd. and the National Stock Exchange of India Ltd., 97.93% of the Bank's shares are dematerialised and the rest remain in physical form. The volume of trades and share price information is provided in the tables above.

In view of the numerous advantages offered by the depository system, members holding the shares of the Bank in physical form are requested to get the same dematerialised and converted to the electronic form.

Share Transfer System

A Share Transfer Committee comprising the Bank's executives has been formed to deal with matters relating to transfer of shares, issue of duplicate share certificates in lieu of mutilated share certificates or those which are misplaced / lost, and other related matters. The approvals granted by the Share Transfer Committee are confirmed at subsequent Board meetings. With a view to expediting the process of physical share transfers, the Share Transfer Committee meets every Friday.

Trading in the Bank's shares now takes place compulsorily in dematerialised form. However, members holding share certificates in physical form are entitled to transfer their shareholding by forwarding the share certificates along with valid, duly executed and stamped Securities Transfer Form (Form No.SH-4) signed by the member (or on his / her behalf) and the transferee, to the Bank or to the Registrar & Share Transfer Agent, Link Intime India Pvt. Ltd.

As required under Clause 47(c) of the Listing Agreement, a Practising Company Secretary has examined the records relating to Share Transfer Deeds, Registers and other related documents on a half-yearly basis and has certified compliance with the provisions of the above Clause. The Certificates are forwarded to BSE and NSE where the Bank's equity shares are listed.

As required by SEBI, Share Capital Audit is conducted by a Practising Company Secretary on a quarterly basis, for the purpose, inter alia, of reconciliation of the total admitted equity Share Capital with the depositories and in the physical form with the total issued / paid-up equity capital of the Bank. Certificates issued in this regard are forwarded to BSE and NSE.

Shareholders holding shares in different folios but in identical name(s) are requested to get their shareholdings consolidated into one folio by requesting the Bank / Registrar for the same. The request may please be accompanied with proof of identification and the share certificates.

Registrar & Share Transfer Agent

Link Intime India Pvt. Ltd.
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (West)
Mumbai – 400078

Contact Person: Mr. Mahesh Masurkar
Tel.: 022 25963838 / 022 25946980 Fax: 022 25946969
Email: rnt.helpdesk@linkintime.co.in

Redressal of Investors' Grievances

In order to service the investors in an efficient manner and to attend to their grievances, the Bank has constituted an 'Investor Services Cell' at its undermentioned office at Mumbai. Members are requested to contact:

Mr. Raghunath Poojary
Investor Services Cell
IndusInd Bank Ltd.
Solitaire Corporate Park
167, Guru Hargovindji Marg
Andheri (East), Mumbai - 400093
Tel: 022 66412487 Fax: 022 66412347
Email: investor@indusind.com

Dividends

Receipt of dividend through Electronic mode

Shareholders can opt for receiving dividend credit directly in to their bank account by way of updating their Bank Account details with the Depository Participant (DP) in case the shares are held in demat mode or with the Registrar & Share Transfer Agent viz., Link Intime India Pvt. Ltd. in case the shares are held in physical form.

To avail of this facility, shareholders can approach their DPs or send a request letter to Registrar & Share Transfer Agent duly signed by the shareholder(s) mentioning particulars of Bank Account, Folio No. and attaching self-attested copies of PAN Card, proof of Residence (not older than two months), cancelled cheque leaf along with signature attestation letter from their Bank.

Unclaimed Dividends

In accordance with the provisions of Section 124 (5) of the Companies Act, 2013 (corresponding Section 205A of the Companies Act, 1956), read with Investor Education and Protection Fund (Awareness and Protection of Investors), Rules 2001, dividend which remains unclaimed for a period of seven years from the date of transfer to the 'Unpaid Dividend Account' of the Company shall be transferred to the 'Investor Education and Protection Fund' (IEPF) established by the Central Government. Dividends for and up to the financial year ended March 31, 2005 have already been transferred to 'IEPF'.

Details of unclaimed dividends for the financial year 2006-07 onwards and the last date for claiming the dividend for respective years are given in the table below. Members are requested to take note of such due dates and claim the unpaid dividend well in advance of the due date (i.e. before the expiry of the seven years period):

Year	Type of dividend	Date of declaration of Dividend	Due date for availing unclaimed Dividend
2006-07	Final	18 September 2007	23 October 2014
2007-08	Final	22 September 2008	27 October 2015
2008-09	Final	3 July 2009	8 August 2016
2009-10	Final	28 June 2010	2 August 2017
2010-11	Final	15 July 2011	19 August 2018
2011-12	Final	17 July 2012	21 August 2019
2012-13	Final	28 June 2013	2 August 2020

Pursuant to Section 125 of the Companies Act, 2013, it is clarified that claims in respect of dividend amounts that have remained unclaimed or unpaid beyond the period of seven years from the date of payment shall be made with IEPF (i.e. with the Central Government). In other words, no claims shall lie against the Bank upon expiry of period of seven years from the date of payment.

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 31March 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

₹ in '000s

	SCHEDULE	As at 31.03.2014	As at 31.03.2013
CAPITAL AND LIABILITIES			
Capital	1	525,63,86	522,86,98
Employee Stock Options Outstanding	18(10)	11,01,96	10,71,19
Reserves and Surplus	2	8506,30,42	7096,67,19
Deposits	3	60502,28,53	54116,71,50
Borrowings	4	14761,95,70	9459,55,61
Other Liabilities and Provisions	5	2718,72,59	2099,99,07
TOTAL		**87025,93,06**	**73306,51,54**
ASSETS			
Cash and Balances with Reserve Bank of India	6	4413,91,56	3249,84,45
Balances with Banks and Money at Call and Short Notice	7	2355,52,61	3598,88,79
Investments	8	21562,95,30	19654,16,57
Advances	9	55101,83,59	44320,61,00
Fixed Assets	10	1016,44,72	756,14,18
Other Assets	11	2575,25,28	1726,86,55
TOTAL		**87025,93,06**	**73306,51,54**
Contingent Liabilities	12	147804,26,44	134902,88,80
Bills for Collection		5774,56,85	6337,50,73
Significant Accounting Policies	17		
Notes to the financial statements	18		

The schedules referred to above form an integral part of Balance Sheet.

The Balance Sheet has been prepared in conformity with Form A of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date.

For INDUSIND BANK LTD.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W

R. Seshasayee
Chairman

Kanchan Chitale
Director

Akeel Master
Partner
Membership No : 046768

Romesh Sobti
Managing Director

Place : Mumbai
Date : April 16, 2014

S. V. Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014

₹ in '000s

		SCHEDULE	Year ended 31.03.2014	Year ended 31.03.2013
I. INCOME				
Interest Earned		13	8253,53,44	6983,23,23
Other Income		14	1890,52,90	1362,96,08
	TOTAL		**10144,06,34**	**8346,19,31**
II. EXPENDITURE				
Interest Expended		15	5362,82,13	4750,36,62
Operating Expenses		16	2185,28,28	1756,36,27
Provisions and Contingencies			1187,93,73	778,28,14
	TOTAL		**8736,04,14**	**7285,01,03**
III. PROFIT				
Net Profit for the year			1408,02,20	1061,18,28
Profit brought forward			1790,92,95	1187,59,01
	TOTAL		**3198,95,15**	**2248,77,29**
IV. APPROPRIATIONS				
Transfer to				
a) Statutory Reserve			352,00,55	265,29,57
b) Capital Reserve			8,17,54	8,36,41
c) Investment Reserve Account			7,45	40,31
d) Proposed final dividend			184,07,81	157,08,60
e) Corporate Dividend Tax			31,28,40	26,69,45
			575,61,75	457,84,34
Balance carried over to the Balance Sheet			2623,33,40	1790,92,95
	TOTAL		**3198,95,15**	**2248,77,29**
V. EARNING PER EQUITY SHARE				
(Face value of ₹ 10/- per share) (₹)				
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 INDUSIND BANK LTD.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W

R. Seshasayee
Chairman

Kanchan Chitale
Director

Akeel Master
Partner
Membership No : 046768

Romesh Sobti
Managing Director

Place : Mumbai
Date : April 16, 2014

S. V. Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

₹ in '000s

	Year ended 31.03.2014	Year ended 31.03.2013
A. Cash Flow from Operating Activities		
Net Profit before taxation	**2128,32,87**	**1576,35,93**
Adjustments for :		
Depreciation on Fixed assets	98,14,83	73,43,39
Depreciation on Investments	87,56,45	1,30,35
Employees Stock Option expenses	30,77	(23,40)
Loan Loss and Other Provisions	380,06,60	261,80,13
Amortisation on HTM investments	26,12,82	14,46,90
Interest paid on Borrowings	879,70,73	616,83,27
Interest paid on Tier II/ Upper Tier II bonds	100,70,93	106,75,04
Profit on sale of fixed assets	(17,01)	(5,44,95)
Operating Profit before Working Capital changes	**3700,78,99**	**2645,26,66**
Adjustments for :		
Increase in Advances	(11161,29,19)	(9518,46,00)
Increase in Investments	(2022,47,99)	(5097,99,21)
(Increase) / Decrease in Other Assets	(789,45,30)	84,79,27
Increase in Deposits	6385,57,03	11755,16,54
Increase in Other Liabilities	560,34,82	208,54,67
Cash (used in) / generated from Operations	**(3326,51,64)**	**77,31,93**
Direct Taxes paid (net of refunds)	(779,24,11)	(563,08,28)
Net Cash used in Operating Activities	**(4105,75,75)**	**(485,76,35)**
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets (including WIP)	(177,05,56)	(184,38,70)
Proceeds from sale of Fixed Assets	3,35,41	10,41,22
Net Cash used in Investing Activities	**(173,70,15)**	**(173,97,48)**
C. Cash Flow from Financing Activities		
Proceeds from issue of equity shares (net of issue expenses)	35,15,92	2018,02,45
Dividends paid	(156,97,51)	(103,13,50)
Payment towards redemption of Sub-ordinated Tier II capital	(50,00,00)	(50,00,00)
Increase in Borrowings	5352,40,08	827,54,25
Interest paid on Borrowings	(879,70,73)	(616,83,27)
Interest paid on Tier II/ Upper Tier II Bonds	(100,70,93)	(106,75,04)
Net Cash generated from Financing Activities	**4200,16,83**	**1968,84,89**
Net (Decrease) / Increase in Cash and Cash Equivalents	**(79,29,07)**	**1309,11,06**
Cash and Cash Equivalents at the beginning of the year	**6848,73,24**	**5539,62,18**
Cash and Cash Equivalents at the end of the year	**6769,44,17**	**6848,73,24**

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 INDUSIND BANK LTD.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W

R. Seshasayee
Chairman

Kanchan Chitale
Director

Akeel Master
Partner
Membership No : 046768

Romesh Sobti
Managing Director

Place : Mumbai
Date : April 16, 2014

S. V. Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

SCHEDULES

	As at 31.03.2014	₹ in '000s As at 31.03.2013
SCHEDULE - 1 CAPITAL		
Authorised Capital		
55,00,00,000 (Previous year 55,00,00,000) equity shares of ₹ 10/- each	550,00,00	550,00,00
Issued, Subscribed and Called Up Capital		
52,54,46,484 (Previous year 52,26,77,706) equity shares of ₹ 10/- each	525,44,65	522,67,77
Paid up Capital		
52,54,46,484 (Previous year 52,26,77,706) equity shares of ₹ 10/- each	525,44,65	522,67,77
Add : 3,84,200 (Previous year 3,84,200) Forfeited equity shares of ₹ 10/- each	19,21	19,21
Note :		
On December 5, 2012, the Bank had issued 5,21,00,000 equity shares of ₹ 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 ₹ 52.10 crores and ₹ 1,948.54 crores respectively		
TOTAL	**525,63,86**	**522,86,98**
SCHEDULE - 2 RESERVES AND SURPLUS		
I Statutory Reserve		
Opening balance	833,75,00	568,45,43
Additions during the year	352,00,55	265,29,57
	1185,75,55	**833,75,00**
II Share Premium Account		
Opening balance	4117,96,88	2155,11,20
Additions during the year	32,39,04	1980,42,54
Less: Share issue expenses	-	17,56,86
	4150,35,92	**4117,96,88**
III General Reserve		
Balance as at the end of the year	1,35,57	1,35,57
	1,35,57	**1,35,57**
IV Capital Reserve		
Opening balance	135,68,73	127,32,32
Additions during the year	8,17,54	8,36,41
	143,86,27	**135,68,73**
V Investment Allowance Reserve		
Balance as at the end of the year	1,00,00	1,00,00
	1,00,00	**1,00,00**

SCHEDULES (Contd.)

₹ in '000s

		As at 31.03.2014	As at 31.03.2013
VI	**Investment Reserve Account**		
	Opening Balance	3,29,20	2,88,89
	Additions during the year	7,45	40,31
		3,36,65	**3,29,20**
VII	**Revaluation Reserve**		
	Opening balance	212,68,86	219,33,58
	Addition during the year	188,53,51	-
	Less : Deductions during the year	3,95,31	6,64,72
		397,27,06	**212,68,86**
VIII	**Balance in the Profit and Loss Account**	**2623,33,40**	**1790,92,95**
	TOTAL	**8506,30,42**	**7096,67,19**

SCHEDULE - 3 DEPOSITS

				As at 31.03.2014	As at 31.03.2013
A	**I**	**Demand Deposits**			
		i)	From Banks	571,97,55	882,17,19
		ii)	From Others	9203,68,93	7952,38,45
	II	**Savings Bank Deposits**		9915,24,98	7032,80,17
	III	**Term Deposits**			
		i)	From Banks	3669,34,08	1199,01,04
		ii)	From Others	37142,02,99	37050,34,65
			TOTAL	**60502,28,53**	**54116,71,50**
B	**Deposits of Branches**				
	I	In India		60502,28,53	54116,71,50
	II	Outside India		-	-
			TOTAL	**60502,28,53**	**54116,71,50**

SCHEDULE - 4 BORROWINGS

			As at 31.03.2014	As at 31.03.2013
I	**Borrowings in India**			
	i)	Reserve Bank of India	55,00,00	-
	ii)	Other Banks	4261,30,42	3035,93,80
	iii)	Other Institutions and Agencies	5885,26,68	3191,84,59
	iv)	Unsecured Non-Convertible Redeemable Debentures / Bonds (Subordinated Tier-II Bonds)	760,10,00	810,10,00
	v)	Unsecured Non-Convertible Redeemable Non-Cumulative Subordinated Upper Tier II Bonds	308,90,00	308,90,00
II	**Borrowings outside India**		3491,38,60	2112,77,22
		TOTAL	**14761,95,70**	**9459,55,61**
Secured borrowings included in I and II above			-	-

SCHEDULES

		₹ in '000s
	As at 31.03.2014	As at 31.03.2013
SCHEDULE - 5 OTHER LIABILITIES AND PROVISIONS		
I Inter-office Adjustments (Net)	62,17,35	23,14,89
II Bills Payable	311,09,54	351,27,10
III Interest Accrued	533,00,39	399,99,85
IV Others [(including Standard Asset Provisions of ₹ 239.09 crores) (Previous Year ₹ 174.26 crores)]	1812,45,31	1325,57,23
TOTAL	**2718,72,59**	**2099,99,07**
SCHEDULE - 6 CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I Cash in hand (including foreign currency notes)	496,75,58	396,84,05
II Balances with Reserve Bank of India		
i) In Current Accounts	3917,15,98	2853,00,40
ii) In Other Accounts	-	-
TOTAL	**4413,91,56**	**3249,84,45**
SCHEDULE - 7 BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I In India		
i) Balances with Banks		
a) In Current Accounts	362,95,52	406,78,40
b) In Other Deposit Accounts	1713,56,12	1516,83,05
ii) Money at Call and Short Notice - With Others Institutions	-	851,22,26
TOTAL	**2076,51,64**	**2774,83,71**
II Outside India		
i) In Current Accounts	103,15,92	174,53,08
ii) In Other Deposit Accounts	-	-
iii) Money at Call and Short Notice	175,85,05	649,52,00
TOTAL	**279,00,97**	**824,05,08**
GRAND TOTAL	**2355,52,61**	**3598,88,79**
Schedule - 8 INVESTMENTS		
I In India		
Gross Value	21661,60,46	19665,90,69
Less : Aggregate of provision / depreciation	98,65,16	11,74,12
Net value of Investments in India	**21562,95,30**	**19654,16,57**

SCHEDULES (Contd.)

			As at 31.03.2014	₹ in '000s As at 31.03.2013
	Comprising :			
	i)	Government securities*	15380,00,71	14108,26,31
	ii)	Other approved securities	-	-
	iii)	Shares	52,69,56	58,03,28
	iv)	Debentures and bonds	1390,30,58	753,84,95
	v)	Subsidiaries and / or Joint Ventures	50,00	50,00
	vi)	Others - Deposits under RIDF scheme with NABARD	1643,26,44	1382,94,50
		- Security Receipt, Units of schemes of Mutual Funds and Others	3096,18,01	3350,57,53
II	**Outside India**		-	-
		TOTAL	**21562,95,30**	**19654,16,57**

*Includes securities costing ₹ 206.92 crores (previous year ₹ 373.84 crores) pledged for clearing facility and margin requirements.

SCHEDULE - 9 ADVANCES

			As at 31.03.2014	As at 31.03.2013
A	i)	Bills Purchased and Discounted	2047,99,56	1152,87,02
	ii)	Cash Credits, Overdrafts and Loans Repayable on Demand	14496,74,25	10775,22,29
	iii)	Term Loans	38557,09,78	32392,51,69
		TOTAL	**55101,83,59**	**44320,61,00**
B	i)	Secured by Tangible Assets (includes advances against book debts)	48522,96,55	39334,25,37
	ii)	Covered by Bank / Government Guarantees (includes advances against L/Cs issued by Banks)	722,53,21	775,30,41
	iii)	Unsecured	5856,33,83	4211,05,22
		TOTAL	**55101,83,59**	**44320,61,00**
C	I)	Advances in India		
		i) Priority Sector	18158,18,25	14323,55,11
		ii) Public Sector	1188,07,75	633,97,11
		iii) Banks	4,37	24,87,90
		iv) Others	35755,53,22	29338,20,88
		TOTAL	**55101,83,59**	**44320,61,00**
	II)	Advances Outside India	-	-
		TOTAL	**55101,83,59**	**44320,61,00**

SCHEDULES

		As at 31.03.2014	₹ in '000s As at 31.03.2013
SCHEDULE - 10 FIXED ASSETS			
I	**Premises**		
	i) At cost as at the beginning of the year	405,99,72	397,60,57
	ii) Revaluation during the year	188,53,52	-
	iii) Additions during the year	90,08	13,23,52
		595,43,32	410,84,09
	iv) Less : Deductions during the year	-	4,84,37
	v) Less : Depreciation to date	50,49,08	44,45,72
	TOTAL	**544,94,24**	**361,54,00**
II	**Other Fixed Assets (including furniture & fixtures)**		
	i) At cost as at the beginning of the year	869,00,73	685,18,49
	ii) Additions during the year	166,49,51	197,10,91
		1035,50,24	882,29,40
	iii) Less : Deductions during the year	25,75,28	13,28,67
	iv) Less : Depreciation to date	563,43,70	489,93,80
	TOTAL	**446,31,26**	**379,06,93**
III	**Capital Work in Progress**	25,19,22	15,53,25
	GRAND TOTAL	**1016,44,72**	**756,14,18**
SCHEDULE - 11 OTHER ASSETS			
I	Interest Accrued	629,30,67	461,05,51
II	Tax Paid in Advance / tax deducted at source (net of provision)	265,48,73	193,60,31
III	Stationery and Stamps	1,89,20	2,60,20
IV	Others [including deferred tax assets of ₹ 91.41 crores (Previous Year ₹ 69.48 crores)]	1678,56,68	1069,60,53
	TOTAL	**2575,25,28**	**1726,86,55**
SCHEDULE - 12 CONTINGENT LIABILITIES			
I	Claims against the Bank not acknowledged as debts	535,82,56	430,89,11
II	Liability on account of outstanding Forward Exchange Contracts	78491,21,24	79438,65,51
III	Liability on account of outstanding Derivative Contracts	45391,62,66	29540,14,71
IV	Guarantees given on behalf of constituents		
	- In India	18502,33,14	19381,00,90
	- Outside India	-	-
V	Acceptances, Endorsements and Other Obligations	4883,26,84	4362,18,57
VI	Other Items for which the Bank is contingently liable	-	1750,00,00
	TOTAL	**147804,26,44**	**134902,88,80**

SCHEDULES (Contd.)

			₹ in '000s
		Year ended 31.03.2014	**Year ended 31.03.2013**
SCHEDULE - 13 INTEREST EARNED			
I	Interest / Discount on Advances / Bills	6627,35,49	5610,30,02
II	Income on Investments	1477,02,57	1282,49,78
III	Interest on Balances with RBI and Other Inter-Bank Funds	148,50,26	85,49,94
IV	Others	65,12	4,93,49
	TOTAL	**8253,53,44**	**6983,23,23**
SCHEDULE - 14 OTHER INCOME			
I	Commission, Exchange and Brokerage	1170,58,98	947,04,58
II	Profit on Sale of Investments / Derivatives (Net)	51,83,14	64,41,76
III	Profit / (Loss) on Sale of Land, Buildings and Other Assets (Net)	17,01	5,44,95
IV	Profit on exchange transactions (Net)	616,34,22	328,03,46
V	Income earned by way of dividend from companies in India	3,25,94	2,95,51
VI	Miscellaneous Income	48,33,61	15,05,82
	TOTAL	**1890,52,90**	**1362,96,08**
SCHEDULE - 15 INTEREST EXPENDED			
I	Interest on Deposits	4382,40,48	4026,78,31
II	Interest on Reserve Bank of India / Inter-Bank Borrowings	298,93,75	257,37,02
III	Others (including interest on Subordinate Debts and Upper Tier II bonds)	681,47,90	466,21,29
	TOTAL	**5362,82,13**	**4750,36,62**
SCHEDULE - 16 OPERATING EXPENSES			
I	Payments to and Provisions for Employees	809,29,46	661,46,23
II	Rent,Taxes and Lighting (includes operating lease rentals)	187,80,93	166,37,18
III	Printing and Stationery	33,53,15	25,79,88
IV	Advertisement and Publicity	29,54,00	13,28,48
V	Depreciation on Bank's Property	98,14,83	73,43,39
VI	Directors' Fees, Allowances and Expenses	86,00	72,62
VII	Auditors' Fees and Expenses	1,26,61	1,20,78
VIII	Law Charges	35,27,35	27,59,72
IX	Postage, Telegrams, Telephones, etc.	74,43,42	69,22,08
X	Repairs and Maintenance	125,82,68	96,45,46
XI	Insurance	59,53,78	57,54,36
XII	Service Provider Fees	183,24,09	158,85,76
XIII	Other Expenditure	546,51,98	404,40,33
	TOTAL	**2185,28,28**	**1756,36,27**

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 & 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 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:

(₹ in crores)

		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	35.16
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 as below:

(₹ in crores)

Items	March 31, 2014	March 31, 2013
Tier I Capital	8,550.66	7,344.54
Tier II Capital	836.87	840.93
Total Capital	9,387.54	8,185.47
Total risk weighted assets	67,258.57	53,283.40
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 debtraised as Tier II Capital	Nil	Nil
Amount raised byissue of IPDI	Nil	Nil
Amount raised byissue of Upper Tier II instruments	Nil	Nil

2. Investments

2.1 Details of Investments:

(₹ in crores)

	March 31, 2014	March 31, 2013
(1) Value of Investments		
(i) Gross value of Investments	21,661.60	19,665.91
(a) In India	21,661.60	19,665.91
(b) Outside India	-	-
(ii) Provisions for Depreciation	98.65	11.74
(a) In India	98.65	11.74
(b) Outside India	-	-
(iii) Net value of Investments	21,562.95	19,654.17
(a) In India	21,562.95	19,654.17
(b) Outside India	-	-
(2) Movement in provisions held towards depreciation on Investments		
(i) Opening balance	11.74	10.44
(ii) Add: Provision made during the year	87.06	2.10
(iii) Less: Write-off / (write-back) of excess provision during the year	(0.15)	(0.80)
(iv) Closing balance	98.65	11.74

2.2 Category wise details of Investments (Net):

(₹ in crores)

		As at March 31, 2014			As at March 31, 2013		
		HTM	AFS	HFT	HTM	AFS	HFT
i)	Government securities	12,622.59	2,757.42	-	12,060.91	2,047.35	-
ii)	Other approved securities	-	-	-	-	-	-
iii)	Shares	4.75	47.94	-	4.75	53.28	-
iv)	Debentures and bonds	-	1,390.31	-	-	753.85	-
v)	Subsidiaries and / or Joint Ventures	0.50	-	-	0.50	-	-
vi)	Others - Deposits under RIDF scheme with NABARD, Security Receipts/ Pass Through Certificates, investment in units of Mutual Funds, Commercial Paper, etc.	1,643.26	3,096.18	-	1,382.95	3,350.58	-
	Total	**14,271.10**	**7,291.85**	**-**	**13,449.11**	**6,205.06**	**-**

2.3 Details of Repo / Reverse Repo including under Liquidity Adjustment Facility (LAF) deals:

(₹ in crores)

	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				
i) Government Securities	113.00	3,200.00	482.35	3,291.00
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repos				
i) Government Securities	20.48	144.51	6.06	-
ii) Corporate Debt Securities	-	-	-	-
Year ended March 31, 2013				
Securities sold under repos				
i) Government Securities	46.75	2,300.00	310.86	1,800.00
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repos				
i) Government Securities	10.11	221.56	22.95	51.71
ii) Corporate Debt Securities	-	-	-	-

2.4 a) Issuer composition of Non-SLR investments as at March 31, 2014:

(₹ in crores)

No.	Issuer	Amount(1)	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities(2)	Extent of 'unlisted' securities(3)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Public Sector Undertakings	271.23	271.23	-	-	-
2	Financial Institutions(4)	1,764.81	121.55	-	-	-
3	Banks	2,387.37	2,387.37	-	-	-
4	Private corporate	1,481.51	1,355.39	-	-	6.51
5	Subsidiaries / Joint Ventures	0.50	-	-	-	0.50
6	Others	302.59	302.59	-	-	-
7	Provision held towards depreciation	(25.06)	(23.15)	-	-	(1.75)
	Total	**6,182.95**	**4,414.98**	**-**	**-**	**5.26**

b) Issuer composition of Non-SLR investments as at March 31, 2013:

(₹ in crores)

No.	Issuer	Amount(1)	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities(2)	Extent of 'unlisted' securities(3)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Public Sector Undertakings	-	-	-	-	-
2	Financial Institutions(4)	1,382.95	-	-	-	-
3	Banks	2,584.26	5.00	-	-	-
4	Private corporate	834.64	703.09	-	-	6.51
5	Subsidiaries / Joint Ventures	0.50	-	-	-	0.50
6	Others	754.20	324.20	-	-	-
7	Provision held towards depreciation	(10.64)	(8.42)	-	-	(1.75)
	Total	**5,545.91**	**1,023.87**	**-**	**-**	**5.26**

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.

c) Non-performing Non-SLR investments:

(₹ in crores)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Opening balance	7.14	1.76
Additions during the year	-	5.38
Reductions during the year	-	-
Closing balance	7.14	7.14
Total provisions held	**7.14**	**2.56**

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 ₹ 14.05 crores and consequently net profit for the year is higher by ₹ 9.27crores.

3. Derivatives

3.1 Interest Rate Swaps, Forward Rate Agreements, Options and Cross Currency Swaps:

(₹ in crores)

	Particulars	As at March 31, 2014	As at March 31, 2013
(i)	Notional principal of swap agreements	43,199.08	28,568.87
(ii)	Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	1,235.79	497.26
(iii)	Collateral required by the Bank upon entering into swaps	-	-
(iv)	Concentration of credit risk arising from the swaps – With banks	53.00%	47.41%
(v)	Net Fair value of the swap book	(66.79)	32.11

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:

(₹ in crores)

Nature	Nos.	Notional Principal	Benchmark	Terms
Merchant and Cover	1	100.00	MIBOR	Fixed Payable V/s Floating Receivable
Merchant and Cover	1	100.00	MIBOR	Fixed Receivable V/s Floating Payable
Trading	94	4,624.66	MIBOR	Fixed Payable V/s Floating Receivable
Trading	105	5,221.75	MIBOR	Fixed Receivable V/s Floating Payable
Trading	56	5,065.00	MIFOR	Fixed Payable V/s Floating Receivable
Trading	82	5,795.00	MIFOR	Fixed Receivable V/s Floating Payable

Nature	Nos.	Notional Principal	Benchmark	Terms
Merchant and Cover	1	23.03	EURIBOR	Fixed Payable V/s Floating Receivable
Merchant and Cover	1	23.03	EURIBOR	Fixed Receivable V/s Floating Payable
Trading	6	9.10	EURIBOR	Fixed Payable V/s Floating Receivable
Trading	3	3.95	EURIBOR	Fixed Receivable V/s Floating Payable
Merchant & Cover	26	138.70	LIBOR	Fixed Payable V/s Floating Receivable
Merchant & Cover	26	138.70	LIBOR	Fixed Receivable V/s Floating Payable
Trading	37	1,911.97	LIBOR	Fixed Payable V/s Floating Receivable
Trading	64	1,567.56	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, 2013 are set out below:

(₹ in crores)

Nature	Nos.	Notional Principal	Benchmark	Terms
Merchant & Cover	1	100.00	MIBOR	Fixed Payable V/s Floating Receivable
Merchant & Cover	1	100.00	MIBOR	Fixed Receivable V/s Floating Payable
Trading	125	5,789.15	MIBOR	Fixed Payable V/s Floating Receivable
Trading	131	7,162.29	MIBOR	Fixed Receivable V/s Floating Payable
Trading	11	875.00	MIFOR	Fixed Payable V/s Floating Receivable
Trading	19	1,275.00	MIFOR	Fixed Receivable V/s Floating Payable
Merchant & Cover	1	27.07	EURIBOR	Fixed Payable V/s Floating Receivable
Merchant & Cover	1	27.07	EURIBOR	Fixed Receivable V/s Floating Payable
Merchant & Cover	34	336.11	LIBOR	Fixed Payable V/s Floating Receivable
Merchant & Cover	34	336.11	LIBOR	Fixed Receivable V/s Floating Payable
Trading	10	413.57	LIBOR	Fixed Payable V/s Floating Receivable
Trading	24	414.32	LIBOR	Fixed Receivable V/s Floating Payable

The nature and terms of Options as on March 31, 2014 are set out below:

(₹ in crores)

Nature	Nos.	Notional Principal	Terms
Merchant and Cover	676	2,192.56	Options

The nature and terms of Options as on March 31, 2013 are set out below:

(₹ in crores)

Nature	Nos.	Notional Principal	Terms
Merchant and Cover	246	971.28	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, 2014 are set out below:

(₹ in crores)

Nature	Nos.	Notional Principal	Benchmark	Terms
Merchant & Cover	14	958.19	LIBOR	Fixed Receivable V/s Floating Payable (Cross Currency Swap)
Merchant & Cover	14	765.79	LIBOR	Fixed Payable V/s Floating Receivable (Cross Currency Swap)
Merchant & Cover	20	825.39	NA	Fixed Payable (Principal Only Swap)
Merchant & Cover	20	944.67	NA	Fixed Receivable (Principal Only Swap)
Merchant & Cover	15	2,119.02	NA	Fixed V/s Fixed (Cross Currency Swap)
Merchant & Cover	2	109.69	NA	Fixed V/s Fixed (Principal Only Swap)
Merchant & Cover	2	442.87	NA	Fixed V/s Fixed (Coupon Only Swap)
Trading	98	4,038.75	LIBOR	Fixed Receivable V/s Floating Payable (Cross Currency Swap)
Trading	43	4,357.08	LIBOR	Fixed Payable V/s Floating Receivable (Cross Currency Swap)
Trading	5	802.94	LIBOR	Float V/s Float (Cross Currency Swap)
Trading	13	347.31	NA	Fixed Payable (Principal Only Swap)
Trading	8	628.11	NA	Fixed Receivable (Principal Only Swap)
Trading	11	661.10	NA	Fixed V/s Fixed (Cross Currency Swap)
Trading	3	519.62	NA	Fixed V/s Fixed (Coupon Only Swap)
Trading	4	956.10	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, 2013 are set out below:

(₹ in crores)

Nature	Nos.	Notional Principal	Benchmark	Terms
Merchant & Cover	1	5.54	EURIBOR	Fixed Receivable V/s Floating Payable (Cross Currency Swap)
Merchant & Cover	1	6.48	EURIBOR	Fixed Payable V/s Floating Receivable (Cross Currency Swap)
Merchant & Cover	41	1,092.37	LIBOR	Fixed Receivable V/s Floating Payable (Cross Currency Swap)
Merchant & Cover	41	1,211.42	LIBOR	Fixed Payable V/s Floating Receivable (Cross Currency Swap)
Merchant & Cover	29	1,060.65	NA	Fixed Payable (Principal Only Swap)
Merchant & Cover	29	1,023.14	NA	Fixed Receivable (Principal Only Swap)
Merchant & Cover	21	3,269.59	NA	Fixed V/s Fixed (Cross Currency Swap)
Merchant & Cover	2	104.08	NA	Fixed V/s Fixed (Principal Only Swap)
Merchant & Cover	2	420.04	NA	Fixed V/s Fixed (Coupon Only Swap)
Trading	37	1,749.22	LIBOR	Fixed Receivable V/s Floating Payable (Cross Currency Swap)
Trading	13	848.64	LIBOR	Fixed Payable V/s Floating Receivable (Cross Currency Swap)

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	1	24.97	LIBOR	Float V/s Float (Cross Currency Swap)
Trading	1	10.86	NA	Fixed Payable (Principal Only Swap)
Trading	3	501.08	NA	Fixed Receivable (Principal Only Swap)
Trading	1	25.16	NA	Fixed V/s Fixed (Cross Currency Swap)
Trading	1	74.95	NA	Fixed V/s Fixed (Coupon Only Swap)
Trading	2	285.00	LIBOR / MIFOR	Float V/s Float (Cross Currency Swap)

3.2 *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).

(₹ in crores)

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	1,659.08
	b) MCX883GS23 FEB 14	1.01
	c) NSE883GS23 MAR 14	1,996.16
(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

3.3 *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
- 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.

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.

The following table presents summarized data relating to Derivatives:

(₹ in crores)

Sr. No.	Particulars	March 31, 2014		March 31, 2013	
		Currency derivatives	Interest rate derivatives	Currency derivatives	Interest rate derivatives
1	Derivatives (Notional Principal Amount) (note 1)	99,160.40	24,722.44	92,123.12	16,855.69
	a) For hedging	-	-	-	-
	b) For trading	99,160.40	24,722.44	92,123.12	16,855.69
2	Marked to Market Positions (note 2)				
	a) Asset (+)	2,623.06	288.16	1,742.55	67.76
	b) Liability (-)	(2,504.95)	(311.20)	(1,666.72)	(68.69)
3	Credit Exposure (note 3)	4,535.90	545.70	2,087.58	234.72
4	Likely impact of one percentage change in interest rate (100*PV01) (Note 4)				
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	9.17	14.85	23.64	20.68
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. Asset Quality

4.1 Non-Performing Assets:

(₹ in crores)

Items	March 31, 2014	March 31, 2013
(i) Net NPAs to Net Advances (%)	**0.33%**	0.31%
(ii) Movement in Gross NPAs		
a) Opening balance	**457.78**	347.08
b) Additions during the year	**624.24**	527.77
Sub-total (A)	**1,082.02**	874.85
c) Reductions during the year		
(i) Upgradations	**80.14**	86.92
(ii) Recoveries (excluding recoveries made from upgraded accounts)	**200.27**	186.14

(₹ in crores)

Items	March 31, 2014	March 31, 2013
(iii) Technical/Prudential write-offs	-	-
(iv) Write-offs other than those under (iii) above	**180.82**	144.01
Sub-total (B)	**461.23**	417.07
d) Closing balance (A-B)	**620.79**	457.78
(iii) Movement in Net NPAs		
a) Opening balance	**136.76**	94.67
b) Additions during the year	**267.39**	276.02
c) Reductions during the year	**220.10**	233.93
d) Closing balance	**184.05**	136.76
(iv) Movement in provisions for NPAs (excluding provisions on standard assets)		
a) Opening balance	**321.02**	252.41
b) Provisions made during the year	**356.85**	251.75
c) Write-off/write-back of excess provisions	**241.13**	183.14
d) Closing balance	**436.74**	321.02

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 ₹ 27.24 crores 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 & 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 ₹ 61.61 crores (Previous year ₹ 9.82 crores).

4.3 Details of Loan Assets subjected to Restructuring as on March 31, 2014:

Sr. No.	Type of Restructuring →		Under CDR Mechanism $					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification → / Details ↓		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts as on 01/04/2013	No. of borrowers	9	1	1	-	**11**	1	-	1	-	**2**	-	-	2	-	**2**	10	1	4	-	**15**
		Amount outstanding	136.04	1.28	13.24	-	**150.56**	4.25	-	4.92	-	**9.17**	-	-	0.04	-	**0.04**	140.29	1.28	18.20	-	**159.77**
		Provision thereon	26.12	1.28	10.94	-	**38.34**	-	-	4.92	-	**4.92**	-	-	0.04	-	**0.04**	26.12	1.28	15.90	-	**43.30**
2	Fresh restructuring during the year	No. of borrowers	5	-	-	-	**5**	-	-	-	-	-	-	-	-	-	-	5	-	-	-	**5**
		Amount outstanding	119.63	-	-	-	**119.63**	-	-	-	-	-	-	-	-	-	-	119.63	-	-	-	**119.63**
		Provision thereon	24.53	-	2.30	-	**26.83**	-	-	-	-	-	-	-	-	-	-	24.53	-	2.30	-	**26.83**
3	Upgradation to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-				-	(1)				**(1)**	-				-	**(1)**				**(1)**
		Amount outstanding	-				-	(2.47)				**(2.47)**	-				-	**(2.47)**				**(2.47)**
		Provision thereon	-				-	-				-	-				-	-				-
5	Downgradations of restructured accounts during the FY	No. of borrowers	(1)	1	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)	1	-	-	-
		Amount outstanding	(8.57)	8.57	-	-	-	-	-	-	-	-	-	-	-	-	-	(8.57)	8.57	-	-	-
		Provision thereon	(1.03)	1.03	-	-	-	-	-	-	-	-	-	-	-	-	-	(1.03)	1.03	-	-	-
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	17.44	8.57	13.24	-	**39.25**	1.78	-	4.92	-	**6.70**	-	-	0.04	-	**0.04**	19.22	8.57	18.20	-	**45.99**
		Provision thereon	4.36	1.03	13.24	-	**18.63**	-	-	4.92	-	**4.92**	-	-	0.04	-	**0.04**	4.36	1.03	18.20	-	**23.59**
7	Restructured Accounts as on 31/03/2014 (closing figure)	No. of borrowers	**12**	**1**	-	-	**13**	-	-	-	-	-	-	-	-	-	-	**12**	**1**	-	-	**13**
		Amount outstanding	**229.66**	**1.28**	-	-	**230.94**	-	-	-	-	-	-	-	-	-	-	**229.66**	**1.28**	-	-	**230.94**
		Provision thereon	**45.26**	**1.28**	-	-	**46.54**	-	-	-	-	-	-	-	-	-	-	**45.26**	**1.28**	-	-	**46.54**

1. Provision also includes FITL/NPA provision, wherever applicable, in addition to provision for diminution in fair value
2. Sr.no 2 includes ₹ 10.39 crores of additions to existing restructured accounts (number of accounts 3, provision thereon ₹ 2.82 crores).
3. Sr. No.6 includes ₹ 45.99 crores (number of accounts 11, provision thereon ₹ 23.59 crores) of reduction from existing restructured accounts by way of sale/recovery/exit from CDR/OTS by the Bank.

$ Excluding Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) of ₹ 16.27 crores and Convertible Cumulative Preference Shares (CCPS) of ₹ 5.38 crores

4.3 Details of Loan Assets subjected to Restructuring as on March 31, 2013:

Sr. No.	Type of Restructuring →		Under CDR Mechanism $					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification → / Details ↓		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts as on 01/04/2012	No. of borrowers	8	-	1	-	**9**	2	1	-	-	**3**	15	-	-	-	**15**	25	1	1	-	**27**
		Amount outstanding	84.89	-	10.00	-	**94.89**	20.12	5.74	-	-	**25.86**	0.21	-	-	-	**0.21**	105.22	5.74	10.00	-	**120.96**
		Provision thereon	16.19	-	10.00	-	**26.19**	3.56	4.65	-	-	**8.21**	0.21	-	-	-	**0.21**	19.96	4.65	10.00	-	**34.61**
2	Fresh restructuring during the year	No. of borrowers	3	1	-	-	**4**	-	-	1	-	**1**	-	-	-	-	**-**	3	1	1	-	**5**
		Amount outstanding	78.43	1.28	-	-	**79.71**	-	-	4.92	-	**4.92**	-	-	-	-	**-**	78.43	1.28	4.92	-	**84.63**
		Provision thereon	15.01	1.28	-	-	**16.29**	-	-	4.92	-	**4.92**	-	-	-	-	**-**	15.01	1.28	4.92	-	**21.21**
3	Upgradation to restructured standard category during the FY	No. of borrowers	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
		Amount outstanding	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
		Provision thereon	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	(1)				**(1)**	-				-	-				**-**	(1)				**(1)**
		Amount outstanding	(2.31)				**(2.31)**	-				-	-				**-**	(2.31)				**(2.31)**
		Provision thereon	-				**-**	-				-	-				**-**	-				**-**
5	Downgradations of restructured accounts during the FY	No. of borrowers	-	-	1	-	**1**	(1)	-	-	-	**(1)**	(2)	-	2	-	**-**	(3)	-	3	-	**-**
		Amount outstanding	-	-	13.24	-	**13.24**	(13.33)	-	-	-	**(13.33)**	(0.04)	-	0.04	-	**-**	(13.37)	-	13.28	-	**(0.09)**
		Provision thereon	-	-	10.94	-	**10.94**	(3.39)	-	-	-	**(3.39)**	(0.04)	-	0.04	-	**-**	(3.43)	-	10.98	-	**7.55**
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	**136.04**	**1.28**	**13.24**	**-**	**150.56**	**4.25**	**-**	**4.92**	**-**	**9.17**	**-**	**-**	**0.04**	**-**	**0.04**	**140.29**	**1.28**	**18.20**	**-**	**159.77**
		Provision thereon	**26.12**	**1.28**	**10.94**	**-**	**38.34**	**-**	**-**	**4.92**	**-**	**4.92**	**-**	**-**	**0.04**	**-**	**0.04**	**26.12**	**1.28**	**15.90**	**-**	**43.30**

** 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 ₹ 16.90 crores and Convertible Cumulative Preference Shares (CCPS) of ₹ 5.38 crores.

4.4 Details of financial assets sold to Securitisation / Reconstruction Company for asset reconstruction:

(₹ in crores)

	Items	2013-2014	2012-2013
1)	No. of accounts / contracts	1007	1636
2)	Aggregate value (net of provisions) of accounts sold to SC/ RC	113.41	126.29
3)	Aggregate consideration	84.00	111.50
4)	Additional consideration realized in respect of accounts transferred in earlier years	16.23	1.38
5)	Aggregate gain / (loss) over net book value	(13.18)	(13.41)

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:

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:

(₹ in crores)

Items	March 31, 2014	March 31, 2013
Cumulative Provision held for Standard Assets	239.09	174.26

4.8. Floating provision:

Details relating to floating provisions are given below:

(₹ in crores)

Items	March 31, 2014	March 31, 2013
Opening Balance as at beginning of the year	-	-
Provisions made during the year	50.00	-
Draw-down made during the year	-	-
Closing Balance as at end of the year	50.00	-

5. 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 (₹ in lakhs)	717.12	840.52
vi)	Profit per employee(₹ in lakhs)	9.03	9.22
vii)	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.

6. Asset Liability Management

Maturity Pattern of Assets and Liabilities:

(a) As at March 31, 2014:

(₹ in crores)

	Day 1	2 to 7 Days	8 to 14 Days	15 to 28 Days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	311.07	2,677.23	2,285.23	3,800.99	12,036.66	9,154.08	6,576.91	8,109.83	4,115.67	11,434.62	**60,502.29**
Loans & Advances	717.92	1,160.10	1,340.81	602.99	3,319.55	3,350.04	18,930.11	14,393.72	5,513.33	5,773.27	**55,101.84**
Investment Securities *	-	-	1.67	249.65	3,157.72	363.19	1,488.27	2,409.62	2,576.76	14,607.07	**24,853.95**
Borrowings	-	3,173.71	-	629.11	2,082.41	1,717.63	1,579.64	5,270.56	-	308.90	**14,761.96**
Foreign currency assets	578.64	229.08	495.10	215.89	1,470.23	49.80	1,062.47	33.67	68.59	136.10	**4,339.57**
Foreign currency liabilities	1,992.78	328.21	1,212.24	1,447.47	1,118.98	59.30	149.93	586.70	727.47	322.99	**7,946.07**

** Investment is inclusive of Repo under LAF of ₹ 3,291.00 crores.*

(b) As at March 31, 2013:

(₹ in crores)

	Day 1	2 to 7 Days	8 to 14 Days	15 to 28 Days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	275.05	3,301.15	1,675.22	3,307.79	14,505.64	5,878.20	6,252.30	16,913.22	1,045.47	962.68	**54,116.72**
Loans & Advances	3,548.77	963.50	890.80	605.22	3,028.86	3,037.74	15,175.64	13,421.43	2,521.23	2,877.42	**46,070.61**
BRDS*	-	500.00	1000.00	250.00	-	-	-	-	-	-	**1,750.00**
Investment Securities $	-	430.00	-	-	2,531.47	615.03	471.61	2,041.54	1,757.79	13,606.73	**21,454.17**
Borrowings	-	1,520.16	217.14	486.39	796.54	1819.22	1,195.91	3,115.29	-	308.91	**9,459.56**
Foreign currency assets	243.29	88.45	103.58	41.43	308.35	236.14	860.70	726.35	538.67	51.59	**3,198.55**
Foreign currency liabilities	161.77	419.83	233.13	528.97	790.21	1829.73	496.53	240.55	36.32	6.40	**4,743.44**

**Bills Re-discounting Scheme*

$ Investment is inclusive of Repo under LAF of ₹ 1,800.00 crores.

7. Exposures

7.1 Exposure to Real Estate Sector:

(₹ in crores)

	Particulars	March 31, 2014	March 31, 2013
(a)	**Direct exposure**		
	(i) Residential Mortgages [of which individual housing loans upto ₹ 25 lakhs is ₹ 58.19 crores (previous year ₹107.69 crores)]	2,544.98	1,469.04
	(ii) Commercial Real Estate [1]	4,795.05	2,183.81
	(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)	755.55	503.66
	Total Real Estate Exposure	**8,095.58**	**4,156.51**

(1) Does not include corporate lending backed by mortgage of land and building.

7.2 Exposure to Capital Market:

(₹ in crores)

	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	6.11	6.55
(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	4.63	7.38
(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	348.70	286.00
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	1,360.89	1,497.71
(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	**1,720.33**	**1,797.64**

7.3 Risk Category-wise exposure to country risk:

(₹ in crores)

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	356.07	-	250.09	-
Low	797.47	-	724.25	-
Moderate	81.77	-	31.66	-
High	514.04	-	23.58	-
Very High	7.29	-	13.40	-
Restricted	1.60	-	2.06	-
Off Credit	-	-	-	-
Total	**1,758.24**	**-**	**1,045.04**	**-**

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 ₹ 5,856.34 crores (previous year ₹ 4,211.05 crores) as disclosed in Schedule 9B (iii) are without any collateral or security.

8. Concentration of Deposits, Advances, Exposures and NPAs

8.1 Concentration of Deposits:

(₹ in crores)

	As on March 31, 2014	As on March 31, 2013
Total Deposits of twenty largest depositors	14,247.28	14,742.02
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	23.55%	27.24%

8.2 Concentration of Advances:

(₹ in crores)

	As on March 31, 2014	As on March 31, 2013
Total Advances to twenty largest borrowers	16,335.58	16,288.94
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:*

(₹ in crores)

	As on March 31, 2014	As on March 31, 2013
Total Exposure to twenty largest borrowers / customers	16,335.58	16,288.94
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:*

(₹ in crores)

	As on March 31, 2014	As on March 31, 2013
Total Exposure to top four NPA accounts	127.27	96.78

9. Miscellaneous

9.1 *Amount of Provisions for taxation during the year:*

(₹ in crores)

Particulars	2013-14	2012-13
Provision for Income Tax	741.74	522.59
Deferred tax credit	(21.93)	(7.91)
Provision for Wealth tax	0.50	0.50
Total	**720.31**	**515.18**

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 ₹ 4.09 crores (previous year ₹ 4.09 crores) in respect of properties for which execution of documents and registration formalities are in progress. Of these properties, the Bank has not obtained full possession of one property having WDV of ₹ 1.67 crores (previous year ₹ 1.70 crores) 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 ₹ 188.54 crores (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 ₹ 118.38 crores (previous year ₹ 111.40 crores) in respect of which the Bank is in appeal and the cases sub judice ₹ 417.45 crores (previous year ₹ 319.49 crores). 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**:**

(₹ in crores)

Nature of Income	March 2014	March 2013
For selling life insurance policies	41.75	43.24
For selling non-life insurance policies	31.00	27.26
For selling mutual fund products	39.28	36.83
Others	-	-
Total	**112.03**	**107.33**

9.5.2 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 (₹)
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

Sr. No.	Date of grant	No of Options	Range of exercise price (₹)
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 (₹)
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 ₹ 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
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
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 ₹ 0.64 crores. Had the Bank adopted the Black - Scholes model based fair valuation, compensation cost for the year ended March 31, 2014, would have increased by ₹ 32.46 crores and the proforma profit after tax would have been lower by ₹ 21.42 crores. On a proforma basis, the basic and diluted earnings per share would have been ₹ 26.44 and ₹ 26.00 respectively.

The weighted average fair value of options granted during the year ended March 31, 2014 is ₹ 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.

(₹ in crores)

		March 31, 2014	March 31, 2013
Changes in the present value of the obligation			
1	Opening balance of Present Value of Obligation	27.98	22.63
2	Interest Cost	2.31	1.75
3	Current Service Cost	7.45	6.49
4	Benefits Paid	(1.75)	(1.92)
5	Actuarial (gain) / loss on Obligation	(1.63)	(0.97)
6	Closing balance of Present Value of Obligation	34.36	27.98
Reconciliation of opening and closing balance of the fair value of the Plan Assets			
1	Opening balance of Fair value of Plan Assets	28.67	23.94
2	Expected Return on Plan assets	2.51	2.11
3	Contributions	6.65	4.35
4	Benefits Paid	(1.75)	(1.92)
5	Actuarial gain / (loss) Return on Plan Assets	(1.72)	0.19
6	Closing balance of Fair Value of Plan Assets	34.36	28.67

Profit and Loss – Expenses			
1	Current Service Cost	7.45	6.49
2	Interest Cost	2.31	1.75
3	Expected Return on Plan assets	(2.51)	(2.11)
4	Net Actuarial (gain) / loss recognised in the year	0.09	(1.16)
5	Expenses recognised in the Profit and Loss account	7.34	4.97
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

(₹ in crores)

Particulars	**March 31, 2014**	**March 31, 2013**	**March 31, 2012**	**March 31, 2011**	**March 31, 2010**
Defined Benefit Obligations	34.36	27.98	22.63	19.67	14.59
Plan Assets	34.36	28.67	23.94	19.89	14.67
Surplus / (Deficit)	-	0.69	1.31	0.22	0.08
Experience Adjustments on Plan Liabilities	1.63	1.23	1.24	(1.03)	(3.11)
Experience Adjustments on Plan Assets	(1.72)	0.19	(1.13)	0.56	(0.45)

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:

(₹ in crores)

Assets / Liabilities	**March 31, 2014**	**March 31, 2013**
Present value of Interest Rate guarantee on Provident Fund	0.56	0.76
Present value of Total Obligation	87.20	79.40
Fair value of Plan Assets	86.64	78.68
Net Asset/ (liability) recognized in the Balance Sheet	(0.56)	(0.72)
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%
Expected average remaining working lives of employees (years)	14.29 – 22.05	21.38

Assets / Liabilities	March 31, 2014	March 31, 2013
Benefit on normal retirement	Accumulated account balance	Accumulated account balance
Benefit on early retirement / withdrawal / resignation	Same as normal retirement benefit	Same as normal retirement benefit
Benefit on death in service	Same as normal retirement benefit	Same as normal retirement benefit

11.2 Segment Reporting (AS 17):

The Bank operates in four business segments, viz. Treasury, Corporate/ Wholesale Banking, Retail Banking and Other Banking Operations. There are no significant residual operations carried by the Bank.

Business Segments

(₹ in crores)

Business Segment	Treasury		Corporate / Wholesale Banking		Retail Banking		Other Banking Operation		Total	
Particulars	**31/03/14**	**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	2,302.78	1,767.89	3,672.96	3,369.28	5,474.49	4,424.43	24.20	22.82	11,474.43	9,584.42
Inter Segment Revenue									(1,330.37)	(1,238.23)
Total Income									10,144.06	8,346.19
Result	322.13	136.94	708.63	575.32	1,656.03	1,194.47	7.32	6.16	2,694.11	1,912.89
Unallocated Expenses									(98.15)	(73.43)
Operating Profit									2,595.96	1,839.46
Income Taxes and Other Provisions									(1,187.94)	(778.28)
Extraordinary profit/ loss									-	-
Net Profit									1,408.02	1,061.18
Other Information:										
Segment Assets	24,014.48	21,566.54	20,514.60	14,909.98	39,534.45	34,808.05	-	-	84,063.53	71,284.57
Unallocated Assets									2,962.40	2,021.95
Total Assets									87,025.93	73,306.52
Segment Liabilities	15,018.43	9,584.08	35,498.48	34,837.58	25,653.60	19,929.03	-	-	76,170.51	64,350.69
Unallocated Liabilities									10,855.42	8,955.83
Total Liabilities									87,025.93	73,306.52

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:

(₹ in crores)

	March 31, 2014	March 31, 2013
Future lease rentals payable as at the end of the year:		
- Not later than one year	136.01	111.08
- Later than one year but not later than five years	466.99	354.34
- Later than five years	232.84	165.09
Total of minimum lease payments recognized in the Profit and Loss Account for the year	149.40	109.32
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 (₹ in crores)	1,408.02	1061.18
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 (₹)	10	10
Basic Earnings per Share (₹)	26.85	21.83
Diluted Earnings per Share (₹)	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:

(₹ in crores)

	March 31, 2014 Deferred Tax		March 31, 2013 Deferred Tax	
Timing difference on account of	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Difference between book depreciation and depreciation under the Income Tax Act, 1961	-	21.06	-	14.60
Difference between Provisions for doubtful debts and advances and amount allowable under Section 36(1) (viia) of the Income Tax Act, 1961	236.54	-	174.62	-
Interest on securities	-	142.67	-	103.39
Others	18.60	-	12.85	-
Sub-total	255.14	163.73	187.47	117.99
Net closing balance carried to the Balance Sheet (included in Sch. 11 – Others)	**91.41**	**-**	**69.48**	-

12. Additional Disclosures

12.1 Provisions and Contingencies charged to the Profit and Loss account for the year consist of:

(₹ in crores)

Particulars	**Year ending March 31, 2014**	**Year ending March 31, 2013**
Depreciation on Investments	87.56	1.30
Provision for non-performing assets including bad debts written off net of write backs	313.67	219.61
Provision towards Standard Assets	64.83	35.49
Income Tax / Wealth Tax / Deferred Tax	720.31	515.18
Others	1.57	6.70
Total	**1,187.94**	**778.28**

12.2 Movement in provision for credit card and debit card reward points:

(₹ in crores)

Particulars	**2013-14**	**2012-13**
Opening provision	9.26	9.03
Provision for Reward Points made during the year	0.19	6.80
Utilisation / Write back of provision for Reward Points	(0.84)	6.57
Effect of change in rate for accrual of Reward Points	0.58	-
Closing provision for Reward Points	**9.71**	**9.26**

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.

Other Disclosures

	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 ₹ 30,000 per meeting.	During the year, one meeting of the RC was held. The members were paid a sitting fee of ₹ 30,000.
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.

	Year ended March 31, 2014	Year ended March 31, 2013
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 - ₹ 73.04 crores (b) Variable pay – ₹ 21.95 crores for F Y 2012 - 2013 (c) Deferred remuneration – Nil (d) Non-deferred remuneration – ₹ 21.95 crores	Breakup of remuneration awards for the 39 employees defined as WTD / CEO / Risk Takers: (a) Fixed pay– ₹ 57.80 crores (b) Variable pay – ₹ 17.50 crores FY 2011 - 2012 (c) Deferred remuneration – NIL (d) Non-deferred remuneration – ₹ 17.50 crores
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and implicit adjustments.	Nil	Nil
Total amount of reductions during the FY due to ex – post explicit adjustments	Nil	Nil
Total amount of reductions during the FY due to ex – post implicit adjustments	Nil	Nil

13. The Micro, Small and Medium Enterprises Development Act, 2006 that came into force from October 2, 2006, provides for certain disclosures in respect of Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or interest payments due to delays in such payments.

14. Previous year's figures have been regrouped / reclassified wherever necessary.

As per our report of even date attached.

For INDUSIND BANK LTD.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W

R. Seshasayee
Chairman

Kanchan Chitale
Director

Akeel Master
Partner
Membership No : 046768

Romesh Sobti
Managing Director

Place : Mumbai
Date : April 16, 2014

S. V. Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

DISCLOSURES UNDER BASEL III CAPITAL REGULATIONS – 31st MARCH 2014

I. *Scope of Application*

Name of the head of the banking group to which the framework applies: INDUSIND BANK LTD.

(i) Qualitative Disclosures:

IndusInd Bank Limited ('the Bank') is a commercial bank, incorporated on January 31, 1994. The Bank has only one wholly owned subsidiary viz., ALF Insurance Services Private Limited. The financials of the subsidiary are not consolidated with the Bank's financials as the said company could not commence business and has commenced proceedings for a voluntary winding up. The CRAR is computed on the financial position of the Bank alone.

a) List of group entities considered for consolidation:

Name of the entity/Country of incorporation	Whether the entity is included under accounting scope of consolidation (Yes/No)	Explain the method of consolidation	Whether the entity is included under regulatory scope of consolidation (Yes/No)	Explain the method of consolidation	Explain the reasons for difference in the method of consolidation	Explain the reason if consolidated under only one of the scopes of consolidation
NA	NA	NA	NA	NA	NA	NA

b) List of group entities not considered for consolidation both under the accounting and regulatory scope of consolidation:

Name of the entity/Country of incorporation	Principle activity of the entity	Total balance sheet equity	% of banks holding in the total equity	Regulatory treatment of bank's investments in the capital instruments of the entity	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity)
ALF Insurance Services Pvt. Ltd./India.	Insurance Corporate Broking	₹ 5 Million	100% held by IndusInd Bank Ltd	Risk Weighted in terms of Basel III guidelines	The Company is currently under voluntary winding up. As of March 31, 2014, an amount of ₹ 6.68 million is available as bank balance with the Liquidator and there are no external liabilities except expenses relating to liquidation.

(ii) Quantitative Disclosures:

c) List of group entities considered for consolidation:

As mentioned above in Para (i) above, the Bank does not have a "material non-listed Indian subsidiary" as defined in Clause 49 of the Listing Agreement. ALF Insurance Services Private Ltd. is a wholly owned subsidiary of the Bank that was set up to do the business of Insurance Corporate Broking but had not commenced operations. The Bank has since decided against entering into insurance broking business and proceedings for voluntary winding up of the company have been initiated.

d) There is no capital deficiency in any subsidiary, which is not included in the regulatory scope of consolidation.

e) As on 31st March, 2014, the Bank does not have controlling interest in any insurance entity.

f) There are no restrictions or impediments on transfer of funds or regulatory capital within the banking group.

II. *Capital Adequacy*

Applicable Regulations:

Reserve Bank of India issued Guidelines based on the Basel III reforms on capital regulation on May 2012, to the extent applicable to banks operating in India. The Basel III capital regulation has been implemented from April 01, 2013 in India in phases and it will be fully implemented as on March 31, 2019. RBI issued detailed Guidelines on Composition of Capital Disclosure Requirements on May 28, 2013. The Basel III Capital Regulations have been consolidated in Master Circular – Basel III Capital Regulations vide circular No.DBOD.No.BP.BC.2/21.06.201/2013-14 dated July 1 2013.

Basel III Capital Regulations:

Basel III Capital regulations continue to be based on three-mutually reinforcing pillars, viz., minimum capital requirements, supervisory review of capital adequacy, and market discipline of the Basel II capital adequacy framework. This circular also prescribes the risk weights for the balance sheet assets, non-funded items and other off-balance sheet exposures and the minimum capital funds to be maintained as ratio to the aggregate of the risk weighted assets and other exposures, as also, capital requirements in the trading book, on an ongoing basis and operational risk.

These guidelines also incorporate instructions regarding the components of capital and capital charge required to be provided for by the banks for credit, market and operational risks. It deals with providing explicit capital charge for credit and market risk and addresses the issues involved in computing capital charges for interest rate related instruments in the trading book, equities in the trading book and foreign exchange risk (including gold and other precious metals) in both trading and banking books. Trading book for the purpose of these guidelines includes securities under the Held for Trading category, Available For Sale category, open gold position limits, open foreign exchange position limits, trading positions in derivatives, and derivatives entered into for hedging trading book exposures.

Basel III capital regulations are being implemented in India with effect from April 1, 2013. In order to ensure smooth migration to Basel III without aggravating any near term stress, appropriate transitional arrangements have been made. The transitional arrangements for capital ratios began as on April 01, 2013. However, the phasing out of non-Basel III compliant regulatory capital instruments began as on January 01, 2013. Capital ratios and deductions from Common Equity will be fully phased-in and implemented as on March 31, 2019.

Minimum capital requirements:

Under the Basel III Capital Regulations, Banks are required to maintain a minimum Pillar 1 Capital to Risk-weighted Assets Ratio (CRAR) of 9% on an on-going basis (other than capital conservation buffer and countercyclical capital buffer etc.) Besides the minimum capital requirements, Basel III also provides for creation of capital conservation buffer (CCB). The CCB requirements kick in from March 31, 2016 and are to be fully implemented by March 31, 2019.

Besides computing CRAR under the Pillar I requirement, the Bank also periodically undertakes stress testing in various risk areas to assess the impact of stressed scenario or plausible events on asset quality, liquidity, interest rate, derivatives and forex on its profitability and capital adequacy.

The assessment of future capital needs is effectively done based on the business projections, asset mix, operating environment, growth outlook, new business avenues, regulatory changes and risk and return profile of the business segments. The future capital requirement is assessed by taking cognizance of all the risk elements viz. Credit, Market and Operational risk and mapping these to the respective business segments.

The Summary of Capital requirements for Credit Risk, Market Risk and Operational Risk as on March 31, 2014, is mentioned below:

Risk Type	**(₹ in million)**
Capital requirements for Credit Risk	**52,751**
Portfolio Subject to Standardised approach	52,751
Securitisation exposures	-
Capital requirements for Market Risk	**2,265**
Standardised Duration Approach	
Interest Rate Risk	1,885

Risk Type	(₹ in million)
Foreign Exchange Risk (including gold)	180
Equity Risk	200
Capital requirements for Operational Risk	**5,518**
Basic Indicator Approach	5,518
Total Capital requirements at 9%	**60,534**
Total Capital Funds	**93,049**
CRAR	**13.83%**

Organisation Structure:

Integrated Risk Management: Objectives and Organisation Structure

The Bank has established an Enterprise-wide Risk Management Department, independent of the Business segments, responsible for Bank-wide risk management covering Credit risk, Market risk (including ALM) and Operational risk. The Risk Management Department focuses on identification, measurement, monitoring and controlling of risks across various segments. The Bank has been progressively adopting the best International practices so as to continually reinforce its Risk Management functions.

Organisation Structure:

The set-up of Risk Management Department is hereunder:

Separate Committees, as specified below, are set up to manage and control various risks:

- Risk Management Committee (RMC)
- Credit Risk Management Committee (CRMC)
- Market Risk Management Committee (MRMC)
- Asset Liability Management Committee (ALCO)
- Operational Risk Management Committee (ORMC)

Bank has articulated various risk policies which specify the risks, controls and measurement techniques. The policies are framed keeping risk appetite as the central objective. Against this background, the Bank identifies a number of key risk components. For each of these components, the Bank determines a target that represents the Bank's perception of the component in question.

The risk policies are vetted by the sub-committees, viz. CRMC, MRMC, etc. and are put forth to RMC, which is a sub-committee of the Board. Upon vetting of the policies by RMC, the same is placed for the approval of the Board and implemented.

Bank has put in place a comprehensive policy on ICAAP, which presents a holistic view of the material risks faced, control environment, risk management processes, risk measurement techniques, capital adequacy and capital planning.

Policies are periodically reviewed and revised to address the changes in the economy / banking sector and Bank's risk profile. Monitoring of various risks is undertaken at periodic intervals and a report is submitted to Top Management / Board.

Credit Risk

The Bank manages credit risk comprehensively; both at Transaction level and at Portfolio level. Some of the major initiatives taken are listed below :

- Bank uses a robust Risk rating framework for evaluating credit risk of the borrowers. The Bank uses segment-specific rating models that are aligned to target segment of the borrowers.
- Risks on various counter-parties such as corporates, banks, are monitored through counter-party exposure limits, also governed by country risk exposure limits in case of international trades.
- The Bank manages risk at the portfolio level too, with portfolio level prudential exposure limits to mitigate concentration risk.
- The Bank has a well-diversified portfolio across various industries and segments, as illustrated by the following data.
    - ❐ Retail and schematic exposures (which provide wider diversification benefits) account for as much as 49 % of the total fund-based advances.
    - ❐ The Bank's corporate exposure is fully diversified over 85 industries, thus insulated/minimised from individual industry cycles.

    The above initiatives support qualitative business growth while managing inherent risks within the risk appetite.

Market Risk

Key sources of Market risk are Liquidity Risk, Interest Rate Risk, Price Risk and Foreign Exchange Risk. The Bank has implemented a state-of-the-art Treasury system which supports robust risk management capabilities and facilitates Straight-through Processing.

Market Risk is effectively managed through comprehensive policy framework which provides various tools such as Mark-to-Market, Sensitivity analysis, Value-at-Risk, besides through operational limits such as stop-loss limits, exposure limits, deal-size limits, maturity ladder, etc.

Asset Liability Management (ALM)

The Bank's ALM system supports effective management of liquidity risk and interest rate risk, covering 100% of its assets and liabilities.

- Liquidity Risk is monitored through Structural Liquidity Gaps, Dynamic Liquidity position, Liquidity Ratios analysis and Behavioral analysis, with prudential limits for negative gaps in various time buckets.
- Interest Rate Sensitivity is monitored through prudential limits for Rate Sensitive Gaps and other risk parameters.
- Interest Rate Risk on the Investment portfolio is monitored through Modified Duration on a daily basis. Optimum risk is assumed through duration, to balance between risk containment and profit generation from market movements.

ALCO meetings were convened frequently during the financial year, wherein analytical presentations were made providing detailed analysis of liquidity position, interest rate risks, product mix, business growth v/s budgets, interest rate outlook, which helped to review the business strategies regularly and undertake new initiatives.

Operational Risk

Operational risk is managed by addressing People risk, Process risk, Systems risk as well as risks arising out of external environment.

The Bank has efficient audit mechanism, involving periodical on-site audit, concurrent audits, on the spot and off-site surveillance enabled by the Bank's advanced technology and Core Banking System.

The Bank has constituted Fraud Risk Management Committee which is involved in root cause analysis and actions taken to mitigate frauds. A separate and independent KYC/AML cell has been in place to ensure compliance with respect to customer on-boarding and transaction monitoring as per the internal framework and regulatory guidelines of KYC/AML.

The Bank has implemented various Operational Risk management tools such as Risk Events reporting framework, Risk and Control Self-Assessment (RCSA) and Loss Data (Basel 8 * 7 matrix) collection including Near Miss Events. The Bank weighs each new Product and Process enhancements under Operational Risk Assessment Process (ORAP) framework.

The Bank has initiated the process of putting in place Operational Risk Management Framework, using sophisticated tools, such as:

- Key Risks Indicators
- Operational Risk Incident Reporting
- Score Cards (Branch and Corporate Functions)

The framework would help in mitigation of operational risks and optimization of capital requirement towards operational risks under Basel II norms.

Systems Risk

As part of Systems-related Operational Risk Management initiatives, the Bank has achieved the following :

- The Bank has formulated and implemented a comprehensive Business Continuity Plan (BCP) to ensure continuity of its critical business functions and extension of banking services to its customers.
- The Bank has Information Security Policy in place to ensure confidentiality, integrity and accessibility of all its information security assets.
- The Bank has established an effective Disaster Recovery site at a distant location, with on-line, real-time replication of data, both in Mumbai and Chennai.
- Comprehensive IT security framework has been put in place to ensure complete data security and integrity.
- The Bank has housed its data center in a professionally managed environment, with sophisticated and fool-proof security features and assured supply of utilities.

The robust Risk Management framework created in the Bank supports rapid and qualitative growth with optimization of risks and maximization of shareholder value.

III. *Credit Risk Exposures*

"Credit Risk" is defined as the probability / potential that the borrower or counter-party may fail to meet its obligations in accordance with agreed terms. It involves inability or unwillingness of a borrower or counter-party to meet commitments in relation to lending, trading, hedging, settlement and other financial transactions.

Credit Risk is made up of two components:

1. **Transaction Risk (or Default Risk),** which represents the risk arising from individual credit exposures and
2. **Portfolio Risk,** which represents the risk inherent in the portfolio of credit assets (concentration of assets, correlation among portfolios, etc.).

Credit risk is found in a variety of transactions across the Bank's portfolio including not only loans, off balance sheet exposures, investments and financial guarantees, but also the risk of a counterparty in a derivative transaction becoming unable to meet its obligations. Credit risk constitutes the largest risk to which the Bank is exposed. The Bank has adequate system support which facilitates credit risk management and measurement across its portfolio. The system support is strengthened and expanded as and when new exposures are added to the Bank's portfolio.

The Bank has articulated comprehensive guidelines for managing credit risk as outlined in Credit Policy, Credit Risk Policy and related Policies framework, Bank Risk Policy, Country Risk Policy, Loan Review Policy and Recovery Policy. The credit risk management systems used at the Bank have been implemented in accordance with these guidelines and best market practices. The credit risk management process focuses on both specific transactions and on groups of specific exposures as portfolios.

The Bank's credit risk policy and related policies and systems focus are framed to achieve the following key objectives:

- Monitoring concentration risk in particular products, segments, geographies etc thereby avoiding concentration risk from excessive exposures to any particular products, segments, geographies etc.
- Assisting in building quality credit portfolio and balancing risks and returns in line with Bank's risk appetite
- Tracking Credit quality migration
- Determining how much capital to hold against each class of the assets
- Undertaking Stress testing to evaluate the credit portfolio strength
- To develop a greater ability to recognize and avoid potential problems
- Alignment of Risk Strategy with Business Strategy
- Adherence to regulatory guidelines

Credit Risk Management at specific transaction level

The central objective for managing credit risk at each transaction level is development of evaluation and monitoring system that covers the entire life cycle of the exposure, i.e. opportunity for transaction, assessing the credit risk, granting of credit, disbursement and subsequent monitoring, identifying the obligors with emerging credit problems, remedial action in event of credit quality deterioration and repayment or termination of the obligation.

The Credit Policy of the Bank stipulates for applicability of various norms for managing credit risk at a specific transaction level and more relevant to the target segment of the obligors. The Credit Policy covers all the types of obligors, viz. Corporate, SME, Trader and Schematic Loans such as Home Loan, Personal Loan, etc.

The major components of Credit and Risk Policies are mentioned below:

- The transaction with the customer/ prospective customer is undertaken with an aim to build long term relationship.
- All the related internal and regulatory guidelines such as KYC norms, RBI prudential norms, etc. are adhered to while assessing the credit request of the borrower.
- The credit is granted with due diligence and detailed insight into the customer's circumstances and of specific assessments that provide a context for such credits.
- The facility is granted based on the customer's creditworthiness, capital base or assets to assure that the customer is able to substantiate the repayment. Due regard is also placed to the industry in which the customer is operating, the business specific risks and management capability and their risk appetite.
- Regular follow-up in the overall health of the borrower is undertaken to assess whether the basis of granting credit has changed.
- When loans and credits are granted to borrowers falling outside preferred credit rating, the Bank normally obtains sufficient collateral. However, collaterals are not the sole criterion for lending, which is generally done based on assessing the business viability of the borrower and the adequacy of the expected cash flows.
- The Bank has defined exposures limit on the basis of internal risk rating of the borrower.
- The Bank is particularly cautious when granting credits to businesses in affected or seasonal industries.
- In terms of Bank's country risk management, due caution is exercised when assuming risk in countries with an unstable economic or political scenario.

Beside the acceptability norms defined in the Credit Policy for an individual transaction, Bank has also implemented various credit related product programmes which enables efficient appraisal, assessment, delivery, supervision and control of tailor made loan products targeted at specific customer segments. The customers covered under the Business Banking product programme are evaluated using a scoring/rating model developed based on the segment specific risk profile.

Consumer Finance Division apprises the loan application based on robust set criteria defined in the respective product programmes. Further as a mechanism to assess the credit quality, customers are also evaluated through application scoring models which are segment specific.

The customers under Credit Cards segment are evaluated by means of robust customer selection criteria that include variety of factors.

Bank has also put in place a detailed policy for portfolio acquisition which stipulates various criteria for asset selection including due diligence, transfer of risks and rewards of the underlying portfolio, credit enhancements, portfolio risk management and monitoring in accordance with RBI guidelines.

Credit Approval Committee

The Bank has put in place the principle of 'Committee' or 'Approval Grids' approach while according sanctions to the credit proposals. This provides for an unbiased, objective assessment/evaluation of credit proposals. Such Committees include atleast one official from an independent department, which has no volume or profits targets to achieve. The official of the independent department is a compulsory member of the Credit Committee and a dissent by such member cannot be overridden by others. The spirit of the credit approving system is that no credit proposals are approved or recommended to higher authorities unless all the members of the 'Committee' or 'Approval Grids' agree on the acceptability of the proposal in all respects. In case of disagreement the proposal is referred to next higher Committee whose decision to approve or decline with conditions is then final.

The following 'Approval Grids' are constituted:

- **Corporate & Commercial Banking Segment:**
    - Zonal Credit Committee (ZCC)
    - Corporate Office Credit Committee (COCC) – I
    - Corporate Office Credit Committee (COCC) – II
    - Executive Credit Committee (ECC)
- **Consumer Banking (CB) Segment:**

    The scheme of delegation under Consumer Banking Segment includes Vehicle financing, personal loans, housing loans and other schematic loans under multi-tier Committee based approach as under:

    - Branch Credit Committee – Consumer Banking (BCC – CB)
    - Regional Credit Committee – Consumer Banking (RCC - CB)
    - Corporate Office Credit Committee – Consumer Banking (COCC- CB I & II)
    - Executive Credit Committee

    The credit proposals which are beyond the delegated powers of ECC are placed to Committee of Directors (COD) or Board of Directors (BOD) for approval.

Risk Classification

The Bank monitors the overall health of its customers on an on-going basis to ensure that any weakening of a customer's earnings or liquidity is detected as early as possible. As part of the credit process, customers are classified according to the credit quality in terms of internal rating, and the classification is regularly updated on receipt of new information/ changes in the factors affecting the position of the customer.

The Bank has operationalised the following risk rating/ scoring models depending on the target segment of the borrower:

- Large Corporate, Small & Medium Enterprises, NBFC;
- Trading Entities, Capital Market Broker and Commodity Exchange Broker;
- Financial Institutions / Primary Dealers and Banks;
- Retail Customers (Schematic Loans) – who are assigned credit scoring

The customers under Business Banking segment are assessed for credit quality using a scoring/rating model. The score serves a measure to categorise the customers into various risk classes which are further calibrated to different risk grades.

Rating grades in each rating model, other than the segments driven by product programmes, is on a scale of 1 to 8, which are further categorised by assigning +/- modifiers to reflect the relative standing of the borrower within the specific risk grade. The model-specific rating grades are named distinctly. Each model-specific rating grade reflects the relative ratings of the borrowers under that particular segment. For instance, L4 indicates a superior risk profile of a Large Corporate, when compared to another Large Corporate rated L5.

In order to have a common risk yardstick across the Bank, these model specific ratings are mapped to common scale ratings which facilitate measurement of risk profile of different segments of borrower by means of common risk ladder.

The various purposes for which the rating/scoring models are used are mentioned hereunder:

- Portfolio Management
- Efficiency in lending decision
- To assess the quality of the borrower – single point reference of credit risk of the borrower
- Preferred rating norms for assuming exposures
- Prudential ceiling for single borrower exposures – linked to rating
- Frequency of review of exposures
- Frequency of internal auditing of exposures
- To measure the portfolio quality
- Target for quality of advances portfolio is monitored by way of Weighted Average Credit Rating (WACR).
- Pricing Credit
- Capital Allocation (under Basel II – IRB approaches)

Credit Quality Assurance:

Bank has also adopted Loan Review Mechanism (LRM), which involves independent assessment of the quality of an advance, effectiveness of loan administration, compliance with internal policies of bank and regulatory framework and portfolio quality. It also helps in tracking weaknesses developing in the account for initiating corrective measures in time. LRM is carried out by Credit Quality Assurance team, which is independent of Credit and Business functions.

Credit Risk Management at Portfolio level:

The accumulation of individual exposures leads to portfolio, which creates the possibility of concentration risk. The concentration risk, ideally on account of borrowers/ products with similar risk profile, may arise in various forms such as Single Borrower, Group of Borrowers, Sensitive Sector, Industry–wise Exposure, Unsecured Exposure, Rating wise Exposure, Off Balance sheet Exposure, Product wise Exposure, etc. The credit risk concentration is addressed by means of structural and prudential limits stipulated in the Credit Risk Policy and other related policies.

Concentration risk on account of exposures to counter-parties (both single borrower and group of borrowers), Industry-wise, Rating-wise, Product-wise, etc., is being monitored by Risk Management Dept (RMD). For this purpose, exposures in all business units, viz. branches, treasury, investment banking, etc., by way of all instruments (loans, equity/debt investments, derivative exposures, etc.) are being considered. Such monitoring is carried out at monthly intervals. Besides, respective business units are monitoring the exposure on continuous real-time basis.

The concentration risk is further evaluated in terms of statistical measures and benchmarks. Detail analysis of portfolio risk and control measures in place is carried out on a monthly basis on various parameters. Direction of risks and controls (decreasing, stable, and increasing) and resultant net risk is also done. Further, a comprehensive Stress Testing framework based on several factors and risk drivers assessing the impact of stressed scenario on Credit quality, its impact on Bank's profitability and capital adequacy is placed to Top Management /Board every quarter. The framework highlights the Bank's credit portfolio under 3 different levels of intensity across default, i.e. mild, medium and severe, and analyses its impact on the portfolio quality and solvency level.

Impaired Credit - Non Performing Assets (NPAs):

The Bank has an independent Credit Administration Department that constantly monitors accounts for irregularities, identifies accounts for early warning signals for potential problems and identifies individual NPA accounts systematically.

Bank has also set up Financial Restructuring and Reconstruction (FRR) Dept for managing and monitoring defaulted accounts, carrying out restructuring, wherever feasible and following up for recoveries of dues.

The guidelines as laid down by RBI Master Circular No. DBOD.No.BP.BC.8/21.04.048/2013-14 dated July 1, 2013, on Asset classification, Income Recognition and Provisioning to Advances portfolio are followed while classifying Non-performing Assets (NPAs). The guidelines are as under:

a) An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank

b) A non performing asset (NPA) is a loan or an advance where;

   i. interest and / or installment of principal remains overdue for a period of more than 90 days in respect of a term loan,

   ii. the account remains 'out of order', in respect of an Overdraft / Cash Credit (OD/ CC),

   iii. the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,

   iv. the installment of principal or interest thereon remains overdue for two crop seasons for short duration crops,

   v. the installment of principal or interest thereon remains overdue for one crop season for long duration crops,

   vi. the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of RBI guidelines on Securitisation dated February 1, 2006.

   vii. 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.

Out of Order status: An account should be treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit / drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts should be treated as 'out of order'.

Overdue: Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.

Credit Risk Exposures

(a) Total Gross Credit Risk Exposures as on 31st March 2014

(₹ in millions)

Fund Based*	796,426
Non Fund Based**	319,596
Total Exposures	**11,16,022**

* Includes all exposures such as Cash Credit, Overdrafts, Term Loan, Cash, SLR securities etc., which are held in banking book.

** Off-Balance items such as Letter of Credit, Bank Guarantee and credit exposure equivalent of Inter-bank forwards, merchant forward contracts and derivatives, etc.

(b) Geographical Distribution of Exposures as on 31st March 2014

(₹ in millions)

	Domestic	**Overseas**
Fund Based	796,426	-
Non Fund Based	319,596	-
Total Exposures	**11,16,022**	-

(c) Industry-Wise Distribution of Exposures as on 31st March 2014

(₹ in millions)

Industry Name	**Fund Based**	**Non Fund Based**
NBFCs		
NBFC (other than HFCs and MFIs)	10,784	3,202
NBFCs (LOAN COMPANY)	9	1,895
NBFC IFC (INFRASTRUCTURE FINANCE COMPANY)	-	242
Construction		
Construction related to infra.- EPC	8,337	5,722
Roads/other infra project	5,523	9,107
Contract Construction - Civil	3,815	10,030
Real Estate		
Real Estate Developers	16,429	836
Lease Rental Discounting - Real Estate	23,409	384
Housing Finance Companies	400	1,361
Loans against Property	2,532	-
Power		
Power Generation	10,220	24,001
Power Trading	-	1,696
Cables		
Telecom Cables	2	651
Power Cables	156	31
Steel		
Steel-Long Products	867	10,036
Steel Flats-CR,GP/GC	1,373	1,134
Steel Flats- HR	830	5
Steel - Alloy	1,849	315
Steel Pipes	952	589
Sponge Iron	4	941
Casting & Forgings	1,085	37
Stainless Steel	281	3,384
Iron and Steel Rolling Mills	379	11
Pig Iron	-	1,107
Textiles		
Textiles - Readymade Garments	1,807	376
Textiles - Cotton fabrics	505	53

(₹ in millions)

Industry Name	Fund Based	Non Fund Based
Textiles -Cotton fibre / yarn	158	1
Textiles - Manmade fibres / yarn	412	288
Textiles-Texturising	227	16
Textile-Blended Yarn	11	-
Textile - Jute	20	-
Textiles - Synthetic Fabrics	472	172
Textile - Silk	8	-
Cotton ginning, Cleaning, Baling	888	-
Telecom		
Telecom - Cellular/Tower	105	20,431
Telecom Equipments	2,011	617
Pharmaceuticals		
Pharmaceuticals - Bulk Drugs	3,053	2,476
Pharmaceuticals - Formulations	3,472	1,055
Chemicals		
Chemicals - Organic	2,567	325
Chemicals - Inorganic	2,105	1,624
Fertilisers		
Fertilizers - Nitrogenous	2,125	6,840
Paper		
Paper - Writing and Printing	746	4,620
Paper - Industrial	3,882	1,894
Paper Newsprint	348	21
Petroleum & Products	4,761	20,354
Engineering & Machinery	4,685	15,246
Gems and Jewellery	11,030	650
Edible Oils	495	246
Auto Ancillaries	4,532	2,343
Diversified	5,445	1,734
Hospital & Medical Services	3,112	81
Food Credit	7,306	101
Aluminium	2,333	178
Capital Market Brokers	1,837	7,050
Microfinance Institution	961	-
NBFCs(Micro Finance Institution)	3,681	-

(₹ in millions)

Industry Name	Fund Based	Non Fund Based
Rubber & Rubber Products	584	31
Investment & Securities	2,700	1,314
Lease Rental Discounting - Others	10,762	147
Plastic & Plastic Products	3,890	2,455
Other Food processing	8,597	189
Sugar	100	431
SME - Miscellaneous-Mfng	471	73
Electronic components	999	828
Commodity Market Brokers	396	1,829
Beverage, Breweries, Distilleries	518	-
Hotels & Tourism	4,462	1,549
Glass & Glass Products	536	103
Shipping	73	1
Educational Institutions	1,662	-
Computers - Hardware	55	315
Coal	1,187	601
IT Enabled Services	2,154	2,206
Electrical fittings	1,055	858
Petrochemicals	19	3,806
Banks	-	39,795
Animal Husbandry	127	-
Mining, Quarrying & Minerals	816	389
Construction Equipment	1,881	1,756
Airlines	4,688	1,555
Automobiles-2/3 wheelers	547	-
Wood and Wood Product	333	71
Leather & leather Products	386	44
Tiles/Sanitaryware	277	39
Transport Services	1,237	5,993
Oil and Gas Exploration	500	8,010
Electric Equipment	1,346	3,417
Media, Entertainment & Advt	5,910	3,091
Organised Retailing	1,923	113
Trading - Wholesale	19,916	11,523
Trading - Retail	18,233	529
Services	7,197	6,153
Credit Cards	4,566	-
Consumer Finance Division	2,41,880	-
Other Industries	34,701	29,710
Residual Assets	2,45,406	25,163
Total Exposure	**7,96,426**	**3,19,596**

(d) **Residual Contractual Maturity break down of assets**

(₹ in millions)

	Next Day	2 days to 7 days	8 days 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
Cash	4,968	-	-	-	-	-	-	-	-	-	**4,968**
Balances with RBI	-	-	-	3,480	2,525	7,975	6,057	4,295	5,062	9,778	**39,172**
Balances with other Banks	21,891	181	439	601	363	-	-	80	-	-	**23,555**
Investments	-	-	17	2,497	31,577	3,632	14,883	24,096	25,768	1,46,071	**2,48,540**
Advances	7,179	11,601	13,408	6,030	33,196	33,500	1,89,301	1,43,937	55,133	57,733	**5,51,018**
Fixed Assets	-	-	-	-	-	-	-	-	-	10,164	**10,164**
Other Assets	1,408	1,203	7,816	470	2,085	3,320	1,833	1,095	2,231	4,427	**25,888**

(e) **Movement of NPAs and Provision for NPAs as on 31st March 2014**

(₹ in millions)

A	**Amount of NPAs (Gross)**	**6,208**
	Sub-standard	2,745
	Doubtful 1	1,538
	Doubtful 2	1,066
	Doubtful 3	583
	Loss	276
B	**Net NPAs**	**1,840**
C	**NPA ratios**	
	Gross NPA to Gross advances (%)	1.12%
	Net NPA to Net advances (%)	0.33%
D	**Movement of NPAs (Gross)**	
	Opening Balance as on 01.04.13	4,578
	Additions during the year	6,242
	Reductions during the year	(4,612)
	Closing Balance as on 31.03.14	6,208
E	**Movement of provision for NPAs****	
	Opening as on 01.04.13	3,210
	Provision made in 2013-14	3,568
	Write off / Write back of excess provisions	(2,411)
	Closing as on 31.03.14	4,367

** Provisions include floating provisions.

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 ₹ 27.24 crores held against shortfall on sale of non-performing assets to ARC.

(f) Non Performing Investments and Movement of provision for depreciation on Non Performing Investments

(₹ in millions)

A	Amount of Non-Performing Investments	71
B	Amount of provision held for non-performing investments	71
C	Movement of provision for depreciation on investments	
	Opening as on 01.04.13	117
	Add: Provision made in 2013-14	871
	Less: Write-off/ write-back of excess provision	(2)
	Closing Balance as on 31.03.14	987

IV. *Credit risk: Disclosures for Portfolios under the Standardised Approach*

As per the Basel II guidelines on Standardised approach, the risk weight on certain categories of domestic counter parties is determined based on the external rating assigned by any one of the accredited rating agencies, i.e. CRISIL, ICRA, CARE, India Rating Pvt. Ltd, Brickworks Ratings India Pvt. Ltd and SMERA. For Foreign counterparties and banks, rating assigned by S&P, Moody's and Fitch are used.

The Bank computes risk weight on the basis of external rating assigned, both Long Term and Short Term, for the facilities availed by the borrower. The external ratings assigned are generally facility specific. The Bank follow below mentioned procedures as laid down in the Basel II guidelines for usage of external ratings:

- Ratings assigned by one rating agency are used for all the types of claims on the borrowing entity.
- Long term ratings are used for facilities with contractual maturity of one year & above. Short term ratings are generally applied for facilities with contractual maturity of less than one year.
- If either the short term or long term ratings attracts 150% risk weight on any of the claims on the borrower, the Bank assigns uniform risk weight of 150% on all the unrated claims, both short term and long term unless the exposure is subjected to credit risk mitigation.
- In case of multiple ratings, if there are two ratings assigned to the facility that maps to different risk weights, the rating that maps to higher risk weight is used. In case of three or more ratings, the ratings corresponding to the two lowest risk weights is referred to and the higher of those two risk weights is be applied. i.e., the second lowest risk weight.
- For securitized and guaranteed transactions, SO ratings assigned by the rating agency are applied for arriving at the risk weights.

Risk Weight-wise distribution of Gross Credit Exposures

Category	₹ in millions
Below 100% Risk Weights	742,537
100% Risk Weights	308,235
More than 100% Risk Weights	65,249

V. *Credit Risk Mitigation: Disclosures for Standardised Approach*

The Bank mitigates credit exposure with eligible collaterals and guarantees to reduce the credit risk of obligors as stipulated under Basel II. In principle with mitigating credit risk, Bank has put in place a comprehensive policy on Credit Risk Mitigants and Collaterals for recognizing the eligible collaterals and guarantors for netting the exposures and reducing the credit risk of obligors. Basic procedures and descriptions of controls as well as types of standard/ acceptable collaterals, guarantees necessary in granting credit, evaluation methods for different types of credit and collateral, applicable "haircuts" to collateral, frequency of revaluation and release of collateral are stipulated in the

Bank's credit policy, policy on collateral management and credit risk mitigant policy. The Bank uses net exposure for capital calculations after taking cognizance of eligible financial collaterals. All collaterals and guarantees are recorded and the details are linked to individual accounts. Perfection of security interest, date, currency and correlation between collateral and counterparty are also considered.

As lending is subject to default risk, Bank accepts collateral securities to minimize the impact of loss and consequently reducing the credit risk. The type of collaterals is determined based on the nature of facility, product type, counter party risk and its credit quality. However, as explained earlier, collateral is not the sole criteria for granting credit. For Corporate and SME clients, working capital facility is generally secured by charge on current assets and Term loan is secured by charge on fixed assets. In case of project financing, Bank generally stipulates escrow of receivables/ project cash flows along with the charge on underlying project assets. The credit risk policy clearly defines the types of secondary securities and minimum percentage in relation to the total exposures that is required to be obtained in case of credit granted to obligors falling outside the preferred rating grade. Credit facilities are also granted against the security of assets such as cash deposits, NSC, guarantee, mortgages, pledge of shares and commodities, bank guarantees, accepted bills of exchange, assignment of receivables etc. The credit facilities, in terms of risk policies, are secured by secondary collaterals such as cash deposits, NSC, guarantee, mortgages, fixed assets etc. Bank also grants unsecured credit to the borrowers with high standing and low credit risk profile. Customers under Credit card programme are assessed by means of comprehensive customer selection parameters.

For Business Banking clients, who are driven by product programmes and templated scoring models, the facilities are ordinarily secured by adequate collaterals. The programmes have a robust mechanism for collateral acceptance, valuation and monitoring.

In case of schematic products such as Home Loan, LAP, Auto Loan, etc., Loan to value ratio, margin and valuation/ revaluation of collaterals is defined in the respective product programme. The valuation is generally carried out by the empanelled valuer of the Bank. Bank has also put in place approved product paper on loan against warehouse receipts, shares and other securities. The margin, valuation and revaluation of the assets are specified in the product note.

The credit approving authorities also decides on the type and amount of collaterals for each type of facility on a case-to-case basis. For schematic loans and facilities offered under product programme, securities are obtained as defined in the product notes.

Eligible Financial Asset Collateral and Guarantor

For the purpose of credit risk mitigation, i.e. offsetting the amount of collateral/ basket of collaterals against the individual/ pool of exposures to which the collaterals are assigned, financial asset collateral types are defined by the Bank as per the Capital Adequacy Framework to include Fixed deposits, KVP, IVP, NSC, Life Insurance Policies, Gold, Securities issued by Central and State Governments and units of Mutual Fund. On a similar note, the eligible guarantors are classified into the following categories:

- Sovereigns, Sovereign entities, Banks and Primary Dealers with lower risk weights than the counterparty
- Other entities including guarantee cover provided by parent, subsidiary and affiliate companies when they have lower risk weight than the obligor.

(₹ in millions)

Particulars	Eligible Financial Collaterals	Supported by guarantee
Exposure before applying eligible mitigants	90,685	11,306
Exposure after applying eligible mitigants	29,698	0

VI. *Securitisation Exposures: Disclosure for Standardised Approach*

Securitisation "means a process by which a single performing asset or a pool of performing assets are sold to a bankruptcy remote Special Purpose Vehicle (SPV) and transferred from the balance sheet of the originator to the SPV in return for an immediate cash payment.

SPV" means any company, trust, or other entity constituted or established for a specific purpose - (a) activities of which are limited to those for accomplishing the purpose of the company, trust or other entity as the case may be; and (b) which is structured in a manner intended to isolate the corporation, trust or entity as the case may be, from the credit risk of an originator to make it bankruptcy remote.

Bank had neither originated any securitization transactions by way of sale of securitised assets, nor retained any exposure on such assets, actual conditional, or contingent, during the year ended March 2014.

The Bank, in the past, had carried out securitization transaction and such deals were done on the basis of 'True Sale', which provides 100% protection to the Bank from the default in case of assets originated by it. All risks in the securitised portfolio were transferred to the Special Purpose Vehicle (SPV). Post-securitisation, Bank continued to service the loans transferred under securitization. Bank had also provided for credit enhancements in the form of cash collaterals to a minimum extent.

The Bank, in the past, had securitized its assets with the objectives of managing its funding requirements, improving liquidity, reducing credit risk and diversifying the portfolio risk, managing interest rate risk, and capital adequacy. The Bank has not securitised any of its portfolios for the past 8 years.

Apart from managing credit risk, Bank also considers different types of risks viz. interest rate risk and liquidity risk for the retained assets or acquired portfolio and ensure its adequate assessment and mechanism for mitigating the same. The securitized portfolio, both the retained part and acquired assets are monitored regularly in terms of various risk parameters such as repayment, cash flows to service the interest, principal and other charges, counterparty risk, servicer's capability, underlying asset risk profile and interest rate risk.

Exposure details on account of Securitization Transactions

(a) Securitisation exposures in Banking Book:

There are no outstanding under the securitization exposures as on 31st March, 2014. No securitization activities were undertaken by the Bank during the year ended 31st March, 2014.

(b) Amount of Assets intended to be securitized within a year:

For the time being Bank does not have any plans to undertake securitization of its assets. However, for the purpose of balance sheet management and if the opportunities arises, securitization of exposure may be explored.

(c) Securitisation exposure in Trading Book:

Aggregate amount of on-balance and off-balance sheet securitisation exposures purchased

(₹ in millions)

Exposure Type	**On-balance sheet**
Micro Finance Loans	1,052
Vehicle Loans	594

Aggregate amount of securitisation exposures purchased subject to Comprehensive Risk Measure for Specific Risk

(₹ in millions)

Exposure Type	**On-balance sheet**
Micro Finance Loans	1,052
Vehicle Loans	594

Risk weight bands break-up of securitisation exposures purchased

(₹ in millions)

Exposure Type	**Amount**
<100% risk weight	594
100% risk weight	1,052
>100% risk weight	-
Total	**1,646**

Securitisation exposures deducted from capital

(₹ in million)

Exposure Type	Exposures deducted entirely from **Tier-1 capital**	Credit enhancing interest-only strips deducted from total capital	Credit enhancing interest-only strips deducted from total capital
NA			

VII. Market Risk in Trading book

Market Risk may be defined as the possibility of loss to a bank caused by changes in the market variables. The market risk for the Bank is governed by the Market Risk Policy and Funds and Investment policy which are approved by the Board. These policies serve to outline the Bank's risk appetite and risk philosophy in respect of Treasury / Forex / Equity / Derivatives / Bullion operations, and the controls that are considered essential for the management of market risks. The policies are reviewed periodically to update it with changed business requirements, economic environment and revised regulatory guidelines.

Sources of Market Risk:

Market risks arise from the following risk factors:

- Price risk for bonds, forex, equities and bullion
- Interest rate risk for investments, derivatives, etc.
- Exchange rate risk for currencies; and
- Trading / liquidity risk.

Objectives of Market Risk Management:

The broad objectives of Market Risk management are:

- Management of interest rate risk and currency risk of the trading portfolio.
- Adequate control and suitable reporting of investments, Forex, Equity and Derivative portfolios
- Compliance with regulatory and internal guidelines.
- Monitoring and Control of transactions of market related instruments.

Scope and nature of Risk Reporting and Measurement Systems:

Reporting

The Bank reports on the various investments, Foreign exchange positions and derivatives position with their related risk measures to the top management and the committees of the Board on a periodic basis. The Bank periodically reports the related positions to the regulators in compliance with regulatory requirements.

Measurement

The Bank monitoring its risks through risk management tools and techniques such as are Value-at-Risk, Modified Duration, PV01, Stop Loss, amongst others. Based on the risk appetite of the Bank, various risk limits are placed which is monitored on a daily basis.

Capital requirements for Market Risks @ 9%

(₹ in millions)

Market Risk elements	**Amount of capital required**
Interest Rate Risk	1,885
Foreign Exchange Risk (including gold)	180
Equity Risk	200

VIII. Operational Risk

The Bank has framed Operational Risk Management Policy duly approved by the board. Other policies adopted by the Board that deals with management of operational risk are (a) Information System Security Policy (b) Policy on Know Your Customer (KYC) and Anti Money Laundering Policy (AML) process (c) IT business continuity and Disaster Recovery Plan and (d) Business Continuity Plan (BCP) (e) New Product Programme Policy (f) A framework for Risk and Control Self Assessment (RCSA) and (g) Risk Event Reporting Framework.

The Operational Risk Management Policy adopted by the bank outlines organization structure and detail process for management of Operational Risk. The basic objective of the policy is to closely integrate operational Management system to risk management processes of the Bank by clearly assigning roles for effectively identifying, assessing, monitoring and controlling / mitigating operational risk exposures, including material operational losses. Operational risks in the Bank are managed through comprehensive and well-articulated internal control frameworks. The Bank has completed the process of capturing, reporting and assessing risk events at the process level using RCSA framework.

IX. *Interest Rate Risk in the Banking Book (IRRBB)*

Interest Rate Risk is the risk of loss in the Bank's net income and net equity value arising out of a change in level of interest rates and / or their implied volatility. Interest rate risk arises from holding assets and liabilities with different principal amounts, maturity dates and re-pricing dates. The Bank holds assets, liabilities and off balance sheet items across various markets with different maturity or re-pricing dates and linked to different benchmark rates, thus creating exposure to unexpected changes in the level of interest rates in such markets. Interest rate risk in the banking book refers to the risk associated with interest rate sensitive instruments that are not held in the trading book of the Bank.

Risk Management Framework

The Board of the Bank has overall responsibility for management of risks and it decides the risk management policy of the Bank and set limits for liquidity, interest rate, foreign exchange and equity price risks. The Asset Liability Management Committee (ALCO) consisting of Bank's senior management including Managing Director is responsible for ensuring adherence to the limits set by the Board as well as for deciding the business strategy of the Bank (for the assets and liabilities) in line with the Bank's budget and decided risk management objectives. ALCO decides strategies and specifies prudential limits for management of interest rate risk in the banking book within the broad parameters laid down by Board of Directors. These limits are monitored periodically and the breaches, if any, are reported to ALCO.

Monitoring and Control

The Board of Directors has approved the Asset-Liability Management policy. The policy is intended to be flexible to deal with rapidly changing conditions; any variations from policy should be reported to the Board of Directors with recommendations and approval from the ALCO.

The Bank has put in place a mechanism for regular computation and monitoring of prudential limits and ratios for liquidity and interest rate risk management. The Bank uses its system capability for limits and ratio monitoring. The ALCO support group generates periodic reports for reporting these to ALCO and senior management of the Bank. The ALM support group carries out various analyses related to assets and liabilities, forecast financial market outlook, compute liquidity ratios and interest rate risk values based on the earnings and economic value perspective.

Risk Measurement and Reporting Framework:

The estimation of Interest Rate Risk involves interest Rate Sensitive Assets (RSAs) and interest Rate Sensitive Liabilities (RSLs).

The techniques for managing interest rate risk include:

- Interest Rate Sensitivity Gap Analysis
- Earning at Risk Analysis
- Stress Testing

Interest Rate Sensitivity Gap: The gap or mismatch risk as at a given date, is measured by calculating gaps over different time intervals. Gap analysis measures mismatches between Rate Sensitive Liabilities (RSL) and Rate Sensitive Assets (RSA) (including off-balance sheet positions). The report is prepared by grouping liabilities, assets and off-balance sheet positions into time buckets according to residual maturity or next re-pricing period, whichever is earlier. The difference between RSA and RSL for each time bucket signifies the gap in that time bucket. The gap report provides a good framework for determining the earnings impact.

Earning at Risk: Any change in interest rate would impact Bank's Net Interest Income (NII) and the value of its Fixed Income Portfolio (Price Risk). The Interest Rate Risk is measured by EaR that is the sensitivity of the NII to a 100 basis points adverse change in the level of interest rates.

Stress Testing: The Bank measures the impact on Net Interest Margin (NIM) / EaR after taking into account various possible movement in interest rates across tenor and their impact on the earnings and economic value of the Bank is calculated for each of these scenarios. These reports are prepared on a monthly basis for measurement of interest rate risk

With an upward rate shock of 1% across the curve, as per Rate Sensitive Gaps in INR as on March 31, 2014, the earning shows a decline of Rs.112 million.

The impact of change in interest rate by 100 bps and 50 bps has been computed on open positions (as on March 31, 2014) and shown hereunder against the respective currencies.

Change in interest rates (in bps)				
Impact on NII (₹ in million)				
Currency	**-100**	**-50**	**50**	**100**
INR	112	56	(56)	(112)
USD	(0.00)	(0.00)	0.00	0.00
JPY	0.00	(0.00)	(0.00)	(0.00)
GBP	0.00	0.00	(0.00)	(0.00)
EUR	0.00	0.00	(0.00)	(0.00)
Others	(0.00)	(0.00)	0.00	0.00
Total	**112**	**56**	**(56)**	**(112)**

X. General Disclosures for exposures related to Counterparty Credit Risk

Counterparty Credit Risk (CCR) is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value for the Bank at the time of default. Unlike exposure to credit risk through a loan, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss, CCR creates a bilateral risk of loss whereby the market value for many different types of transactions can be positive or negative to either counterparty. The market value is uncertain and can vary over time with the movement of underlying market factors.

Capital is allocated to CCR exposures taking into consideration the regulatory guidelines on Basel – III Capital Adequacy Computation.

Counterparty credit risk is managed and controlled through variety of risk policies and monitoring procedures including, but not limited, to the following:

- Credit Risk Policy;
- Bank Risk Policy;
- Derivatives Policy; and
- Country Risk Policy

It is possible for the counterparty's credit quality to be co-dependent with the level of exposure. This effect is called wrong-way risk if the exposure tends to increase when the counterparty credit quality gets worse. Wrong way risk is controlled through policies that manage industry, country and individual counterparty concentrations.

Exposure on account of Counterparty Credit Risk

(₹ in millions)

Particulars	**Amount**
Gross positive value of contracts	17,684
Netting Benefits	-
Netted current credit exposure	51,782
Collateral held	925
Net derivative credit exposure	**50,857**

Detailed disclosures with respect to (i) Composition of Capital, (ii) Composition of Capital –Reconciliation Requirements, (iii) Main features of Regulatory Capital Instruments and (iv) Full terms and conditions of Regulatory Capital Instruments are uploaded on the website under the link 'Regulatory Disclosures Section'

US DOLLAR DENOMINATED BALANCE SHEET AS AT MARCH 31, 2014

			(Millions of US$)
1 USD = ₹ 59.9150		**As at 31.03.2014**	**As at 31.03.2013**
CAPITAL AND LIABILITIES			
Capital		87.73	87.27
Employee Stock Option Outstanding		1.84	1.79
Reserves and Surplus		1,419.73	1,184.46
Deposits		10,098.02	9,032.25
Borrowings		2,463.82	1,578.83
Other Liabilities & Provisions		453.76	350.49
	TOTAL	**14,524.90**	**12,235.09**
ASSETS			
Cash and Balances with Reserve Bank of India		736.70	542.41
Balances with Banks & Money at Call and Short Notice		393.14	600.67
Investments		3,598.92	3,280.34
Advances		9,196.67	7,397.25
Fixed Assets		169.65	126.20
Other Assets		429.82	288.22
	TOTAL	**14,524.90**	**12,235.09**
Contingent Liabilities		24,668.99	22,515.71
Bills for Collection		963.79	1,057.75

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014

				(Millions of US$)
1 USD = ₹ 59.9150			**Year Ended 31.03.2014**	**Year Ended 31.03.2013**
I	**INCOME**			
	Interest earned		1,377.54	1,165.52
	Other Income		315.54	227.48
		TOTAL	**1,693.08**	**1,393.00**
II	**EXPENDITURE**			
	Interest expended		895.07	792.85
	Operating expenses		364.73	293.14
	Provisions & contingencies		198.27	129.90
		TOTAL	**1,458.07**	**1,215.89**
III	**PROFIT**		235.01	177.11
	Profit brought forward		298.91	198.23
	AMOUNT AVAILABLE FOR APPROPRIATION		**533.92**	**375.34**
IV	**APPROPRIATIONS**			
	Transfer to			
	a) Statutory Reserves		58.75	44.28
	b) Capital Reserves		1.36	1.40
	c) Investment Reserve Account		0.01	0.07
	d) Dividend on equity		30.72	26.22
	e) Corporate Dividend Tax		5.22	4.46
			96.06	76.43
Balance carried over to Balance Sheet			437.86	298.91
		TOTAL	**533.92**	**375.34**

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FORM A

Format of covering letter of the annual audit report to be filed with the Stock Exchanges
(In pursuance of Clause 31 of Listing Agreement)

1.	Name of the Company:	IndusInd Bank Limited ('the Bank')
2.	Annual financial statements for the year ended	March 31, 2014
3.	Type of Audit observation	Unqualified
4.	Frequency of observation	Not applicable

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Romesh Sobti
Managing Director and CEO

Mrs. Kanchan Chitale
Chairperson of the Audit Committee

Akeel Master
B S R & Co. LLP, Chartered Accountants
Statutory Auditors of the Bank