Placement Document
Not for circulation
Private and confidential
Serial No. _____

UNION BANK OF INDIA

Union Bank of India (the "**Bank**") was incorporated under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, as amended ("**Banking Companies Act**"), on July 19, 1969. Pursuant to the Banking Companies Act, the undertaking of the Union Bank of India Limited (a company incorporated under the Companies Act, 1913) was transferred to, and vested in the Bank with effect from July 19, 1969.
Head Office: Union Bank Bhavan, 239, Vidhan Bhavan Marg, Nariman Point, Mumbai – 400 021, Maharashtra, India

The Bank is issuing up to 129,324,280 equity shares of face value ₹10 each, (the "**Equity Shares**") at a price of ₹154.65 per Equity Share (the "**Issue Price**"), including a premium of ₹144.65 per Equity Share, aggregating up to ₹20,000 million (the **"Issue"**).

ISSUE IN RELIANCE UPON CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED (THE "SEBI REGULATIONS")

THE ISSUE AND DISTRIBUTION OF THIS PLACEMENT DOCUMENT IS BEING MADE TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED UNDER THE SEBI REGULATIONS ("QIBS") IN RELIANCE UPON CHAPTER VIII OF THE SEBI REGULATIONS. THIS PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA OTHER THAN TO QIBS.

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

INVESTMENTS IN EQUITY SHARES INVOLVE A HIGH DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST ANY AMOUNT IN THIS ISSUE UNLESS THEY ARE PREPARED TO TAKE THE RISK OF LOSING ALL OR ANY PART OF THEIR INVESTMENT. PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY READ THE SECTION "RISK FACTORS" IN THIS PLACMENT DOCUMENT BEFORE MAKING AN INVESTMENT DECISION RELATING TO THIS ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN ADVISORS ABOUT THE PARTICULAR CONSEQUENCES OF AN INVESTMENT IN THE EQUITY SHARES BEING ISSUED PURSUANT TO THIS PLACEMENT DOCUMENT. PROSPECTIVE INVESTORS SHOULD CONDUCT THEIR OWN DUE DILIGENCE ON THE EQUITY SHARES AND THE BANK. IF YOU DO NOT UNDERSTAND THE CONTENTS OF THIS PLACEMENT DOCUMENT, YOU SHOULD CONSULT AN AUTHORISED FINANCIAL ADVISOR AND/OR LEGAL ADVISOR.

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

The outstanding Equity Shares of the Bank are listed and traded on the National Stock Exchange of India Limited ("**NSE**") and BSE Limited ("**BSE**" along with "**NSE**", hereinafter referred to as the "**Stock Exchanges**"). The closing price of the outstanding Equity Shares on NSE and BSE on December 6, 2017 was ₹155.15 and ₹155.30 per Equity Share, respectively. In-principle approval under Regulation 28(1) of the Listing Regulations (as defined hereinafter) for listing of the Equity Shares has been received from the Stock Exchanges, each on December 7, 2017. Applications shall be made to the Stock Exchanges for obtaining the final listing and trading approval for the Equity Shares to be issued pursuant to this Issue. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to be issued pursuant to this Issue for trading on the Stock Exchanges should not be taken as an indication of the merits of the business of the Bank or the Equity Shares.

A copy of the Preliminary Placement Document has been delivered to the Stock Exchanges. A copy of this Placement Document will also be delivered to the Stock Exchanges. This Placement Document has not been reviewed by the Securities and Exchange Board of India ("**SEBI**"), the Reserve Bank of India (the "**RBI**"), the Stock Exchanges, or any other statutory, regulatory or listing authority and is intended only for use by the QIBs (as defined hereinafter). This Placement Document will not be circulated or distributed to the public in India or any other jurisdiction, and will not constitute a public offer in India or any other jurisdiction. This Issue is meant only for QIBs (as defined hereinafter) on a private placement basis and is not an offer to the public or any other class of investors.

The information on the Bank's website, any website directly or indirectly linked to the Bank's website or the website of the Book Running Lead Managers or their respective affiliates, does not form part of this Placement Document and prospective investors should not rely on such information contained in, or available through, any such websites.

THE BANK HAS PREPARED THIS PLACEMENT DOCUMENT SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE.

The Equity Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any other applicable state securities laws of the United States and, unless so registered, may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons who are "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act ("**Rule 144A**")) ("**U.S. QIBs**") pursuant to Section 4(a)(2) or another available exemption from registration under the U.S. Securities Act; for avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Placement Document as "QIBs" or "Qualified Institutional Buyers" and (b) outside the United States in offshore transactions in reliance upon Regulation S under the U.S. Securities Act ("**Regulation S**") and the applicable laws of the jurisdiction where those offers and sales are made. For further information, see "Selling Restrictions" and "Transfer Restrictions".

This Placement Document is dated December 12, 2017.

BOOK RUNNING LEAD MANAGERS			
Jefferies	Edelweiss Ideas create, values protect	ICICI Securities	YES SECURITIES
Jefferies India Private Limited	**Edelweiss Financial Services Limited**	**ICICI Securities Limited**	**Yes Securities (India) Limited**

TABLE OF CONTENTS

NOTICE TO INVESTORS 3
REPRESENTATIONS BY INVESTORS 6
OFFSHORE DERIVATIVE INSTRUMENTS 11
DISCLAIMER CLAUSE OF THE STOCK EXCHANGES 12
PRESENTATION OF FINANCIAL AND OTHER INFORMATION 13
INDUSTRY AND MARKET DATA 15
AVAILABLE INFORMATION 16
FORWARD-LOOKING STATEMENTS 17
ENFORCEMENT OF CIVIL LIABILITIES 18
EXCHANGE RATE INFORMATION 19
DEFINITIONS AND ABBREVIATIONS 20
SUMMARY OF THE ISSUE 27
SUMMARY OF BUSINESS 29
SUMMARY FINANCIAL INFORMATION 37
RISK FACTORS 43
MARKET PRICE INFORMATION 79
USE OF PROCEEDS 81
CAPITALISATION STATEMENT 82
DIVIDEND POLICY 83
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS 84
RISK MANAGEMENT 110
SUMMARY OF KEY DIFFERENCES BETWEEN INDIAN GAAP AND IND AS 113
INDUSTRY OVERVIEW 121
BUSINESS 139
SELECTED STATISTICAL INFORMATION 163
SUPERVISION AND REGULATIONS 188
BOARD OF DIRECTORS AND KEY MANAGERIAL PERSONNEL 203
PRINCIPAL SHAREHOLDERS 217
ISSUE PROCEDURE 220
PLACEMENT 231
SELLING RESTRICTIONS 233
TRANSFER RESTRICTIONS 240
THE SECURITIES MARKET OF INDIA 243
DESCRIPTION OF THE EQUITY SHARES 247
STATEMENT OF TAX BENEFITS 252
UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS 261
LEGAL PROCEEDINGS 266
STATUTORY AUDITORS 273
GENERAL INFORMATION 274
FINANCIAL STATEMENTS 276
DECLARATION 277

NOTICE TO INVESTORS

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

The Book Running Lead Managers have not separately verified all of the information contained in this Placement Document (financial, legal or otherwise). Accordingly, none of the Book Running Lead Managers or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates make any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by the Book Running Lead Managers or any of their shareholders, employees, counsel, officers, directors, representatives, agents or affiliates as to the accuracy or completeness of the information contained in this Placement Document or any other information supplied in connection with the Equity Shares or their distribution. Each person receiving this Placement Document acknowledges that such person has not relied on either the Book Running Lead Managers or on any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates in connection with such person's investigation of the accuracy of such information or such person's investment decision, and each such person must rely on its own examination of the Bank and the merits and risks involved in investing in the Equity Shares to be issued pursuant to this Issue.

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

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

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any other applicable state securities laws of the United States and, unless so registered, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (i) in the United States only to persons who are U.S. QIBs pursuant to Section 4(a)(2) or another available exemption from registration under the U.S. Securities Act; for the avoidance of doubt, the term U.S. QIB does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this Placement Document as "QIBs" or "Qualified Institutional Buyers") and (ii) outside the United States in offshore transactions in reliance on Regulation S and the applicable laws of the jurisdiction where those offers and sales occur are made.

The distribution of this Placement Document or the disclosure of its contents without the prior consent of the Bank to any person, other than QIBs specified by the Book Running Lead Managers or their representatives, and those retained by QIBs to advise them with respect to their purchase of the Equity Shares is unauthorised and prohibited. Each prospective investor, by accepting delivery of this Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Placement Document or any offering material in connection with the Equity Shares.

Each purchaser of Equity Shares that is located within the United States will be required to represent and agree, among other things, that such purchaser (i) is a U.S. QIB; and (ii) will only reoffer, resell, pledge or otherwise transfer the Equity Shares in an "offshore transaction" in accordance with Rule 903 or Rule 904 of Regulation S or in a transaction otherwise exempt from the registration requirements of the U.S. Securities Act. Each other purchaser of Equity Shares will be required to represent and agree, among other things, that such purchaser is acquiring the Equity Shares issued pursuant to this Issue in an "offshore transaction" in accordance with Regulation S. Purchasers of the Equity Shares will be deemed to make the representations, warranties, acknowledgements and agreements set forth in "Representations by Investors", "Selling Restrictions" and "Transfer Restrictions".

The distribution of this Placement Document and the issue of the Equity Shares may be restricted in certain jurisdictions by law. As such, this Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by the Bank and the Book Running Lead Managers which would permit an issue of the Equity Shares or distribution of this Placement Document in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Placement Document nor any other Issue-related materials in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction that would require registration of the Equity Shares in such country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. For further details, see "Transfer Restrictions".

In making an investment decision, prospective investors must rely on their own examination of the Bank and the terms of this Issue, including the merits and risks involved. Investors should not construe the contents of this Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning this Issue. In addition, neither the Bank nor the Book Running Lead Managers are making any representation to any offeree or subscriber of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or subscriber under applicable legal, investment or similar laws or regulations. Each purchaser/ subscriber of the Equity Shares in this Issue is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in the Bank under Indian law, including Chapter VIII of the SEBI Regulations, and that it is not prohibited by SEBI or any other statutory authority from buying, selling or dealing in the securities including the Equity Shares.

This Placement Document contains summaries of certain terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such document.

The information on the Bank's website, www.unionbankofindia.co.in, any website directly and indirectly linked to the website of the Bank or on the website of the Book Running Lead Managers, does not constitute or form part of this Placement Document. Prospective investors should not rely on the information contained in, or available through any such websites.

CERTAIN U.S. MATTERS

THE EQUITY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OR ANY OTHER APPLICABLE STATE SECURITIES LAWS OF THE UNITED STATES AND, UNLESS SO REGISTERED, MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE EQUITY SHARES ARE BEING OFFERED AND SOLD (A) IN THE UNITED STATES ONLY TO PERSONS REASONABLY BELIEVED TO BE QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A) PURSUANT TO SECTION 4(a)(2) UNDER THE U.S. SECURITIES ACT, AND (B) OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE UPON REGULATION S. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON TRANSFER OF THE EQUITY SHARES, SEE "TRANSFER RESTRICTIONS".

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED WITH, OR APPROVED OR DISAPPROVED BY, THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER UNITED STATES REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT PASSED ON OR ENDORSED THE MERITS OF THE OFFERING OR THE ACCURACY OR ADEQUACY OF THIS

PLACEMENT DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

NOTICE TO INVESTORS IN CERTAIN OTHER JURISDICTIONS

For information to investors in certain other jurisdictions, see "Selling Restrictions" and "Transfer Restrictions".

REPRESENTATIONS BY INVESTORS

References herein to "you" or "your" are to the prospective investors in this Issue. By bidding for and/or subscribing to any Equity Shares in this Issue, you are deemed to have represented, warranted, acknowledged and agreed with the Bank and the Book Running Lead Managers as follows:

- you are a QIB as defined in Regulation 2(1)(zd) of SEBI Regulations and not excluded as an eligible investor pursuant to Regulation 86(1)(b) of the SEBI Regulations, having a valid and existing registration under applicable laws and regulations of India, and undertake to (i) acquire, hold, manage or dispose of any Equity Shares that are Allocated to you in accordance with Chapter VIII of the SEBI Regulations and (ii) undertake to comply with the SEBI Regulations and all other applicable laws, including any reporting obligations;

- if you are not a resident of India, but are a QIB, you are an Eligible FPI as defined in this Placement Document and have a valid and existing registration with SEBI under applicable laws in India; or a multilateral or bilateral development financial institution; or an FVCI and have a valid and existing registration with SEBI under applicable laws in India, and are eligible to invest in India under applicable law, including FEMA Regulations 2017, and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by SEBI or any other regulatory authority from buying, selling or dealing in securities;

- you will make all necessary filings with appropriate regulatory authorities, including the RBI, as required pursuant to applicable laws;

- if you are Allotted Equity Shares pursuant to this Issue, you shall not, for a period of one year from the date of Allotment, sell the Equity Shares so acquired except on the floor of the Stock Exchanges. Additional restrictions apply if you are within the United States. For more information, see "Selling Restrictions" and "Transfer Restrictions";

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

- you are aware that the Equity Shares issued pursuant to this Issue have not been and will not be registered through a prospectus under the Companies Act, the SEBI Regulations or under any other law in force in India. This Placement Document has not been reviewed or affirmed by the RBI, SEBI, the Stock Exchanges or any other statutory, regulatory or listing authority and is intended only for use by QIBs. The Preliminary Placement Document has been filed and this Placement Document will be filed with the Stock Exchanges for record purposes only and the Preliminary Placement Document has been displayed and this Placement Document will be displayed on the websites of the Bank and the Stock Exchanges;

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

- you agree that neither the Bank nor the Book Running Lead Managers or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates are making any recommendations to you or advising you regarding the suitability of any transactions it may enter into in connection with this Issue and your participation in this Issue is on the basis that you are not, and will not, up to the Allotment, be a client of the Book Running Lead Managers. Neither the Book Running Lead Managers nor any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates have any duties or responsibilities to you for providing the protection afforded to their clients or customers or for providing advice in relation to this Issue and are not in any way acting in any fiduciary capacity;

- you confirm that, either: (i) you have not participated in or attended any investor meetings or

presentations by the Bank or its agents (the "**Bank Presentations**") with regard to the Bank, the Equity Shares or this Issue; or (ii) if you have participated in or attended any Bank Presentations: (a) you understand and acknowledge that the Book Running Lead Managers may not have knowledge of the statements that the Bank, its Directors, its key managerial personnel or its agents may have made at such Bank Presentations and are therefore unable to determine whether the information provided to you at such Bank Presentations may have included any material misstatements or omissions, and, accordingly you acknowledge that the Book Running Lead Managers have advised you not to rely in any way on any information that was provided to you at such Bank Presentations, and (b) confirm that, to the best of your knowledge, you have not been provided any material information relating to the Bank and this Issue that was not publicly available;

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

- you are aware and understand that the Equity Shares are being offered only to QIBs and are not being offered to the general public, and the Allotment of the same shall be on a discretionary basis of the Bank and the Book Running Lead Managers;

- you are aware that if you are Allotted more than 5.00% of the Equity Shares in this Issue, the Bank shall be required to disclose your name and the number of the Equity Shares Allotted to you to the Stock Exchanges and the Stock Exchanges will make the same available on their website and you consent to such disclosures;

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

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

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

- you are a sophisticated investor and have such knowledge and experience in financial, business and investment matters as to be capable of evaluating the merits and risks of an investment in the Equity Shares. You are experienced in investing in private placement transactions of securities of banks in a similar nature of business, similar stage of development and in similar jurisdictions. You and any accounts for which you are subscribing for the Equity Shares (i) are each able to bear the economic risk of your investment in the Equity Shares, (ii) will not look to the Bank and/or any of the Book Running Lead Managers or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered in connection with this Issue, including losses arising out of non-performance by the Bank of any of its obligations or any breach of any representations and warranties by the Bank, whether to you or otherwise, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares. You acknowledge that an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment. You are seeking to subscribe to the Equity Shares in this Issue for your own investment and not with a view to resell or distribute;

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

- you are not a 'promoter' (as defined under the SEBI Regulations) of the Bank or any of its affiliates and are not a person related to the promoter, either directly or indirectly and your Bid does not directly or indirectly represent the 'promoter', or 'promoter group', (as defined under the SEBI Regulations) of the Bank;

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

- you will have no right to withdraw your Bid after the Bid/Issue Closing Date;

- you are eligible to apply and hold the Equity Shares Allotted to you together with any Equity Shares held by you prior to this Issue. Further, you confirm that your aggregate holding after the Allotment of the Equity Shares shall not exceed the level permissible as per any applicable law or regulation;

- the Bid submitted by you would not result in triggering an open offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended (the "**Takeover Regulations**");

- to the best of your knowledge and belief, your aggregate holding, together with other QIBs in this Issue that belong to the same group or are under common control as you, pursuant to the Allotment under this Issue shall not exceed 50.00% of this Issue. For the purposes of this representation:

  (a) the expression 'belong to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act, 1956; and

  (b) 'control' shall have the same meaning as is assigned to it by Regulation 2(1)(e) of the Takeover Regulations;

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

- you are aware that (i) application for in-principle approval, in terms of Regulation 28(1) of the Listing

Regulations, for listing and admission of the Equity Shares and for trading on the Stock Exchanges was made and approval has been received from the Stock Exchanges; and (ii) the application for the final listing and trading approval will be made only after Allotment. There can be no assurance that the final approval for listing of the Equity Shares will be obtained in time or at all. Neither the Bank nor the Book Running Lead Managers, or any of their respective affiliates shall be responsible for any delay or non-receipt of such final approval or any loss arising from such delay or non-receipt;

- you are aware and understand that the Book Running Lead Managers have entered into a placement agreement with the Bank, whereby the Book Running Lead Managers have, severally and not jointly subject to the satisfaction of certain conditions set out therein, agreed to manage this Issue and use their best reasonable efforts to procure subscriptions for the Equity Shares on the terms and conditions set forth therein;

- you understand that the contents of this Placement Document are exclusively the responsibility of the Bank, and neither the Book Running Lead Managers nor any person acting on their behalf has or shall have any liability for any information, representation or statement contained in this Placement Document or any information previously published by or on behalf of the Bank and will not be liable for your decision to participate in this Issue based on any information, representation or statement contained in the Preliminary Placement Document, this Placement Document or otherwise. By accepting a participation in this Issue, you agree to the same and confirm that the only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares is contained in the Preliminary Placement Document and this Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares, you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the Book Running Lead Managers or the Bank or any of their respective affiliates or any other person, and neither the Book Running Lead Managers nor the Bank nor any other person will be liable for your decision to participate in this Issue based on any other information, representation, warranty or statement that you may have obtained or received;

- you understand that the Book Running Lead Managers do not have any obligation to purchase or acquire all or any part of the Equity Shares purchased by you in this Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with this Issue, including non-performance by the Bank of any of its obligations or any breach of any representations and warranties by the Bank, whether to you or otherwise;

- you are eligible to invest in India under applicable law, including the FEMA Regulations 2017, and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by SEBI or any other regulatory authority, from buying, selling or dealing in securities;

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

- you agree that each of the representations, warranties, acknowledgements and agreements set out above shall continue to be true and accurate at all times up to and including the Allotment, listing and trading of the Equity Shares in this Issue;

- you agree to indemnify and hold the Bank, its Directors, its key managerial personnel and the Book Running Lead Managers and their respective employees, officers, directors, associates, representatives and affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the foregoing representations, warranties, acknowledgements and undertakings made by you in the Preliminary Placement Document and this Placement Document. You agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares by, or on behalf of, the managed accounts;

- the Bank, its key managerial personnel, the Book Running Lead Managers, their respective affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings, which are given to the Book Running Lead Managers on its own behalf and on behalf

of the Bank, and are irrevocable;

- you understand that the Equity Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States or registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws;

- if you are within the United States, you are a U.S. QIB who is or are acquiring the Equity Shares for your own account or for the account of an institutional investor who also meets the requirements of a U.S. QIB, for investment purposes only, and not with a view to, or for resale in connection with, the distribution (within the meaning of any United States securities laws) thereof, in whole or in part and are not an affiliate of the Bank or the Book Running Lead Managers or a person acting on behalf of such an affiliate;

- if you are outside the United States, you are purchasing the Equity Shares in an offshore transaction in reliance on Regulation S, and are not an affiliate of the Bank or the Book Running Lead Managers or a person acting on behalf of such an affiliate;

- you are not acquiring or subscribing for the Equity Shares as a result of any general solicitation or general advertising (as those terms are defined in Regulation D under the U.S. Securities Act) or directed selling efforts (as defined in Regulation S) and you understand and agree that offers and sales are being made in reliance on an exemption to the registration requirements of the U.S. Securities Act provided by Section 4(a)(2) under the U.S. Securities Act or Regulation S or another available exemption from registration under the U.S. Securities Act and the Equity Shares may not be eligible for resale under Rule 144A thereunder. You understand and agree that the Equity Shares are transferable only in accordance with the restrictions described under "Selling Restrictions" and "Transfer Restrictions".

OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 22 of the SEBI FPI Regulations (as defined hereinafter), a FPI (other than a Category III FPI and unregulated broad based funds which are classified as Category II FPI by virtue of their investment manager being appropriately regulated), including the affiliates of the Book Running Lead Managers, may issue, subscribe or otherwise deal in offshore derivative instruments as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by a FPI against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying and all such offshore derivative instruments are referred to herein as "P-Notes" for which they may receive compensation from the purchasers of such P-Notes. These P-Notes may be issued only in favour of those entities which are regulated by any appropriate foreign regulatory authorities in the countries of their incorporation or establishment subject to compliance with "know your client" requirements and shall not be issued to or transferred to persons who are resident Indians or non-resident Indians and to entities that are beneficially owned by resident Indians or non-resident Indians. An FPI must ensure that the P-Notes are issued in compliance with all applicable laws including Regulation 4 and Regulation 22 of the SEBI FPI Regulations and circular no. CIR/IMD/FIIC/20/2014 dated November 24, 2014 issued by SEBI. P-Notes have not been and are not being offered or sold pursuant to the Preliminary Placement Document or this Placement Document. This Placement Document does not contain any information concerning P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not securities of the Bank and do not constitute any obligations of, claim on, or interests in the Bank. The Bank has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are solely the obligations of, third parties that are unrelated to the Bank. The Bank and the Book Running Lead Managers do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes. Any P-Notes that may be issued are not securities of the Book Running Lead Managers and do not constitute any obligations of, or claims on, the Book Running Lead Managers. FPI affiliates (other than Category III FPIs and unregulated broad based funds which are classified as FPI by virtue of their investment manager being appropriately regulated) of the Book Running Lead Managers may purchase, to the extent permissible under law, Equity Shares in this Issue, and may issue P-Notes in respect thereof.

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

Also, see "Selling Restrictions" and "Transfer Restrictions".

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

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

(1) warrant, certify or endorse the correctness or completeness of any of the contents of the Preliminary Placement Document and this Placement Document;

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

(3) take any responsibility for the financial or other soundness of the Bank, its Promoter, its management or any scheme or project of the Bank;

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Certain conventions

In this Placement Document, unless otherwise specified or the context otherwise indicates or implies, references to "you", "your", "offeree", "purchaser", "subscriber", "recipient", "investor", "prospective investor" and "potential investor" are to the prospective investors of Equity Shares in this Issue, and Unless otherwise stated, references to "the Bank" or "our Bank", are to Union Bank of India on a standalone basis and references to "the Group", "we", "us", "our", are to Union Bank of India and its Subsidiaries, Associate and Joint Venture on a consolidated basis.

References in this Placement Document to "India" are to the Republic of India and its territories and possessions and the "Government" or the "Central Government" or the "State Government" are to the Government of India, central or state, as applicable. All references herein to the "US" or "U.S." or the "United States" are to the United States of America and its territories and possessions.

References to singular also refers to the plural and one gender also refers to any other gender, wherever applicable.

Currency and units of presentation

In this Placement Document, , references to '₹', 'INR', 'Rs.', 'Indian Rupees' and 'Rupees' are to the legal currency of India and references to 'US$', 'USD' and 'U.S. dollars' are to the legal currency of the United States of America.

References to "lakhs" and "crores" in this Placement Document are to the following:

- one lakh represents 100,000 (one hundred thousand);
- ten lakhs represents 1,000,000 (one million);
- one crore represents 10,000,000 (ten million);
- ten crores represents 100,000,000 (one hundred million); and
- one hundred crores represents 1,000,000,000 (one thousand million or billion).

Financial and other information

The financial year of the Bank commences on April 1 of each calendar year and ends on March 31 of the following calendar year, and, unless otherwise specified or if the context requires otherwise, all references to a particular 'Financial Year', 'Fiscal Year' or 'Fiscal' are to the twelve month period ended on March 31 of that year.

The audited consolidated and standalone financial statements of the Bank as of and for the Fiscal Years ended March 31, 2017, 2016 and 2015 together with the respective reports thereon ("**Audited Financial Statements**") prepared in accordance with Indian Generally Accepted Accounting Principles ("**Indian GAAP**") and the provisions of Banking Regulation Act, read with relevant guidelines and directions issued by the RBI; and the unaudited interim standalone financial information of the Bank for the six month period ended September 30, 2017 (together with the corresponding unaudited interim standalone financial information for the six months ended September 30, 2016) and selected explanatory notes, together with the limited review report prepared and presented in accordance with Standard on Review Engagements 2410 ("**Unaudited Interim Financial Information**", together with the Audited Financial Statements, the **"Financial Statements**") the requirements under the Listing Regulations with the Stock Exchanges, are included in this Placement Document in "Financial Statements".

The Bank publishes its financial statements in Indian Rupees. Unless the context otherwise requires and unless so specified, all financial data in this Placement Document is derived from the Bank's Financial Statements prepared in accordance with Indian GAAP as applicable to banks, guidelines issued by the RBI from time to time, practices generally prevailing in the banking industry in India and the applicable standards on auditing. Indian GAAP differs in certain significant respects from United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) ("**U.K. GAAP**"), International Financial Reporting Standards ("**IFRS**") and generally accepted accounting principles followed in the U.S. ("**U.S. GAAP**"). The Bank has not attempted to quantify the impact of U.K. GAAP or U.S. GAAP or IFRS on the financial data included in this Placement Document, nor does the Bank provide a reconciliation of our financial statements to those of U.K. GAAP, U.S. GAAP or IFRS.

Each of U.K. GAAP, U.S. GAAP and IFRS differ in significant respects from Indian GAAP. For certain qualitative information on the differences between Indian GAAP and Ind AS, see "Significant Differences between Indian GAAP and IndAS". See "Risk Factors – Banks and non-banking financial companies in India will be required to prepare financial statements under the Ind AS for periods beginning from April 1, 2018. There is limited clarity on the impact of such transition to Ind AS.". Accordingly, the degree to which the financial statements prepared in accordance with Indian GAAP included in this Placement Document will provide meaningful information is entirely dependent on the reader's level of familiarity with the respective accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Placement Document should accordingly be limited.

In addition, MCA, in its press release dated January 18, 2016, issued a roadmap for implementation of Ind AS converged with IFRS for scheduled commercial banks, insurers, insurance companies and non-banking financial companies, which was subsequently confirmed by the RBI through its circular dated February 11, 2016. This circular requires the Bank to prepare Ind AS based financial statements for accounting period commencing April 1, 2018 with comparative financial statements for the accounting period ending March 31, 2018. The nature and extent of the possible impact of Ind AS on our financial reporting and accounting practices is currently uncertain, and there can be no assurance that such impact will not be significant. Further, on June 23, 2016, RBI directed all scheduled commercial banks (excluding regional rural banks) to submit proforma Ind AS financial statements, for the half year ended September 30, 2016 latest by November 30, 2016 to the Principal Chief General Manager, Department of Banking Regulation, Central Office, Reserve Bank of India, Mumbai. Banks shall be guided by the Ind AS notified by the MCA under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016, as amended from in this regard. Investors are advised to avail independent financial and accounting advice to analyze the impact of the application of Ind AS to the preparation and presentation of our financial statements. The Bank cannot assure you that it has completed a comprehensive analysis of the effect of Ind AS on future financial information or that the application of Ind AS will not result in a materially adverse effect on the Bank's future financial information. For further information on the transition to Ind AS, see "Risk Factors – Banks and non-banking financial companies in India will be required to prepare financial statements under the Ind AS for periods beginning from April 1, 2018. There is limited clarity on the impact of such transition to Ind AS" and "Significant Differences between Indian GAAP and Ind AS".

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

INDUSTRY AND MARKET DATA

Information included in this Placement Document regarding market position, growth rates and other industry data pertaining to our businesses consists of estimates based on data reports compiled by government bodies, professional organisations and analysts, data from other external sources and knowledge of the markets in which the Bank operates. Unless stated otherwise, statistical information included in this Placement Document pertaining to the industry in which the Bank operates has been reproduced from various trade, industry, and government publications, websites and the World Bank, which has the following disclaimer: "This is an adaptation of an original work by The World Bank. Views and opinions expressed in the adaptation are the sole responsibility of the author or authors of the adaptation and are not endorsed by The World Bank." The Bank takes responsibility for accurately reproducing such information but accepts no further responsibility in respect of such information or data.

This information is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organisations) to validate market-related analysis and estimates, and so the Bank has relied on internally developed estimates.

Further, the extent to which the industry and market data is presented in this Placement Document is meaningful, depends on the readers familiarity with an understanding of the methodologies used in compiling such data.

Neither the Bank nor the Book Running Lead Managers have independently verified this data and do make any representation regarding the accuracy of such data. Similarly, internal estimates and surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified and neither the Bank nor any of the Book Running Lead Managers make any representation as to the accuracy and completeness of information based on trade, industry and government publications and websites, data reports complied by government bodies, professional organisations and analysts, or from other external sources.

Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those discussed in "Risk Factors – Statistical and industry data in this Placement Document may be incomplete or unreliable". Accordingly, investment decisions should not be based solely on such information.

AVAILABLE INFORMATION

The Bank has agreed that, for so long as any Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, and the Bank will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Bank will provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act, subject to compliance with the applicable provisions of Indian law.

FORWARD-LOOKING STATEMENTS

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

All statements regarding our expected financial conditions, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include statements as to the Bank's business strategy, planned projects, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business and other matters discussed in this Placement Document that are not historical facts.

These forward-looking statements contained in this Placement Document (whether made by the Bank or any third party), are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Bank to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward-looking statements are subject to risks, uncertainties and assumptions about the Bank that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause the actual results, performances and achievements of the Bank to be materially different from any of the forward-looking statements include, among others:

- our ability to manage growth effectively;
- volatility in interest rate and other market conditions;
- loan exposure to certain industry sectors and borrowers;
- volatility in the market price of the security and collaterals;
- income volatility from our fixed income operations;
- our ability to generate and sustain other income;
- changes in laws and regulations that apply to banks in India;
- changes in Indian or international interest rates; and
- our dependence on, and ability to retain, our senior management team.

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

The forward-looking statements contained in this Placement Document are based on the beliefs of management, as well as the assumptions made by, and information currently available to, management of the Bank. Although the Bank believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. In any event, these statements speak only as of the date of this Placement Document or the respective dates indicated in this Placement Document, and the Bank and the Book Running Lead Managers expressly disclaim any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. If any of these risks and uncertainties materialise, or if any of the Bank's underlying assumptions prove to be incorrect, the actual results of operations or financial condition of the Bank could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to the Bank are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

The Bank is a bank nationalised under the Banking Companies Act. All the Directors and key managerial personnel of the Bank are residents of India and all or a substantial portion of the assets of the Bank and such persons are located in India. As a result, it may be difficult or may not be possible for investors outside India to effect service of process upon the Bank or such persons in India, or to enforce judgments obtained against such parties outside India.

Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Civil Procedure Code, 1908 ("**Civil Procedure Code**"), on a statutory basis. Section 13 of the Civil Procedure Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon between the same parties or parties litigating under the same title, except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognise the law of India in cases in which such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; and (vi) where the judgment sustains a claim founded on a breach of any law then in force in India. A foreign judgment which is conclusive under Section 13 of the Civil Procedure Code may be enforced either by a fresh suit upon the judgment or by proceedings in execution. The suit must be brought in India within three years from the date of the judgment by a court in the United States in the same manner as any other suit filed to enforce a civil liability in India.

Under Section 14 of the Civil Procedure Code, a court in India shall presume, upon the production of any document purporting to be a certified copy of a foreign judgment, that such judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on the record; but such presumption may be displaced by proving want of jurisdiction.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. However, Section 44A of the Civil Procedure Code provides that a foreign judgment rendered by a superior court (within the meaning of that section) in any jurisdiction outside India which the Government has by notification declared to be a reciprocating territory, may be enforced in India by proceedings in execution as if the judgment had been rendered by a competent court in India. However, Section 44A of the Civil Procedure Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalties and does not include arbitration awards. Further, the execution of a foreign decree under Section 44A of the Civil Procedure Code is also subject to the exceptions made under Section 13 of the Civil Procedure Code, as mentioned above.

Each of the United Kingdom, Singapore and Hong Kong, amongst others, have been declared by the Government to be a reciprocating territory for the purposes of Section 44A of the Civil Procedure Code, but the United States of America has not been so declared. A judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a fresh suit upon the judgment and not by proceedings in execution. The suit must be brought in India within three years from the date of the foreign judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy, and is uncertain whether an Indian court would enforce judgements that would contravene or violate Indian laws. Further, any judgment or award in a foreign currency would be converted into Rupees on the date of such judgment or award and not on the date of payment. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered, and any such amount may be subject to income tax in accordance with applicable laws.

EXCHANGE RATE INFORMATION

Fluctuations in the exchange rate between the Rupee and the foreign currencies will affect the foreign currency equivalent of the Rupee price of the Equity Shares traded on the Stock Exchanges. These fluctuations will also affect the conversion into foreign currencies of any cash dividends paid in Rupees on Equity Shares.

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and the U.S. dollar (in Rupees per U.S. dollar) The exchange rates are based on the reference rates released by the RBI, which are available on the website of the RBI. No representation is made that any Rupee amounts could have been, or could be, converted into U.S. dollars at any particular rate, the rates stated below, or at all.

On December 6, 2017, the exchange rate (RBI reference rate) was ₹64.45 to US$ 1.00. (Source: www.rbi.org.in)

Financial Year	**Period End**	**Average[(1)]**	**High[(2)]**	**Low[(3)]**
				(₹ per USD)
2015	62.59	61.15	63.75	58.43
2016	66.33	65.46	68.78	62.16
2017	64.84	67.09	68.72	64.84
Quarter ended				
December 31, 2016	67.95	67.46	68.72	66.43
March 31, 2017	64.84	67.01	68.23	64.84
June 30, 2017	64.74	64.46	65.04	64.00
September 30, 2017	65.36	64.29	65.76	63.63
Month ended				
June 30, 2017	64.74	64.44	64.74	64.26
July 31, 2017	64.08	64.46	64.82	64.08
August 31, 2017	64.02	63.97	64.24	63.63
September 30, 2017	65.36	64.44	65.76	63.87
October 31, 2017	64.77	65.08	65.55	64.76
November 30, 2017	64.43	64.86	65.52	64.41

Notes:

(1) Average of the closing official rate for each working day of the relevant period.

(2) Maximum of the closing official rate for each working day of the relevant period.

(3) Minimum of the closing official rate for each working day of the relevant period.

(Source: www.rbi.org.in)

Note: If the RBI reference rate is not available on a particular date due to public holiday, exchange rates of the previous working day has been disclosed.

No representation is made that the Rupee amounts actually represent such amounts in U.S. dollars or could have been or could be converted into U.S. dollars at the rates indicated, any other rates, or at all.

DEFINITIONS AND ABBREVIATIONS

The Bank has prepared this Placement Document using certain definitions and abbreviations which you should consider when reading the information contained herein. The following list of certain capitalised terms used in this Prelimianry Placment Document is intended for convenience of the reader/ prospective investor only and is not exhaustive. Unless otherwise specified, the capitalised terms used in this Placment Document shall have the meaning as defined hereunder. References to any legislation, act or regulation shall be to such term as amended from time to time.

Bank Related Terms

Term	Description
Associate	The associate of the Bank, namely, Kashi Gomti Samyut Gramin Bank
Audited Consolidated Financial Statements	The audited consolidated financial statements comprise of balance sheets as of and for the years ended March 31, 2017, March 31, 2016 and March 31, 2015, and consolidated statement of profit and loss and consolidated cash flow statements for each of the years ended March 31, 2017, March 31, 2016 and March 31, 2015, read along with the notes thereto of the Bank prepared in accordance with applicable laws together with the report issued thereon by our erstwhile statutory auditors and Auditors, for the respective financial years
Audited Financial Statements	Audited Standalone Financial Statements and Audited Consolidated Financial Statements
Audited Standalone Financial Statements	The audited standalone financial statements comprise of balance sheets as of and for the years ended March 31, 2017, March 31, 2016 and March 31, 2015, and standalone statement of profit and loss and standalone cash flow statements for each of the years ended March 31, 2017, March 31, 2016 and March 31, 2015, read along with the notes thereto of the Bank prepared in accordance with applicable laws together with the report issued thereon by our erstwhile statutory auditors and Auditors, for the respective financial years
Auditors	The statutory auditors of the Bank, namely, M/s. P.A. & Associates and M/s. S. Bhandari & Co.
"Bank", "Issuer" or "Union Bank"	Union Bank of India, a bank nationalised under the Banking Companies Act and having its head office at Union Bank Bhavan, 239, Vidhan Bhavan Marg, Nariman Point, Mumbai – 400 021, Maharashtra, India
Board / Board of Directors	The board of directors of the Bank or duly constituted committee thereof
Constitutional Documents	The Banking Companies Act read with the Bank Regulations and the Nationalised Bank Scheme
Directors	The directors on the Board of the Bank
Equity Shares	Equity shares of the Bank having face value of ₹10 each
Financial Statements	Audited Financial Statements and the Unaudited Interim Financial Information
Head Office	Union Bank Bhavan, 239, Vidhan Bhavan Marg, Nariman Point, Mumbai – 400 021, Maharashtra, India
Joint Venture	The joint venture of the Bank, namely, Star Union Dai-Ichi Life Insurance Company Limited
Materiality Threshold	Such threshold as has been identified under "Legal Proceedings".
Promoter	The promoter of the Bank namely, the President of India acting through the Ministry of Finance, Government of India
Subsidiaries	The subsidiaries of the Bank, namely, Union Asset Management Company Private Limited, Union Trustee Company Private Limited and Union Bank of India (UK) Limited
Unaudited Interim Financial Information	Unaudited interim standalone financial information for the six months ended September 30, 2017 (together with the corresponding unaudited interim standalone financial information for the six months ended September 30, 2016) subjected to a limited review

Issue Related Terms

Term	Description
Allocated /Allocation	The allocation of the Equity Shares following the determination of this Issue

Term	Description
	Price to QIBs on the basis of the Application Form submitted by them, by the Bank in consultation with the Book Running Lead Managers and in compliance with Chapter VIII of the SEBI Regulations
Allot/Allotment/Allotted	Issue and allotment of Equity Shares to be issued pursuant to this Issue
Allottees	QIBs to whom Equity Shares are issued and Allotted pursuant to this Issue
Application Form	The form (including any revisions thereof) pursuant to which a QIB shall submit a Bid for the Equity Shares in this Issue
Bid(s)	Indication of interest of a QIB, including all revisions and modifications thereto, as provided in the Application Form, to subscribe for the Equity Shares in this Issue
Bid/Issue Closing Date	December 12, 2017 which is the last date up to which the Application Forms shall be accepted by the Bank (or by the Book Running Lead Managers on behalf of the Bank)
Bid/Issue Opening Date	December 7, 2017, which is the date on which the Bank (or the Book Running Lead Managers on behalf of the Bank) shall commence accpetance of duly completed Application Forms for this Issue
Bid/Issue Period	Period between the Bid/Issue Opening Date and the Bid/Issue Closing Date, inclusive of both days, during which prospective Bidders can submit their Bids, including any revision thereof
Bidder	Any prospective investor, a QIB, who makes a Bid pursuant to the terms of the Preliminary Placement Document and the Application Form
Book Running Lead Managers	Book running lead managers to this Issue, namely, Jefferies India Private Limited, Edelweiss Financial Services Limited, ICICI Securities Limited and Yes Securities (India) Limited
CAN/Confirmation of Allocation Note	Note or advice or intimation sent only to successful Bidders confirming the Allocation of Equity Shares to such successful Bidders after determination of the Issue Price and requesting payment for the entire applicable Issue Price for all Equity Shares Allocated to such successful Bidders
Closing Date	The date on which the Allotment of the Equity Shares is expected to be made, that is, on or about December 14, 2017
Cut-off Price	The Issue Price of the Equity Shares to be issued pursuant to this Issue which shall be finalised by the Bank in consultation with the Book Running Lead Managers
Designated Date	The date of credit of the Equity Shares to the QIB's demat account, as applicable to the respective successful Bidders
Escrow Account	The non-interest bearing, no-lien, current bank account entitled "Union Bank QIP - Escrow Account" with regard to any money received towards the subscription of the Equity Shares, opened with the Escrow Agent, subject to the terms of the Escrow Agreement
Escrow Agent	Union Bank Of India (in its capacity as an escrow agent), in terms of the Escrow Agreement
Escrow Agreement	Agreement dated December 7, 2017 entered into amongst the Bank, the Escrow Agent and the Book Running Lead Managers for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders
Floor Price	The floor price of ₹162.79 per Equity Share which has been calculated in accordance with Chapter VIII of the SEBI Regulations. In terms of the SEBI Regulations, the Issue Price cannot be lower than the Floor Price. However, the Board may offer a discount of upto 5.00% on the Floor Price in accordance with Regulation 85(1) of the SEBI Regulations.
Issue	The offer, issue and Allotment of 129,324,280 Equity Shares to QIBs, pursuant to Chapter VIII of the SEBI Regulations and the provisions of the Banking Companies Act, as amended
Issue Price	₹154.65 per Equity Share
Issue Size	The issue of 129,324,280 Equity Shares aggregating up to ₹20,000 million
Listing Agreement(s)	The equity listing agreement(s) entered into by the Bank with the Stock Exchanges
Mutual Fund	A mutual fund registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended

Term	Description
Mutual Fund Portion	10.00% of the Equity Shares proposed to be Allotted in this Issue, which is available for Allocation to Mutual Funds
Pay-in Date	The last date specified in the CAN sent to sucessful Bidders for payment of Bid monies by the sucesssful Bidders
Placement Agreement	Placement agreement dated December 7, 2017 entered into amongst the Bank and the Book Running Lead Managers
Placement Document	This placement document dated December 12, 2017 issued by the Bank in accordance with the provisions of Regualtion 84 of Chapter VIII of the SEBI Regulations
Preliminary Placement Document	The preliminary placement document dated December 7, 2017 issued by the Bank in accordance with the provisions of Regulation 84 of Chapter VIII of the SEBI Regulations
QIBs or Qualified Institutional Buyers	Qualified institutional buyer as defined under Regulation 2(1)(zd) of the SEBI Regulations and not excluded pursuant to Regulation 86 of the SEBI Regulations
QIP	Qualified institutions placement under Chapter VIII of the SEBI Regulations
Relevant Date	December 7, 2017 which is the date of the meeting of the Board, or any committee duly authorised by the Board, deciding to open this Issue

Conventional and General Terms/ Abbreviations

Term/Abbreviation	Full Form
AGM	Annual General Meeting
AIF(s)	Alternative investment funds, as defined and registered with SEBI under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, as amended
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AY	Assessment Year
Bank Regulations	Union Bank of India (Shares and Meetings) Regulations, 1998, as amended from time to time, which have been made by the Board of Directors in the exercise of powers conferred by Section 19 of the Banking Companies Act after consultation with the RBI and with previous sanction of the GoI
Banking Companies Act	The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, as amended
Banking Ombudsman Scheme	The Banking Ombudsman Scheme, 2006, as amended
Banking Regulation Act	The Banking Regulation Act, 1949, as amended
BSE	BSE Limited
Category III FPI	An FPI registered as a category III foreign portfolio investor under the SEBI FPI Regulations
CAR	Capital Adequacy Ratio
CDSL	Central Depository Services (India) Limited
Civil Procedure Code	The Code of Civil Procedure, 1908, as amended
Companies Act	Companies Act, 1956 or the Companies Act, 2013, as applicable
Companies Act, 1956	Companies Act, 1956 and the rules made thereunder (without reference to the provisions thereof that have ceased to have effect upon notification of the Notified Sections), as amended
Companies Act, 2013	The Companies Act, 2013 and the rules made thereunder, to the extent in force pursuant to notification of the Notified Sections, as amended
Competition Act	The Competition Act, 2002, as amended
CSR	Corportae social responsibility
Depositories Act	The Depositories Act, 1996, as amended
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended
Depository Participant/ DP	A depository participant as defined under the Depositories Act
DP ID	Depository Participant's identity number
DIPP	The Indian Department of Industrial Policy and Promotion, Ministry of

Term/Abbreviation	Full Form
	Commerce and Industry, Government of India
EBITDA	Earnings before interest, tax, depreciation and amortisation calculated as "Profit/(Loss) before exceptional item and tax plus depreciation and amortisation expenses plus finance cost"
EGM	Extraordinary General Meeting
Eligible FPIs	FPIs that are eligible to participate in this Issue and does not include Category III FPIs who are not eligible to participate in this Issue
EPS	Earnings Per Share, i.e., profit after tax for a accounting period divided by the weighted average outstanding number of equity shares during that accounting period
FDI	Foreign direct investment
FEMA	The Foreign Exchange Management Act, 1999, as amended
FEMA Regulations 2017	Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017
Financial Year or Fiscal Year or Fiscal	Period of 12 months ended 31 March of that particular year
FPI	Foreign portfolio investors as defined under the SEBI FPI Regulations
FVCI	Foreign venture capital investors as defined and registered with SEBI under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, as amended
GAAP	Generally accepted accounting principles
GAAR	General Anti-Avoidance Rules
GIR Number	General Index Registry Number
GoI/Government	Government of India
GST	Goods and services tax
HNIs	High net worth individuals
HUF	Hindu undivided family
ICAI	The Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards of the International Accounting Standards Board
Ind AS	Indian accounting standards converged with IFRS, which has been notified by the MCA
India	The Republic of India
Indian GAAP	Generally Accepted Accounting Principles followed in India
IT	Information Technology
IT Act	The Income Tax Act, 1961, as amended
Listing Regulations	The Securities and exchange Board of India (Listing Obligations and disclosure Requirements) Regulations, 2015, as amended
MCA	The Ministry of Corporate Affairs, Government of India
MD & CEO	The Managing Director & Chief Executive Officer of the Bank
Mn	Million
Nationalised Bank Scheme	The Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 notified under Section 9 of the Banking Companies Act, as amended
NEAT	National Exchange for Automated Trading
NEFT	National electronic fund transfer
NI Act	Negotiable Instruments Act, 1881, as amended
Notified Sections	Sections of the Companies Act, 2013 that have been notified by the Government of India
NRE	Non-resident (External)
NRI	Non-resident Indian
NRO	Non-resident Ordinary
NSDL	National Securities Depositaries Limited
NSE	National Stock Exchange of India Limited
p.a.	Per annum
PAN	Permanent Account Number
PhD	Doctor of Philosophy

Term/Abbreviation	Full Form
PMLA	The Prevention of Money Laundering Act, 2002, as amended
Prudential Norms	Prudential norms on income recognition, asset classification and provisioning pertaining to advances issued by the RBI on July 1, 2014, as amended
RBI	Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934, as amended
RBI Dividend Circular	RBI Circular (RBI/2004-05/451DBOD.NO.BP.BC. 88 / 21.02.067 / 2004-05) dated May 4, 2005 on declaration of dividends by banks, as amended
RBI Trade Circular	RBI circular on import and export of goods and services into India as applicable from time to time, as amended
Regulation S	Regulation S under the U.S. Securities Act
RoC	Registrar of Companies
Rs./Rupees/INR/ Indian Rupees /₹	The official currency of India
Rule 144A	Rule 144A under the U.S. Securities Act
SARFAESI Act	The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended
SCR (SECC) Rules	Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012, notified by the SEBI, as amended
SCRA	Securities Contracts (Regulation) Act 1956, as amended
SCRR	Securities Contracts (Regulation) Rules 1957, as amended
SEBI	The Securities Exchange Board of India
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended
SEBI FPI Regulations	The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, as amended
SEBI Insider Trading Regulations, 2015	The Securities and Exchange Board of India (Prohibition of InsiderTrading) Regulations, 2015, as amended
SEBI Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended
SENSEX	Index of 30 stocks traded on BSE representing a sample of large and liquid listed companies
SICA	Sick Industrial Companies (Special Provisions) Act, 1985, as amended
Stock Exchanges	NSE and BSE
STT	Securities Transaction Tax
Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 2011, as amended
U.K.	United Kingdom
USA/U.S./United States	The United States of America
U.S. dollar / US$/ USD	United States Dollar, the legal currency of the United States of America
U.S. GAAP	Generally accepted accounting principles in the United States of America
U.S. Securities Act	The United States Securities Act of 1933, as amended
U.S. QIBs	Qualified Institutional Buyers as defined in Rule 144A under the U.S. Securities Act
VCF	Venture Capital Fund

Technical and Industry terms

Term/Abbreviation	Full Form/Description
AFS	"Available for sale"; the category of all securities other than those held for trading and held to maturity
AML	Anti-money laundering
ANBC	Adjusted net bank credit
ATMs	Automated teller machines
Basel Committee	Basel Committee on Banking Supervision
BPLR	The benchmark prime lending rate, based on cost of funds, cost of business operations, provisions and yield curve expectations
bps	Basis points

Term/Abbreviation	Full Form/Description
CAGR	Compounded annual growth rate (calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered)
CAR	Capital adequacy ratio
CASA	Current account and savings account
CBS	Core banking solution
CCB	Capital conservation buffer
CCCBs	Countercyclical capital buffers
CET-1	Common equity tier 1 capital
CIBIL	Credit Information Bureau (India) Limited
CRAR	Capital to risk-weighted asset ratio
CRR	Cash reserve ratio
FHC	Financial holding company
FSLRC	Financial Sector Legislative Reforms Commission
GDP	Gross Domestic Product
HFT	"Held for Trading"; the category of securities that are held principally for resale within a short period
HTM	"Held to Maturity"; the category of investments not exceeding 25.00% of a bank's total investments which it intends to hold to maturity
IBC	Insolvency and Bankruptcy Code, 2016
IMPS	Immediate Payment Service
Interest income	Interest earned
IT	Information technology
JLF	Joint Lenders' Forum
KYC	Know your customer
LAF	Liquidity adjustment facility
LCR	Liquidity coverage ratio
MCLR	Marginal cost of funds based lending rate
MSF	Marginal standing facility
MSME	Micro, small and medium enterprises
NABARD	National Bank for Agricultural and Rural Development
NBFC	Non-banking financial company registered with the RBI
NBV	Net Book Value
NDTL	Net demand and time liabilities
NEFT	National electronic fund transfer
New Bank Licensing Guidelines	RBI's guidelines for Licensing of New Banks in the Private Sector dated February 22, 2013
NIM	Net interest margin; the ratio of interest income less interest expense to average interest-earning assets
Non-SLR investments	Investments that do not qualify towards the statutory liquidity ratio requirements of RBI
NPA	Non-performing asset
NPI	Net profits interest
NRE	Non-Resident (External)
NRO	Non-Resident Ordinary
NSFR	Net stable funding ratio
PCA	Prompt corrective action
PCR	Provision coverage ratio i.e. specific provision for NPA divided by gross NPA
RBI Financial Stability Report	RBI's financial stability report, June 2017
Repo Rate	Re-purchase option rate; the annual rate at which RBI lends to other banks in India
Reverse Repo Rate	The rate at which RBI borrows money from banks in India
RRB	Regional rural bank
RTGS	Real time gross settlement
SBNs	Specified bank notes
SCB	Scheduled Commercial Banks

Term/Abbreviation	Full Form/Description
SDR	Strategic Debt Restructuring
SLR	Statutory liquidity ratio (as per requirements of the RBI)
S4A	Sustainable Structuring of Stressed Assets
SME	Small and medium enterprises
Tier I Capital	The core capital of a bank that provides the most permanent and readily available support against unexpected losses. It comprises paid up capital and reserves consisting of statutory reserves, free reserves and capital reserves (representing surplus gains arising out of sale of held-to-maturity assets) (revaluation reserves at a discount of 55.00%), innovative perpetual debt instruments and perpetual non cumulative preference shares eligible for inclusion in Tier I Capital which comply with the specified current regulations as reduced by equity investments in subsidiaries, reciprocal investments capital of banking, financial and insurance entities, deferred tax assets, intangible assets, and losses in the current period and those brought forward from the previous period
Tier II Capital	General provisions on standard assets, floating provisions, provisions held for country exposures, investment reserve account, excess provisions which arise on account of sale of NPAs and 'countercyclical provisioning buffer' (allowed up to a maximum of 1.25% of credit risk-weighted assets), debt capital instruments which comply with the specified regulatory requirements reciprocal investments capital of banking, financial and insurance entities
VaR	Value-at-risk
YTM	Yield to maturity

SUMMARY OF THE ISSUE

The following is a general summary of the terms of this Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information appearing elsewhere in this Placement Document, including under "Risk Factors", "Use of Proceeds", "Placement", "Issue Procedure" and "Description of the Equity Shares". The information contained in "Description of Equity Shares" shall prevail in the event of any inconsistency with the terms set out in this section.

Issuer	Union Bank of India.
Issue Size	Up to 129,324,280 Equity Shares aggregating up to ₹20,000 million. A minimum of 10% of the Issue Size, or at least 12,932,428 Equity Shares, shall be available for Allocation to Mutual Funds only, and the balance of 116,391,852 Equity Shares shall be available for Allocation to all QIBs, including Mutual Funds. In case of under-subscription or no subscription in the Mutual Fund Portion, such portion or part thereof may be Allocated to other QIBs.
Issue Price	₹154.65 per Equity Share.
Date of Board Resolution	April 28, 2017
Date of Shareholders' Resolution	June 23, 2017
Date of Resolution of the Committee of Directors for Raising Capital Funds	August 9, 2017
Face Value	The face value of ₹10 per Equity Share
Floor Price	The floor price of ₹162.79 which has been calculated in accordance with Chapter VIII of the SEBI Regulations. In terms of the SEBI Regulations, the Issue Price cannot be lower than the Floor Price, subject to permissible discounts. The Bank may offer a discount of not more than five percent on the Floor Price in terms of Regulation 85 of the SEBI Regulations.
Eligible Investors	QIBs as defined in Regulation 2(1)(zd) of the SEBI Regulations and are not excluded pursuant to Regulation 86(1)(b) of the SEBI Regulations to whom the Preliminary Placement Document and the Application Form are circulated and who are eligible to Bid and participate in this Issue. See "Issue Procedure - Qualified Institutional Buyers", "Selling Restrictions" and "Transfer Restrictions".
Equity Shares issued and outstanding immediately prior to this Issue	726,429,298 Equity Shares.
Equity Shares issued and outstanding immediately after this Issue	855,753,578 Equity Shares.
Lock-up	See "Placement".
Transferability Restrictions	The Equity Shares to be issued pursuant to this Issue shall not be sold for a period of one year from the date of Allotment, except on the floor of the Stock Exchanges. See "Transfer Restrictions".
Use of Proceeds	The gross proceeds from this Issue will be approximately ₹20,000 million. The net proceeds from this Issue, after deducting fees, commissions and expenses of this Issue, will be approximately ₹19,895.81 million. See "Use of Proceeds" for information regarding the use of net proceeds from this Issue.
Taxation	See "Statement of Tax Benefits".
Dividends	See "Dividend Policy".
Risk Factors	See "Risk Factors" for a discussion of risks you should consider before

	investing in the Equity Shares.	
Pay-In Date	Last date specified in the CAN sent to the Bidders for payment of application money for Equity Shares being issued pursuant to this Issue.	
Listing	The Bank has made applications to BSE and NSE and has obtained in-principle approvals each dated December 7, 2017 in terms of Regulation 28(1) of the Listing Regulations for listing of the Equity Shares being issued pursuant to this Issue from each of the Stock Exchanges. The Bank will make applications to each of the Stock exchanges to obtain final listing and trading approvals for the Equity Shares after Allotment of the Equity Shares in this Issue.	
Closing	The Allotment of the Equity Shares, expected to be made on or about December 14, 2017.	
Ranking of Equity Shares	The Equity Shares to be issued pursuant to this Issue shall be subject to the regulations under the Banking Companies Act and shall rank *pari passu* with the existing Equity Shares of the Bank, including rights in respect of dividends. The shareholders of the Bank (who hold Equity Shares as on the record date) will be entitled to participate in dividends and other corporate benefits, if any, declared by the Bank after the Closing Date, in compliance with the Banking Companies Act, the Listing Regulations and other applicable laws and regulations. Shareholders may attend and vote in shareholders' meetings in accordance with the provisions of the Banking Companies Act. See "Dividend Policy" and "Description of the Equity Shares".	
Security Codes for the Equity Shares	**ISIN**	INE692A01016
	NSE Code	UNIONBANK-EQ
	BSE Code	532477

SUMMARY OF BUSINESS

Overview

Our Bank was incorporated in 1919 and has since expanded to include a wide range of banking and financial products and services to both large and mid-sized corporates and micro, small and medium enterprises ("MSME") as well as retail customers. In Fiscal 2017, we had 3.41% market share in terms of aggregate deposits in India and 3.42% market share in terms of total aggregate advances in India.

As of September 30, 2017, we have a wide distribution network in India that includes 4,291 branches across 29 states and six union territories. Our international operations include the operations of our Subsidiary, Union Bank of India (UK) Limited and four branches in Hong Kong, Dubai International Financial Centre ("DIFC"), Antwerp and Sydney. We also have three representative offices in Abu Dhabi, Shanghai and Beijing. In addition to our Subsidiary, branches and representative offices, our Bank has 7,674 automated teller machines ("ATMs"), 27 extension counters, 60 satellite offices and 48 service branches across India, as of September 30, 2017. Our other distribution channels include internet banking, e-remittance, telephone banking, SMS banking and mobile banking. Further, our Bank had issued 0.21 million credit cards and 32.88 million debit cards, as of September 30, 2017.

In Fiscal 2015, 2016 and 2017 and in the six months ended September 30, 2017, transactions through alternate channels (non-branch) comprised 53.29%, 66.71%, 67.90% and 71.20%, respectively, of our Bank's total transactions. We have undertaken several digital initiatives by providing services, such as, amongst others, "Immediate Payment Service" ("IMPS"), "*M passbook*" and "*U Control*". In addition, we have recently, launched the "*Union Sahyog*" mobile application which provides our customers access to all our mobile based banking applications, missed call/SMS based services, internet banking login and self-user creation, deposit and loan product information, online account opening, online loan application, online complaint and right to information.

We provide a wide range of products and services aimed at various customer segments and industries. Our operations are internally aligned into distinct business lines for (i) corporate/ wholesale banking, (ii) retail banking, (iii) treasury operations and (iv) other banking operations. Revenues from corporate/ wholesale banking, treasury operations, retail banking and other banking operations accounted for 38.67%, 27.29%, 33.16% and 0.89%, respectively, in Fiscal 2017 and 37.75%, 27.48%, 33.45% and 1.33%, respectively, in the six months ended September 30, 2017, respectively, of our Bank's total revenue and accounted for 1.51%, 1.10%, 1.34% and 0.05% of our Bank's total assets. We also provide our customers with asset management services through our Subsidiary, Union Asset Management Company Limited and life insurance products through our Joint Venture, Star Union Dai-ichi Life Insurance Company Limited. We believe that such services provides us with significant cross-selling opportunities and also enhance our customer base.

Corporate/ Wholesale Banking. Our corporate/ wholesale banking business largely caters to corporate customers including large, medium and small businesses. We offer a wide range of customized financial products that include, amongst others, cash management services, deposits, credit, loan syndication and treasury products. Our Bank's corporate/ wholesale assets increased at a CAGR of 12.12% from ₹ 1,564,742.67 million as of March 31, 2015 to ₹ 1,967,009.40 million as of March 31, 2017 and was ₹ 1,773,302.26 million as of September 30, 2017.

Retail Banking. Our retail banking business provides retail customers with a range of financial products and services including housing loans, retail trade loans, automobile loans, consumer loans, education loans, medical loans and other personal loans and deposit services such as demand, savings and fixed deposits. In addition, we offer products such as global debit cards and global credit cards and provide utility services including bills payment and submission of application supported by blocked amount in relation to capital market transactions. We also act as corporate agents for distributing and marketing third-party products, including mutual fund products, and general and life insurance products. Our Bank's retail banking assets has marginally decreased from ₹ 1,072,859.54 million as of March 31, 2015 to ₹ 1,012,476.14 million as of March 31, 2017 and was ₹ 1,275,161.93 million as of September 30, 2017. Our retail operations also include our agricultural banking operations that provide products and services for agriculture, small scale industrial undertakings and tertiary sector needs. In addition, our retail banking operations include MSME banking operations. Our MSME banking operations includes various schemes launched for provision of credit to MSMEs, which are specially designed taking into account the needs of certain segments among the MSMEs having specific and uniform requirements. Our Bank's MSME advances increased at CAGR of 6.34% from ₹ 547,546.67 million as of March 31, 2015 to ₹ 619,126.63 million as of March 31, 2017 and was ₹ 622,558.66 million as of September 30, 2017.

Treasury Operations. Our treasury operations include management of Government securities, compliance with RBI's statutory liquidity ratio ("SLR") and cash reserve ratio ("CRR") norms and our international banking services such as foreign exchange services, international trade finance and NRI services comprising foreign exchange operations, remittance facilities for resident Indians, foreign currency loans, lending and deposit services to non-resident Indians. We also provide trade finance and other services to exporters and importers including the collection of bills, provision of foreign currency loans such as arranging short-term foreign currency loans through our correspondent banks and provision of credit substitutes such as letters of credit and guarantees. Our treasury investment portfolio was ₹ 1,284,178.42 million as of September 30, 2017 and revenue from treasury operations grew at a CAGR of 15.01% from ₹ 94,573.47 million in Fiscal 2015, to ₹ 125,085.37 million in Fiscal 2017.

Other Banking Operations. Our other banking operations includes provision of fee-based products and services such as cash management services, merchant banking, depository services, clearing bank services and handling of GoI's business including tax collections, public provident fund, "*Sukanya Samriddhi Scheme*". Our revenue from other banking assets has marginally decreased from ₹ 3,423.60 million in Fiscal 2015 to ₹ 3,343.15 million in Fiscal 2017 and ₹ 2,531.45 million in the six months ended September 30, 2017.

Total deposits of our Bank increased at a CAGR of 9.28% from ₹ 3,168,699.17 million as of March 31, 2015 to ₹ 3,783,915.75 million as of March 31, 2017. CASA ratio increased from 29.24% as of March 31, 2015 to 34.44% as of March 31, 2017. Gross advances grew at a CAGR of 7.15% from ₹ 2,627,573.00 million as of March 31, 2015 to ₹ 3,016,835.60 million as of March 31, 2017. As of March 31, 2017 and September 30, 2017, total assets were ₹ 4,527,044.40 million and ₹ 4,775,760.37 million, respectively, and net worth was ₹ 190,940.00 million and ₹ 170,980.00 million, respectively, in the same periods. We have a strong funding profile, with a credit-deposits ratio of 82.92%, 81.04%, 79.73% and 80.29% in Fiscal 2015, 2016 and 2017 and in the six months ended September 30, 2017, respectively. Net interest income in Fiscal 2015, 2016 and 2017 and in the six month period ended September 30, 2017 was ₹ 84,438.97 million, ₹ 83,130.99 million, ₹ 89,033.35 million and ₹ 45,633.29 million, respectively. Operating profit in Fiscal 2015, 2016 and 2017 and in the six month period ended September 30, 2017 was ₹ 58,234.70 million, ₹ 57,220.18 million, ₹ 74,300.89 million and ₹ 39,955.58 million, respectively. Net profit in Fiscal 2015, 2016 and 2017 and in the six month period ended September 30, 2017 was ₹ 17,816.40 million, ₹ 13,516.02 million, ₹ 5,552.13 million and ₹ (14,141.40) million, respectively.

Our Bank's capital adequacy ratio as of March 31, 2015, 2016 and 2017, in accordance with Basel III norms, was at 10.22%, 10.56% and 11.79%, respectively. Further, our Bank's CRAR as of September 30, 2017 was 11.22% in accordance with Basel III norms, well above the regulatory mandated benchmark of 10.25%.

As of March 31, 2015, 2016 and 2017 and as of September 30, 2017, gross NPAs of our Bank as a percentage of gross advances were 4.96%, 8.70%, 11.17% and 12.35%, respectively. Net NPAs as a percentage of net advances were 2.71%, 5.25%, 6.57% and 6.70% as of March 31, 2015, 2016 and 2017 and as of September 30, 2017, respectively. Provision coverage ratio was 59.23%, 50.98%, 51.41% and 56.06% as of March 31, 2015, 2016 and 2017 and as of September 30, 2017, respectively**.**

Our Competitive Strengths

Strong and trusted brand with large and growing customer base

Our Bank was India's 80th most valuable brand in 2017 (*Source: Brand Finance - "India 100 2017 – The annual report on the most valuable Indian brands – May 2017*"). We have received numerous industry awards for our technology, risk management, mobile and internet banking, training, and financial inclusion. In particular, in Fiscal 2017, we won the "Skoch Award" for financial inclusion by Skoch Group, the award for "Best Financial Inclusion Initiatives" by the Indian Banks' Association, the "Golden Peacock Award" by the International Conference of Corporate Social Responsibility and the "Best Performing Bank (public sector bank)" in Fiscal 2017 at the National APY Conference in 2017. In addition, we received a "Certificate of Recognition" for the project "Immediate Payment Service" at the Financial Inclusion and Payment Systems conference in 2015 and won the "National Payments Excellence Award" for RuPay card issuance and e-commerce transactions by the National Payment Corporation of India, the "Best Corporate Vigilance Excellence Award" for initiating an anti-corruption drive by the Institute of Public Enterprise and the "Bank with Best CSR Practices" by ABP News in 2016. We continuously focus on to develop and build our brand across India and other jurisdictions and intend to enhance our brand image and spread awareness about our products and services on various social media platforms.

We believe that our large distribution network has enabled us to provide services to a broad customer base across India, including private and public sector enterprises, corporate, MSMEs and retail customers, which together

amounted to 67.80 million customers as of September 30, 2017. Our Bank's customer base has grown significantly over the years and grew from 56.40 million customers in Fiscal 2015 to 65.62 million customers in Fiscal 2017. We believe that the strength of our customer relationships is derived from our proximity to our customer base, the range of our existing products and services, and our consistent innovation of new products and services to meet our customers' needs.

In order to support our existing network of branches and ATMs, we have also developed a multi-channel electronic banking system that we believe enables us to acquire new customers and strengthens our relationship with existing customers. Our electronic banking system includes internet banking, phone banking, mobile applications, e-wallet services and account services via mobile phone. As of September 30, 2017, our Bank had 1.66 million registered internet banking users, 1.47 million registered mobile banking users and 0.24 million registered users on our e-wallet services.

Extensive distribution network with a focus on alternate delivery channels

Our pan-India branch network allows us to provide banking services to a wide variety of customers, including large and mid-sized companies, institutions, state-owned enterprises as well as commercial, agricultural, industrial and retail customers. As of September 30, 2017, we have 4,291 branches across 29 Indian states and six union territories and our branch network has grown by 207 branches, since Fiscal 2015. As of September 30, 2017, we had 59.03% of our branches in rural and semi-urban areas where we believe there are significant growth opportunities. We are also geographically well distributed to ensure we have no significant concentration of branches in any one territory.

The following table sets forth the percentage of our branches classified on the basis of the regions as of September 30, 2017:

Geographic Region	% of Branches
Central Region	32.02
Eastern Region	13.38
North Eastern Region	1.98
Northern Region	12.51
Southern Region	21.46
Western Region	18.65
Total	**100.00**

For further information, see " – Delivery Channels and Accessibility – Branches".

We have also focused on expanding our presence overseas to grow from a domestic bank to an international bank with our international operations that include the operations of our Subsidiary, Union Bank of India (UK) Limited, four branches in Hong Kong, DIFC, Antwerp and Sydney. In addition, we have three representative offices in Abu Dhabi, Shanghai and Beijing. As of September 30, 2017, we have 7,674 ATMs, of which 4,562 were located at our branches or extension counters (onsite) and 3,112 were located off site. We have added 653 ATMs to our network between Fiscal 2015 and Fiscal 2017. As of September 30, 2017, our ATM-to-branch ratio was 1.79.

As of September 30, 2017, we have 163 e-lobbies and 133 "cashless campuses" in India and in Fiscal 2017, we opened 12 new e-lobbies and 42 new cashless campuses at various locations in India. We also have 5,407 business correspondents, as of September 30, 2017, to serve unbanked areas. In Fiscal 2017, we had 5,407 business correspondents and 0.78 million accounts were opened by such business correspondents.

We believe our strong brand, together with the wide range of our geographic reach and multi-channel distribution, provides significant opportunities to increase revenues from our existing customer base, both by delivering higher-value banking products to India's under-banked rural population as well as tailoring our branch network to cater more effectively to our strategic growth customer segments, including retail, agriculture and MSME.

Diversified asset portfolio with increasing focus on retail, agriculture and MSME ("RAM") sectors

We are engaged in wide variety of banking activities such as corporate, MSME and retail banking, and offer a wide range of financial products and services to corporate, MSMEs and retail customers including both resident

and non-resident Indians. We also provide funding to sectors identified by the GoI as priority sector with specific focus on agriculture and MSME sector. We cater to our corporate customers by offering infrastructure/ project finance in the form of working capital, short term credit, import-export credit, and letters of credit facilities.

RAM sectors comprised an increasingly larger share of our Bank's total domestic advances from 46.75% as of March 31, 2015 to 50.51% as of March 31, 2016 to 53.78% as of March 31, 2017 and further to 54.11% as of September 30, 2017. Our asset mix is well diversified over our key strategic growth customer segments of RAM, with 16.15%, 15.49% and 22.47%, of our Bank's total domestic loans to retail, agriculture and MSME sectors, respectively, as of September 30, 2017. We believe our strategically diversified asset portfolio among these key segments will lead to better risk diversification, efficient capital utilization, increased revenue and improved margins.

Our asset mix not only reduces our risk concentration and hedges against any sector specific risks, but also provides significant opportunities to increase yield and net interest margin and optimize our risk weighted assets, since for example, residential mortgages secured against property have high loan recovery rates. Our diversified asset mix also provides us with opportunities for cross-selling of products.

Significant low-cost deposit base resulting in strong funding profile

Over the years, we have built a strong base of distributed clientele, which has provided us with low cost funding and has been a source of strength for our liability portfolio. Our strong funding profile includes a credit-deposits ratio of 82.92%, 81.04% and 79.73% as of March 31, 2015, 2016 and 2017, respectively and 80.29% as of September 30, 2017. As of March 31, 2017 and September 30, 2017, our Bank's deposits form 83.58% and 80.83% of our Bank's total liabilities, respectively, providing us a strong and stable base and significant liquidity. The low-cost deposits comprise CASA, which together accounted for 34.17% of our Bank's total deposits as of September 30, 2017. CASA ratio increased from 29.24% as of March 31, 2015 to 32.35% as of March 31, 2016 and further to 34.44% as of March 31, 2017 and was 33.57% as of September 30, 2017. Our Bank had 54.55 million and 58.98 million CASA deposit accounts as of March 31, 2015 and 2016, respectively, and we added 5.05 million and 2.45 million CASA deposit accounts in Fiscal 2017 and in the six months ended September 30, 2017, respectively. Aggregate base of CASA deposit account as of September 30, 2017 was 66.48 million. The growth of CASA deposits was in part as a result of our participation in the "Pradhan Mantri Jan Dhan Yojana" ("PMJDY") scheme aimed at bringing India's underbanked population into the formal financial system by creating awareness about the uses and benefits of the financial services offered by us. Under the PMJDY, as of September 30, 2017, we had opened 7.34 million accounts, and the balance contained in such accounts amounted to ₹12,937.70 million in the same period.

In addition to CASA, ratio of retail deposits to total deposits in Fiscal 2015, 2016 and 2017 and in the six months ended September 30, 2017, was 61.15%, 63.86%, 66.08% and 66.16%, respectively. A large part of our deposit base is retail and lower bulk deposits ensures lower concentration risk, increasing the spread of our liability portfolio and enhances our profitability when compared with higher-cost time deposits. Cost of deposits was 7.31%, 7.00%, 6.28% and 5.77% in Fiscal 2015, 2016, 2017 and in the six months ended September 30, 2017, respectively.

We believe that we are able to maintain a relatively low-cost funding base as compared to our competitors, by leveraging our strengths, expanding our base of retail savings and current deposits and increasing the free float generated by transaction services.

Strong, technology-enabled operating platform and committed to digital banking

We have an information technology ("**IT**") platform that ensures connectivity across our branches, ATMs and other network channels. Our technology infrastructure integrates our core banking applications, internet banking, mobile banking, ATMs, payment systems as well as other products, services and systems. We believe that our IT infrastructure has enabled us to improve operating efficiencies and effectively cater to the needs of existing customers, thereby enhancing our ability to compete effectively. We have made investments to upgrade our technology infrastructure supporting our core banking functions, internal reporting systems and customer interfaces along with investments in creating various web and mobile based digital products. In Fiscal 2018, we launched a recovery application which helps us in our loan recovery process.

In Fiscal 2015, 2016 and 2017 and in the six months ended September 30, 2017, transactions through alternate channels (non-branch) comprised 53.29%, 66.71%, 67.90% and 71.20% of the our Bank's total transactions. Our

Bank's registered internet banking user base has grown at a CAGR of 17.40% from 1.11 million as of March 31, 2015 to 1.53 million as of March 31, 2017, and was 1.66 million as of September 30, 2017. We have introduced various modern banking platforms such as internet banking, mobile banking, tele-banking, phone banking, "Tabulous Banking" (a tablet based savings account opening process), "Talking ATMs" and multi-function "*SampUrna*" ATMs which provide a number of value added services such as mobile top up, e-cash remittance, direct tax payment, interbank mobile payment service remittance, "National Electronic Funds Transfer" ("NEFT") and mutual funds payments. We have also taken active steps in optimizing our operational efficiency through usage of IT which include promoting customer usage of non-branch distribution channels, as well as the usage of IT in human resource initiatives, loan appraisals, post disbursement monitoring and risk management.

We are also committed to digital banking and have upgraded our systems to ensure a smooth integration between our existing infrastructure and our new digital banking products. We have developed various digital products, services and solutions, such as, amongst others, our mobile banking application, "*Umobile*", our mobile passbook application, "*Mpassbook*", Green PIN solution for debit cards, unified payment interface, mobile based application for credit cards. We continuously focus on increasing reliance on transactions through digital channels, which are more cost effective than physical channels. We have installed "cash recyclers" at various locations which enables us to accept and dispense cash in a single machine by automating the cash cycle. Recently, we launched the "*Union Sahyog*" mobile application which provides our customers access to various services, such as, all our mobile based banking applications, missed call/ SMS based services, internet banking login and self-user creation, deposit and loan product information, online account opening, online loan application, online complaint and right to information. In addition, we have conducted several digital banking awareness camps in Kerala and Uttar Pradesh and have under "*Union DigiGaon*" initiative provided our digital channels of payment, spread awareness and conducted education camps across villages in India in order to promote digital transactions.

Our collection of digital offerings and initiatives has won numerous awards in India. In Fiscal 2017, we received the "National Payments Excellence Awards" for RuPay card issuance and e-commerce transactions by the National Payment Corporation of India, the "Best Financial Inclusion Initiatives" by the Indian Banks' Association and the "Skoch Award" for financial inclusion by Skoch Group.

Strong relationship with the GoI and various state governments

As of September 30, 2017, the GoI held 65.40% of our Bank's paid-up Equity Share capital, and we believe our strong relationship with both central and state governments are key factors driving asset growth and providing a stable source of business. The GoI generates significant business activity in the Indian economy.

We have leveraged our strong technology capabilities and established a separate business vertical to strengthen our relationships with GoI departments with a view to increase our share of Government business. We believe that our relationship with the GoI is instrumental in attracting new potential customers. In certain instances, we act as the sole agent for certain GoI transactions.

We act as RBI's agent for certain banking businesses of the central and state governments. We also handle the GoI's payment functions through our branches, including tax collections, salary and pension payments and expenditure payments of various ministries of the GoI. In particular, we handle disbursement of funds for certain GoI ministries, comprising the Ministry of Corporate Affairs, Ministry of Railways, Ministry of Statistics and Programme Implementation, the Ministry of Labor and Employment, Ministry of Science and Technology and the Ministry of Environment and Forests. We have also opened a specialized "e-Focal" point branch to serve all electronic payment requirements of these ministries. We have also introduced a scheme to provide a bankable platform for business units identified as 'start-ups' under 'Start-Up India' scheme of the GoI.

Experienced management leadership

We have an experienced management team with a significant concentration of career banking professionals. Our Bank has four full-time directors and in addition, representatives of the GoI and RBI support us on our Board. Members of our Board have significant experience in banking and financial services. Our Managing Director and Chief Executive Officer has over 30 years of experience in the banking industry. The senior management team has experience in key areas, including retail, corporate and international banking. In addition, we have been able to build a team of professionals with relevant experience, including credit management, risk management, treasury, information technology and marketing, restructuring balance sheet and business mix, improving operating efficiency and in-depth knowledge of banking operations and management. We believe that our management team's extensive and diverse expertise provides us with a broad perspective from which we can

make strategic management and operational decisions and allows us to develop a strong understanding of industry-specific aspects of our business and operations.

Strategies

We continuously evaluate our growth strategy, with the aim of enhancing our position as a one of the leading provider of banking and other financial services in India, and remaining profitable. The objectives that form our business strategies are described below:

Project Utkarsh

We launched "*Project Utkarsh*", a business process transformation initiative, in 2015, with an aim to (i) provide improved customer experience and process efficiency; (ii) increase customer cross selling; (iii) achieve higher liabilities and assets sales productivity; (iv) maximize performance and returns from multi-channels; and (v) build performance driven culture and focus on leadership development. We have implemented "*Project Utkarsh*" across India leading to a significant increase in CASA productivity.

Through "*Project Utkarsh*", we intend to focus on re-designing and streamlining certain key elements, such as, redesigning the branch operation model ("*Union Xperience*"), revamping our retail loan processing centres ("*Union Loan Points*") and MSME loan processing centres ("SARAL" units), and strengthening our human resources. In addition, we intend to implement new methods for generating fee based income and set up digital channels to enable customer migration towards such channels, which would lead to operational efficiency and customer convenience. We also aim at revamping our marketing and sales model and build an integrated multi-channel lead management system to enhance sales productivity and improve sales performance. In order to make our interactions customer centric along with proactive cross selling, we intend to make available maximum possible information about customers at every touch point through business analytics.

Continue focus on growth of RAM sectors

We have identified the growth of RAM sectors as a priority business initiative. We believe that these priority sectors offer large and profitable growth opportunities. See "— Strengths — Diversified asset portfolio with increasing focus on RAM sectors".

We have identified the retail loan segment as a key area for increasing our credit portfolio. Loans and advances to the retail sector have increased by 23.71% in Fiscal 2016 and further increased by 23.24% in Fiscal 2017. As a percentage of total loans and advances, loans and advances to the retail sector represented 14.83% of total outstanding domestic gross loans as of March 31, 2017. We intend to focus more on mortgage-based retail products to reduce the risk associated with loans having little or no collateral. Such loans mainly comprise home loans and loans against property to salaried employees and small business owners with income adequate to repay their loans. We have also opened special retail lending processing centers known as "*Union Loan Points*" at 74 locations to focus on retail lending, as of September 30, 2017. Our aim is to substantially increase our loans and advances portfolio to the retail sector by simplifying our current processes, launching new products and services and developing our distribution channels. We believe that this will help us diversify risk, increase our interest income and incorporate better efficiency in capital utilization. This will also enhance our customer base and provide us with business opportunities through relationship banking and cross selling.

Approximately 17.4% of India's GDP in 2016 was derived from agriculture (*Source: World Bank. Available at https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS*). As per the second advised estimates by the Central Statistics Office, the share of agriculture and allied sectors (including agriculture, livestock, forestry and fishery) is expected to be 17.3 % of GVA during fiscal 2017 at fiscal 2012 prices. As of September 30, 2017, we had 59.03% of our branches in rural and semi-urban centers and we intend to maintain and enhance our position as one of the leading banks for agricultural and rural economy related lending in India and to further strengthen our ties with the agricultural community and related manufacturers. In addition to such branches, we have identified 21 centres across India as "agri-clusters" which are intended to focus on strengthening our agriculture portfolio.

We also have a nationwide presence in, and extend finance to, the MSME sector. In this sector, our Bank has experienced a growth of 1.40% and 11.51%, in Fiscal 2016 and 2017, respectively. We intend to further expand our MSME sector banking activities by establishing more MSME focused branches and dedicated processing centers for MSME loans known as "SARAL centres". As of September 30, 2017, we have 320 dedicated MSME branches and 21 "SARAL centres" to cater to our MSME customers. By ensuring quick turnaround time, these

units ensure a hassle free experience for prospective customers and increase branch productivity by streamlining processes. In addition, we propose to strengthen our relationship with MSMEs by offering various facilities at competitive terms and thereby allowing us to expand our business.

As of September 30, 2017, gross NPAs in the RAM sectors as a percentage of the RAM advances were 8.16% compared with overall gross NPA of 12.35%.

Focus on asset quality management

We are working towards reducing our gross NPA levels by improving the quality of credit by ensuring compliance and monitoring of our loan sanction policies and accounts and also by reassessing credit ratings periodically. As of March 31, 2015, 2016 and 2017 and as of September 30, 2017, gross NPAs as a percentage of gross advances were 4.96%, 8.70%, 11.17% and 12.35%, respectively. Net NPAs as a percentage of total advances were 2.71%, 5.25%, 6.57% and 6.70% as of March 31, 2015, 2016 and 2017 and as of September 30, 2017, respectively.

In order to prevent increase in our gross NPA levels, we have undertaken various initiatives to contain slippages and continue to take action and speed up recovery from overdue loan accounts. We organize recovery camps and *lok adalats* with the help of government officials, enter into one time settlement and sell off stressed assets to asset reconstruction companies. We plan to set up a soft collection process for retail and small loans by engaging third party agencies for tele-calling. We specifically monitor NPA accounts above ₹ 500 million. In Fiscal 2018, we have launched the "Special Settlement Scheme" to settle doubtful and loss assets of up to ₹ 50 million and in order to settle accounts of up to ₹ 0.10 million, we have launched a "Low Value Special Settlement Scheme" recently. Further, in Fiscal 2017, we formulated a "Special Settlement Scheme" for quick settlement of NPA accounts of up to ₹ 2.5 million. We implemented the "Ujwal DISCOM Assurance Yojana" in Rajasthan, Uttar Pradesh and Punjab in order to reduce the stressed assets in the state electricity boards. In addition, we recently launched a recovery application which helps us in our loan recover process. In Fiscal 2017 and in the six months ended September 30, 2017, NPA recovery amounted to ₹ 13,883.70 million and ₹ 8,119.61 million, respectively, against slippages of ₹ 132,438.93 million and ₹ 71,387.43 million in Fiscal 2017 and in the six months ended September 30, 2017, respectively.

Deepen liability franchise for enhancing low cost deposits

Our distribution network and geographic presence has allowed us to attract interest free current account and low cost savings account deposits leading to a stable CASA deposit base. See "—Strengths—Strong funding profile and low-cost deposit base." As of September 30, 2017, CASA deposits were ₹ 1,295,874.52 million. CASA ratio increased from 29.24% in Fiscal 2015 to 34.44% in Fiscal 2017. We intend to continue to leverage our network to tap additional CASA accounts and to increase our marketing efforts to corporates and GoI agencies to handle their CASA accounts. We also believe that the "Government's Direct Benefits Transfer" program will provide opportunities to increase our CASA assets.

We have entered into arrangements with certain public sector undertakings and corporates to provide salary accounts, deposits and various other credit facilities to their employees at concessional rates along with certain other benefits.

We seek to increase our CASA deposits in order to reduce our cost of funds and improve our core deposits. To attract retail customers and increase our CASA deposits, we intend to introduce new products and promote our products through targeted marketing campaigns. We believe that by leveraging our CBS, internet and mobile banking systems, it will enable us to increase our customer base, thereby increasing CASA deposits.

Continue investments in technology to support our digital strategy, enhance customer experience and improve operational efficiency

We believe the increased availability of internet access and broadband connectivity across India requires a comprehensive digital strategy to proactively develop new methods of reaching our customers and running our businesses. As a result, we are continuously investing in latest technology as a means of improving our customers' experience, offering them a range of products tailored to their financial needs and making it easier for them to interact with us. We have launched internet and mobile based applications across most of our product and service portfolios, and we believe we will continue to invest in creating a superior technology infrastructure to support our digital strategy. In addition, we have also set up "cashless campus" facilities at 133 universities and colleges to enable students to make digital payments for the various facilities located in the university or college premises.

We believe additional investments in our technology infrastructure to further develop our digital strategy will allow us to cross-sell a wider range of products on our digital platform in response to our customers' needs and thereby expand our relationship with our customers across a range of customer segments. We believe a comprehensive digital strategy will provide benefits in developing long-term customer relationships by allowing customers to interact with us, access and operate their accounts wherever and whenever they desire and further attract and engage with the next generation of customers

We have launched a number of initiatives recently, including unified payment interface and paperless KYC verification. We intend to further leverage our IT capabilities to improve operating efficiency. We are developing a data warehouse and customer relationship management module, which we expect will enhance our capability to cross-sell and increase business from our existing customer base. We also intend to further leverage technology towards continual development of our digital banking offering.

Focus on capital optimization and continue to strengthen risk management

We are continuously tailoring our organizational structure to develop and optimize our business opportunities. We believe we can better utilize our branch space and personnel to enhance the quality of customer service and improve marketing and sales efforts by centralizing back office support such as clearing services, check issuing services account opening and processing of loan proposals to our branches.

We believe that effective risk management is essential for our growth, strategic planning and long-term sustainable development. We plan to continuously focus on strengthening our risk management and internal control capabilities by improving our policies and procedures and introducing advanced risk management tools. We aim to continue to enhance our credit risk management systems and processes in line with the growth of our business. We are currently working with consultants to implement more advanced integrated approaches to risk management, which we plan to have evaluated by an external valuation agency.

Our risk management strategy entails the identification, measurement and management of risks across the various businesses of our Bank. We also conduct regular stress tests which are forward-looking economic assessments of our financial health based on a number of economic scenarios and we take remedial measures, if necessary, depending on the outcome of the tests. In addition, we have implemented faster processes for debt recovery that includes legal action as well as the use of debt recovery agencies. While, provisioning coverage ratio were 59.23%, 50.98%, 51.41% and 56.06%, with respect of NPAs (including technical write-offs) as of March 31, 2015, March 31, 2016, March 31, 2017 and as of September 30, 2017, respectively, we intend to increase our provisioning coverage ratio in Fiscal 2018.

Our endeavour will be to continue to develop technology-based solutions to supplement our existing processes and investment in risk management techniques. We believe that our efforts in strengthening our risk management framework would improve our asset quality. For further details, see "Risk Management".

Strengthen human resource profile

We believe that the key to our growth and success is our ability to attract, motivate and retain talented and experienced professionals. We intend to recruit additional experienced professionals and train our existing employees in a number of ways, including by providing extensive on-the-job and classroom training, e-learning and development programmes to enhance their professional capabilities and help with their personal development. We have started an e-learning management system through which we conduct an online quiz competition in order to improve and update our employees' banking knowledge. We also plan to offer a variety of rotation programmes and placement choices. We plan to improve our existing mentoring programmes to ensure greater employee productivity. We have introduced a leadership program, "*Union Bhavishya*", for our employees, in order to identify future leaders and provide the requisite leadership skills. We will continue to work with our employees to improve employee satisfaction. To this end, we have introduced "*HR Suvidha*", a centre for facilitating centralized sanctioning of employee benefits, which we believe, has resulted in greater employee satisfaction.

SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary financial information derived from the Financial Statements and disclosed under "Financial Statements". The selected financial information presented below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Statements".

Summary Consolidated Balance Sheet

(₹ in million)

Particulars	March 31, 2015	March 31, 2016	March 31, 2017
Capital And Liabilities			
Capital	6,357.79	6,874.41	6,874.41
Reserves And Surplus	192,633.86	223,606.72	228,836.39
Minority Interest	88.08	0.00	0.00
Share Application Money	0.00	0.00	5,410.00
Deposits	3,174,503.42	3,441,175.09	3,796,872.65
Borrowings	351,679.98	306,366.15	412,254.97
Other Liabilities And Provisions	110,426.37	95,623.27	106,438.81
Total Liabilities	**3,835,689.50**	**4,073,645.64**	**4,556,687.22**
Assets			
Cash And Balances With Reserve Bank Of India	150,638.68	156,069.16	165,223.73
Balances With Banks And Money At Call And Short Notice	75,391.40	140,098.89	163,835.51
Investments	858,181.54	905,732.14	1,134,412.64
Advances	2,559,211.17	2,682,495.64	2,879,498.29
Fixed Assets	26,944.29	39,518.55	39,054.09
Other Assets	165,322.43	149,731.25	174,662.97
Total Assets	**3,835,689.50**	**4,073,645.64**	**4,556,687.22**

Summary Consolidated Statement of Profit and Loss

(₹ in million)

Particulars	March 31, 2015	March 31, 2016	March 31, 2017
I) Income			
Interest Earned	321,642.80	323,156.66	328,169.79
Other Income	39,571.17	39,344.35	54,299.86
Total Income	**361,213.96**	**362,501.02**	**382,469.65**
II) Expenditure			
Interest Expended	236,395.47	238,940.43	237,763.06
Operating Expenses	66,832.74	67,159.19	70,212.92
Provisions And Contingencies	40,411.17	42,972.46	68,826.18
Total Expenses	**343,639.38**	**349,072.08**	**376,802.15**
III)			
Net Profit for the Year			
Profit Brought Forward	4.10	4.16	0.04
Amount Available for appropriation	17,609.25	13,568.59	5,726.48
IV) Appropriation			
Transfer to Statutory Reserve	5,345.00	4,055.00	1,387.50
Transfer to Capital Reserve	269.97	448.47	2,314.67
Transfer to Revenue and Other Reserves	5,348.45	5,530.11	174.28
Transfer to Special Reserve (Sec 36 (i) (viii) of Income Tax Act 1961)	2,000.00	1,920.00	1,850.00
Dividend for the previous year paid during the year (including tax on dividend)	0.00	0.00	0.00
Dividend for the current year	3,814.67	1,340.51	0.00
Tax on dividend for the current year	774.15	274.47	0.00
Balance Carried over to Balance Sheet	4.16	0.04	0.04
Provision for Dividend on PNCPS	52.84	0.00	0.00
Total	**17,609.25**	**13,568.59**	**5,726.48**
Basic Earning Per Share	27.67	20.50	8.33
Diluted Earning Per Share	27.67	20.50	8.33

Summary Consolidated Cash Flows

(₹ in million)

Particulars	March 2015	March 2016	March 2017
Net Cash Flow From Operating Activities	(35,674.80)	80,768.00	(356.30)
Net Cash Flow From Investing Activities	(3,179.90)	(8,717.90)	(2,801.80)
Net Cash Flow From Financing Activities	31,678.40	(1,912.10)	36,049.20
Net Increase (Decrease) In Cash & Cash Equivalent	(7,176.30)	70,138.00	32,891.10
Cash And Cash Equivalents As At The Beginning Of The Year	233,206.40	226,030.10	296,168.10
Cash And Cash Equivalents As At The End Of The Year	226,030.10	296,168.10	329,059.20

Summary Standalone Balance Sheet

(₹ in million)

Particulars	September 30, 2017	March 31, 2017	September 30, 2016	March 31, 2016	March 31, 2015
Capital And Liabilities					
Capital	7,264.29	6,874.41	6,874.41	6,874.41	6,357.79
Reserves and Surplus	218,820.76	227,477.55	227,547.65	222,037.66	191,251.03
Share Application Money	0.00	5,410.00	0.00	0.00	0.00
Deposits	3,860,248.56	3,783,915.76	3,614,539.39	3,427,200.09	3,168,699.17
Borrowings	579,217.94	412,258.73	375,413.28	309,573.52	353,599.82
Other Liabilities and Provisions	110,208.83	91,107.95	95,484.67	81,273.34	96,251.50
Total Liabilities	**4,775,760.38**	**4,527,044.40**	**4,319,859.40**	**4,046,959.02**	**3,816,159.31**
Assets					
Cash and Balances with Reserve Bank of India	214,338.84	165,204.47	154,657.78	156,047.21	150,630.78
Balances with Banks and Money at Call and Short Notice	181,416.37	163,020.55	128,547.47	136,715.00	73,149.44
Investments	1,284,178.42	1,121,489.60	1,190,312.22	892,083.46	844,617.29
Advances	2,908,500.68	2,864,665.77	2,652,050.56	2,673,540.02	2,556,545.65
Fixed Assets	38,427.86	38,944.15	38,391.16	39,398.72	26,819.53
Other Assets	148,898.21	173,719.86	155,900.22	149,174.61	164,396.61
Total Assets	**4,775,760.38**	**4,527,044.40**	**4,319,859.40**	**4,046,959.02**	**3,816,159.31**

Summary Standalone Statement of Profit and Loss

(₹ in million)

Particulars	September 2017	March 2017	September 2016	March 2016	March 2015
I) Income					
Interest Earned	163,754.31	326,599.80	160,847.60	321,988.01	320,839.62
Other Income	26,319.86	49,645.99	21,793.26	36,317.35	35,230.02
Total Income	**190,074.17**	**376,245.79**	**182,640.86**	**358,305.36**	**356,069.64**
II) Expenditure					
Interest Expended	118,121.02	237,566.45	117,050.70	238,857.02	236,400.66
Operating Expenses	31,997.57	64,378.45	31,142.42	63,022.16	61,434.29
Provisions and Contingencies	54,096.98	68,748.76	31,017.84	42,910.16	40,418.30
Total Expenses	**204,215.57**	**370,693.66**	**179,210.96**	**344,789.34**	**338,253.25**
III)					
Net Profit for the Year	**(14,141.40)**	**5,552.13**	**3,429.90**	**13,516.02**	**17,816.40**
Profit Brought Forward	0.00	0.04	0.00	4.16	4.10
Amount Available for Appropriation	(14,141.40)	5,552.17	3,429.90	13,520.18	17,820.50
IV) Appropriation					
Transfer to Statutory Reserve	0.00	1,387.50	0.00	4,055.00	5,345.00
Transfer to Capital Reserve	0.00	2,314.67	0.00	448.47	269.98
Transfer to Revenue and Other Reserves	0.00	0.00	0.00	5,481.70	5,559.70
Transfer to Special Reserve (Sec 36 (i) (viii) of Income Tax Act 1961)	0.00	1,850.00	0.00	1,920.00	2,000.00
Dividend for the previous year paid during the year (including tax on dividend)	0.00	0.00	0.00	0.00	0.00
Dividend for the current year	0.00	0.00	0.00	1,340.51	3,867.51
Tax on dividend for the current year	0.00	0.00	0.00	274.46	774.15
Balance Carried over to Balance Sheet	0.00	0.00	0.00	0.04	4.16
Total	**(14,141.40)**	**5,552.17**	**3,429.90**	**13,520.18**	**17,820.50**
Basic Earning Per Share	(20.21)	8.08	4.99	20.42	28.05
Diluted Earning Per Share	(20.21)	8.08	4.99	20.42	28.05

Summary Standalone Cash Flows

(₹ in million)

Particulars	March 2017	March 2016*	March 2015
Net Cash Flow From Operating Activities	4,642.40	87,183.40	(37,994.80)
Net Cash Flow From Investing Activities	(5,228.80)	(15,603.40)	(2,548.10)
Net Cash Flow From Financing Activities	36,049.20	(2,598.00)	33,594.40
Net Increase (decrease) in Cash & Cash Equivalent	**35,462.80**	**68,982.00**	**(6,948.50)**
Cash and Cash Equivalents as at the beginning of the year	**292,762.20**	**223,780.20**	**230,728.70**
Cash and Cash Equivalents as at the end of the year	**328,225.00**	**292,762.20**	**223,780.20**

*These numbers are from the standalone financial statements for the financial year ended March 31, 2016 and not re-classified.

RISK FACTORS

This Placement Document contains forward-looking statements that involve risks and uncertainties. Our financial performance may differ from such forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Placement Document. Prospective investors should carefully consider the following risk factors as well as other information included in this Placement Document prior to making any investment decision. If any of the risks described below, or other risks that are not currently known or are currently deemed immaterial actually occur, our business prospects, results of operations and financial condition could be adversely affected, the trading price of the Equity Shares could decline, and investors may lose all or part of the value of their investment.

The financial and other related implications of the risk factors, wherever quantifiable, have been disclosed in the risk factors mentioned below. However, there are certain risk factors where the financial impact is not quantifiable and, therefore, cannot be disclosed in such risk factors. In order to obtain a complete understanding of our business, you should read this section in conjunction with the sections "Industry Overview", "Our Business", "Risk Management", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Selected Statistical Information" as well as other financial information contained in this Placement Document. You should consult your tax, financial and legal advisors about the particular consequences to you of an investment in this Issue.

Our fiscal year ends on March 31 of each year, and references to a particular fiscal are to the twelve months ended March 31 of that year. Unless otherwise specified or as the context requires, financial information herein for Fiscal 2015, 2016 and 2017 is derived from our Audited Standalone Financial Statements, and financial information included herein for the six months ended September 30, 2016 and 2017 is from our Unaudited Interim Financial Information. For further information, see "Financial Statements".

Unless otherwise indicated, industry and market data used in this section has been derived from industry publications and other publicly available information.

Unless otherwise stated, references to "the Bank" or "our Bank", are to Union Bank of India on a standalone basis and references to "the Group", "we", "us", "our", are to Union Bank of India on a consolidated basis.

Risks Relating to our Business

1. An increase in our Bank's portfolio of NPAs or provisioning requirements required under applicable RBI regulations could adversely affect our business, financial condition and results of operations.

Our Bank has historically experienced increasing NPAs. Gross NPAs of our Bank were ₹ 337,122.80 million and ₹ 382,858.40 million as of March 31, 2017 and September 30, 2017, respectively, representing 11.17% and 12.35%, respectively, of gross advances as of such dates; while net NPAs were ₹ 188,321.00 million and ₹ 194,793.90 million as of March 31, 2017 and September 30, 2017, respectively, representing 6.57% and 6.70%, respectively, of net advances as of such dates.

Any significant increase in NPAs may have a material adverse effect on our financial condition and results of operations. The increase in our Bank's NPAs can be attributed to several factors, including macroeconomic conditions, increased competition, slow industrial and business growth, high levels of debt involved in financing of projects, policies formulated by the GoI and/or regulatory authorities and significant borrowings by companies in India at relatively high interest rates. Although our Bank's loan portfolio includes loans to a wide range of businesses and industries, financial difficulties experienced by our customers or by particular sectors of the Indian economy, such as the infrastructure sector, the real estate sector and the agriculture sector, to which sectors we have historically had and continue to have significant exposure, could significantly increase our NPA levels and materially and adversely affect our business, future financial performance and the trading price of the Equity Shares. In addition, our Bank is required by applicable RBI regulations to extend 40.00% of adjusted net bank credit or credit equivalent amount of off-balance sheet exposure, whichever is higher, to "priority sectors", as identified by the RBI, including the agriculture sector. Economic downturns experienced in priority sectors would likely have a material and direct adverse effect on our NPA levels.

Future recovery pattern of NPA accounts may not be similar to our Bank's past experience of recoveries of NPAs. Our Bank's retail loan portfolio has grown over the years, but there is limited data on historical loss ratio in retail loans, especially in the event of adverse macroeconomic factors. Furthermore, the impact of global and Indian economic conditions on equity and debt markets may also lead to an increase in the level of NPAs in our Bank's corporate loan portfolio.

Provisions for NPAs are created by a charge to our profit and loss account and are currently subject to minimum provisioning requirements, linked to ageing of NPAs. In addition to the relevant regulatory minimum provisioning, we also consider our internal estimate for loan losses and risks inherent in the credit portfolio when deciding on the appropriate level of provisions. The determination of an appropriate level of loan losses and provisions involves a degree of subjectivity and requires that we make estimates of current credit risks and future trends, all of which may be subject to material changes. Any significant changes in macroeconomic scenario along with other factors may result in our Bank's provisioning not being adequate to cover any further increase in the amount of NPAs or any further deterioration in our NPA portfolio. While we have already made provisions for NPAs, there can also be no assurance that the RBI will not further increase provisioning requirements in the future. Our Bank's provision coverage ratio for Fiscal 2017 was 51.41%. The surplus from provisioning under the provision coverage ratio as against the provisioning required under the prudential provisioning norms is required to be segregated into an account termed counter cyclical provisioning buffer. Any future increases in provisions mandated by the RBI or other regulatory changes could lead to an adverse impact on our business, future financial performance and the trading price of the Equity Shares. Further, the requirements of provisioning prescribed by the RBI may differ from our internal provisioning requirements and accordingly, we may be compulsorily required to increase our Bank's provisions to comply with the RBI requirements.

In addition to the debt recovery and security enforcement mechanisms available to lenders under the DRT Act and the SARFAESI Act, the RBI provides for various mechanisms that may be adopted by banks to deal with stressed assets. These include the Scheme for Sustainable Structuring of Stressed Assets ("S4A"), Corporate Debt Restructuring and Strategic Debt Restructuring ("SDR") Scheme. The RBI is active in its identification, classification and recovery of NPAs. The Insolvency and Bankruptcy Code, 2016 ("IBC"), was enacted recently by the GoI, to address the concerns of lenders and provide corporate debtors with an exit mechanism. In this respect, our Bank has initiated insolvency proceedings against 73 borrowers, which are at various stages of hearing. Our Bank has made provisioning for an amount of ₹ 18,169.6 million. Further, the RBI has stated that for accounts identified for resolution under the IBC, the banks must make a minimum provision of 50.00% for the secured portion of the outstanding amount and 100.00% for the unsecured portion. See "Regulations and Policies". The Banking Regulation (Amendment) Act, 2017, provides that the GoI may by order authorize the RBI to issue directions to banking companies to initiate insolvency proceedings under the IBC. In this respect, the RBI has issued directions for identifying accounts due for reference by banks under the IBC. Such accounts with fund and non-fund based outstanding amount greater than ₹ 50,000 million, with 60% or more classified as non-performing by banks as of March 31, 2016 would be referred for resolution under IBC and are to be resolved by December 13, 2017, failing which insolvency proceedings under IBC would be initiated before December 31, 2017. In this respect, RBI has identified 30 accounts to the Bank for immediate reference of resolution under the IBC. However, there can be no assurance that these regulatory measures will have a favourable impact on our efforts to recover NPAs. Any failure to recover the expected value of collateral would expose us to potential loss. Banks in India are also required to share data with each other on certain categories of special mention accounts and credit information relating to the same, set up joint lenders' forums, monitor the asset quality closely and formulate action plans for resolution of these accounts. Failure to do so may result in accelerated provisioning for such cases and may result in initiation of supervisory actions by the RBI in the event we do not comply with the corrective action plan decisions. Even if an accelerated provision were made, there is no reassurance that we will be able to recover our NPAs.

2. We are exposed to various categories of borrowers, depositors and industry sectors, and a default by any large borrower, premature withdrawal of deposits or a deterioration in the performance of any of these industry sectors in which we have significant exposure would adversely affect our results of operations, the quality of our portfolio and financial condition.

Certain of our borrowers have highly leveraged balance sheets and any default by them would have a significant impact on our profitability. As of September 30, 2017, aggregate exposure (both funded and non-funded) to our Bank's ten largest borrowers amounted to ₹ 274,798.77 million, representing 84.37% of our Bank's total Tier I

and Tier II capital. Aggregate exposure (funded and non-funded) to our Bank's single largest borrower as of September 30, 2017 amounted to ₹ 46,379.18 million, representing 14.24% of our Bank's total Tier I and Tier II capital. We cannot assure you that these borrowers will continue to honour their commitments and that there will be no defaults in future. We cannot assure you that there will not be any delay in payments of interest and/or principal from these borrowers. If any of them were to become non-performing, our exposure to credit risk would increase, and our net profits would decline and, due to the magnitude of the exposures, our ability to meet capital requirements could be jeopardised.

Our Bank also has credit exposure to various industrial sectors in India. As of September 30, 2017, our Bank's largest exposures were to the infrastructure, retail advances and agriculture sectors at ₹ 482,340.00 million, ₹ 447,390.38 million and ₹ 429,090.00 million, respectively, representing 15.56%, 14.43% and 13.84%, respectively, of our Bank's gross total advances. The global and domestic trends in these industries may have a bearing on our financial position.

Any significant deterioration in the performance of a particular sector, driven by events outside our control, such as regulatory actions or policy announcements by the GoI or state government authorities, may adversely impact the ability of borrowers in that industry to service their debt obligations. As a result, we may experience increased delinquencies which may adversely affect our business, future financial performance, shareholders' funds and the price of the Equity Shares.

As of March 31, 2015, 2016, and 2017 and as of September 30, 2017, our Bank's total deposits of ten largest depositors were ₹ 269,707.04 million, ₹ 236,255.54 million, ₹ 173,837.99 million and ₹ 220,451.82 million, respectively. The percentage of deposits of ten largest depositors to total deposits of our Bank accounted for approximately 8.51%, 6.89%, 4.59% and 5.71%, as of March 31, 2015, 2016 and 2017, and September 30, 2017, respectively. We cannot assure you that there will not be any premature withdrawal or non-renewal of deposits from these depositors. In the event any of the above-mentioned risks materialise, our business, results of operations and financial conditions may be adversely affected.

3. Any volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, income from treasury operations and our financial condition and results of operations.

Our results of operations depend to a large extent on the level of our net interest earned as our primary revenue source is interest earned. In Fiscal 2017 and in the six months ended September 30, 2017, net interest margin was 2.23% and 2.07%, respectively, while net interest income, as a percentage of total income, was 23.66% and 24.01%, respectively, in such periods. Our business could be adversely impacted by a rise in generally prevailing interest rates on deposits. Changes in market interest rates affect the interest rates we charge on our interest-earning assets differently from the interest rates we pay on our interest-bearing liabilities and also affect the value of our investments. An increase in interest rates could result in an increase in interest expense relative to interest earned if we are not able to increase the rates charged on our loans and advances or if the volume of our interest-bearing liabilities is larger or growing faster than the volume of our interest-earning assets. In the event of such increases in interest rates, our net interest margin could be adversely affected because the interest paid by us on our deposits could increase at a higher rate than the interest received by us on our advances and other investments. The interest that we earn on the amounts maintained in fixed income government securities could also have a negative impact on our treasury income because interest earned on this portion of our assets is at rates that are generally far less favorable than those received on our other interest-earning assets.

We are also exposed to interest rate risk through our treasury operations. A rise in interest rates or greater interest rate volatility could adversely affect our income from treasury operations or the value of our fixed income securities trading portfolio. Sharp and sustained increases in interest rates applicable to floating rate loans, could also result in extension of loan maturities and higher monthly instalments due from borrowers, which could result in higher rates of default in loan portfolio.

4. The value of the collateral provided by borrowers against advances may decrease or we may experience delays in enforcing our collateral if borrowers default on their obligations.

As of September 30, 2017, 89.97% of our Bank's advances were secured by tangible assets and covered by our Bank and GoI's guarantees, including real estate assets, property, gold ornaments, plant, equipment, inventory, receivables, current assets and pledges or charges on fixed assets, bank deposits or financial assets such as

marketable securities and guarantees provided by our borrowers. The value of the collateral securing our loans may fluctuate or decline due to factors beyond our control, including those affecting the Indian and global economy in general. While we ensure that there is a buffer for reduction in value, this may not be sufficient if the value of the collateral reduces significantly, in particular in cases of advances that are secured by highly depreciating fixed assets such as vehicles and agricultural equipment.

In the event our borrowers default on the repayment of loans, we may not be able to realize the full value of the collateral due to various reasons, including a possible decline in the realizable value of the collateral, defective title or pledge of spurious items as security, prolonged legal proceedings and fraudulent actions by borrowers, or we may not be able to foreclose on collateral at all. Further, certain kinds of loans that are advanced by us are not secured by any assets. In terms of the Banking Regulation Act, 1949, a banking company is not permitted to hold any immovable property (except as is required for its own use), for any period exceeding seven years, or as may be extended by RBI for a period not exceeding five years, on a case to case basis. Such restriction may force us to dispose the collateral, upon foreclosure, without realizing the full value of such collateral.

In India, foreclosure on collateral may be subject to delays and administrative requirements that may result, or be accompanied by, a decrease in the value of the collateral. The SARFAESI Act, the Recovery of Debts Due to Bank and Financial Institutions Act, 1993 and the RBI's corporate debt restructuring mechanism have strengthened the ability of lenders to resolve NPAs by granting them greater rights to enforce security and recover amounts owed from secured borrowers. In India, foreclosure on collateral generally requires a written petition to an Indian court or tribunal. Although special tribunals have been set up for expeditious recovery of debts due to banks, any proceedings brought may be subject to delays and administrative requirements that may result in, or be accompanied by, a decrease in the value of the collateral. In addition, pursuant to RBI prudential guidelines on restructuring of advances by banks, our Bank may not be allowed to initiate recovery proceedings against a corporate borrower, avail credit facilities from more than one bank / financial institution under multiple banking/syndication/consortium lending partners, where the borrower's aggregate total debt is ₹ 100 million or more and 60.00% of the lenders by number and holding at least 75.00% or more of the borrower's debt by value decide to restructure their advances. In such circumstances, we are restricted to a restructuring process only as approved by the majority lenders. If we own 25.00% or less of the debt of a borrower, we could be forced to agree to an extended restructuring of debt or may commit to additional financing, which may not be in our interests and result in an increase in our existing level of exposure to the borrower.

A decline in the value of the security could impair our ability to realize the secured assets upon any foreclosure, which may require us to increase our Bank's provision for loan losses. In the event of a default with respect to any of these loans, the amounts we receive upon sale of the secured assets may be insufficient to recover the outstanding principal and interest on the loan. If we are required to re-value the assets securing a loan to satisfy the debt during a period of reduced asset values or to increase our allowance for loan losses, our profitability could be adversely affected, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

5. Our funding is primarily in the form of deposits, and we may not be able to secure longer-term funding for our operations when we need it or at a cost that is favourable.

Our funding requirements are met primarily through short-term and medium-term customer deposits. In the past, a substantial portion of our customer term deposits has been rolled over upon maturity and has been a stable source of funding. However, if a substantial number of our depositors do not roll over term deposits upon maturity, our liquidity position will be adversely affected. Although retail deposits constitute a significant part of our deposit base, we also accept high value deposits depending on funding requirements. As a result, we may be required to seek funding from more expensive sources to finance our operations, which would result in a decline in our net profits and may have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition to short and medium-term customer deposits, our other sources of funding are primarily market borrowings such as certificate of deposits, interbank term deposits, repos, collateralized borrowing and lending obligation borrowings and refinances. Failure to obtain these sources of funding or replace them with other deposits or borrowings at competitive rates may materially and adversely affect our business, financial condition and results of operations.

Our cost of funds is sensitive to interest rate fluctuations, which exposes us to the risk of reduction in spreads (which is the difference between the returns that we earn on our advances and investments and the amounts that we must pay to fund them) on account of changing interest rates. We also face pre-payment risk on our loans, which may result in losing future interest and reduced cash flow if we are unable to re-invest the proceeds at similar interest rates. For certain products, we may not be able to collect prepayment charges. We are also not permitted by the extant regulatory guidelines to charge foreclosure charges or prepayment penalties on all floating-rate term loans to individual borrowers.

The pricing on our issuances of debt will also be negatively impacted by any downgrade or potential downgrade in our credit ratings, which could increase our financing costs, and adversely affect our future issuances of debt and our ability to raise new capital on a competitive basis.

6. We are dependent on our branch network for the success of our business and financial performance. Any failure to increase our coverage will adversely affect our growth.

As of September 30, 2017, our Bank had a wide distribution network in India that included 4,291 branches across 29 states and six union territories in India and 46.51% of our branches were located in north and central India, 21.46% in south India, 18.65% in west India, and 13.38% in east India. In addition, certain of our branches are only engaged for processing certain specific products such as home loans..

In addition, our newly opened branches may not be profitable immediately upon their opening or may take time to break even. In the event of delay in achieving break even by the newly opened branches within a reasonable period as envisaged by us, our profitability may be affected. Our branch expansion plans may have an adverse effect on the capital outlay which in turn may adversely affect the financial condition and results of operations of our Bank. There will also be increased expenditure as a result of our strategy to expand into new geographies, including those planned for our branch network expansion, and newer businesses, such as retail assets and, where our brand is not well known in the market.

Owing to our Bank's branch network we may be subject to additional risks inherent with an extensive network, including but not limited to upgrading, expanding and securing our technology platform in such branches, higher technology costs, operational risks including integration of internal controls and procedures, ensuring customer satisfaction, compliance with KYC, AML and other regulatory norms, recruiting, training and retaining skilled personnel, failure to manage third-party service providers in relation to any outsourced services and difficulties in the integration of new branches with our existing branch network. Any of the above reasons may result in our failure to manage a large branch presence, which may materially and adversely affect our brand, reputation, financial condition and result of operations.

7. There are restrictions on opening new branches in tier I centres. In case we are unable to expand our branches in tier I centres, it may impact the growth of our deposit base which may in turn adversely affect our business prospects.

The RBI has granted general permission to public sector banks to open branches in India, subject to following conditions:

(a) at least 25% of the total number of branches opened during a financial year are in unbanked rural (tier V and tier VI) centres; and
(b) number of branches opened in tier I centres in a given financial year should not be more than number of branches opened in tier II to tier VI centres and all centres in North Eastern states and Sikkim.

As of September 30, 2017, we had 1,758 branches in tier I centres and 2,533 branches in tier II to tier VI centres. Deposits maintained at tier I centres constitute 75.31% of our Bank's total deposits. Our ability to set up branches in tier I centres to grow our deposit base depends in part on our ability to comply with conditions prescribed by RBI for expanding our network of branches in tier I cities. An inability to grow our deposit base may adversely impact our business prospects.

8. We are exposed to fluctuations in foreign exchange rates.

We undertake various foreign exchange transactions to hedge our own risk and also for proprietary trading which are exposed to various kinds of risks including but not limited to settlement and pre-settlement risk, market risk and exchange risk. We have adopted certain market risk management policies to mitigate such risks by imposing

various risk limits such as counterparty limits, country wise exposure limits, overnight limits, intraday limits and monitoring the Value at Risk (the "VaR"). We follow a model approved by the Foreign Exchange Dealers Association of India to arrive at the VaR. However, our Bank is exposed to fluctuation in foreign currency rates for its un-hedged exposure. In addition, a majority of our Bank's foreign currency borrowings are in the form of intra-day loans availed by our Bank's Hong Kong branch, which are subject to significant fluctuations on a daily basis. As of March 31, 2017 and September 30, 2017, our Bank's credit exposure on account of outstanding gross forward exchange contracts was ₹ 76,983.31 million and ₹ 59,305.68 million, respectively. Further, as of September 30, 2017, our Bank had foreign currency borrowings of ₹ 293,286.79 million, which represented 6.14% of our Bank's total liabilities (including capital, reserves and surplus), thereby resulting in foreign currency risk in respect of our ability to service such debt. Adverse movements in foreign exchange rates may also impact our borrowers negatively which may in turn impact the quality of our exposure to these borrowers. Volatility in foreign exchange rates may be further accentuated due to other global and domestic macroeconomic developments. As a result, our future financial performance and the market price of the Equity Shares may be adversely affected.

9. Our Bank's loan portfolio contains significant advances to the agricultural sector and any change in lending rates applicable to this sector may adversely affect our future financial performance.

Our Bank's loan portfolio contains significant advances to the agricultural sector amounting to outstanding priority sector lending ₹ 490,473.45 million as of September 30, 2017 (which includes investments in the Rural Infrastructure Development Fund), which represented 18.79%, of our Bank's adjusted net bank credit as of September 30, 2017. The GoI's agricultural lending plans may contemplate banks, including our Bank, lending at below market rates in the agricultural sector. RBI guidelines stipulate that our agricultural advances be 18.00% of adjusted net bank credit ("ANBC") or credit equivalent amount of off-balance sheet exposure, whichever is higher. In addition, the market may perceive the exposure of public sector banks to the agricultural sector to involve higher risks. Further, certain state governments have recently waived loans to certain customer segments, such as farmers, which may have an adverse impact on the overall loan recovery climate. This may negatively affect the risk-adjusted returns of banks and may adversely affect our business, future financial performance and the trading price of the Equity Shares. The Finance Act, 2017 provides for increased focus on the agricultural sector. In the event that we are required to increase our exposure to the agricultural sector pursuant to GoI mandated directed lending, it may adversely affect our future financial performance.

10. Our business and financial performance may be adversely affected by an increase in level of restructured loans in our portfolio and inadequate performance of our restructured loans.

Our standard assets include restructured standard loans. Gross standard restructured assets as a proportion of gross advances as of March 31, 2017 and September 30, 2017, were 1.89% and 1.70%, respectively. In the event of slowing economic activity, rising interest rates and the limited ability of corporations to access capital due to volatility in global markets, there may be further increase in restructured loans in the banking system, including in our loan portfolio. Furthermore, the quality of our long-term project finance loan portfolio may be adversely impacted by several factors. Economic and project implementation challenges, in India and internationally, could result in additions to restructured loans and it may be difficult to control or reduce the level of restructured loans in our project and corporate finance portfolio.

We restructure assets based on a borrower's potential to restore its financial health. However, certain assets classified as restructured may subsequently be classified as delinquent or non-performing in the event a borrower fails to restore its financial viability and honor its loan servicing commitments to us. There can be no assurance that the debt restructuring criteria approved by us will be adequate or successful and that borrowers will ultimately be able to meet their obligations under restructured loans.

Pursuant to guidelines issued by the RBI, loans that are restructured (other than due to delays in project implementation under certain conditions and up to specified periods) from April 1, 2015 are required to be classified as non-performing. The general provision required on restructured standard advance was increased from 4.25% with effect from March 31, 2015, to 5.00% with effect from April 1, 2016. As of September 30, 2017, our Bank had outstanding standard restructured accounts of ₹ 52,700.33 million, with provision on this account of ₹ 4,507.20 million. As a consequence of such provisioning requirements under applicable RBI guidelines, our profitability is also adversely affected.

The combination of changes in regulations regarding restructured loans, provisioning, and any substantial increase in the level of restructured assets and the failure of these structured loans to perform as expected could materially adversely affect our business, future financial performance and the trading price of the Equity Shares.

11. Our international operations are subject to legal and regulatory risks. If we are unable to manage our foreign operations or any further international expansion, our operations may incur losses or otherwise adversely affect our business and results of operations.

As of September 30, 2017, our international operations include the operations of our Subsidiary, Union Bank of India (UK) Limited and four of our Bank's branches in Hong Kong, the DIFC (Dubai), Antwerp and Sydney. In addition, we have three representative offices in Abu Dhabi, Shanghai and Beijing. Given our international operations, we are subject to a wide variety of international banking and financial services laws and regulations and regulatory and enforcement authorities in the jurisdictions in which we operate. The laws and regulations governing the banking and financial services industry have become increasingly complex, governing a wide variety of issues, including interest rates, liquidity, capital adequacy, securitisation, investments, ethical issues, money laundering, privacy, record keeping, outsourcing and marketing and selling practices, with sometimes overlapping jurisdictional or enforcement authorities. Failure to comply with applicable regulations in various jurisdictions, including unauthorised actions by employees, representatives, agents and third parties, suspected or perceived failures and media reports, and future inquiries or investigations by regulatory and enforcement authorities, may result in regulatory action including financial penalties and restrictions on or suspension of the related business operations. We may also face difficulties integrating new facilities in different countries into our existing operations, as well as integrating employees that we hire in different countries into our existing corporate culture or comply with unfamiliar laws and regulations. In addition, we face competition from banks in other countries that may have more experience and resources in those countries or in international operations generally. We remain a small-size operator in the foreign markets where we are currently present and many of our competitors have much greater resources. If we do not effectively manage our foreign operations, our results of operations may be adversely affected.

12. We rely on our correspondent banks in other countries to facilitate our foreign exchange operations. Any failure to maintain such relationships or enter new such relationships could impact our ability to grow our foreign exchange business.

We maintain nostro accounts in foreign currencies with correspondent foreign banks for facilitating our treasury, trade and remittance transactions. Such accounts facilitate inward and outward remittance, whereby our customers can remit funds to India in any of the currencies for which we have opened such accounts, by instructing their banks to remit the funds to our nostro account maintained in that particular currency. In case we intend to cater to a different foreign location or currency, we may need to open such nostro accounts with the correspondent banks in those locations. Opening and maintaining such accounts requires compliance with strict KYC norms and any failure to adhere to such norms may result in the correspondent bank closing these accounts. Further, a correspondent bank may discontinue any of the services that it offers in relation to such accounts, which may result in customer dissatisfaction. In addition, we depend on our relationships to avail intra-day facilities, both in India and other jurisdictions, which is required in our Bank's ordinary course of business. We cannot assure you that we will be able retain our existing correspondent banks or enter into similar arrangements with new correspondent banks on commercially reasonable terms or at all. In the event that we are unable to open new accounts or continue to maintain existing accounts with our correspondent banks for any reason whatsoever, we could be forced to scale back our treasury, trade and remittance business, which could adversely affect our business, cash flows, results of operations and financial condition.

13. Our Bank has previously been subject to show cause notices, fines, penalties and settlement payments, imposed by the RBI and other statutory bodies in connection with regulatory investigations, show cause notices, sanctions, and requirements relating to conduct of business and financial crime, which could negatively affect our business and financial results, or cause serious reputational harm to our Bank.

The RBI is empowered under the Banking Regulation Act and the circulars, guidelines and notifications issued thereunder to impose penalties on banks and their employees, to enforce applicable regulatory requirements. In the past, the RBI has levied penalty on us for non-compliance with guidelines and instructions issued by the RBI from time to time, as well as on account of fraud. We have been penalized by the RBI for a cumulative amount of ₹ 0.84 million in Fiscal 2017 and ₹ 30.00 million in the six months ended September 30, 2017 as follows:

(a) RBI has pursuant to its orders dated July 26, 2017, imposed a penalty of ₹ 30 million for non-compliance with the directions issued by RBI on KYC norms.

Further, the following statutory bodies have imposed penal interest on the Bank:

(a) Penal interest of ₹ 6.27 million due to delayed remittances of collection made under the Public Provident Fund Scheme, 1968 during the audit period 2013 – 2015, vide letter from MoF dated October 11, 2017; and

(b) Penal interest of ₹ 1.70 million on the deposit insurance premium paid by the Bank for the six months ended September 30, 2013 by the Deposit Insurance and Credit Guarantee Corporation vide letter dated April 16, 2014.

In addition, being a listed entity, our Bank is also required to comply with the requirements of the SEBI Listing Regulations and other requirements prescribed by SEBI and the Stock Exchanges from time to time. In the past there may have been a violation of the SEBI Listing Regulations in relation to providing prior intimation to Stock Exchanges in the form required by the Stock Exchanges; and as such, can attract penal action from the Stock Exchanges, SEBI and/or any other regulatory authority or court under the SEBI Act and/or any other applicable securities laws.

Further, we are periodically subject to inspections by the relevant authorities, including the RBI. Certain of these inspections have resulted in investigations and cases commenced against us or some of our employees. Going forward we will remain subject to similar inspections, investigations and cases. If one or more of such inspections, investigations or cases leads to a significant award or penalty against us, our business may be adversely affected.

We cannot predict the initiation or outcome of any further investigations by other authorities or different investigations by the RBI. The penalties imposed by such regulators, or any future scrutiny, investigation, inspection or audit which could result in fines, public reprimands, reputational loss, significant time and attention from our management, costs for investigations and remediation of affected customers, may materially and adversely affect our business and financial performance.

14. The banking industry in India is subject to extensive regulation and significant changes in regulations may adversely affect our business and our future financial performance.

Banks in India are subject to detailed regulation and supervision by the RBI. In addition, banks are generally subject to changes in Indian law, as well as to changes in regulations, government policies and accounting principles. We operate in a highly regulated environment in which the RBI extensively supervises and regulates all banks. Our business could be directly affected by any changes in policies for banks in respect of directed lending, reserve requirements and other areas. For example, the RBI could change its methods of enforcing directed lending standards so as to require more lending to certain sectors, which could require us to change certain aspects of our business. In addition, we may be subject to other changes in laws and regulations, such as those affecting the extent to which we can engage in specific businesses or those that reduce our profits through a limit on either fees or interest rates that we may charge our customers or those affecting foreign investment in the banking industry, as well as changes in other governmental policies and enforcement decisions, income tax laws, foreign investment laws and accounting principles. The laws and regulations governing the banking sector, including those governing the products and services that we provide or propose to provide, could change in the future.

The lending norms of the RBI require every scheduled commercial bank to extend 40.00% of its ANBC or credit equivalent of off-balance sheet purposes, whichever is higher, to certain eligible sectors, such as agriculture, micro, small and medium enterprises, export credit, education, housing, social infrastructure, renewable energy and others (which are categorized as "priority sectors"). Economic difficulties are likely to affect those borrowers in priority sectors more severely. As of March 31, 2017, our lending to priority sectors accounted for 42.46% of ANBC. On November 7, 2012 the RBI issued guidelines to consolidate the various instructions or guidance on liquidity risk management and to harmonize and enhance these instructions or guidance in line with the Principles for Sound Liquidity Risk Management and Supervision as well as the Basel III Guidelines. They include enhanced guidance on liquidity risk governance, the measurement, monitoring and reporting of liquidity positions to the RBI and minimum global regulatory standards of LCR and NSFR. RBI also issued the final guidelines on

'Framework on Liquidity Standards – Liquidity Coverage Ratio ("LCR"), Liquidity Risk Monitoring Tools and LCR Disclosure Standards' on June 9, 2014 to be implemented by the banks immediately and the LCR binding on banks from January 1, 2015. RBI issued the draft guidelines for NSFR standards in May, 2015 and the final guidelines on NSFR, when issued, will be binding on banks from January 1, 2018.

In February 2015, RBI issued the Guidelines for implementation of Countercyclical Capital Buffer ("CCCB"). According to the CCCB guidelines, we will have to maintain higher level of CET1 ranging from 0% to 2.5%, if the credit-to-GDP ratio in India is in the range of 3% to 15%. Based on the review and empirical testing by the RBI of CCCB indicators, it has been decided that it is not necessary to activate CCCB currently. The RBI also stipulates policy measures designed to curb inflation. Over the last few fiscals, the RBI has, in order to increase liquidity, reduced the repo rate and the reverse repo rate. Currently, RBI has stipulated repo rate of 6.00% and reverse repo rate of 5.75% with effect from August 2, 2017. Similarly, the RBI gradually decreased the CRR, which indicates the amount of cash a bank must hold in its reserves, from 6.00% in April 2010 to 4.00% effective February 9, 2013 in order to increase banks' ability to provide loans or make investments.

Laws and regulations governing the banking sector may change in the future and any changes may adversely affect our business, our future financial performance and the price of our Equity Shares.

15. We are subject to an annual financial inspection ("AFI") and risk assessment by the RBI. Non-compliance with RBI observations could adversely affect our business, financial condition or results of operations.

We are subject to an AFI by the RBI under the Banking Regulation Act. In the past, the RBI has made certain observations in the AFI reports regarding our business and operations, such as, amongst others, non-compliance with regulatory guidelines including shortfall in sub-targets, breach of risk limits, (including stop loss limit, daylight limit and aggregate gap limit), divergence in NPA classification and inadequate NPA management system and supervisory capital, inadequate KYC documentation in relation to existing loan accounts, lack of functional clarity and synergy in risk management and credit monitoring, failure to review the information technology security policies and upgradation of information technology systems, no stipulations on limits on unhedged foreign currency position of corporates and no mechanism to mitigate risk emanating from group entities. In addition, the RBI has suggested that the scope of review of the external auditor should be increased. The RBI has also observed that the Bank failed to identify deficiencies in several key areas that subsequently witnessed fraud.

Inspection by the RBI is a regular exercise and is carried out periodically by the RBI for all banks and financial institutions. While we attempt to be in compliance with all regulatory provisions applicable to us, in the event we are not able to comply with the observations made by the RBI, we may be subject to penalties by the RBI. Imposition of any penalty by RBI may have a material adverse effect on our reputation, financial condition and results of operations.

16. Material weakness of failures of our internal control system may cause significant operational errors, which may in turn materially and adversely affect our profitability and reputation.

We are responsible for establishing and maintaining adequate internal measures commensurate with our size and complexity of our operations. Our internal or concurrent audit functions are equipped to make an independent and objective evaluation of the adequacy and effectiveness of internal controls on an ongoing basis to ensure that business units adhere to our policies, compliance requirements and internal circular guidelines.

While we periodically test and update, as necessary, our internal control systems, we are exposed to operational risks arising from the potential inadequacy or failure of internal processes or systems, and our actions may not be sufficient to guarantee effective internal controls in all circumstances. Given our high volume of transactions, it is possible that errors may repeat or compound before they are discovered and rectified. Our management information systems and internal control procedures that are designed to monitor our operations and overall compliance may not identify every instance of non-compliance or every suspicious transaction. If internal control weaknesses are identified, our actions may not be sufficient to fully correct such internal control weakness. For example, our auditors have identified certain irregularities in relation to identification and classification of NPA accounts, software bugs and monitoring for NPA classification.

We face operational risks in our business and there may be losses due to deal errors, deficiencies in the credit sanction process, settlement problems, errors in computation of net asset value, pricing errors, inaccurate financial reporting, fraud and failure of critical systems and infrastructure. In Fiscal 2017 and in the six months ended September 30, 2017, the number of frauds detected were 127 and 54, respectively, having an aggregate pecuniary implication of approximately ₹ 8,964.20 million and ₹ 928.48 million, respectively. For example, a fraud conducted at one of our branches went undetected for a period of four years. Further, there is no guarantee that our existing fraud monitoring systems or our improvements will be able to monitor or detect all the frauds that may occur in the future. In addition, we carry out certain processes manually, which may increase the risk that human error, tampering or manipulation will result in losses that may be difficult to detect. As a result, we may suffer material monetary losses.

17. Our investment portfolio comprises largely of government securities that may limit our ability to deploy funds in higher yield investments.

As of March 31, 2017 and September 30, 2017, government securities represented 80.11% and 80.20% of our Bank's domestic investment portfolio, respectively, and comprised 32.31% and 32.54% of our Bank's demand and term liabilities, respectively. We earn interest on such government securities at rates which are less favorable than those which it typically receives in respect of its retail and corporate loan portfolio, and this adversely impacts our net interest income and net interest margin. In addition, the market and accounting value of such securities could be adversely affected by overall rising interest rates.

Although many of these government securities are short-term in nature, the market value of our holdings could decrease if interest rates increase. In such cases, we may have to choose between liquidating our investments and incurring losses, or holding the securities and potentially being required to recognize an accounting loss upon marking to market the value of such investments, and either outcome may adversely impact our financial condition.

18. Our Bank has experienced negative cash flows from operating activities and investing activities in certain recent fiscal periods.

Our Bank has experienced negative cash flows from operating activities and investing activities in recent fiscal years. In Fiscal 2015, net cash used in operating activities was ₹ 37,994.76 million and in Fiscal 2015, 2016 and 2017, net cash used in investing activities was ₹ 2,548.14 million, ₹ 16,684.10 million and ₹ 5,228.80 million, respectively. For further information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations". Negative cash flows over extended periods, or significant negative cash flows in the short term, could materially impact our ability to operate its business and implement growth plans.

19. Our inability to maintain or grow our CASA ratio may result in higher cost of deposits and impact our financial condition.

We have traditionally maintained high CASA deposits because of our large retail customer base spread across India. As of March 31, 2017 and September 30, 2017, the share of CASA deposits was at 34.44% and 33.57%, respectively of total deposits. On November 8, 2016, the GoI had announced the demonetization of bank notes of ₹ 500 and ₹ 1,000 from November 9, 2016 and commenced issuance of new ₹ 500 and ₹ 2,000 banknotes. Post-demonetization, there was a surge in the CASA deposits of banks. The share of CASA deposits of banks to their aggregate deposits has increased, which resulted in reduction in the cost of aggregate deposits, and banks correspondingly lowered their term deposit rates. We may not be able to maintain our CASA deposits and ratio owing to the increased competition from other banks and lending institutions. In order to attract retail customers and increase our CASA deposits, we intend to introduce new products and promote our products through marketing campaigns. The interest rates that we must pay to attract customer deposits are determined by numerous factors such as the prevailing interest rate structure, competitive landscape, Indian monetary policy and inflation. However, there is no assurance that we will be successful in growing our CASA base. If we fail to maintain or grow our CASA ratio, our financial condition and cash flows may be materially and adversely affected.

20. Banks and non-banking financial companies in India will be required to prepare financial statements under the Ind AS for periods beginning from April 1, 2018. There is limited clarity on the impact of such transition to Ind AS.

The Ministry of Corporate Affairs, in its press release dated January 18, 2016, issued a roadmap for implementation of Ind AS for scheduled commercial banks, insurers, insurance companies and non-banking financial companies. This roadmap requires these institutions to prepare Ind AS based financial statements for the accounting periods beginning from April 1, 2018 onwards with comparatives for the periods ending March 31, 2018. The RBI, by its circular dated February 11, 2016, required all scheduled commercial banks to comply with Ind AS for financial statements beginning April 1, 2018 and the banks were also required to submit proforma Ind AS financial statements to the RBI from the half-year ended September 30, 2016. The RBI does not permit banks to adopt Ind AS earlier than the prescribed timelines. In addition, banks are required to disclose in the annual report, the strategy for Ind AS implementation, including the progress made in this regard from fiscal year 2017 onwards.

We have submitted proforma Ind AS financial statements to the RBI, however, the possible nature and extent of impact of Ind AS on our financial reporting is still not very clear. Further, the new accounting standards will change, among other things, our methodology for estimating allowances for expected loan losses and for classifying and valuing our investment portfolio and our revenue recognition policy. For estimation of expected loan losses, the new accounting standards may require us to calculate the present value of the expected future cash flows realisable from our advances, including the possible liquidation of collateral (discounted at the loan's effective interest rate). This may result in us recognising allowances for expected loan losses in the future which may be higher than under the current Indian GAAP. We have made no attempt to quantify the impact of the differences between Indian GAAP and Ind AS. There may be a possibility that our financial condition, results of operations, cash flows or changes in shareholders' equity may appear materially different under Ind AS than under Indian GAAP. The mark to market requirements required under Ind AS may also impact our revenues and profitability. In our transition to Ind AS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. Moreover, there is increasing competition for the small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare Ind AS financial statements. Further, there is no significant body of established practice on which to draw in forming judgments regarding the new system's implementation and application. There can be no assurance that our adoption of Ind AS will not adversely affect our reported results of operations or financial condition and any failure to successfully adopt Ind AS could materially adversely affect our business, financial condition and results of operations.

Moreover, although we currently have an internal control framework in place in order to report our financial statements under Indian GAAP, and have already taken steps to ensure that our systems move to Ind AS as per the timeline, however, we will have to modify our internal control framework and adopt new internal controls in order to report under Ind AS. These new internal controls will require, amongst others, a transition to more model-based evaluation of certain items, as well as staff that are adequately knowledgeable with Ind AS. There is no assurance that we will be able to implement effective internal controls under Ind AS in a timely manner or at all and any failure to do so could materially adversely affect our financial condition and results of operations.

21. Our financial performance may be materially and adversely affected by an inability to generate and sustain other income.

Our Bank generated commission, exchange and brokerage income of ₹ 4,687.26 million and ₹ 2,253.42 million in Fiscal 2017 and in the six months ended September 30, 2017, respectively. This represented 1.25% and 1.19%, respectively, of our Bank’s total income in such periods.

We earn fee-based income from corporate banking and advisory services, which include origination and syndication of loans, structured finance and loan processing fees, and are provided to large and medium-sized companies. Our corporate banking activities are generally susceptible to sustained adverse economic conditions in India or abroad. We also earn fee-based income from our foreign exchange and treasury operations business, which include origination and syndication of debt, management of foreign currency and interest rate exposure of our corporate and business banking customers. As part of our foreign exchange and treasury operations business, we may from time to time hold assets on our balance sheet which may subject us to market risk and credit risk. There can be no assurance that we will be able to sustain current levels of income from, or effectively manage the risks associated with, these businesses in the future.

Further, as part of our growth strategy, we have been diversifying and expanding our product and service offerings to retail customers in order to build a more balanced portfolio. New initiatives, products and services entail a

number of risks and challenges, including risks relating to execution, the failure to identify new segments, the inability to attract customers and the inability to make competitive offerings. If we are unable to successfully diversify our products and services while managing the related risks and challenges, returns on such products and services may be less than anticipated, which may materially and adversely affect our business, financial condition and results of operations.

22. We are subject to capital adequacy norms and are required to maintain a CRAR at the minimum level required by RBI for domestic banks. Any inability to maintain adequate capital due to change in regulations or lack of access to capital or otherwise could materially and adversely affect our results of operations and financial condition.

We are subject to regulations relating to capital adequacy of banks, which determines the minimum amount of capital we must hold as a percentage of the risk-weighted assets on our portfolio, or capital-to-risk asset ratio ("CRAR"). The RBI has issued guidelines on the implementation of the Basel III capital regulation framework in India, and on July 1, 2015, the RBI issued a master circular on Basel III capital regulations, consolidating all relevant guidelines on Basel III issued up to June 30, 2015 (together, the "Basel III Guidelines"). The Basel III Guidelines came into effect on April 1, 2013, and, subject to a series of transitional arrangements to be phased in over a period of time, will be fully implemented by March 31, 2019.

The Basel III Guidelines require, among other things, higher levels of Tier I capital and common equity, capital conservation buffers, maintenance of a minimum prescribed leverage ratio on a quarterly basis, higher deductions from common equity and Tier I capital for investments in subsidiaries, changes in the structure of non-equity instruments eligible for inclusion in Tier I capital and loss absorbency features for non-equity Tier I and Tier II capital. The Basel III regulations require that the banks should maintain a minimum common equity tier 1 capital (CET 1) ratio of 5.50% of risk weighted assets and are required to maintain a capital conservation buffer ("CCB") of 2.5% in the form of equity share capital, Tier 1 ratio (including CCB) of 8.00% and overall CRAR (excluding CCB) of 11.5% by March 31, 2019.

We are required by the RBI to maintain a minimum capital adequacy ratio of 9.00% (excluding capital conservation buffer) in relation to our total risk weighted assets from April 1, 2013. Due to increase of size of assets and accordingly the risk weighted assets, there is an impact on the CRAR under the Basel III standards. Although we have been maintaining a CRAR under the Basel III standards, which was 11.79% as of March 31, 2017 as compared to the regulatory minimum requirement of 10.25%, there can be no assurance that we will be able to maintain our CRAR (including CCB) within the regulatory requirements. Further, any adverse developments could affect our ability to continue to satisfy the capital adequacy requirements, including deterioration in our asset quality, decline in the values of our investment or applicable risk weight for different asset classes. In case the CRAR falls below the regulatory minimum requirement we may be constrained in further expanding our business.

With the phased implementation of the Basel III guidelines, we are required to improve the quality, quantity and transparency of Tier I capital, which will now have to be predominantly equity shares. In addition, these changes may result in the incurrence of substantial compliance and monitoring costs. Furthermore, with the implementation of Basel III guidelines, our ability to support and grow our business could be limited by a declining capital adequacy ratio, if we are unable to access or face difficulty in accessing the capital or have difficulty in obtaining capital in any other manner.

If we fail to meet capital adequacy requirements, the RBI may take certain actions, including restricting our lending and investment activities and the payment of dividends by us. These actions could materially and adversely affect our reputation, results of operations and financial condition.

23. We are required to maintain minimum cash reserve ratios ("CRRs") and statutory liquidity ratios ("SLRs") in accordance with RBI guidelines, and any increase in these requirements could adversely affect our business.

We are subject to CRR requirements as prescribed under RBI regulations, which is our balance held in a current account with the RBI and which is calculated as a specified percentage of our net demand and time liabilities, excluding interbank deposits. The CRR currently applicable to banks in India is 4.00% of the net demand and time liabilities of the second preceding fortnight, and banks do not earn any interest on those reserves. All banks operating in India are also required to maintain the SLR, which is a specified percentage of a bank's net demand

and time liabilities by way of liquid assets such as cash, gold or approved unencumbered securities. Approved unencumbered securities consist of unencumbered Government securities and other securities as may be approved from time to time by the RBI and would earn lower levels of interest as compared to advances to customers or investments made in other securities. With effect from October 14, 2017, we are required to maintain SLR at 19.50% of our net demand and time liabilities as on the last Friday of the second preceding fortnight.

In an environment of rising interest rates, the value of Government securities and other fixed income securities may depreciate. A decline in the valuation of our trading book as a result of rising interest rates may adversely affect financial condition and results of operations. As a result of the statutory requirements, we may be more structurally exposed to interest rate risk as compared to banks in other countries. Further, the RBI may increase the CRR and SLR requirements to significantly higher proportions as a monetary policy measure. Any increases in the CRR from the current levels could affect our ability to deploy funds or make investments, which could in turn have a negative impact on our results of operations. If we are unable to meet the requirements of the RBI, the RBI may impose penal interest or prohibit fresh deposits, which may have a material adverse effect on our business, financial condition and results of operations.

24. We offer unsecured loans to customers that are not supported by any collateral. In the event of non-payment by a borrower of one of these loans, we may be unable to collect the unpaid balance.

We offer unsecured personal loans to the retail customer segment, including salaried individuals and self-employed professionals. In addition, we offer unsecured loans to corporates, small businesses and individual businessmen. As of March 31, 2017 and September 30, 2017, unsecured loans contributed 5.69% and 6.11%, respectively, of our Bank's total assets. Unsecured loans are at higher credit risk than secured loan portfolio as they may not be supported by realisable collateral that could help ensure an adequate source of repayment for the loan. Further, in its previous inspection reports, the RBI has indicated that our Bank faces high risk of recovery due to a significant proportion of our exposure not being collateralized sufficiently. Although we may obtain direct debit instructions or post-dated checks from our customers for our unsecured loan products, we may be unable to collect in part or at all in the event of non-payment by a borrower. Further, any increase in delinquency in our unsecured loan portfolio could require us to increase our Bank's provision for credit losses, which would decrease our earnings.

25. Our business operations are heavily reliant on our information technology systems. Any failure of or disruptions in our systems could have an adverse impact on our operations and financial condition.

Our business is largely dependent on our information technology systems. We service our customers, undertake our risk management, deposit servicing and loan origination functions, as well as our increasing portfolio of products and services through our information technology systems. We also rely on our technology platform to undertake financial control and for transaction processing. In addition, our systems connects our ATMs, branches and other delivery channels. Our hardware and software systems are also subject to damage or incapacitation by human error, natural disasters, power loss, sabotage, computer viruses and similar events or the loss of support services from third parties such as internet backbone providers. Our information technology system may not remain free of any interruptions and may not meet our requirements or be suitable for use in any particular condition. So far, we have not experienced widespread disruptions of service to our customers, but there can be no assurance that we may not encounter disruptions in the future due to substantially increased numbers of customers and transactions, or for other reasons. Any inability to maintain the reliability and efficiency of our systems could adversely affect our reputation, and our ability to attract and retain customers. In the event we experience system interruptions, errors or downtime (which could result from a variety of causes, including changes in customer use patterns, technological failure, changes to systems, linkages with third-party systems and power failures), we are unable to develop necessary technology or any other failure occurs in our systems, this may materially and adversely affect our business, financial condition and results of operations.

26. We have in the past entered into related party transactions and may continue to do so in the future, which may potentially involve conflicts of interest with equity shareholders.

We have in the course of our business entered into, and will continue to enter into, several transactions with our related parties (including the opening of deposits and loans granted in respect of relatives of our directors/key managerial personnel, provision of line of credit, bridge loan, term loans, overdraft facilities to related parties). For further details, see "Financial Statements". We cannot assure you that we will receive similar terms in our

related party transactions in the future. We cannot assure you that we could not have achieved more favorable terms had such transactions been entered into with unrelated parties.

The transactions we have entered into and any further transactions that we may have with our related parties have involved or could potentially involve conflicts of interest which may be detrimental to our Bank. We cannot assure you that such transactions, individually or in the aggregate, will not have an adverse effect on business and financial results, including because of potential conflicts of interest or otherwise.

In addition, while not classified as related party transaction, there have been instances in the past where certain services providers to our Bank were owned and controlled by directors / officers of our Bank. We cannot assure you that going forward, our directors and officers will not be connected with or related to such service providers and there will not be any conflict of interest with our Bank.

27. We are involved in certain legal and other proceedings which, if determined against us, could have a material adverse impact on our financial condition.

We are involved in various legal proceedings in the ordinary course of our business. These legal proceedings are pending at different levels of adjudication before various courts, tribunals, statutory and regulatory authorities/ other judicial authorities. These matters generally arise because we seek to recover from borrowers or because customers seek counter claims against it. Although it is our policy to make provisions for probable loss, we do not make provisions or disclosures in our financial statements where our assessment is that the risk is insignificant. In addition, we are also involved in a criminal defamation matter, which is pending before the High Court of Bombay, wherein the penalty involves imprisonment of up to two years and/or a fine. These legal proceedings may not be decided in our favour and we may incur significant expenses and management time in such proceedings and may have to make provisions in our financial statements, which could increase our expenses and liabilities. If any new developments arise, for example, rulings against us by the appellate courts or tribunals, we may face losses and may have to make provisions in our financial statements, which could increase our expenses and our liabilities. If such claims are determined against us, there could be a material adverse effect on our reputation, business, financial condition and results of operations, which could adversely affect the trading price of our Equity Shares. For further details, please see "Legal Proceedings".

28. Our ability to pay dividends in the future will depend upon our earnings, financial condition and capital requirements. Any inability to declare dividend may adversely affect the trading price of our Equity Shares.

While we have a formal board approved dividend policy to govern our dividend pay-out, our future ability to pay dividends and the amount of any such dividends, if declared, will depend upon a number of factors, including our future earnings, financial condition, capital requirements, our compliance with regulatory requirements, meeting the RBI mandated CRAR and net NPA parameters and our results of operations and financial condition and other factors considered relevant by our Board and our Bank's shareholders. Dividends distributed by us will attract dividend distribution tax at rates applicable from time to time. We cannot assure you that we will generate sufficient income to cover our operating expenses and shall be able to pay dividends. Considering the need for augmenting capital adequacy ratio in line with transitional arrangement under Basel III, our Board has decided not to declare dividends during Fiscal 2017, and instead plough back entire profit to its reserves. In addition, dividends that we have paid in the past may not be reflective of the dividends that we may pay in a future period. Our future dividend payment will depend on our revenues, profits, cash flow, financial condition, capital requirements and other factors. For further information, see "Dividend Policy" and "Supervision and Regulations".

29. A substantial portion of our Bank's loans have a tenor exceeding one year, exposing us to risks associated with economic cycles and project success rates.

Our long tenor loans may expose our Bank to risks arising out of economic cycles. In addition, some of our loans are project finance loans. There can be no assurance that these projects will perform as anticipated or that such projects will be able to generate cash flows as estimated to service commitments under the loans. We are also exposed to infrastructure projects that are still under development and are susceptible to risks arising out of delay in execution, failure of borrowers to execute projects on time, delay in getting approvals from necessary authorities and breach of contractual obligations by counterparties, all of which may adversely impact the projected cash flows. Although we have in place certain risk analysis and mitigation mechanism, and procedures to monitor its

project finance borrowers, these procedures may not be effective, as projects often get delayed due to extraneous factors. Risks associated with a recession in the economy and a delay in project implementation or commissioning could lead to rise in delinquency rates and, in turn, adversely impact our future financial performance.

30. Consolidation of public sector banks as proposed by the GoI could lead to an increase in operational inefficiencies in the short-term, which could have an adverse effect on our business, financial condition and results of operations.

As NPA levels have risen significantly over the years, the GoI and the RBI have undertaken various initiatives to monitor such defaults and strengthen the risk profile of public sector banks. These initiatives include proposal for public sector banks in India to amalgamate through an "Alternative Mechanism" ("AM"). The GoI through a notification dated August 23, 2017, has granted in-principle approval for the same and further, the GoI through a notification dated November 1, 2017, has constituted an AM for consolidation of public sector banks in India. All proposal received from the public sector banks for in-principle approval to formulate schemes of amalgamation will be placed before the AM and the AM may also direct the public sector banks to examine proposals of amalgamation. The GoI, in consultation with the RBI, will be required to approve the final schemes of amalgamation. However, the exact timeline and manner for any such proposed consolidation is unclear.

In the event that such a consolidation proposal implemented by the GoI involves our Bank, such consolidation of our Bank with other public sector banks operating in similar regions could create operational inefficiencies in the short-term. We may be required to carry out branch rationalization/ relocation as part of such integration processes, including discontinuing operations at some of our head offices, and a number of overlapping zonal, regional and network offices, and most of the employees engaged in such administrative offices may need to be redeployed. We may also be required to dedicate significant time and resources to implement centralized data management systems to facilitate seamless operation of a unified customer base. Such consolidation may also expose our Bank to additional risks, including risks associated with the integration of new offices, operations, unforeseen or hidden liabilities, employee misconduct, union issues, assumption of NPA accounts, the diversion of resources and management attention from existing businesses, any of which could affect our business and financial performance.

Consolidated entities may also gain increased financial strength, management capabilities, resources, operational experience, customer base and distribution channels. This could affect our ability to recruit and effectively train and retain a sufficient number of employees to keep pace with the growth of our business operations. Any decrease in our growth rates, whether in absolute terms or relative to industry standards, could adversely affect our market share and future prospects. Any of the foregoing events may materially and adversely affect our business, financial condition and results of operations.

31. Our business and financial condition may be adversely affected if we are unable to develop new products and services.

We have been diversifying and expanding our products and services for retail, corporate and MSMEs to include retail asset products, prepaid cards, talking ATMs, mobile applications and unified payment interface. In addition, we have expanded our branch and ATM network into semi-urban and rural areas. Such new initiatives and products and services entail a number of risks and challenges, including but not limited to insufficient knowledge of and expertise applicable to the new businesses, which may differ from those required in our current operations, adopting adequate risk management procedures, guidelines and systems, credit appraisal, monitoring and recovery systems, lower profitability potential than we anticipated, failure to identify new segments and offer attractive new products and services in a timely fashion, putting us at a disadvantage to our competitors, competition from similar offerings or products and services by our competitors in the banking and non-banking financial services sectors, inability to attract customers from our competitors in our new businesses or failure to attain requisite approvals from any regulatory authority.

If we are unable to successfully diversify our products and services while managing the associated risks and challenges, our returns on such products and services may be less than anticipated, which may materially and adversely affect our liquidity, business, prospects, financial condition, and results of operations. In addition, if our

competitors are able to better anticipate the needs of customers within our target market, our market share could decrease and our business could be adversely affected.

32. Majority of our offices, branches and ATMs are located on premises taken by us on lease or on leave and license basis. We may not be able to renew these agreements for our branches upon acceptable terms or at all which could have an adverse effect on our business and results of operations.

A significant majority of our offices, branches and ATMs are located on premises taken by us on long term lease or leave and license basis from third parties. As of September 30, 2017, 103 of our offices/branches/ATMs are situated on properties owned by us and 4,432 branches/offices are located at premises on lease. For some of our branches, the lease deeds have expired and pending renewal. In case of non-renewal of our leases or if such agreements are renewed on unfavourable terms and conditions, we may be forced to procure alternative space for our existing branches or incur additional costs associated with such renewal. We may also face the risk of being evicted in the event that our landlords allege a breach on our part of any terms under these lease agreements. This may cause a disruption in our operations or result in increased costs, or both, which may materially and adversely affect our business, financial condition and results of operations in respect of such defaulting premises. Furthermore, some of our lease agreements and leave and license agreements are not be adequately stamped or registered with the registering authority of the appropriate jurisdiction. An instrument not duly stamped, or insufficiently stamped, shall not be admitted as evidence in any Indian court or may attract a penalty as prescribed under applicable law, which could adversely affect the continuance of our operations and business.

33. The Indian banking industry is very competitive and our growth strategy depends on its ability to compete effectively.

We face competition in all our principal areas of business. Private sector banks, foreign banks and other public sector banks are our main competitors, followed closely by finance companies, insurance companies, asset management companies, development financial institutions, mutual funds, and investment banks.

We may also face increased competition from foreign banks if the Indian retail market is further liberalized or if regulations and restrictions upon branch network growth by foreign banks are simplified or reduced, foreign banks may operate in India by establishing wholly owned subsidiaries which are allowed to raise Rupee resources through issue of non-equity capital instruments. In addition, wholly owned subsidiaries of foreign banks may be allowed to open branches in Tier II to Tier VI towns except at specified locations considered sensitive for national security reasons. Further, under the foreign exchange regulations, an aggregate foreign investment of up to 49.00% under the automatic route, and 74.00% under the government approval route, in Indian private sector banks is allowed compared to 20.00% under the government route for public sector banks.

In addition, the New Bank Licensing Guidelines were issued by the RBI in February 2013, specifying that selected entities or groups in the private sector, entities in the public sector and non-banking financial companies with a successful track record of at least 10 years would be eligible to provide banking services. On April 2, 2014, the RBI granted in-principle approval to two applicants to set up universal banks under the New Banks Licensing Guidelines. In the future, the RBI may issue further licenses under the liberalized license regime. The RBI has also issued guidelines dated November 27, 2014, on licensing of "small finance banks" and "payments banks" in the private sector in the banking industry, including the eligibility criteria, scope, capital requirements, shareholding structure, prudential norms, and other corporate governance practices applicable to such proposed entities.

RBI granted in-principle approvals to 11 applicants to set up payment banks, pursuant to which, Airtel Payments Bank Limited commenced operations as a payment bank in November 2016. Additionally, RBI had granted in-principle approvals to 10 small finance banks in September 2015 pursuant to which, nine Small Finance Banks (Ujjivan Small Finance Bank Limited, Utkarsh Small Finance Bank Limited, Suryoday Small Finance Bank Limited, Au Small Finance Bank Limited, Equitas Small Finance Bank Limited, Capital Small Finance Bank Limited, ESAF Small Finance Bank Limited, FINCARE Small Finance Bank Limited and North East Small Finance Bank Limited) have already commenced operations. Additionally, RBI issued guidelines for universal banking license in August 2016, which can be applied for at any time. In accordance with these guidelines, resident individuals/ professionals who are resident Indian and have 10 years of experience in banking and finance at a senior level and existing non-banking financial companies that are controlled by resident Indians and have a

successful track record of at least 10 years may apply for the license. Further, entities/groups in the private sector that are owned and controlled by resident Indians are also eligible promoters provided that they have a successful track record of at least 10 years and if such entity/group has total assets of ₹ 50 billion or more, the non-financial business of the group does not account for 40.00% or more in terms of total assets/ gross income.

Increase in operations of existing competitors or entry of additional banks offering similar or a wider range of products and services could increase competition. In addition, the moderation of growth in the Indian banking sector is expected to lead to greater competition for business opportunities. The GoI is also actively encouraging banks and other financial institutions to significantly increase their lending to the agricultural sector, which will make this segment more competitive. Due to competitive pressures, we may be unable to successfully execute its growth strategy and offer products and services at reasonable returns and this may adversely impact its business, future financial performance and the trading price of the Equity Shares. See "Business — Competition".

34. We are currently not in compliance with the provisions of the Banking Acquisition Act in relation to appointment of workmen employee director and non-workmen employee director on our Board.

We are currently not in compliance with certain provisions of the Banking Acquisition Act, in relation to the composition of our Board. As on date of this Placement Document, our Board consists of four executive directors, one government nominee director, one RBI nominee director, two part – time (non – official) directors and three shareholder directors. As per sections 9(3)(e) and 9(3)(f) of the Banking Acquisition Act, we are required to appoint one director from the employees of our Bank who is a "workman", as defined in the Industrial Disputes Act, 1947 and one director from the employees of our Bank (non-workmen), each as nominated by the GoI. Our erstwhile workmen employee director nominated by the GoI and erstwhile employee director (non-workmen) nominated by the GoI ceased to be the directors of our Bank consequent upon completion of their tenure. Accordingly, we are required to appoint a new workmen employee director and new employee director (non-workmen) on our Board to ensure compliance with the applicable provisions of the Banking Acquisition Act. Given that our Bank is a public sector undertaking, matters pertaining to, among others, appointment of our Directors are determined by the GoI, Ministry of Finance. Therefore, we do not have the ability to appoint directors on our Board. As a result, we cannot provide any assurance that such non-compliance will be rectified in a timely manner or that suitable and timely replacements will be appointed by the Ministry of Finance upon expiration of the term of our workmen employee director and employee director (non-workmen), as and when such vacancies may arise in the future.

35. We have existing indebtedness, and may incur additional indebtedness, which could adversely affect our financial condition, and/or our ability to obtain financing in the future, react to changes in our business and/or satisfy our obligations.

As of September 30, 2017, our Bank had ₹ 579,217.94 million of outstanding debt liabilities, *inter alia*, in the form of capital instruments (which includes perpetual bonds, upper tier II bonds and tier II bonds), borrowings in India (which includes borrowings from institutions and agencies such as Micro Units Development and Refinance Agency, National Bank for Agriculture and Rural Development and National Housing Bank), and borrowings outside India (which includes intra-day foreign currency borrowings by our Bank's Hong Kong branch and indebtedness pursuant to issuance of bonds and medium term notes to subscribers). Our existing indebtedness could impose restrictions on our business operations which may be in the nature of following:

- we may be unable to obtain additional financing, should such a need arise, which may limit our ability to satisfy obligations with respect to our debt;
- a portion of our financial resources must be dedicated to the payment of principal and interest on our debt, thereby reducing the funds available to use for other purposes;
- it may be difficult for us to satisfy our obligations to our creditors, resulting in possible defaults on, and acceleration of, such debt;
- we may be more vulnerable to general adverse economic and industry conditions;
- our ability to refinance debt may be limited or the associated costs may increase; and

- our flexibility to adjust to changing market conditions could be limited, or we may be prevented from carrying out capital spending that is necessary or important to our growth strategy and efforts to improve operating margins of our businesses.

36. Any increase in provisioning norms and delays in resolution of stressed assets could adversely affect our business, results of operations and financial condition.

The RBI has issued guidelines to facilitate the resolution of large stressed accounts in June 2016 through the S4A, with the objective of segregating the sustainable debt of the borrower to improve viability and resolve the remaining portion of the debt through conversion into equity/redeemable cumulative optionally convertible preference shares. This may result in classification of certain of our Bank's accounts as S4A thus increasing our Bank's provisioning requirements, which could adversely impact our Bank's financial performance.

RBI schemes such as the SDR and S4A for resolution of large borrowers' accounts which are facing severe financial difficulties require coordinated deep financial restructuring and may involves a substantial write-down of debt and/or making of large provisions. While the SDR/S4A process provide for a 'stand still' clause in asset classification to provide reasonable time to lenders to review the processes involved in the resolution plan, if the account fails to get mandate and resolution within the time frame stipulated under the guidelines relating to SDR/S4A, then the asset classification will be as per the extant asset classification norms. The failure of these borrowers to perform as expected or a significant increase in the level of restructured loans in our portfolio could materially and adversely affect our business, results of operations and financial condition.

RBI's framework on the dynamic loan loss provisioning proposes to replace existing general provisioning norms and recommends that banks make provisions on their loan books every year based on their historical loss experience in various categories of loans. In years where the specific provision is higher than the computed dynamic provision requirement, the existing dynamic provision balance can be drawn down to the extent of the difference, subject to a minimum specified level of dynamic provision balance being retained. Any further increase by the RBI of the provisioning requirements may adversely affect our business, results of operations and financial condition.

37. Our failure to adapt to technological advancements that can potentially disrupt the banking industry could affect the performance and features of our products and services and reduce our attractiveness to customers.

Any technological advancement in the way customers prefer to execute their banking services may change the way banking has been perceived and carried out. Technological innovation such as mobile wallets, mobile operator banking, payment banks, internet banking through smart phones, etc. could disrupt the banking industry as a whole. There can be no assurance that we will be able to adapt our systems quickly and efficiently to such changing environment. Even if we are able to maintain, upgrade or replace our existing systems or innovate or customise and develop new technologies and systems, we may not be as quick or efficient as our competitors in upgrading or replacing our systems. Our failure to adapt to such technological advancements quickly and effectively could affect the performance and features of our products and services and could reduce our attractiveness to existing and potential customers.

38. Any deficiencies, inaccuracies or mis-specification in the models and data we rely on for our risk analysis could impact our decision-making and operations.

As part of our ordinary decision making-process, we rely on various models for risk and data analysis. These models are based on historical data and supplemented with managerial input and comments. These models and the analyzed data may not always be accurate or adequate to guide our strategic and operational decisions and protect us from risks. In addition, the RBI in certain of its inspection reports has highlighted certain deficiencies in our portfolio analysis mechanism and stated that our Bank has failed to obtain board approval for credit and market risk policies. Any mis-specification, deficiencies or inaccuracies in the models or the data might have a material adverse effect on our business, financial condition or results of operation. As we seek to expand the scope of our operations in newer geographies or new product areas, we also face the risk that we might be unable to develop risk management policies and procedures in a timely manner, that are properly designed for those new geographies or areas or products or to manage the risks associated with the growth of our existing businesses. Implementation and monitoring may prove particularly challenging with respect to our expansion and the products that we plan on developing.

39. We and our customers may engage in certain transactions in or with countries or persons that are subject to international economic sanctions.

Various international jurisdictions, including the U.S. and U.K., restrict investments or otherwise doing business in or with certain countries or territories and with certain persons or businesses that have been specially designated by such government agencies. Other governments and international or regional organizations also administer similar economic sanctions.

Through our foreign branches, representative offices and Subsidiary, Union Bank of India (UK) Limited, we may undertake various services to customers doing business with, or located in, countries to which certain economic sanctions apply. Although we believe we have compliance systems in place that are sufficient to block prohibited transactions, and we have not been notified that any penalties or other measures will be imposed on us, however, we may not be able to fully monitor all of our transactions for any potential violation.

Our future business may not be free of risk under sanctions implemented by these jurisdictions or that we will be able to conform our business operations to the expectations and requirements of such international regulatory agencies that do not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis. Further, investors in the Equity Shares could incur reputational or other risks as a result of our or our customers' dealings in or with sanctioned countries or with persons that are the subject of such sanctions.

40. We distribute third-party investment products, such as mutual funds and insurance products. Our inability to effectively manage any of the above businesses may adversely affect our business, results of operation and financial condition.

We have increased our focus on fee and commission-based income over a period of years. In order to grow non-interest income, we distribute third-party investment products, such as mutual funds and insurance products. In case customers to whom such products are sold, experience deficiency of service or are otherwise aggrieved, we may be subject to litigation or claims for damages by such aggrieved customers, which could have adverse effects on our reputation and our business, financial position and results of operations.

41. Our results of operations are dependent on macro-economic developments and other market factors, and any such developments cause our results of operations to fluctuate or decline from period to period.

Our business is subject to a number of macro-economic factors that are outside of our control, including growth in GDP, inflation, fiscal deficits, disposable household income in India, international and domestic political and economic conditions, fiscal and monetary policies of governments and central banks, and changes in interest rates, that may lead to business and financial losses in the future. As a result of (i) the volatility of these macro-economic factors, including exchange rates and interest rates, (ii) provisions we make from period to period for non-performing assets, commitments and contingencies (such as for letters of credit and bank guarantees), (iii) volatility in our trading operations, our results of operations have varied from period to period in the past and may fluctuate or decrease in the future due to these and other factors. Such fluctuations may also adversely affect our liquidity. These factors may also make period-to-period comparisons of our operating results less meaningful than they would be for a business that is not as significantly affected by such factors. Any adverse development in India or global macro economic conditions could have a material adverse affect on our business, financial condition, results of operations or prospects.

42. Our inability to renew or maintain our statutory and regulatory permits and approvals required to operate our business may adversely impact of business, financial condition and results of operation.

We are required to obtain various statutory and regulatory permits and approvals to operate our business which requires us to comply with certain terms and conditions to continue our banking operations. Our license from the RBI requires us to comply with certain terms and conditions. In the event that we are unable to comply with any or all of these terms and conditions, or seek waivers or extensions of time for complying with these terms and conditions, it is possible that the RBI may revoke this license or may place stringent restrictions on our operations. This may result in the interruption of all or some of our operations and may have a material adverse effect on our business, financial condition, results and cash flow. In the event that we are unable to renew or maintain other statutory permits and approvals or comply with regulatory requirements, it may result in the interruption of all or

some of our operations, imposition of penalties and could materially and adversely affect our business, financial performance and reputation.

In addition, our branches are required to be registered under the relevant shops and establishments laws of the states in which they are located, unless otherwise exempt under such enactments. Some of our branches have not applied for such registration. If we fail to obtain or retain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business may be adversely affected. If we fail to comply, or a regulator claims we have not complied, with any of these conditions, our certificate of registration may be suspended or cancelled and we shall not be able to carry on such activities.

43. We are involved in a legal proceeding before High Court of Bombay, against an order passed by SEBI. Certain of our subsidiaries have also been served with a show cause notice from SEBI. Any regulatory action by SEBI or other regulatory authorities can adversely affect our business, financial condition and results of operation.

SEBI has, in connection with the public issue of Jaltarang Motels Limited (the "**Company**"), where our Bank acted as one of the bankers to the issue, directed our Bank to refund a sum of ₹ 35.33 million together with interest. It was alleged that our Bank had transferred proceeds from the public issue to the Company's account in violation of applicable laws, resulting in gross negligence by our Bank. Our Bank preferred an appeal before the Securities Appellate Tribunal which was rejected by order dated July 27, 2000. Thereafter, our Bank has filed an appeal before the Bombay High Court. The matter is currently pending before the Bombay High Court. In any case, our Bank has made a total provision of ₹ 135.39 million at the rate of 15% on a quarterly basis pursuant to a SEBI order.

Our subsidiaries, Union Trustee Company Private Limited and Union Asset Management Company Private Limited along with Union Mutual Fund have been alleged to have violated the "Code of Conduct" specified in Schedule V and certain other regulations of the Securities and Exchange Board of India (Mutual Fund) Regulations, 1996, on account of investment by "*Union Ultra Short Term Fund*" in the units of "*Union Liquid Fund*", which was in deviation from *Union Ultra Short Term Fund's* investment objectives. Further, it has been alleged that Union Trustee Company Private Limited, Union Asset Management Company Private Limited and Union Mutual Fund have allotted units in the new fund offer of *"Union Tax Saver Scheme*" to investors, who have credited allotment money after the subscription period, at the rate of net asset value applicable at the time of the new fund offer, thereby, giving undue advantage over investors who applied during the reopening of the scheme for ongoing subscription. As a result of these allegations, SEBI issued penalties upon Union Trustee Company Private Limited, Union Asset Management Company Private Limited and Union Mutual Fund against which responses have been filed to SEBI and the matter is currently pending for hearing.

For further details, see "Legal Proceedings".

In the event of any regulatory action by SEBI or an adverse order of the Bombay High Court, including imposition of penalty, our business, financial condition and results of operation may be adversely affected.

44. A reduction in long-term interest rates may increase our Bank's pension liabilities which may adversely affect our future financial performance and results of operations.

Our Bank operates a defined benefit pension fund scheme. A discount rate is used to calculate the present value of our Bank's future liabilities in relation to the scheme and is linked to the long-term yield on GoI securities. A reduction in the long-term interest rate would increase the present value of our Bank's pension obligations. As a result, our Bank may be required to make further cash contributions to the scheme in order to cover the deficit which may in turn lead to an increase in its pension expenses. In a falling interest rate scenario, the held-to-maturity value of already invested securities is likely to go up, thereby offsetting the increase in present value of pension obligation to an extent.

45. There can be certain situations that we may not be able to access capital as and when we need it for growth.

Unless we are able to access the necessary amounts of additional capital, any incremental capital requirement may adversely impact our ability to grow our business and may even require us to curtail or withdraw from some of our current business operations. There may be possibility that we may not be able to raise adequate additional

capital in the future on terms favorable to us, or at all, and this may hamper our growth plans, apart from those that can be funded by internal accruals.

46. Our rights as a shareholder in our Subsidiary, Union Asset Management Company Limited and our Joint Venture, Star Union Dai-ichi Life Insurance Company Limited, are subject to certain restrictive covenants which may restrict our ability to do business and may adversely impact our business, financial condition and results of operations.

As per the investment agreement dated October 18, 2017 entered into with Dai-ichi Life Insurance Company Limited ("**Dai-ichi Life Insurance**"), with respect to its investment of an amount aggregating to ₹ 104.00 million by way of subscription of compulsorily convertible preference shares in Union Asset Management Company Limited, we are under an obligation to use best efforts in providing assistance to Union Asset Management Company Limited, which, *inter alia*, includes promotion of the business of Union Asset Management Company Limited and contributing to the experience and infrastructure of Union Asset Management Company Limited in India, by providing access to our distribution networks, employees, customer base, provision of support in marketing and operation, prioritization of the sale of products of Union Asset Management Company Limited, permitting usage of the 'Union Bank' trademark by Union Asset Management Company Limited. These obligations may place pressure on our existing infrastructure and operations and require us to impinge on our confidential trade related inventory, brand equity and proprietary information. Separately, Union Asset Management Company Limited and our Bank are to procure Dai-ichi Life Insurance's written consent prior to transfer of shares to a third party. This may limit the ability of Union Asset Management Company Limited and our Bank to attract strategic investors, thereby adversely affecting the liquidity of Union Asset Management Company Limited's shareholding. Separately, we are under an obligation to buy all of Dai-ichi Life Insurance's shareholding upon its exercise of an all-weather put option within one year of exercise of the put option, which may require us to procure necessary regulatory approvals (including SEBI and RBI) for remitting the consideration and make available promptly sufficient funds to buy out Da-ichi Life Insurance. Additionally, our Bank has indemnification obligations towards Dai-ichi Life Insurance in relation to inaccuracy/ breach of Union Asset Management Company Limited's representations and warranties or non-performance of covenants and undertakings. We cannot assure you that we will not be required to indemnify Dai-ichi Life Insurance in case of breach of representation and warranties of Union Asset Management Company Limited or on our account of non-performance of Union Asset Management Company Limited's covenants and undertakings.

Further, as per the joint venture agreement dated December 6, 2007 entered into with Dai-ichi Life Insurance and Bank of India for setting up of Star Union Dai-ichi Life Insurance Company Limited, our Bank is under obligation to use best efforts in providing assistance to Star Union Dai-ichi Life Insurance Company Limited, which, *inter alia*, includes contributing to the experience and infrastructure of Star Union Dai-ichi Life Insurance Company Limited in India, by providing access to our distribution networks to distribute Star Union Dai-ichi Life Insurance Company Limited's products, employees, customer base, provision of support in marketing and operation, leverage our brand, trademark and goodwill for the benefit of Star Union Dai-ichi Life Insurance Company Limited, provide training facilities to Star Union Dai-ichi Life Insurance Company Limited's employees. These obligations may place pressure on our existing infrastructure and operations and require us to impinge on our confidential trade related inventory, brand equity and proprietary information. Separately, our Bank should procure written consent of the other parties prior to transfer of shares to a third party. This may limit the ability of our Bank to attract strategic investors, thereby indirectly adversely affecting the liquidity of the JV's shareholding. Separately, we are under an obligation to offer to sell our shareholding to the other parties in the event of exercise of a default-linked call option by the other parties.

Additionally, critical operational and strategic matters require consent of all respective shareholders of Star Union Dai-ichi Life Insurance Company Limited and Union Asset Management Company Limited. As a result, we may not be able to obtain requisite consent from the concerned stakeholders in a timely manner or at all. This may affect the business, growth prospects and financial condition of Star Union Dai-ichi Life Insurance Company Limited and Union Asset Management Company Limited.

47. We extend a certain amount of loans to the priority sector pursuant to regulations prescribed by the RBI. Loans to priority sector could have higher delinquency rates. If we do not meet our priority sector lending requirements, our results of operations could be adversely affected.

The RBI requires all banks that are operating in India to channel a specified portion of their lending to identified "priority sectors" such as agriculture, MSMEs, housing and education. If we are unable to meet our priority sector lending requirements, we will subsequently be required to place the difference between the required lending level and actual priority sector lending in an account with the NABARD under the Rural Infrastructure Development Fund Scheme, or with other financial institutions specified by the RBI, which generate lower levels of interest compared to advances made to the priority sector. In such circumstances, our financial condition and results of operations could be materially and adversely impacted. Further, subsequent deposits placed by banks on account of non-achievement of priority sector lending targets or sub-targets are not eligible for classification as indirect finance to agriculture or MSMEs, as the case may be.

In addition, the RBI is required to take into account any shortfall in meeting specific priority sector lending targets, at the time of granting any regulatory approvals sought by a bank, from time to time. Further, we may experience a higher level of NPAs in our such "priority sectors", particularly in loans to the agricultural sector, small enterprises and weaker sections, where we are less able to control the portfolio quality and where economic difficulties are likely to affect our borrowers more severely. As a result, lending to such sectors may not be profitable and such circumstances could materially and adversely affect our business, financial condition and results of operations.

48. Our insurance coverage may be inadequate to cover claims. If we incur substantial uninsured loss or loss that exceeds our insurance coverage, it could have a material adverse effect on our business, cash flows, results of operations and financial condition.

While we are covered by a range of insurance that we believe is consistent with industry practice in India to cover risks associated with our business, however, the existing coverage may not insure our Bank completely against all risks and losses that may arise in the future. We may not have insurance to cover all of the risks associated with our business, as insurance coverage is either unavailable for certain risks or is prohibitively expensive. In addition, even if such losses are insured, we may be compelled to contribute a substantial deductible on any claim for recovery of such a loss, or the amount of the loss may exceed our coverage for the loss. In addition, our insurance policies are generally subject to annual renewal, and our ability to renew these policies on similar or otherwise acceptable terms, cannot be assured. If we incur a serious uninsured loss or a loss that significantly exceeds the limits of our insurance policies, it could have a material adverse effect on our business, cash flows, results of operations and financial condition.

49. We are exposed to possible losses arising out of derivative transactions which could have a material adverse effect on our business, financial condition and results of operations.

We undertake foreign exchange forward contracts for our customers and hedge them with other banks. We are also engaged in dealing with other banks on account of proprietary trading. As of September 30, 2017, March 31, 2015, 2016 and 2017, our Bank had outstanding foreign exchange forward contracts aggregating to ₹1,940,392.96 million, ₹ 29,671,704.27 million, ₹3,474,370.44 million and ₹ 1,804,391.06 million, respectively. Our Bank's outstanding foreign exchange forward contracts, on behalf of our clients and in our Bank's proprietary capacity, aggregated to ₹ 81,728.97 million and ₹ 1,841,271.98 million as of September 30, 2017, respectively and to ₹ 74,009.25 million and ₹ 1,730,381.81 million as of March 31, 2017. Our derivative transactions are subject to regular monitoring by our risk assessment committee and to ensure compliance with limits prescribed by RBI. However, we cannot assure you that we will be able to anticipate the movement in foreign exchange or at all. Failure to anticipate the foreign exchange movement could cause us to incur losses in such derivatives or forward contracts, thereby adversely affecting our business and financial condition.

50. Our inability to attract and retain talented professionals may negatively affect our results of operation and financial position.

Attracting and retaining talented professionals is a key element to our growth strategy. Our remuneration schemes are guided by industry level negotiations between bank management represented by the Indian Bank's Association ("IBA"), and officers/workmen represented by their respective unions. Our remuneration scheme is in accordance with industry level settlement formulated by the IBA following negotiation with various unions or associations. The remuneration prevalent in the public sector banks are similar except for perquisites which is determined by individual banks.

If the banking industry increasingly moves toward incentive-based pay schemes, attrition rates could increase and we could be forced to alter our remuneration scheme. The resultant pressures may result in diminished profitability, especially if rates of return do not experience a commensurate rise. An inability to attract and retain such talented professionals or the resignation or loss of key management personnel may have an adverse impact on our business, future financial performance and trading price of the Equity Shares.

51. Our acquisition of balance shareholding in Union Asset Management Company Private Limited and Union Trustee Company Private Limited may subject us to additional risks and may adversely affect our business, financial condition and results of operations.

Our Bank has acquired the balance 49% shareholding of Union Asset Management Company Private Limited and Union Trustee Company Private Limited from KBC Participations Renta S.A. and its affiliates (KBC Asset Management NV) on September 20, 2016, pursuant to which Union Asset Management Company Private Limited and Union Trustee Company Private Limited have become wholly owned subsidiaries of our Bank. Further, Dai-ichi Life Insurance has proposed to subscribe to compulsorily convertible preference shares in Union Asset Management Company Limited in respect of which Dai-ichi Life Insurance is yet to file an application for CCI approval. We cannot assure you that this acquisition will be successful. Our ability to successfully operate these entities depends on multiple factors including possessing the technical know-how and expertise, ability to grow and maintain the asset base, renew applicable licenses and approvals required. Separately, our Bank has resolved to infuse additional capital into Union Asset Management Company Private Limited through subscription to optionally convertible preference shares for an amount of ₹ 200 million out of which our Bank has invested ₹ 100 million. We cannot assure you that we will be able to effectively operate these entities in a profitable manner, or at all. If we are unsuccessful in operating these entities, we may suffer losses, dilute value to shareholders, may not be able to take advantage of appropriate investment opportunities, as a result our business and financial condition may be materially and adversely affected.

52. Our operations depend on the accuracy and completeness of information about customers and counterparties which if inaccurate or materially misleading could adversely affect our business and results of operations.

We rely on information furnished by customers and counterparties while determining whether to extend credit or to enter into other transactions with such customers and counterparties. We typically rely on financial statements, other financial information and certain representations as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors provided. For example, in deciding whether to extend credit, we may assume that a customer's audited financial statements conform to generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. Our financial condition and results of operations could be negatively affected by relying on financial statements that do not comply with generally accepted accounting principles or with other information that is materially misleading. We also rely on credit ratings and bureau scores assigned to our customers. Our financial condition and results of operations could be negatively impacted by such reliance on information that is inaccurate or materially misleading. This may affect the quality of information available to us about the credit history of our borrowers, especially individuals and small businesses. As a consequence, our ability to effectively manage our credit risk may be adversely affected.

53. External or internal fraud could adversely affect our reputation, business, results of operations and financial condition.

In the past, we have experienced acts of fraud (as defined under the applicable RBI guidelines) committed by or involving our customers/employees. Such acts could also bind us to transactions that exceed authorised limits or present unacceptable risks or hiding unauthorised or unlawful activities from us. For fraud matters reported by us to the RBI in the Fiscal 2015, 2016 and 2017, see "Financial Statements".

There is also likelihood of employee misconduct which could involve improper use or disclosure of confidential information, which could result in regulatory sanctions and serious reputational or financial harm, including harm to our brand. Further, in the past, there have been certain employees including some from the senior management, who have been found to be non-compliant with our Bank's policies and accordingly, our Bank has dismissed, removed, or made such employees compulsorily retire from their services to our Bank. Some of these employees have also been terminated for violation of the provisions of the Prevention of Corruption Act, 1988, wherein the

Central Bureau of Investigation or *Lokyukta* has found certain employees guilty of demanding or accepting bribes and were subsequently such employees have been convicted by the courts. However, it is not always possible to deter misconduct by employees and the precautions we take and the systems we have put in place to prevent and deter such activities may not be effective in all cases. Any instances of such misconduct or fraud could adversely affect our reputation, business, results of operations and financial condition.

54. We face restrictions on lending to large borrowers, which may have a material adverse effect on our business, financial condition and results of operations.

In August 2016, the RBI released the Guidelines on Enhancing Credit Supply for Large Borrowers through Market Mechanism. It was stated that corporate loans beyond the limit determined for a borrower, as per the guidelines, would attract additional provisions and higher capital. Further, the RBI has also aligned its limits on single and group borrowers to the Basel III standards.

From April 2019, our limits for single and group borrowers will be 20.0% and 25.0% of our Tier 1 capital funds as against the current norm of 15.00% and 40.00% of the total capital funds. These limits may be subjected to further changes and revisions in future. In addition, the RBI has also issued guidelines on enhancing credit supply for large exposures through market mechanism, which is effective from April 1, 2017. As per the guidelines, from Fiscal 2018, incremental exposure of the banking system to a specified borrower beyond the normally permitted lending limit shall be deemed to carry higher risks which needs be recognised by way of additional provisioning and higher risk weights. These new regulations may have a material adverse effect on our business, financial condition and results of operations.

55. Our risk management policies and procedures may not adequately address unidentified or unanticipated risks.

Our risk management functions are divided on the basis of principal risks defined under applicable Basel II guidelines, i.e., credit risk, market risk, operational risk and liquidity risk. While we have a well-defined risk management governance framework that comprises of a Risk Management Committee and sub committees for management of credit, market, liquidity and operational risk, to the extent any of the instruments and strategies we use to hedge or otherwise manage our exposure to market or credit risk are not effective, we may not be able to mitigate effectively our risk exposures, in particular to market environments or against particular types of risk. We have devoted significant resources to develop our risk management policies and procedures and aim to continue to do so in the future. See "Risk Management". Despite this, our policies and procedures to identify, monitor and manage risks may not be fully effective. Some of our methods of managing risks are based upon the use of observed historical market behavior. As a result, these methods may not accurately predict future risk exposures which could be significantly greater than those indicated by the historical measures. Management of operations, legal and regulatory risks requires, among other things, policies and procedures to properly record and verify a large number of transactions and events, and these policies and procedures may not be fully effective. As we seek to expand the scope of our operations, we also face the risk that we may not be able to develop risk management policies and procedures that are properly designed for new business areas or to manage the risks associated with the growth of our existing businesses effectively. Implementation and monitoring may prove particularly challenging with respect to businesses that we plan on developing. An inability to develop and implement effective risk management policies may materially and adversely affect our business, financial condition and results of operations.

56. Our contingent liabilities could materially and adversely affect our financial condition and results of operations.

As of September 30, 2017, our Bank had contingent liabilities amounting to ₹ 2,490,514.67 million. The table below sets forth the details of contingent liabilities:

Particulars	**As of September 30, (₹ million)**
Claims against our Bank not acknowledged as debts	35,324.63
Liability for partly paid investments	5.92
Liability on account of outstanding forward exchange contracts	1,940,392.96
Guarantees given on behalf of constituents:	-

Particulars	As of September 30, (₹ million)
a. In India	184,919.53
b. Outside India	4,077.68
c. Bank Guarantee invoked but not paid (in India)	-
Acceptances, endorsements and other obligations	288,826.99
Other items for which our Bank is contingently liable	-
a. disputed tax demands under appeals	27,843.56
b. amount transferred to DEAF Scheme 2014	9,123.40
TOTAL	**2,490,514.67**

Most of the liabilities have been incurred in the normal course of business. If these contingent liabilities were to fully materialize or materialize at a level higher than we expect, it may materially and adversely impact our business, financial conditions, result of operations and prospects. If we are unable to recover payment from our customers in respect of the commitments that we are called upon to fulfill, our business, financial condition, cash flows, results of operations and prospects may be materially and adversely impacted.

57. We may face greater credit risks than banks in more developed countries.

Our principal business is to provide financing to our customers. We are subject to the credit risk that our borrowers may not pay in a timely fashion or at all. Although India has a credit bureau industry, adequate information regarding loan servicing histories, particularly in respect of individuals and small businesses, is limited. As a result, our credit risk exposure is higher compared with banks operating in advanced markets. Since our lending operations to the aforesaid categories are limited to India, we may be exposed to a greater potential for loss compared with banks with lending operations in more developed countries. We are subject to credit risk that the borrowers may not pay us in a timely fashion or at all. CIBIL does not presently report information from retailers, utility companies and trade creditors and no other nationwide bureau of this nature presently exists. The difficulties associated with the inability to accurately assess the value of collateral and to enforce rights in respect of collateral, along with the absence of such accurate statistical, corporate and financial information, may decrease the accuracy of our assessments of credit risk, thereby increasing the likelihood of borrower default on our loan and decreasing the likelihood that we would be able to enforce any security in respect of such a loan.

If our screening processes prove to be inadequate, we may experience an increase in impaired advances and may be required to increase our Bank's provision for defaulted advances. As a result, higher credit risk may expose us to greater potential losses, which may materially and adversely affect our business, prospects, financial condition and results of operations.

58. We may not be able to detect money-laundering and other illegal or improper activities in a comprehensive manner or on a timely basis, which could expose us to additional liability and harm our business or reputation.

We are required to comply with applicable anti-money laundering and anti-terrorism laws and other regulations in India and in other jurisdictions where we have operations. These laws and regulations require us to adopt certain measures, including, to adopt and enforce "know-your-customer/ anti-money laundering/ combating financing of terrorism" ("KYC/AML/CFT") policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities in different jurisdictions. Remittances and trade finance transactions are increasingly required to be covered under our scrutiny and monitoring. We are also required to undertake constant review and assessment of existing control processes and programs to meet the increased regulatory expectation. We face significant challenges in keeping pace with frequent reviews and rapid upgrading required by such regulatory developments. While we regularly adopt policies and procedures aimed at detecting and preventing the use of our banking networks for money-laundering activities and by terrorists and terrorist-related organizations and individuals generally, such policies and procedures may not completely eliminate instances where we may be used by other parties to engage in money-laundering and other illegal or improper activities due to, in part, the short history of these policies and procedures. In addition, there may be significant inconsistencies in the manner in which specific operational and KYC/AML/CFT policies are actually interpreted and implemented at an operational level in each of the branch and other customer interface levels. Our business and reputation could suffer if any such parties use our banking channels for money-laundering or illegal or improper purposes. We have been penalized by the RBI for a cumulative amount of ₹ 0.84 million in Fiscal 2017 and ₹ 30.00 million in

the six months ended September 30, 2017. See "- Our Bank has previously been subject to show cause notices, fines, penalties and settlement payments, imposed by the RBI in connection with regulatory investigations, show cause notices, sanctions, and requirements relating to conduct of business and financial crime, which could negatively affect our business and financial results, or cause serious reputational harm to our Bank."

While we continue to strengthen our AML and KYC procedures, to the extent we fail to fully comply with applicable laws and regulations, the relevant governmental and regulatory agencies may impose fines and other penalties and, in certain circumstances, ask us to cease operations. In addition, any adverse action taken by such agencies could adversely affect our reputation, thereby affecting our business and future financial performance.

59. Any non-compliance with law or unsatisfactory service by the third-party service providers engaged by us for certain services could have an adverse impact on our business and results of operations.

We enter into outsourcing arrangements with third party vendors providing services that include, among others, ATM /card related services, business correspondents, facility management services related to information technology, software services and call center services. As a result of outsourcing such services, we are exposed to various risks including strategic, compliance, operational, legal and contractual risks. Any failure by a service provider to provide a specified service or a breach in security / confidentiality or non-compliance with legal and regulatory requirements, may result in financial loss or loss of reputation. We cannot assure that there will be no disruptions in the provision of such services or that these third parties may not adhere to their contractual obligation. If there is a disruption in the third-party services, or if the third-party service providers discontinue their service agreement with us, our business, financial condition and results of operations may be adversely affected. In case of any dispute, we cannot assure you that the terms of such agreements will not be breached, which may result in litigation costs. Such additional cost, in addition to the cost of entering into agreements with third parties in the same industry, may materially and adversely affect our business, financial condition and results of operations. The "Guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Bank" issued by the RBI places obligations on banks, its directors and senior management for ultimate responsibility for the outsourced activity. Banks are required to provide prior approval for use of subcontractors as required in the aforementioned RBI guidelines. Legal risks, including actions being undertaken by the RBI, if our third-party service providers act unethically or unlawfully, could materially and adversely affect our business, financial condition and results of operations.

60. If we are covered by RBI guidelines relating to prompt corrective action then our business, future financial performance and results of operations could be materially and adversely affected.

On April 13, 2017, the RBI revised the Prompt Corrective Action ("PCA") framework for banks. The PCA framework has stipulated thresholds for capital ratios, non-performing assets, profitability and leverage for banks. When the PCA framework is triggered, the RBI would have a range of discretionary actions it can take to address the outstanding issues. These discretionary actions include conducting supervisory meetings, conducting reviews, advising banks' boards for altering business strategy, review of capital planning, restricting staff expansion, removing of managerial persons and superseding the Board, as per the classification of different risk threshold. If the PCA framework is triggered for our Bank by the RBI, it may materially and adversely affect our business, future financial performance and results of operations.

61. Our intellectual property rights may be subject to infringement or we may breach third party intellectual property rights.

We have established a strong brand, 'Union Bank of India' which is registered under the Trademarks Act, 1999, as amended, we are accordingly subject to the risk of brand dilution and consequently, loss of revenue in case of any misuse of our brand name by our agents or any third party. Further, we have filed applications for registration of "U" logo and for the trademark "Digipurse", both of which are currently pending. In addition, we have not made any application for our tagline. We may not be able to protect our intellectual property rights against third party infringement and unauthorized use of our intellectual property, including by our competitors. Further, our inability to obtain or maintain these registrations may adversely affect our competitive business position. This may affect our brand value and consequently our business.

We may also be subject to claims by third parties, both inside and outside India, if we breach their intellectual property rights by using slogans, names, designs, software or other such subjects, which are of a similar nature to

the intellectual property these third parties may have registered. Any legal proceedings that result in a finding that we have breached third parties' intellectual property rights, or any settlements concerning such claims, may require us to provide financial compensation to such third parties or make changes to our marketing strategies or to the brand names of our products, which may have a materially adverse effect on our brand, business, prospects, financial condition and results of operations.

62. As the GoI controls a majority of our issued share capital, its public policy decisions may impact our strategy and operations.

The GoI controls a majority of our Bank's issued share capital. As of September 30, 2017, the GoI directly held 65.40% of our Bank's issued and paid up share capital. In addition, Section 3(2E) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (as amended) (the "Banking Companies Act") provides that no shareholder other than the GoI shall be entitled to exercise voting rights in respect of any equity shares held by such shareholder in excess of 1.00% of the total voting rights of all the shareholders of our Bank. The Banking Laws (Amendment) Act, 2012 increased the voting rights of shareholders from 1.00% to 10.00%. Although historically we have enjoyed certain autonomy from the GoI in the management of our affairs and strategic direction, as its controlling shareholder, the GoI is able to exercise effective control over our Bank. Furthermore, the Chairman, Managing Director and Chief Executive Officer, the Executive Directors and certain other directors are appointed by the GoI. Although our management runs the day-to-day operations, the GoI may determine material policies and implement such policies or schemes, as a majority and controlling shareholder, without the consent of the other shareholders as well as the outcome of any transaction or other matter submitted to shareholders for approval, except for those matters requiring a special resolution of the shareholders.

The Banking Companies Act mandates that the GoI's shareholding in our Bank cannot fall below 51.00%. Moreover, in terms of approval dated October 18, 2017 from the MoF for this Issue, the shareholding of the GOI in the Bank cannot fall below 52.00%. This requirement could result in restrictions in our equity capital raising efforts as the GoI may not be able to fund any further investments that would allow it simultaneously to maintain its stake at a minimum of 51.00% and seek funding from the capital markets. Accordingly, there cannot be any change in control in our Bank. As the Indian economy grows, more businesses and individuals will require capital financing. In order to meet and sustain increasing levels of growth in capital demand, we will need to accrete our capital base, whether through organic growth or capital market financing schemes. If we are unable to grow our capital base in step with demand, our business, financial prospects and profitability may be materially and adversely affected.

63. Our Bank may not be able to manage its expanding workforce on account of inevitable operational risks. Moreover, our employees are unionized and any union action may adversely affect our business.

As of September 30, 2017, our Bank had total of 38,392 permanent employees (including contractual officers and officers posted abroad). We have two majority and representative unions, namely, the All India Union Bank Employees Association and All India Union Bank Officers' Federation. Our Bank carries out recruitment drives in accordance with its expansion program and to cater to the vacancies that are likely to be created from the retirement of employees. Our Bank could experience difficulties in managing the ever-expanding workforce. While our Bank endeavours to put in place systems which utilize efficiencies resulting from adoption of new technologies, in the event there is a default in operations, and/or our Bank is not successful in recruiting sufficient numbers to execute its strategies, or training and maintaining its standards across a large employee population, or retaining its growing population of employees, this may have an adverse impact on the future financial performance of our Bank.

In addition, from time to time, the labour unions for the banking employees organize strikes, as a result of which, we have been and may in the future be affected by strikes, work stoppages or other labour disputes. We have had past instances of industry wide strikes by the unions which affected all banks. In the event of a labour dispute, protracted negotiations and strike action may impair our ability to carry on our day-to-day operations, which could materially and adversely affect our business, future financial performance and results of operations. While we believe that we have a strong working relationship with our unions, associations and employees, however, we may not have such a relationship in the future, and that there will not be significant strikes or disputes with employees that could affect our operations in future.

64. We may face cyber threats attempting to exploit our network to disrupt services to customers and/ or theft

of sensitive internal data or customer information, which may cause damage to our reputation and adversely affect our business and financial performance.

We offer online banking services to our customers. Our online banking channel includes multiple services such as electronic funds transfer, bill payment services, usage of credit cards on-line, requesting account statements, and requesting check books. We are therefore exposed to various cyber threats including (i) phishing and trojans targeting our customers, wherein fraudsters send unsolicited mails to our customers seeking account sensitive information or to infect customer machines to search and attempt exfiltration of account sensitive information; and (ii) hacking, wherein attackers seek to hack into our website with the primary intention of causing reputational damage to us by disrupting services; and (iii) data theft, wherein cyber criminals may attempt to enter our network with the intention of stealing our data or information. In addition, we also face the risk of our customers incorrectly blaming us and terminating their accounts with us for any cyber security breaches that may have occurred on their own system or with that of an unrelated third party. Any cyber security breach could also subject us to additional regulatory scrutiny and expose us to civil litigation and related financial liability.

65. Significant security breaches could adversely impact our business.

We seek to protect our computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by our increased use of the internet. Computer break-ins and power disruptions could affect the security of information stored in and transmitted through these computer systems and network infrastructure. There may be areas in the system that have not been properly protected from security breaches and other attacks. We employ security systems, including sophisticated threat management systems and password encryption, designed to minimize the risk of security breaches. Although we intend to continue to implement security technology and establish operational procedures to prevent break-ins, damage and failures, there can be no assurance that these security measures will be adequate or successful. Failed security measures could have a material adverse effect on our business, our future financial performance. and the trading price of the Equity Shares. Our business operations are based on a high volume of transactions. Although we take measures to safeguard against systems related and other fraud, there may be certain situations that fraud may occur. Our reputation could be adversely affected by significant fraud committed by employees, customers or outsiders.

66. Statistical and industry data in this Placement Document may be incomplete or unreliable.

Statistical and industry data used throughout this Placement Document has been obtained from various government and industry publications. While we believe that the information contained has been obtained from sources that are reliable, but neither we nor the Book Running Lead Managers have independently verified it and the accuracy and completeness of this information is not guaranteed and its reliability cannot be assured. The market and industry data used from these sources may have been reclassified by us for purposes of presentation. In addition, market and industry data relating to India, its economy or its industries may be produced on different bases from those used in other countries. As a result data from other market sources may not be comparable. The extent to which the market and industry data presented in this Placement Document is meaningful will depend upon the reader's familiarity with and understanding of the methodologies used in compiling such data. Statements from third parties that involve estimates are subject to change, and actual amounts may differ materially from those included in this Placement Document. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors. Accordingly, investment decisions should not be based on such information.

67. Changing laws, rules and regulations and legal uncertainties may adversely affect our business, financial condition, results of operations and prospects.

We are present through our Subsidiaries, Joint Venture and Associate, in diverse segments of the Indian financial sector, including asset and funds management, treasury operations, credit cards, payment services and life insurance. The regulatory and policy environment in which we operate is evolving and subject to change. There can be no assurance that the GoI may not implement new regulations and policies which will require our Bank and/ or any of our Subsidiaries, Joint Venture and Associate to obtain approvals and licenses from the GoI and other regulatory bodies or impose onerous requirements, conditions, costs and expenditures on its operations. Any such changes and the related uncertainties with respect to the implementation of the new regulations may have a material adverse effect on our business, financial condition and results of operations. In addition, we may have to

incur capital expenditures to comply with the requirements of any new regulations, which may also materially harm its results of operations.

Risks Relating to India

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

The Indian market and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia, United States and Europe. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the financial and market conditions in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and, indirectly, the price of our Equity Shares. Financial disruptions may occur again and could harm our business, our future financial performance and the prices of the Equity Shares.

69. Financial difficulty and other problems in certain financial institutions in India could materially adversely affect our business and the price of our Equity Shares.

We are exposed to the risks of the Indian financial system by being a part of the system. The financial difficulties faced by certain Indian financial institutions could materially adversely affect our business because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. Such "systemic risk", may materially adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with which we interact on a daily basis. Any such difficulties or instability of the Indian financial system in general could create an adverse market perception about Indian financial institutions and banks and materially adversely affect our business. Our transactions with these financial institutions expose us to various risks in the event of default by a counterparty, which can be exacerbated during periods of market illiquidity.

70. Natural disasters and other disruptions man-made or otherwise, could adversely affect the Indian economy and could cause our business and operations to suffer and the price of our Equity Shares to decrease.

Our operations, including our branch network, may be damaged or disrupted as a result of natural disasters such as earthquakes, floods, heavy rainfall, epidemics, tsunamis and cyclones and other events such as, amongst others, outbreak of infectious diseases, protests, riots and labour unrest. Such disasters and events may lead to the disruption of information systems and telecommunication services for sustained periods. They also may make it difficult or impossible for employees to reach our business locations. Damage or destruction that interrupts our provision of services could adversely affect our reputation, our relationships with our customers, our senior management team's ability to administer and supervise our business or it may cause us to incur substantial additional expenditure to repair or replace damaged equipment or rebuild parts of our branch network. We may also be liable to our customers for disruption in services resulting from such damage or destruction. Any of the above factors may adversely affect our business and financial results, the quality of our customer service and the price of our Equity Shares.

71. Any volatility in the exchange rate may lead to a decline in India's foreign exchange reserves and may affect liquidity and interest rates in the Indian economy, which could adversely impact us.

Foreign inflows into India have remained extremely volatile responding to concerns about the domestic macroeconomic landscape and changes in the global risk environment. The widening current account deficit has been attributed largely to the surge in gold imports led by the uncertainty stemming from the demonetisation policy. The Indian rupee also faces challenges in the volatile swings in capital flows. Even though the Indian rupee has been fairly stable since the start of calendar year 2017, it may come back under pressure given the possibility of global fund flows from emerging markets to the US markets over the medium term. Additionally, some anxiety about the prospect of sub-normal monsoons adversely affecting the domestic economy could make investors circumspect of investing in domestic assets. The weak monsoons of Fiscal 2016 and Fiscal 2015 weakened the purchasing and investing power in India. Further there remains a possibility of intervention in the foreign exchange market to control volatility of the exchange rate. The need to intervene may result in a decline in India's foreign exchange reserves and subsequently reduce the amount of liquidity in the domestic financial system. This in turn could cause domestic interest rates to rise. Further, increased volatility in foreign flows may

also affect monetary policy decision making. For instance, a period of net capital outflows might force the RBI to keep monetary policy tighter than optimal to guard against any abnormal currency depreciation.

72. Civil unrest, acts of violence including terrorism or war involving India and other countries could materially and adversely affect the financial markets and our business.

Civil unrest, acts of violence including terrorism or war, may negatively affect the Indian markets where our Equity Shares will be traded and also materially and adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately materially and adversely affect our business. While the GoI has been trying to engage in conciliatory efforts with a view to curb communal disturbances, terrorist attacks and riots, any further tension or deterioration of relations between the communities might result in investor concern about stability in the region, which could materially and adversely affect the price of the Equity Shares.

India has also witnessed civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on us. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business, financial condition, results of operations and the price our Equity Shares.

73. Our business is substantially affected by prevailing economic, political and others prevailing conditions in India.

The majority of our business, assets and employees are located in India. As a result, we are highly dependent on prevailing economic conditions in India and its results of operations are significantly affected by factors influencing the Indian economy. Factors that may adversely affect the Indian economy other than the ones disclosed specifically in this Placement Document, include:

- any increase in Indian interest rates or inflation;
- volatility in, and actual or perceived trends in trading activity on, India's principal stock exchanges;
- changes in India's tax, trade, fiscal or monetary policies;
- regulatory changes in the banking sector in India;
- delinquent loans and low credit growth, deterioration in asset quality having resulting in an adverse effect on the Indian economy;
- increased volatility of commodity prices;
- financial difficulties faced by certain financial institutions / intermediaries such as clearing agencies, banks, securities firms and exchanges;
- increase in India's trade deficit; and
- other significant regulatory or economic developments in or affecting India or its banking sector.

An adverse impact on the Indian economy due to any of the above-mentioned factors, could adversely impact our business, results of operations and financial condition and the price of the Equity Shares.

74. Differences exist between Indian GAAP and other accounting principles, which may be material to investors' assessments of our financial condition.

Our financial statements, including the financial statements included in this Placement Document, are prepared in accordance with Indian GAAP. We have not attempted to quantify the impact of other accounting principles, such as U.S. GAAP or IFRS, on the financial data included in this Placement Document, nor have we provided a reconciliation of our financial statements to those prepared pursuant to U.S. GAAP or IFRS. U.S. GAAP and IFRS differ in several respects from Indian GAAP. Accordingly, the degree to which the Indian GAAP financial statements included in this Placement Document will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Persons not familiar with Indian accounting practices should, accordingly, consult their own professional advisors before relying on the financial disclosures presented in this Placement Document.

75. Increased volatility or inflation of commodity prices in India could adversely affect our business.

Any increased volatility or rate of inflation of global commodity prices, particularly oil and steel prices, could adversely affect our borrowers and contractual counterparties. Although the RBI has enacted certain policy

measures designed to curb inflation, these policies may not be successful. Any slowdown in the growth of the manufacturing services or agricultural sectors could adversely impact our business, financial condition and results of operations.

76. The Indian tax regime is currently undergoing substantial changes which could adversely affect our business and the trading price of the Equity Shares.

The goods and service tax ("GST") that was implemented with effect from July 1, 2017 seeks to combine taxes and levies by the GoI and state governments into a unified rate structure, and replace indirect taxes on goods and services such as central excise duty, service tax, customs duty, central sales tax, state VAT, cess and surcharge and excise that are currently being collected by the GoI and state governments. GST is expected to increase tax incidence and administrative compliance for banks. Due to the limited availability of information in the public domain concerning the GST, we are unable to provide any assurance as to this or any other aspect of the tax regime following implementation of the GST. The implementation of this rationalized tax structure may be affected by any disagreement between certain state governments, which may create uncertainty. The tax rate for goods and service tax under the GST regime may also be higher than the service tax rate presently applicable, affecting our profitability to some extent. Additionally, since the GST is a newly implemented legislation, it is subject to various challenges, which may require issue of clarifications from time to time by the relevant authorities. We cannot assure you that pending receipt of such clarification, our business, financial condition and results of operation may not be adversely affected.

Furthermore, the GST has reduced the taxation threshold such that companies with an aggregate turnover exceeding ₹ 2 million are now liable for GST. Aggregate turnover would be computed on an all-India basis and shall include both exempted and non-taxable supplies. Import and inter-state supplies shall be taxable without any threshold limit. Further, central registration has been replaced with state registration, resulting in additional compliance requirements for the SME sector. With the introduction of GST, any major impact on the SME and MSME sector may have a material effect on our business, results of operations and financial conditions.

As regards GAAR, the provisions of Chapter X-A (sections 95 to 102) of the Income Tax Act, 1961, are applicable from assessment year 2019 (Fiscal 2018) onwards. The GAAR provisions intend to declare an arrangement as an "impermissible avoidance arrangement", if the main purpose or one of the main purposes of such arrangement is to obtain a tax benefit, and satisfies at least one of the following tests (i) creates rights, or obligations, which are not ordinarily created between persons dealing at arm's length; (ii) results, directly or indirectly, in misuse, or abuse, of the provisions of the Income Tax Act, 1961; (iii) lacks commercial substance or is deemed to lack commercial substance, in whole or in part; or (iv) is entered into, or carried out, by means, or in a manner, that is not ordinarily engaged for bona fide purposes. If GAAR provisions are invoked, the tax authorities will have wider powers, including denial of tax benefit or a benefit under a tax treaty. In the absence of any precedents on the subject, the application of these provisions is uncertain. As the taxation regime in India is undergoing a significant overhaul, its consequent effects on the banking system cannot be determined at present and there can be no assurance that such effects would not adversely affect our business, future financial performance and the trading price of the Equity Shares.

77. Increase in prices of crude oil could adversely affect the Indian economy, which could adversely affect our business.

India imports a substantial portion of its crude oil requirement. While oil prices have declined sharply from their peak levels, any sharp increases or volatility in oil prices and the pass-through of such increases to Indian consumers could have a material negative impact on the Indian economy and the Indian banking and financial system in particular, including through a rise in inflation and market interest rates and a higher trade deficit. Continued high oil prices or further increases in oil prices could affect the Indian economy and the Indian banking and financial system. This could adversely affect our liquidity and business, including our ability to grow, the quality of our assets, our financial condition and the price of the Equity Shares.

78. Any downgrade of our Bank's debt ratings or of India's sovereign debt rating by international rating agencies could adversely affect our business.

Our sovereign debt is rated by various agencies. Any downgrade in our credit ratings may increase interest rates for refinancing our outstanding debt, which would increase our financing costs, and adversely affect our future

issuances of debt and our ability to raise new capital on a competitive basis, which may adversely affect our profitability and future growth.

Our Bank has been rated Baa3/Stable/P-3 by Moody's and BB+/Stable/B by Standard & Poor's. There can be no assurance that these ratings will not be further revised or changed by such agencies or that any of the other global rating agencies will not downgrade India's credit rating. As our foreign currency ratings are pegged to India's sovereign ceiling, any adverse revision to India's credit rating for international debt will have a corresponding effect on our ratings. Therefore, any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing and the interest rates and other commercial terms at which such financing is available. Any of these developments may materially and adversely affect our business, financial condition and results of operations.

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

The enforcement by investors in our Equity Shares of civil liabilities, including the ability to affect service of process and to enforce judgments obtained in courts outside of India may be affected adversely by the fact that we are incorporated under the laws of the Republic of India and almost all of our executive officers and directors reside in India. Nearly all of our assets and the assets of our executive officers and directors are also located in India. As a result, it may be difficult to enforce the service of process upon us and any of these persons outside of India or to enforce outside of India, judgments obtained against us and these persons in courts outside of India.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments are provided for under Section 13 and Section 44A of the Civil Procedure Code respectively. The GoI has under Section 44A of the Civil Procedure Code notified certain countries as reciprocating countries, as discussed below. Section 13 of the Civil Procedure Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon except: (i) where the judgment has not been pronounced by a court of competent jurisdiction, (ii) where the judgment has not been given on the merits of the case, (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases in which such law is applicable, (iv) where the proceedings in which the judgment was obtained were opposed to natural justice, (v) where the judgment has been obtained by fraud, or (vi) where the judgment sustains a claim founded on a breach of any law in force in India.

Section 44A of the Civil Procedure Code provides that where a foreign judgment has been rendered by a court in any country or territory outside India, which the GoI has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Procedure Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a similar nature or in respect of a fine or other penalties and does not include arbitration awards. The United Kingdom and some other countries have been declared by the GoI to be a reciprocating territory for the purposes of Section 44A. However, the United States has not been declared by the GoI to be a reciprocating territory for the purposes of Section 44A. A judgment of a court in the United States may be enforced in India only by a suit upon the judgment, subject to Section 13 of the Civil Procedure Code and not by proceedings in execution.

The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. Generally, there are considerable delays in the disposal of suits by Indian courts. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy in India. A party seeking to enforce a foreign judgment in India is required to obtain prior approval from the RBI under FEMA to repatriate any amount recovered pursuant to execution and any such amount may be subject to income tax in accordance with applicable laws. Any judgment or award in a foreign currency would be converted into Indian Rupees on the date of the judgment or award and not on the date of the payment. Generally, there are considerable delays in the processing of legal actions to enforce a civil liability in India, and therefore it is uncertain whether a suit brought in an Indian court will be disposed off in a timely manner or be subject to considerable delays.

Risks Relating to the Equity Shares

80. Any future issuance of Equity Shares could dilute the holdings of investors and could adversely affect the market price of the Equity Shares.

We may be required to finance our future growth through additional equity offerings. Any future issuance of the Equity Shares could dilute the holdings of investors and could adversely affect the market price of the Equity Shares. In addition, any future issuances of Equity Shares or any sale by any significant shareholder, or a perception in the market that such issuance or sale may occur, could adversely affect the trading price of the Equity Shares. Such securities may also be issued at price below the then current trading price of the equity shares.

81. After this Issue, the price of our Equity Shares may be volatile.

The Issue Price will be determined by us in consultation with the Book Running Lead Managers, based on Bids received in compliance with Chapter VIII of the SEBI Regulations, and it may not necessarily be indicative of the market price of the Equity Shares after this Issue is completed. The trading price of the Equity Shares may fluctuate after this Issue due to a variety of factors, including our results of operations and the performance of our business, competitive conditions, general economic, political and social factors, the performance of the Indian and global economy and significant developments in India's fiscal regime, volatility in the Indian and global securities market, performance of our competitors, the Indian financial services industry and the perception in the market about investments in the financial services industry, changes in the estimates of its performance or recommendations by financial analysts and announcements by us or others regarding contracts, acquisitions, strategic partnerships or capital commitments. In addition, if the stock markets in general experience a loss of investor confidence, the trading price of the Equity Shares could decline for reasons unrelated to our business, financial condition or operating results. The trading price of the Equity Shares might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Each of these factors, among others, could adversely affect the price of the Equity Shares. There can be no assurance that an active trading market for the Equity Shares will be sustained after this Issue, or that the price at which the Equity Shares have historically traded will correspond to the price at which the Equity Shares are offered in this Issue or the price at which the Equity Shares will trade in the market subsequent to this Issue.

82. The Equity Shares are subject to transfer restrictions.

Pursuant to the SEBI Regulations, for a period of 12 months from the date of the allotment of the Equity Shares in this Issue, QIBs subscribing to the Equity Shares may only sell their Equity Shares on the NSE or the BSE and may not enter into any off-market trading in respect of these equity shares. We cannot be certain that these restrictions will not have an impact on the price of the equity shares. Further, allotments made to Venture Capital Funds and Alternative Investment Funds in the Issue are subject to the rules and regulations that are applicable to them. This may affect the liquidity of the Equity Shares purchased by investors and it is uncertain whether these restrictions will adversely impact the market price of the Equity Shares purchased by investors.

83. There is no guarantee that the Equity Shares issued pursuant to this Issue will be listed in a timely manner, or at all, and any trading closure at the Stock Exchanges may adversely affect the trading price of the Equity Shares. Additionally, restrictions on daily movements in the price of the Equity Shares, may adversely affect a shareholder's ability to sell, or the price at which it can sell Equity Share at a particular point of time.

In accordance with Indian regulations and practice, permission for listing and trading of the Equity Shares issued pursuant to this Issue will not be granted until after the Equity Shares have been issued and allotted. Approval for listing and trading will require all relevant documents authorizing the issuing of Equity Shares to be submitted. There could be a failure or delay in listing the Equity Shares on the BSE and the NSE. Any failure or delay in obtaining the approval would restrict an investor's ability to dispose of the Equity Shares. The Stock Exchanges have in the past experienced problems, including temporary exchange closures, broker defaults, settlements delays and strikes by brokerage firm employees, which, if continuing or recurring, could affect the market price and liquidity of the securities of listed Indian entities, including the Equity Shares, in both domestic and international markets. A closure of, or trading stoppage on, either of the Stock Exchanges could adversely affect the trading price of the Equity Shares. Historical trading prices, therefore, may not be indicative of the prices at which the Equity Shares will trade in the future.

We are subject to a daily circuit breaker imposed on listed companies by the Stock Exchanges in India which does not allow transactions beyond a certain level of volatility in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our circuit breaker is set by the Stock Exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The Stock Exchanges may change the percentage limit of the circuit breaker from time to time. This circuit breaker would effectively limit the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, there can be no assurance regarding the ability of shareholders to sell the Equity Shares or the price at which shareholders may be able to sell their Equity Shares.

84. Investors may be subject to Indian taxes arising out of capital gains on sales of Equity Shares.

Under current Indian tax laws and regulations, capital gains arising from the sale of shares in an Indian company are generally taxable in India. Any gain realized on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if STT has been paid on the transaction. STT will be levied on and collected by a domestic stock exchange on which the equity shares are sold. Any gain realized on the sale of equity shares in an Indian company held for more than 12 months which are sold other than on a recognized stock exchange and on which no STT has been paid, will be subject to long term capital gains tax in India. Any gain realized on the sale of listed equity shares held for a period of 12 months or less will be subject to short term capital gains tax in India. Further, Indian tax on capital gains, both short and long term, may be relieved from the tax burden under certain tax treaties with other countries, if operative. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on gain upon the sale of Equity Shares.

85. Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.

We are governed by the provisions contained in our articles of association, instructions and regulations prescribed by the RBI, and other Indian laws. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as one of our shareholders than as a shareholder of a bank or corporate entity in another jurisdiction.

86. Foreign investors are subject to certain restrictions under Indian law in relation to transfer of shareholding that may limit our ability to attract foreign investors, which may adversely impact the market price of the Equity Shares.

Under the foreign exchange regulations currently in force in India, transfers of shares between nonresidents and residents are freely permitted (subject to certain exceptions) if they comply with the pricing guidelines and reporting requirements specified by the RBI. If the transfer of shares is not in compliance with such pricing guidelines or reporting requirements or fall under any of the relevant exceptions referred to above, then the prior approval of the RBI may be required. Additionally, shareholders who seek to convert the Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India will require a no objection or a tax clearance certificate from the income tax authority. We cannot assure investors that any required approval from the RBI or any other governmental agency in India can be obtained on any particular terms, or at all.

87. Anti-takeover provisions under Indian law could prevent or deter an entity from acquiring us.

The Takeover Code contains certain provisions that may delay, deter or prevent a future takeover or change in control. These provisions may discourage a third party from attempting to take control over our business, even if change in control would result in the purchase of our Equity Shares at a premium to the market price or would otherwise be beneficial to the investor.

88. Fluctuations in the exchange rate between the Rupee and other currencies could have an adverse effect on the value of the Equity Shares in those currencies, independent of our operating results.

The Equity Shares are quoted in Rupees on the Stock Exchanges. Any dividends in respect of the Equity Shares will be paid in Rupees. Any adverse movement in currency exchange rates during the time it takes to undertake such conversion may reduce the net dividend to investors. In addition, any adverse movement in currency

exchange rates during a delay in repatriating the proceeds from a sale of Equity Shares outside India, for example, because of a delay in regulatory approvals that may be required for the sale of Equity Shares, may reduce the net proceeds received by investors. The exchange rate between the Rupee and other currencies (including U.S. dollar) has changed substantially in the last two decades and could fluctuate substantially in the future, which may have an adverse effect on the value of the Equity Shares and returns from the Equity Shares in foreign currency terms, independent of our operating results.

89. Investors will be subject to market risks until the Equity Shares credited to the investor's demat account are listed and permitted to trade.

Investors can start trading the Equity Shares allotted to them only after they have been credited to an investor's demat account, are listed and permitted to trade. Since the Equity Shares are currently traded on the Stock Exchanges, investors will be subject to market risk from the date they pay for the Equity Shares to the date when trading approval is granted for the same. Further, there can be no assurance that the Equity Shares allocated to an investor will be credited to the investor's demat account or that trading in the Equity Shares will commence in a timely manner.

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

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

91. We may be classified as a passive foreign investment company for U.S. federal income tax purposes, which could result in materially adverse U.S. federal income tax consequences to U.S. Holders of the equity shares.

Based on the anticipated market price of the Equity Shares, and the composition of our income, assets and operations, we do not expect to be treated as a passive foreign investment company (a "**PFIC**") for U.S. federal income tax purposes for the most recent taxable year, and do not expect to be a PFIC for the current taxable year or in the foreseeable future. However, the application of the PFIC rules is subject to uncertainty in several respects, and we cannot assure investors that the U.S. Internal Revenue Service will not take a contrary position. Furthermore, PFIC status is a factual determination that can only be made annually after the close of each taxable year. If we are a PFIC for any taxable year during which a U.S. Holder (as defined in "Statement of Tax Benefits — Certain U.S. Federal Tax Considerations") holds the Equity Shares, certain materially adverse U.S. federal income tax consequences could apply to such U.S. Holder. See "Statement of Tax Benefits— Certain U.S. Federal Income Tax Considerations — Passive Foreign Investment Company Rules".

92. Applicants to the Issue are not allowed to withdraw their Bids after the Bid/Issue Closing Date.

In terms of the SEBI Regulations, applicants in the Issue are not allowed to withdraw their Bids after the Bid/Issue Closing Date. The Allotment of Equity Shares in this Issue and the credit of such Equity Shares to the applicant's demat account with depository participant could take approximately seven days and up to 10 days from the Bid/Issue Closing Date. However, there is no assurance that material adverse changes in the international or national monetary, financial, political or economic conditions or other events in the nature of force majeure, material adverse changes in the business, our results of operation or financial condition, or other events affecting the applicant's decision to invest in the Equity Shares, would not arise between the Bid/ Issue Closing Date and the date of Allotment of Equity Shares in the Issue. Occurrence of any such events after the Bid/Issue Closing Date could also impact the market price of the Equity Shares. The applicants shall not have the right to withdraw their Bids in the event of any such occurrence. We may complete the Allotment of the Equity Shares even if such

events may limit the applicants' ability to sell the Equity Shares after the Issue or cause the trading price of the Equity Shares to decline.

93. Compliance with provisions of Foreign Account Tax Compliance Act may affect payments on the Equity Shares.

The U.S. "Foreign Account Tax Compliance Act" (or "FATCA") imposes a new reporting regime and, potentially, a 30.00% withholding tax on certain "foreign passthru payments" made by certain non-U.S. financial institutions (including intermediaries)

If payments on the Equity Shares are made by such non-U.S. financial institutions (including intermediaries), this withholding may be imposed on such payments if made to any non-U.S. financial institution (including an intermediary) that is not otherwise exempt from FATCA or other holders who do not provide sufficient identifying information to the payer, to the extent such payments are considered "foreign passthru payments". Under current guidance, the term "foreign passthru payment" is not defined and it is therefore not clear whether and to what extent payments on the Equity Shares would be considered foreign passthru payments. Withholding on foreign passthru payments would not be required with respect to payments made before January 1, 2019. The United States has entered into intergovernmental agreements with many jurisdictions (including India) that modify the FATCA withholding regime described above. It is not yet clear how the intergovernmental agreements between the United States and these jurisdictions will address "foreign passthru payments" and whether such agreements will require us or other financial institutions to withhold or report on payments on the Equity Shares to the extent they are treated as foreign passthru payments. Prospective investors should consult their tax advisors regarding the consequences of FATCA, or any intergovernmental agreement or non-U.S. legislation implementing FATCA, to their investment in Equity Shares.

MARKET PRICE INFORMATION

As at the date of this Placement Document, 726,429,298 Equity Shares are paid-up and outstanding. The Equity Shares have been listed and traded on the BSE and the NSE since September 24, 2002.

On December 6, 2017, the closing price of the Equity Shares on the NSE and the BSE was ₹155.15 and ₹155.30 per Equity Share, respectively. Since the Equity Shares are actively traded on the Stock Exchanges, the market price and other information for each of the NSE and the BSE has been given separately.

(i) The following tables set forth the reported high, low, average market prices and the trading volumes of the Equity Shares on the Stock Exchanges on the dates on which such high and low prices were recorded and the total trading volumes for Fiscal Year 2017, Fiscal Year 2016 and Fiscal Year 2015:

NSE											
Fiscal Year	High (₹)	Date of High	Number of Equity Shares traded on the date of high	Total volume of Equity Shares traded on the date of high (In ₹million)	Low (₹)	Date of low	Number of Equity Shares traded on the day of low	Total volume of Equity Shares traded on the date of low (In ₹million)	Average price for the year (In ₹)*	Total volume of Equity Shares traded in the fiscal year	
										In number	(In ₹ million)
2017	168.35	February 7, 2017	5,724,353	964.83	105.35	May 23, 2016	2,859,185	303.02	136.34	1,212,168,225	166,315.18
2016	219.65	August 17, 2015	11,428,191	2,479.71	106.95	February 29, 2016	10,229,288	1,110.13	154.91	1,030,877,793	161,164.55
2015	254.50	June 9, 2014	7,076,062	1,806.65	134.85	April 1, 2014	4,899,432	664.90	201.95	1,182,374,392	237,796.51

Source: *www.nseindia.com*

BSE											
Fiscal Year	High (₹)	Date of High	Number of Equity Shares traded on the date of high	Total volume of Equity Shares traded on the date of high (In ₹million)	Low (₹)	Date of low	Number of Equity Shares traded on the day of low	Total volume of Equity Shares traded on the date of low (In ₹ million)	Average price for the year (In ₹)*	Total volume of Equity Shares traded in the fiscal year	
										In number	(In ₹ million)
2017	168.65	February 7, 2017	884,342	149.15	105.25	May 23, 2016	520,750	55.20	136.30	150,764,367	20,678.93
2016	219.10	August 17, 2015	1,285,028	278.62	107.00	February 29, 2016	1,584,404	172.17	154.85	136,617,398	21,230.66
2015	254.50	June 9, 2014	733,758	187.41	134.85	April 1, 2014	483,126	65.49	201.94	158,350,885	31,716.43

Source: *www.bseindia.com*

Notes:

(a) High, low and average prices are based on the daily closing prices.

(b) In case of two days with the same closing price, the date with the higher volume has been chosen.

* In case of a year, average represents the average of the closing prices of all trading days of each year presented.

(ii) The following tables set forth the reported high, low, average market prices and the trading volumes of the Equity Shares on the Stock Exchanges on the dates on which such high and low prices were recorded and the total volume of Equity Shares traded during each of the last six months:

NSE											
Month, Year	High (₹)	Date of High	Number of Equity Shares traded on the date of high	Total volume of Equity Shares traded on the date of high (In ₹ million)	Low (₹)	Date of low	Number of Equity Shares traded on the day of low	Total volume of Equity Shares traded on the date of low (In ₹ million)	Average price for the month (In ₹)*	Total volume of Equity Shares traded in the month	
										In number	(In ₹ million)
November, 2017	179.65	November 1, 2017	5,049,169	917.08	162.90	November 8, 2017	4,962,700	817.40	168.57	112,742,766	19,226.13
October, 2017	186.40	October 26, 2017	22,025,508	4,067.21	125.85	October 19, 2017	466,545	58.82	140.82	118,101,612	18,882.24

NSE											
Month, Year	High (₹)	Date of High	Number of Equity Shares traded on the date of high	Total volume of Equity Shares traded on the date of high (In ₹ million)	Low (₹)	Date of low	Number of Equity Shares traded on the day of low	Total volume of Equity Shares traded on the date of low (In ₹ million)	Average price for the month (In ₹)*	Total volume of Equity Shares traded in the month	
										In number	(In ₹ million)
September, 2017	138.90	September 20, 2017	3,084,823	425.03	126.45	September 27, 2017	3,806,216	487.77	133.88	60,677,986	8,137.94
August, 2017	154.20	August 1, 2017	3,829,223	593.72	127.30	August 11, 2017	11,096,223	1,406.03	137.45	85,678,667	11,785.69
July, 2017	161.25	July 25, 2017	3,920,362	629.48	146.40	July 4, 2017	2,462,814	364.57	154.63	65,120,062	10,127.11
June, 2017	160.25	June 5, 2017	2,817,149	453.21	142.50	June 27, 2017	4,354,484	618.67	152.59	61,307,204	9,328.68

Source: www.nseindia.com

BSE											
Month, Year	High (₹)	Date of High	Number of Equity Shares traded on the date of high	Total volume of Equity Shares traded on the date of high (In ₹ million)	Low (₹)	Date of low	Number of Equity Shares traded on the day of low	Total volume of Equity Shares traded on the date of low (In ₹ million)	Average price for the month (In ₹)*	Total volume of Equity Shares traded in the month	
										In number	(In ₹ million)
November, 2017	179.20	November 1, 2017	1,039,179	188.10	162.70	November 8, 2017	659,439	108.79	168.47	14,863,231	2,543.59
October, 2017	186.45	October 26, 2017	2,894,936	533.95	125.90	October 5, 2017	300,826	38.02	140.75	14,650,399	2,364.93
September, 2017	139.05	September 20, 2017	356,054	49.20	126.50	September 27, 2017	438,409	56.03	133.90	6,157,325	825.25
August, 2017	154.25	August 1, 2017	349,441	54.26	127.40	August 11, 2017	1,383,165	175.30	137.47	9,209,048	1,263.54
July, 2017	161.20	July 25, 2017	474,898	76.20	146.20	July 4, 2017	355,973	52.79	154.56	10,784,617	1,677.74
June, 2017	160.45	June 5, 2017	440,869	70.97	142.50	June 27, 2017	578,344	82.12	152.63	8,153,451	1,244.67

Source: www.bseindia.com

Notes:

(a) High, low and average prices are based on the daily closing prices.

(b) In case of two days with the same closing price, the date with the higher volume has been chosen.

* In case of a month, average represents the average of the closing prices of all trading days of each month presented.

(iii) The following table sets forth the market price on the Stock Exchanges on May 2, 2017, the first working day following the approval of the Board of Directors for this Issue:

NSE					
Open (In ₹)	High (In ₹)	Low (In ₹)	Close (In ₹)	Total number of Equity Shares traded	Total volume of Equity Shares traded (In ₹ million)
171.40	174.90	168.55	170.40	4,413,851	757.80

BSE					
Open (In ₹)	High (In ₹)	Low (In ₹)	Close (In ₹)	Total number of Equity Shares traded	Total volume of Equity Shares traded (In ₹ million)
171.60	175.00	169.00	170.50	676,401	116.23

(Source: www.nseindia.com and www.bseindia.com)

USE OF PROCEEDS

The total proceeds of this Issue will be ₹20,000 million. After deducting the Issue expenses (including fees and commission) of approximately ₹104.19 million, the net proceeds from this Issue will be approximately ₹19,895.81 million ("**Net Proceeds**").

Subject to compliance with applicable laws and regulations, the Bank intends to use the Net Proceeds of this Issue to augment its capital adequacy ratio and for its general business, in accordance with applicable law.

The Bank will not directly or indirectly, use the proceeds from the sale of the Equity Shares to lend, contribute or otherwise make available all or any part of the proceeds to, or for, the benefit of any Subsidiary, Joint Venture, Associate or another person to fund or facilitate any activities or business in any sanctioned country or of or with any person or in any country or territory that at the time of such funding or facilitation, is the subject of sanctions.

The Net Proceeds of this Issue are not proposed to be utilised towards any specific project. Accordingly, the requirement to disclose (i) break up of cost of the project; (ii) means of financing such project; (iii) proposed deployment status of the proceeds at each stage of the project, are not applicable.

None of our Promoters or our Directors are making any contributions either as a part of this Issue or separately in furtherance of the objects of this Issue.

CAPITALISATION STATEMENT

The Board of Directors has, at its meeting on April 28, 2017 (the relevant intimation under Regulation 29(1) of the Listing Regulations to the Stock Exchanges was made on April 25, 2017), the Bank's shareholders at the Annual General Meeting of the Bank, pursuant to a special resolution passed on June 23, 2017 (the relevant intimation under the Listing Regulations, to the Stock Exchanges was made on May 29, 2017) and the Committee of Directors for Raising Capital Funds has, at its meeting on August 9, 2017 (the relevant intimation under Regulation 29(1) of the Listing Regulations to the Stock Exchanges was made on August 4, 2017) approved this Issue. Upon the completion of this Issue, the Board of Directors or a committee thereof shall pass a resolution authorising the Allotment of the Equity Shares pursuant to this Issue.

The following table sets forth the Bank's capitalisation (i) as of March 31, 2017 based on the Bank's Audited Financial Statements; (ii) as on September 30, 2017 based on the Bank's Unaudited Interim Financial Information and (iii) as adjusted to reflect the receipt of the net proceeds of this Issue and the application thereof.

This capitalisation table should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Statements".

(₹ in millions)

	As of March 31, 2017	As of September 30, 2017	
	Audited	**Reviewed**	**As adjusted for the Issue***
Indebtedness			
Short Term	120,265.48	319,851.67	319,851.67
Long Term	291,993.25	259,366.27	259,366.27
Current maturity of long term borrowings	25,904.13	11,374.84	11,374.84
Total Indebtedness (A)	**412,258.73**	**579,217.94**	**579,217.94**
Shareholders' Funds			
- Share capital	6,874.41	7,264.29	8,557.53
- Reserves and surplus	227,477.56	218,820.76	237,527.52
Total Shareholders' Funds (B)	**234,351.97**	**226,085.05**	**246,085.05**
Total Capitalization (A) + (B)	**646,610.70**	**805,302.99**	**825,302.99**

* The Bank will issue 129,324,280 Equity shares of face value of ₹10 each at a price of ₹154.65 per Equity Share, including a premium of ₹144.65 per Equity Share aggregating to ₹20,000.00 million, as approved by the Committee of Directors for Raising of Capital Funds in their meeting held on December 12, 2017.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by the Board of Directors at its discretion and will depend on a number of factors, including but not limited to the Bank's profits, capital requirements and overall financial condition, and are subject to the guidelines issued by the RBI. The Board may also from time to time pay interim dividends.

The following table details the dividend declared by the Bank on the Equity Shares for the Fiscal Year 2017, Fiscal Year 2016 and Fiscal Year 2015:

(in ₹ million other than dividend rate)

Particulars	Fiscal Year 2017*	Fiscal Year 2016	Fiscal Year 2015
Face Value of Equity Shares (₹ per share)	10	10	10
Interim Dividend	N.A.	N.A.	N.A.
Final Dividend (₹)	N.A.	1,340.51	3,814.67
Total dividend declared (₹)	N.A.	1,340.51	3,814.67
Dividend per Equity Share (₹)	N.A.	1.95	6.00
Rate of dividend (%)	N.A.	19.50	60.00
Tax on total dividend paid (₹)	N.A.	274.47	774.15

*** Given the need for augmenting capital adequacy ratio in line with the transition arragnements under Basel-III, the Board of Directors have not declared any dividend in Fiscal Year 2017.**

For a summary of certain Indian tax consequences of dividend distributions to shareholders, see "Statement of Tax Benefits".

Further, the amounts paid as dividends in the past are not necessarily indicative of the Bank's dividend policy or dividend amounts, if any, in the future. There is no guarantee that any dividends will be declared or paid or that the amount thereof will not be decreased in the future. The form, frequency and amount of future dividends will depend on the Bank's cash flows, financial condition, working capital, other financing requirements, and other factors and shall be at the discretion of the Board and subject to the approval of the Bank's shareholders.

For a description of regulation of dividends, see "Supervision and Regulations - Declaration of dividend by bank".

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

Some of the information in the following discussion, including information with respect to our plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read "Forward-Looking Statements, for a discussion of the risks and uncertainties related to those statements. Our actual results may differ materially from those expressed in or implied by these forward-looking statements. Also read "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors affecting our Results of Operations", for a discussion of certain factors that may affect our business, financial condition or results of operations.

Our fiscal year ends on March 31 of each year, and references to a particular fiscal year are to the twelve months ended March 31 of that year. Unless otherwise specified or as the context requires, financial information herein for Fiscal 2015, 2016 and 2017 is derived from our Audited Standalone Financial Statements, and financial information included herein for the six months ended September 30, 2016 and 2017, is from our Unaudited Interim Financial Information. For further information, see "Financial Statements".

Unless otherwise stated, references to "the Bank" or "our Bank", are to Union Bank of India on a standalone basis and references to "the Group", "we", "us", "our", are to Union Bank of India on a consolidated basis.

Unless otherwise indicated, industry and market data used in this section has been derived from industry publications and other publicly available information.

OVERVIEW

Our Bank was incorporated in 1919 and has since expanded to include a wide range of banking and financial products and services to both large and mid-sized corporates and micro, small and medium enterprises ("MSME") as well as retail customers. In Fiscal 2017, we had 3.41% market share in terms of aggregate deposits in India and 3.42% market share in terms of total aggregate advances in India.

As of September 30, 2017, we have a wide distribution network in India that includes 4,291 branches across 29 states and six union territories. Our international operations include the operations of our Subsidiary, Union Bank of India (UK) Limited and four branches in Hong Kong, Dubai International Financial Centre ("DIFC"), Antwerp and Sydney. We also have three representative offices in Abu Dhabi, Shanghai and Beijing. In addition to our Subsidiary, branches and representative offices, our Bank has 7,674 automated teller machines ("ATMs"), 27 extension counters, 60 satellite offices and 48 service branches across India, as of September 30, 2017. Our other distribution channels include internet banking, e-remittance, telephone banking, SMS banking and mobile banking. Further, our Bank had issued 0.21 million credit cards and 32.88 million debit cards, as of September 30, 2017.

In Fiscal 2015, 2016 and 2017 and in the six months ended September 30, 2017, transactions through alternate channels (non-branch) comprised 53.29%, 66.71%, 67.90% and 71.20%, respectively, of our Bank's total transactions. We have undertaken several digital initiatives by providing services, such as, amongst others, "Immediate Payment Service" ("IMPS"), "*M passbook*" and "*U Control*". In addition, we have recently, launched the "*Union Sahyog*" mobile application which provides our customers access to all our mobile based banking applications, missed call/SMS based services, internet banking login and self-user creation, deposit and loan product information, online account opening, online loan application, online complaint and right to information.

We provide a wide range of products and services aimed at various customer segments and industries. Our operations are internally aligned into distinct business lines for (i) corporate/ wholesale banking, (ii) retail banking, (iii) treasury operations and (iv) other banking operations. Revenues from corporate/ wholesale banking, treasury operations, retail banking and other banking operations accounted for 38.67%, 27.29%, 33.16% and 0.89%, respectively, in Fiscal 2017 and 37.75%, 27.48%, 33.45% and 1.33%, respectively, in the six months ended September 30, 2017, respectively, of our Bank's total revenue and accounted for 1.51%, 1.10%, 1.34% and 0.05% of our Bank's total assets. We also provide our customers with asset management services through our Subsidiary, Union Asset Management Company Limited and life insurance products through our Joint Venture, Star Union Dai-ichi Life Insurance Company Limited. We believe that such services provides us with significant cross-selling opportunities and also enhance our customer base.

Corporate/ Wholesale Banking. Our corporate/ wholesale banking business largely caters to corporate customers including large, medium and small businesses. We offer a wide range of customized financial products that include, amongst others, cash management services, deposits, credit, loan syndication and treasury products. Our Bank's corporate/ wholesale assets increased at a CAGR of 12.12% from ₹ 1,564,742.67 million as of March 31, 2015 to ₹ 1,967,009.40 million as of March 31, 2017 and was ₹ 1,773,302.26 million as of September 30, 2017.

Retail Banking. Our retail banking business provides retail customers with a range of financial products and services including housing loans, retail trade loans, automobile loans, consumer loans, education loans, medical loans and other personal loans and deposit services such as demand, savings and fixed deposits. In addition, we offer products such as global debit cards and global credit cards and provide utility services including bills payment and submission of application supported by blocked amount in relation to capital market transactions. We also act as corporate agents for distributing and marketing third-party products, including mutual fund products, and general and life insurance products. Our Bank's retail banking assets has marginally decreased from ₹ 1,072,859.54 million as of March 31, 2015 to ₹ 1,012,476.14 million as of March 31, 2017 and was ₹ 1,275,161.93 million as of September 30, 2017. Our retail operations also include our agricultural banking operations that provide products and services for agriculture, small scale industrial undertakings and tertiary sector needs. In addition, our retail banking operations include MSME banking operations. Our MSME banking operations includes various schemes launched for provision of credit to MSMEs, which are specially designed taking into account the needs of certain segments among the MSMEs having specific and uniform requirements. Our Bank's MSME advances increased at CAGR of 6.34% from ₹ 547,546.67 million as of March 31, 2015 to ₹ 619,126.63 million as of March 31, 2017 and was ₹ 622,558.66 million as of September 30, 2017.

Treasury Operations. Our treasury operations include management of Government securities, compliance with RBI's statutory liquidity ratio ("SLR") and cash reserve ratio ("CRR") norms and our international banking services such as foreign exchange services, international trade finance and NRI services comprising foreign exchange operations, remittance facilities for resident Indians, foreign currency loans, lending and deposit services to non-resident Indians. We also provide trade finance and other services to exporters and importers including the collection of bills, provision of foreign currency loans such as arranging short-term foreign currency loans through our correspondent banks and provision of credit substitutes such as letters of credit and guarantees. Our treasury investment portfolio was ₹ 1,284,178.42 million as of September 30, 2017 and revenue from treasury operations grew at a CAGR of 15.01% from ₹ 94,573.47 million in Fiscal 2015, to ₹ 125,085.37 million in Fiscal 2017.

Other Banking Operations. Our other banking operations includes provision of fee-based products and services such as cash management services, merchant banking, depository services, clearing bank services and handling of GoI's business including tax collections, public provident fund, "*Sukanya Samriddhi Scheme*". Our revenue from other banking assets has marginally decreased from ₹ 3,423.60 million in Fiscal 2015 to ₹ 3,343.15 million in Fiscal 2017 and ₹ 2,531.45 million in the six months ended September 30, 2017.

Total deposits of our Bank increased at a CAGR of 9.28% from ₹ 3,168,699.17 million as of March 31, 2015 to ₹ 3,783,915.75 million as of March 31, 2017. CASA ratio increased from 29.24% as of March 31, 2015 to 34.44% as of March 31, 2017. Gross advances grew at a CAGR of 7.15% from ₹ 2,627,573.00 million as of March 31, 2015 to ₹ 3,016,835.60 million as of March 31, 2017. As of March 31, 2017 and September 30, 2017, total assets were ₹ 4,527,044.40 million and ₹ 4,775,760.37 million, respectively, and net worth was ₹ 190,940.00 million and ₹ 170,980.00 million, respectively, in the same periods. We have a strong funding profile, with a credit-deposits ratio of 82.92%, 81.04%, 79.73% and 80.29% in Fiscal 2015, 2016 and 2017 and in the six months ended September 30, 2017, respectively. Net interest income in Fiscal 2015, 2016 and 2017 and in the six month period ended September 30, 2017 was ₹ 84,438.97 million, ₹ 83,130.99 million, ₹ 89,033.35 million and ₹ 45,633.29 million, respectively. Operating profit in Fiscal 2015, 2016 and 2017 and in the six month period ended September 30, 2017 was ₹ 58,234.70 million, ₹ 57,220.18 million, ₹ 74,300.89 million and ₹ 39,955.58 million, respectively. Net profit in Fiscal 2015, 2016 and 2017 and in the six month period ended September 30, 2017 was ₹ 17,816.40 million, ₹ 13,516.02 million, ₹ 5,552.13 million and ₹ (14,141.40) million, respectively.

Our Bank's capital adequacy ratio as of March 31, 2015, 2016 and 2017, in accordance with Basel III norms, was at 10.22%, 10.56% and 11.79%, respectively. Further, our Bank's CRAR as of September 30, 2017 was 11.22% in accordance with Basel III norms, well above the regulatory mandated benchmark of 10.25%.

As of March 31, 2015, 2016 and 2017 and as of September 30, 2017, gross NPAs of our Bank as a percentage of gross advances were 4.96%, 8.70%, 11.17% and 12.35%, respectively. Net NPAs as a percentage of net advances were 2.71%, 5.25%, 6.57% and 6.70% as of March 31, 2015, 2016 and 2017 and as of September 30, 2017,

respectively. Provision coverage ratio was 59.23%, 50.98%, 51.41% and 56.06% as of March 31, 2015, 2016 and 2017 and as of September 30, 2017, respectively**.**

RECENT DEVELOPMENTS

Pursuant to a meeting of our Board of Directors on November 3, 2017, we have adopted and filed with the stock exchanges the Unaudited Interim Financial Information. For further information, see "Financial Statements".

PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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

Indian economy and macroeconomic environment

The Indian economy and macroeconomic environment has a direct impact on our business and operations and financial performance. The Indian economy is one of the largest economies in the world, with a gross domestic product ("GDP") at current prices in Fiscal 2017 estimated at ₹ 151,840 billion, showing a growth rate of 11.0% over the estimates of GDP for fiscal 2016 of ₹ 136,820 billion (*Source: Press Note on Provisional Estimates of Annual National Income, 2016-2017 and Quarterly Estimates of Gross Domestic Product for the Fourth Quarter of 2016-2017, Central Statistics Officer, Ministry of Statistics and Programme Implementation, Government of India, May 31, 2017*). The Indian economy in Fiscal 2017 was marked by moderate expansion and macroeconomic stability, low inflation, and improvement in current account and fiscal deficits due to negative impacts from the global slowdown and the transient impact of demonetisation (*Source: RBI Annual Report 2016 - 2017*). Due to the slowdown in gross capital formation, the GDP growth in Fiscal 2017 moderated, however, the Government and private consumption accelerated and held up aggregate demand. (*Source: RBI Annual Report 2016 - 2017*). The GDP at constant (fiscal 2012) prices in the first quarter of fiscal 2018 is estimated at ₹ 31,100 billion, showing a growth rate of 5.7% over the estimates of GDP in the first quarter of fiscal 2017 of ₹ 29,420 billion (*Source: Press Note on Estimates of Gross Domestic Product for the first quarter (April-June) 2017-2018, Central Statistics Office, Ministry of Statistics and Programme Implementation, Government of India, August 31, 2017).*India's GDP growth slowed in fiscal 2016 amid disruptions due to demonetization and uncertainty leading up to the implementation of the Goods and Services Tax ("**GST**") in July 2017. *(Source: World Bank. 2017. "Growth out of the Blue." South Asia Economic Focus (October), Washington, DC: World Bank. Doi: 10.1596/978-1-4648-1213-2. License: Creative Commons Attribution CC BY 3.0 IGO*)

However, the outlook for growth in India in fiscal 2018 has brightened, with the likelihood of another favourable monsoon and the implementation of major policy reforms which would help to unlock bottlenecks to growth. (*Source: RBI Annual Report 2016 - 2017*). India's economic activity is expected to stabilize and maintain an annual GDP growth at 7% in fiscal 2018. India's growth is projected to increase gradually to 7.4% by fiscal 2020, reinforced by a recovery in private investment, which is expected to increase due to rise in public capital expenditure and an improvement in the investment scenario partly due to the implementation of GST and the Insolvency and Bankruptcy Code, 2016 ("IBC"), and favourable measures to attract foreign direct investment. (*Source: World Bank. 2017. "Growth out of the Blue." South Asia Economic Focus (October), Washington, DC: World Bank. Doi: 10.1596/978-1-4648-1213-2. License: Creative Commons Attribution CC BY 3.0 IGO*)

The Union Budget 2017 announcements and the expectations of accelerated reforms and political stability further reinforced the overall positive business sentiment in India. The Union Budget 2017 reduced fiscal deficit from 3.9% of GDP in Fiscal 2016 to 3.5% in Fiscal 2017. Retail inflation measured by year-on-year variation in consumer price index declined by 2.18% in May 2017. *(Source: RBI - Financial Stability Report, June 2017*).

In Fiscal 2017, a variety of factors, including India's improving macroeconomic fundamentals, the outcome of the US presidential election, foreign portfolio investment flows into India and the passage of India's GST bill, led to volatilities in the Indian Rupee, particularly in the third and fourth quarters, with the Indian Rupee ending fiscal year 2017 on a strong note. The Indian Rupee ended Fiscal 2017 at 64.85 against the U.S. Dollar, rallying by 4.7% in end-March 2017 from end-December 2016 and 2.2% from end-March 2016. However on an average, the Indian Rupee depreciated 2.4% against the U.S. Dollar in Fiscal 2017 from Fiscal 2016. *(Source: RBI's Database on Indian Economy. Available at https://dbie.rbi.org.in/DBIE/dbie.rbi?site=home)*

Performance of the banking sector in India

The Indian banking sector is highly regulated and monitored, which contributes to its relative stability during uncertain economic periods.

According to the RBI's financial stability report, June 2017 ("RBI Financial Stability Report"), after years of sluggish growth, the global economy seems poised for a turnaround. While there are uncertainties, the underlying feeling of a stable transition from a global accommodative monetary policy regime to a normal rate cycle is evident in equity and fixed income markets. Notwithstanding the US decision to pull out of the Trans Pacific Partnership, there has been a steady increase in global trade. Furthermore, the US Dollar in trade weighted terms has stopped rising. Domestically macroeconomic conditions remained stable and the expectations of accelerated reforms and political stability further reinforced the overall positive business sentiment. The Government's commitment to fiscal discipline had a positive impact on macroeconomic outlook.

RBI Financial Stability Report noted that during Fiscal 2017, while deposit growth of scheduled commercial banks picked up, credit growth remained sluggish putting pressure on net interest income, particularly of the public sector banks. While profitability ratios showed a marginal increase, public sector banks continued to show a negative return on assets. The gross non-performing advances of the banking sector rose but the stressed advances ratio declined between September 2016 and March 2017 on account of agriculture, services and retail sectors. Overall, capital to risk weighted assets ratio improved from 13.4% to 13.6% between September 2016 and March 2017 owing to improvement in capital adequacy of private and foreign banks. The share of large borrowers both in scheduled commercial banks total loans portfolio as well as gross non-performing advances showed a reduction between September 2016 and March 2017.

The network structure of the financial system indicates that scheduled commercial banks were the dominant players accounting for nearly 51% of the bilateral exposures followed by asset management companies managing mutual funds, non-banking financial companies, all-India financial institutions, insurance companies and housing finance companies. The efficiency and competitiveness of the banking sector is likely to increase with entry of differentiated banks. India's financial system remains stable, while the concerns on banks' asset quality remain.

Implementation of Ind AS

Banks in India currently prepare the financial statements in accordance with the extant guidelines of the RBI, accounting standards notified under Section 133 of the Companies Act, 2013 and Indian GAAP. The Ministry of Corporate Affairs, in its press release of January 18, 2016, issued a roadmap for implementation of Ind AS for scheduled commercial banks, insurers, insurance companies and non-banking financial companies, which requires such institutions to prepare financial statements based on Ind AS for the accounting periods commencing April 1, 2018, together with corresponding financial statements for the respective periods in the previous fiscal year. On February 11, 2016, the RBI issued a circular requiring all scheduled commercial banks to comply with Ind AS for financial statements for accounting periods commencing April 1, 2018 and to submit proforma Ind AS financial statements to the RBI. We have duly submitted such pro forma Ind AS financial statements (on standalone basis) to the RBI. Further, in accordance with the RBI circular dated September 13, 2017, our Bank has also submitted proforma Ind AS financial statements (on standalone basis) for the three months ended June 30, 2017, based on the additional guidance provided by the RBI for loan loss calculations, after obtaining approval from the Audit Committee and our Board. The new accounting standards will impact, among other matters, the methodology for estimating allowances for expected loan losses and for classification and valuation of investment portfolio, as well as revenue recognition policy.

Our Bank has commenced the process of migration to Ind AS based financial statements. The key impact areas for our Bank include accounting of financial instruments, consolidation accounting and deferred tax. Accounting of financial instruments under Ind AS differs significantly from Indian GAAP, including classification, fair valuation, expected credit losses, effective interest rate accounting and derecognition of such instruments. There is no established practice available for drawing informed judgments regarding the implementation and application of Ind AS. The extent of impact on financial statements under Ind AS is therefore currently uncertain pending final RBI guidelines on Ind AS 109, in relation to, among other matters, determination of forward looking macro-economic variables. There can be no assurance that the adoption of Ind AS will not adversely impact our reported results of operations or financial condition and the trading price of our Equity Shares.

Regulatory measures and reforms

The financial services industry in India is subject to stringent regulation and supervision by governmental organizations and regulatory agencies including the RBI and SEBI. The regulatory regime governing banks in

India covers various aspects including corporate governance, acceptance of deposits, provision of loans and advances and NPAs, investments, risk management, foreign investment, foreign exchange management, capital adequacy, margin requirements, know-your customer and anti-money laundering. The RBI also mandated that a certain level of our lending is to "priority sectors" such as agriculture and minority communities. This exposes us to higher levels of risk than we may otherwise face. Further, in addition to having gradually established more stringent capital adequacy requirements, the RBI has also instituted several prudential measures including an increase in risk weights for capital adequacy computation and general provisioning for certain types of asset classes.

The GoI, has since 2013 introduced various economic reforms intended to provide increased control and transparency in the banking and financial services industry. Among these measures implemented was the demonetisation of the then existing ₹ 500 and ₹ 1,000 banknotes with the intention of lowering cash circulation in the country as a means of counteracting corruption, which is often directly cash-linked and eliminating counterfeit money. The immediate impact of demonetisation measure on our operations was the sharp increase in our CASA deposits, and a short-term decrease in loan growth in some of our retail and SME loan books. Other similar measures and changes in the regulatory environment pertaining to the Indian financial services industry could have a significant impact on our operations and financial condition. The RBI has also issued guidelines to facilitate the resolution of large stressed accounts in June 2016 through the S4A, with the objective of segregating sustainable debt of the borrower to improve viability and resolve the remaining portion of the debt through conversion into equity/ redeemable cumulative optionally convertible preference shares. This has resulted or may result in classification of certain of our accounts as S4A thereby increasing our provisioning requirements, which may impact our financial performance.

The RBI is also authorized to (in consultation with the GoI) to supersede the board of directors of a bank for a period not exceeding a total period of 12 months, in public interest or for prevent the affairs of any bank from being conducted in a manner detrimental to the interest of the depositors or to ensure proper management.

The GoI has also introduced IBC in May 2016. In order to strengthen banks' ability to effectively resolve stressed assets and enhance transparency, the RBI has issued guidelines on the sale of stressed assets by banks. These guidelines require banks to identify the specific financial assets identified for sale to other institutions, including securitisation companies / reconstruction companies. Since April 1, 2017, the RBI has implemented revised guidelines for prompt corrective action which enable RBI to implement certain operational restrictions on banks when certain risk thresholds are breached. These measures include restrictions on expansion of branch network, dividend payments, as well as lending limits to an entity or a particular sector. Other similar measures and regulatory developments relating to the Indian banking and financial services industry may have a significant impact on our operations and financial performance.

In addition, the dual goods and service tax ("GST") model introduced in India in July 2017 includes GST levied by the GoI and levies by all States (including Union Territories). While the full impact of the implementation of GST on the economy is uncertain, it is likely to have an impact on our results of operation and financial condition.

NPA levels and provisioning

Our loan portfolio includes loans to a wide range of businesses and industries. Financial difficulties experienced by our customers or by particular sectors of the Indian economy, to which we have historically had and continue to have significant exposure, could significantly increase our NPA levels. As of March 31, 2015, 2016 and 2017, and as of September 30, 2017, gross NPAs as a percentage of gross advances were 4.96%, 8.70%, 11.17% and 12.35%, respectively, while net NPAs as a percentage of net advances were 2.71%, 5.25%, 6.57% and 6.70%, respectively. Our profits are affected by the amount of provisions against loans, recovery and litigation costs.

At a minimum, we make provisions in accordance with RBI guidelines, though we may provide in excess of RBI requirements to reflect our internal estimates of actual losses. If there is any deterioration in the quality of our security or further ageing of assets after being classified as non-performing, we may be required to increase our provisions. Moreover, our ability to manage NPA levels will depend on our ability to recover NPAs in a manner consistent with past abilities and further improve our internal controls and processes.

Pursuant to the revised "Prudential Guidelines on Restructuring of Advances by Banks and Financial Institutions" issued by the RBI on May 30, 2013, provisioning requirements on all new standard restructured assets increased to 5.00% with effect from June 1, 2013. These provisions will apply for two years from the date of restructuring and in case of moratorium on payment of interest and principal after restructuring, such advances

will attract provisions for the moratorium period and for two years thereafter. In addition, NPAs when upgraded to standard attract a higher provision in the first year of being upgraded. Net restructured asset considered standard as of March 31, 2017 was ₹ 56,964.50 million, equivalent to 1.89% of gross advances.

Capital adequacy, liquidity requirements and reserve ratios

Capital adequacy

Since April 1, 2013, capital adequacy ratios prescribed by the RBI Basel III Capital Regulations have been implemented in phases. Under the RBI Basel III Capital Regulations, banks are required to improve the quantity, quality and transparency of their Tier I capital, enhance risk coverage and supplement the risk-based requirements with a leverage ratio. RBI introduced guidelines on the framework on countercyclical capital buffers ("CCCBs") in February 2015 stating that the CCCB would be activated as and when the circumstances warranted. Based on the review and empirical testing of CCCB indicators, RBI has not yet announced the implementation of such buffers. By March 2019, when the Basel III norms are expected to be fully implemented, the minimum total capital adequacy ratio (including the capital conservation buffer) required will be 11.50% of risk-weighted assets. The table below summarises the capital requirements under RBI Basel III Capital Regulations for banks in India:

	Minimum Capital Ratios	**As a % of Risk Weighted Assets**
(i)	Minimum Common Equity Tier I Ratio	5.50
(ii)	Capital Conservation Buffer (comprising Common Equity)	2.50
(iii)	Minimum Common Equity Tier I Ratio plus Capital Conservation Buffer (i)+(ii)	8.00
(iv)	Additional Tier I capital	1.50
(v)	Minimum Tier I capital adequacy ratio (i)+(iv)	7.00
(vi)	Tier II capital	2.00
(vii)	Minimum Total Capital Ratio (MTC) (v)+(vi)	9.00
(viii)	Minimum Total Capital Ratio plus Capital Conservation Buffer (vii)+(ii)	11.50

The capital adequacy requirements prescribed by Basel III guidelines are more stringent than the requirements prescribed by the earlier guidelines and compliance with such requirements will have an impact on our financial results, including certain key indicators of financial performance, such as the return on equity.

Liquidity requirements

RBI, as part of Basel III liquidity framework, has issued and will continue to issue guidelines on liquidity management applicable to banks. Liquidity coverage ratio ("LCR") is being implemented in a phased manner. It started with a minimum requirement of 60% from January 1, 2015 to reach 100% by January 1, 2019. Banks in India are required to maintain liquidity buffers in the form of high quality liquid assets of 80% with effect from January 1, 2017. This is scheduled to increase to 90% with effect from January 1, 2018. The current requirement is to maintain incremental liquidity buffer of high quality liquid assets. While LCR provides higher safety, it results in higher liquidity cost and hence lower profitability. Average LCR for the six months ended September 30, 2017 was 105.93% against the minimum requirement of 80.00%.

Reserve ratios

Commercial banks including us are subject to Cash Reserve Ratio ("CRR") requirement as prescribed under RBI regulations. CRR is our balance held in a current account with the RBI and is calculated as a specified percentage of our net demand and time liabilities. The CRR currently applicable to banks in India is 4.00%. The RBI has the authority to prescribe CRR without any ceiling limits and is not obliged to pay interest payments on CRR balances. All banks operating in India are also required to maintain a Statutory Liquidity Ratio ("SLR"), which is a specified percentage of a bank's net demand and time liabilities by way of liquid assets such as cash, gold or approved unencumbered securities. SLR is intended to be a measure to maintain the bank's liquidity, however, it has adverse implications on our ability to expand credit. Changes in interest rates also impact the valuation of our SLR portfolio and thereby affecting our profitability.

The following table sets forth the RBI's CRR, the reverse repo rate, the repo rate and MSF as of the dates indicated:

As of March 31,	**CRR**	**Reverse Repo Rate**	**Repo Rate**	**MSF**
2015	4.00%	6.50%	7.50%	8.50%

As of March 31,	CRR	Reverse Repo Rate	Repo Rate	MSF
2016	4.00%	5.75%	6.75%	7.75%
2017	4.00%	5.75%	6.25%	6.75%

(Source: RBI)

Interest income

Our results of operations depend to a great extent on our net interest income. Our net interest income is determined by the amount of interest-earning assets and interest-bearing liabilities, and on our spread, which is the difference between the average rate earned on our interest-earning assets and the average rate payable on our interest-bearing liabilities. In Fiscal 2015, 2016 and 2017, net interest income was ₹ 84,438.97 million, ₹ 83,130.99 million, ₹ 89,033.35 million, respectively. Our net interest income is affected by a number of factors including interest rates, our ability to allocate funds to assets that provide high interest rates, and cost of funding.

Interest rates

Changes in interest rates affect the interest rates we charge on our interest-earning assets and that we pay on our interest-bearing liabilities. Indian banks including us follow the direction of interest rates set by the RBI and adjust both deposit rates and lending rates upwards or downwards accordingly. Decreases in the RBI policy rates would prompt Indian banks to re-examine their lending rates. Adverse changes in prevailing interest rates may result in a decline in net interest income due to increase in our costs of funds or deposits without a corresponding increase in our yield on assets. Interest rates are highly sensitive to many external factors beyond our control, including growth rates in the economy, inflation, money supply, RBI's monetary policies, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors.

Allocation of funds

In recent years, there has been increased demand for funding across many sectors of the Indian economy. The growth of the Indian economy has enabled us to allocate our funds from Government securities to advances, which offer us higher returns subject to maintaining minimum statutory requirements. Further, we diversify our net interest income portfolio by lending to retail customers, large corporates and small and medium enterprises across various industry segments. If the volume of the our loans decreases due to a general slowdown in the economy, increased competition or other factors, our net interest income will decrease as well. In addition, we seek to allocate our funds in an optimum manner at any point of time depending on our liquidity and prevailing interest rates.

Sources of funding

Our primary interest-bearing liability is our deposit base. To continue to source low-cost funding through customer deposits, we must, among other measures, further develop our rapidly expanding branch network, increase brand recall and develop products and services to distinguish ourselves in an increasingly competitive industry. However, increasing customer sophistication, competition for funding, any sharp increase in prevailing interest rates and changes to the RBI's liquidity and reserve requirements may increase the rates that we pay on our deposits. As of March 31, 2015, 2016 and 2017, our Bank had total deposits of ₹ 3,168,699.17 million, ₹ 3,427,200.09 million and ₹ 3,783,915.75 million, respectively, and an advance-to-deposit ratio (calculated as advances divided by deposits) of 82.92%, 81.04% and 79.73%, respectively. As of September 30, 2017, our Bank's CASA deposits were ₹ 1,295,874.52 million. CASA ratio increased from 29.24% as in Fiscal 2015 to 34.44% in Fiscal 2017.

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

Customer relationship

Among the factors that affect our revenues is our relationship with our customers as well as the range of products and services we provide to each customer. The number of customers we serve depends on the reach and strength of our distribution network, and the demand for, and competitiveness of, our products and services. With a focus on customer convenience, we added 82 domestic branches in Fiscal 2017 to our existing branch network and had 4,291 branches as of September 30, 2017.

For our corporate banking business, revenues are driven primarily by the number, as well as quality, of our institutional and corporate clients, and our ability to grow our share of clients' business. If we are not successful in developing new customer relationships, or retaining existing customer relationships, our earnings may be adversely affected.

Competition

We face competition in all our principal areas of business. Other public sector banks, private sector banks and foreign banks are our main competitors, followed closely by finance companies, insurance companies, asset and wealth management companies, development financial institutions, mutual funds and investment banks. We may also face increased competition from foreign banks if the Indian retail market is further liberalized or if regulations and restrictions upon branch network growth by foreign banks are simplified or reduced. Additionally, foreign banks may operate in India by establishing wholly-owned subsidiaries which are allowed to raise Rupee resources through issue of non-equity capital instruments.

In addition, the New Bank Licensing Guidelines were issued by the RBI in February 2013 specifying that selected entities or groups in the private sector, entities in the public sector and non-banking financial companies of past record of sound credentials and integrity, be financially sound with a successful track record of at least 10 years would be eligible to provide banking services. On April 2, 2014, the RBI granted in-principle approval to two applicants to set up universal banks under the New Banks Licensing Guidelines, pursuant to which IDFC Bank and Bandhan Bank have been set-up. In the future, the RBI may issue further licenses under the liberalized license regime. The RBI has also issued guidelines dated November 27, 2014 on licensing of "small finance banks" and "payments banks" in the private sector in the banking industry, including the eligibility criteria, scope, capital requirements, shareholding structure, prudential norms, and other corporate governance practices applicable to such proposed entities.

RBI granted in-principle approvals to 11 applicants to set up payment banks, pursuant to which several such payment banks have commenced operations, including Airtel Payments Bank Limited, India Post Payments Bank, and PayTM Payments Bank. In addition, there are nine small finance banks including Ujjivan Small Finance Bank Limited, Utkarsh Small Finance Bank Limited, Suryoday Small Finance Bank Limited, Au Small Finance Bank Limited, Equitas Small Finance Bank Limited, Capital Small Finance Bank Limited, ESAF Small Finance Bank Limited and North East Small Finance Bank Limited.

RBI also issued guidelines for universal banking license in August 2016, which can be applied for at any time. Under such guidelines, resident individuals/ professionals who are resident Indian and have 10 years of experience in banking and finance at a senior level and existing non-banking financial companies that are controlled by resident Indians and have a successful track record of at least 10 years may apply for such license. Further, entities/ groups in the private sector that are owned and controlled by resident Indians are also eligible promoters provided that they have a successful track record of at least 10 years and if such entity/ group has total assets of ₹ 50 billion or more, the non-financial business of the group does not account for 40.00% or more in terms of total assets/ gross income.

An increase in operations of existing competitors or entry of additional banks offering a similar or a wider range of products and services could increase competition. In addition, the moderation of growth in the Indian banking sector is expected to lead to greater competition for business opportunities. The GoI is also actively encouraging banks and other financial institutions to significantly increase their lending to the agricultural sector, which will make this segment more competitive. These competitive pressures affect the Indian and international banking industry as a whole, including us, and our future success will depend largely on our ability to respond in an effective and timely manner to these competitive pressures.

SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting ongoing concern basis, unless otherwise stated and conform in all material aspects to Generally Accepted

Accounting Principles ("GAAP") in India, which comprise applicable statutory provisions, regulatory norms/guidelines prescribed by the RBI, the Banking Regulation Act 1949, Accounting Standards ("AS") issued by the Institute of Chartered Accountants of India ("ICAI"), and the practices prevalent in the banking industry in India. In respect of foreign offices, statutory provisions of practices prevailing in respective foreign countries are complied with.

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and the expenses during the reporting period. We believe that the estimates wherever used in the preparation of the financial statements are prudent and reasonable. Difference between the actual results and estimates is recognized in the period in which the results are known/ materialized.

Revenue Recognition

- Income and expenditure have been accounted for on accrual basis unless otherwise stated.

- Income on Non-Performing Assets ("NPAs") is recognized to the extent realized as per the prudential norms prescribed by the RBI. Income accounted for in the preceding year and remaining unrealized is derecognized in respect of assets classified as NPAs, during the year.

- Bank commission, exchange and brokerage earned (including third party product's income), rent on safe deposit lockers ("SDV"), commission on biometric cards, income from Aadhaar cards *etc.* are accounted for on realization basis.
- Income (other than interest) on investments in "Held to Maturity" ("HTM") category acquired at discount to the face value is recognized as follows:

    - On interest bearing securities, it is recognized only at the time of sale / redemption.

    - On zero coupon securities, it is accounted for over the balance tenor of the securities on a constant yield basis.

- Dividend is accounted on an accrual basis where the right to receive the same is established.

Investments

In conformity of the requirements in form A of the Third Schedule to the Banking Regulations Act, 1949, Investments are classified as under: (i) government securities; (ii) other approved securities; (iii) shares; (iv) debentures and bonds; (v) investments in subsidiaries and joint ventures; and (vi) other investments.

The investment portfolio of our Bank is further categorized in accordance with the RBI guidelines into three categories: (i) Held to Maturity ("HTM"); (ii) Available for Sale ("AFS"); and (iii) Held for Trading ("HFT").

- As per RBI guidelines, the following principles have been adopted for the purpose of valuation:

    - Securities held in "HTM" – at acquisition cost: The excess of acquisition cost over the face value is amortized over the remaining period of maturity and in case of discount; it is not recognized as income.

    - Investments in Regional Rural Banks are valued at carrying cost.

    - Investments in Subsidiaries and Joint Ventures are valued at carrying cost.

    - Diminution other than temporary, if any, in valuation of such investments is provided for.

    - Securities held in "AFS" and "HFT" categories are valued classification wise and scrip wise and net depreciation, if any, in each classification is charged to profit and loss account while net appreciation, if any, is ignored.

    - Valuation of other securities is arrived at as follows:

i.	Government of India Securities	As per quotations put out by Fixed Income Money Market and Derivatives Association ("FIMMDA").
ii.	State Development Loans, Securities guaranteed by Central/State Government, PSU Bonds	On appropriate yield to Maturity basis as per FIMMDA guidelines.
iii.	Equity Shares	As per market rates, if quoted, otherwise at book value as per latest audited balance sheet (not more than one year old). In the absence of both at ₹ 1 per company.
iv.	Preference Shares	As per market rates, if quoted or on appropriate yield to maturity basis not exceeding redemption value as per FIMMDA guidelines.
v.	Debentures/Bonds	As per market rates, if quoted, otherwise on appropriate yield to maturitybasis as per FIMMDA guidelines.
vi.	Mutual Funds(MF)	As per stock exchange quotations, if quoted. In case of unquoted units, as per latest repurchase price declared by concerned MF. In cases where latest repurchase price is not available, as per Net Asset Value ("NAV")
vii.	Treasury Bills / Certificate of Deposits / Commercial Papers	At carrying cost
viii.	Venture Capital Funds ("VCF")	At declared NAV or break-up NAV as per audited balance sheet which is not more than 18 months old. If NAV / audited financial statements are not available for more than 18 months continuously, at ₹ 1 per VCF
ix.	Security Receipts	At NAV as declared by securitization companies

- Interbank REPO / Reverse Repo transactions are accounted for in accordance with extant RBI guidelines.

- As per the extant RBI guidelines, the shifting of securities from one category to another is accounted for as follows:

    - From AFS / HFT categories to HTM category, at lower of book value or market value as on the date of shifting. Depreciation, if any, is fully provided for.

    - From HTM category to AFS / HFT category,
  - If the security is originally placed at discount in HTM category, at acquisition cost/ book value;
  - If the security is originally placed at a premium, at amortized cost.

  The securities so shifted are revalued immediately and resultant depreciation is fully provided for.
  - From AFS to HFT category and vice versa, at book value.
    -

- The non-performing investments are identified and depreciation / provision is made as per the extant RBI guidelines.

- Profit / Loss on sale of investments in any category is taken to the profit and loss account. However, in case of profit on sale of investments in "HTM" category, an equivalent amount (net of taxes and net of transfer to statutory reserves) is appropriated to the capital reserve account.
    -
- Commission, brokerage, broken period interest etc. on securities is debited / credited to profit and loss account.
    -
- As per the extant RBI guidelines, our Bank follows 'Settlement Date' for accounting of investments transactions.

Derivative Contracts

- The Interest Rate Swap ("IRS") which hedges interest bearing asset or liability are accounted for in the financial statements on accrual basis except the swap designated with an asset or liability that is carried at market value or lower of cost or market value. Gains or losses on the termination of swaps are recognized over the shorter of the remaining contractual life of the swap or the remaining life of the asset /liability.
    -
- Trading swap transactions are marked to market with changes recorded in the financial statements.

- In the case of option contracts, guidelines issued by Foreign Exchange Dealers Association of India ("FEDAI") from time to time for recognition of income, premium and discount are being followed.

Advances

- All advances are classified under four categories, *i.e.* (a) standard, (b) sub-standard, (c) doubtful and (d) loss assets. Provisions required on such advances are made as per the extant prudential norms issued by the RBI.

- Loans and advances are classified as performing and non-performing, based on the guidelines issued by the RBI. Loan Assets become Non-Performing Assets("NPAs") where:

  - In respect of term loans, interest and/or instalment of principal remains overdue for a period of more than 90 days;
  - In respect of overdraft or cash credit advances,the account remains "out of order", *i.e.* if the outstanding balance exceeds the sanctioned limit/drawing power continuously for a period of 90 days, or if there are no credits continuously for 90 days as on the date of balance-sheet, or if the credits are not adequate to cover the interest due during the same period;

  - In respect of bills purchased/discounted, the bill remains overdue for a period of more than 90 days;

  - In respect of agricultural advances for short duration crops, where the instalment of principal or interest remains overdue for two crop seasons; and

  - In respect of agricultural advances for long duration crops, where the principal or interest remains over due for one crop season.

  - NPAs are classified into Sub-Standard, Doubtful and Loss Assets, based on the following criteria stipulated by RBI:

  - Sub-standard: A loan asset that has remained non-performing for a period less than or equal to 12 months;
  - Doubtful: A loan asset that has remained in the sub-standard category for a period of 12 months; and

  - Loss: A loan asset where loss has been identified but the amount has not been fully written off.

  - Provisions are made for NPAs as per the extant guidelines prescribed by the regulatory authorities,subject to minimum provisions as prescribed below:

Sub-Standard Assets	A general of 15% of the total outstanding. ii. Additional provision of 10% for exposures which are unsecured ab-initio. iii. Unsecured Exposure in respect of infrastructure loan accounts where certain safeguards such as escrow accounts are available - 20%.
Doubtful-Secured Portion	i. Upto one year – 25% ii. One to three years – 40% iii. More than three years – 100%
Doubtful-Unsecured Portion	100%
Loss Asset	100%

  - Advances are stated net of specific loan loss provisions,counter cyclical provisioning buffer, provision for diminution in fair value of restructured advances and unrecovered interest held in Sundry /claims received from Credit Guarantee Trust Fund ("CGTF")/Export Credit Guarantee Corporation ("ECGC") relating to non-performing assets.
  - In respect of foreign offices, classification of loans and advances and provisions for NPAs are made as per the local regulations or as per the norms of RBI, which ever is more stringent.

- For restructured/rescheduled assets, provisions are made in accordance with the guidelines issued by the RBI, which require that the difference between the fair value of the loan before and after restructuring is provided for, in addition to provision for NPAs.
- In the case of loan accounts classified as NPAs, an account may be reclassified as a performing asset if it conforms to the guidelines prescribed by the regulators.
- Amounts recovered against debts written off in earlier years are recognised as revenue in the year of recovery.
- The general provision on standard advances is held in"other liabilities and provisions" reflected in Schedule 5 of the balance sheet and is not considered for arriving at both net NPAs and net advances.

Fixed Assets and Depreciation

- Premises and other fixed assets are stated a cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises of purchase price, eligible borrowing costs and directly attributable costs of bringing the asset to its working condition for its intended use less trade discounts and rebates. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future benefits from such assets or their functional capability. Land and buildings, if revalued are stated at revalued amount. The appreciation on revaluation is credited to revaluation reserve and the depreciation provided thereon is deducted there from.

- Application Software is capitalized and clubbed under Intangible assets. Depreciation on computers and software forming an integral part of computer hardware and on ATM is provided on straight line method ("SLM")at the rate of 33.33% as per the guidelines of RBI.

- Depreciation on fixed assets is provided for on the written down value method at the rates considered appropriate by the management as under:

	Type of Asset	Rate of Depreciation
I.	Premises	5 %
II.	Other fixed assets	
	Furniture and fittings	10 %
	Electric fittings and equipments, office appliances and SDV/ strong rooms etc.	15 %
	Transport vehicles	20 %
	Uninterrupted power supply equipments	33.33 %
III.	Amount added consequent upon revaluation of the assets	Applicable rate for the asset type, over the residual economic life of the respective assets

- Depreciation on additions to assets made up to 30th September of the year is provided at full rate and on additions made thereafter, at half the rate.

- Depreciation on premises is provided on composite cost, wherever the value of land and buildings is not separately identifiable.

- No depreciation is provided on assets sold / disposed off during the year.

- Depreciation on leased assets and leasehold improvements is recognized on a straight-line basis using rates determined with reference to the primary period of lease.

Impairment of Assets

The carrying costs of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying cost of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In

assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. After impairment, depreciation is provided on the revised carrying cost of the asset over its remaining useful life. A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation, if there was no impairment.

Counter Cyclical Provisioning Buffer

Our Bank has a policy for creation and utilization of "Counter Cyclical Provisioning Buffer" separately for advances and investments. The quantum of provision to be created is assessed at the end of each financial year. The counter cyclical provisions are utilized only for contingencies under extra ordinary circumstances specified in the policy with prior permission of the RBI.

Transactions Involving Foreign Exchange

- Accounting for transactions involving foreign exchange is done in accordance with AS 11, (The Effects of Changes in Foreign Exchange Rates), issued by the ICAI. As stipulated in AS 11, the foreign currency operations of our Bank are classified as:
  - Integral operations; and
  - Non-Integral operations.

  All overseas branches, offshore banking units, overseas subsidiaries are treated as non-integral operations and domestic operations in foreign exchange and representative offices are treated as integral operations.

  - Translation in respect of integral operations:
    - Income and expenditure items are recognized at the exchange rates prevailing on the date of the transaction.
    - Foreign currency monetary and non-monetary assets and liabilities are translated at the closing spot rates notified by FEDAI at the end of each quarter.
    - Contingent liabilities on account of guarantees, acceptances, endorsements and other obligations are stated at the exchange rates notified by FEDAI at the close of the year.
    - The resulting exchange differences are recognized as income or expenses and are accounted through profit and loss account.
    - Forward exchange contracts are recorded at the exchange rate prevailing on the date of commitment. Outstanding forward exchange contracts are revalued at the exchange rates notified by FEDAI for specified maturities and at interpolated rates for contracts of 'in-between' maturities. The resultant gains or losses are recognized in the profit and loss account.

  - Translation in respect of non-integral operations:
    - Assets and liabilities (including contingent liabilities) are translated at the closing spot rates notified by FEDAI at the end of each quarter
    - Foreign exchange spot and forwards contingent liabilities outstanding as at the balance sheet date are translated at the closing spot and forward rates respectively notified by FEDAI and at interpolated rates for contracts of interim maturities.
    - Income and expense are translated at quarterly average closing rate notified by FEDAI at the end of each quarter.
    - The resulting exchange differences are not recognized as income or expense for the period but accumulated in a separate account "Foreign Currency Translation Reserve" till the disposal of the net investment.

Employee Benefits

Retirement benefits in the form of provident fund are a defined contribution scheme. The contributions to the provident fund are charged to the profit and loss account for the year when the contributions are due. Our Bank has no obligation, other than the contribution payable to the provident fund.

Gratuity liability, pension fund and provision towards leave are defined benefit obligations, and are provided for on the basis of an actuarial valuation as per AS 15 (Revised) made at the end of each financial year, based on the projected unit credit method. Actuarial gains/losses are immediately taken to the profit and loss account.

The new pension scheme is applicable to employees who joined our Bank on or after April 1, 2010 is a defined contribution scheme. Bank pays fixed contribution at predetermined rate and the obligation of our Bank is limited to such fixed contribution. The contribution is charged to profit and loss Account.

Employee benefits relating to employees employed at foreign offices are valued and accounted for as per the local laws/regulation of the respective countries.

Lease Transactions

Lease payments for assets taken on operating lease are amortized over the lease term. The properties taken on lease / rental basis are renewable / cancellable at the option of our Bank. Our Bank's liabilities in respect of disputes pertaining to additional rent / lease rent are recognized on settlement or on renewal.

Taxation

Provision for tax is made for both current and deferred taxes. Current tax is provided on the taxable income using applicable tax rates and tax laws. Deferred tax assets and deferred tax liabilities arising on account of timing differences and which are capable of reversal in subsequent periods are recognized using the tax rates and the tax laws that have been enacted or substantively enacted till the date of the balance sheet. Deferred tax assets are recognized only if there is reasonable certainty that sufficient future income will be available against which deferred tax assets will be realized. In case of carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognized only if there is "virtual certainty".

Provisions, Contingent Liabilities and Contingent Assets

As per AS 29 (Provisions, Contingent Liabilities and Contingent Assets) issued by the ICAI, our Bank recognizes provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

On January 18, 2016, the Ministry of Corporate Affairs, issued a roadmap for implementation of Ind AS for scheduled commercial banks and non-banking financial companies, which requires these institutions to prepare Ind AS based financial statements for the accounting periods beginning from April 1, 2018 onwards with comparatives for the periods ending March 31, 2018. On February 11, 2016, the RBI issued a circular requiring all scheduled commercial banks to comply with Ind AS for financial statements beginning April 1, 2018 and banks to submit proforma Ind AS financial statements to the RBI from the six months ended September 30, 2016, onwards. The RBI does not permit banks to adopt Ind AS earlier than the prescribed timelines. In addition, banks are required to disclose in the annual report, the strategy for Ind AS implementation, including the progress made in this regard from Fiscal 2017 onwards. We have held discussions with the RBI on the possible impact of Ind AS on our financial reporting, however, the nature and extent of such impact is still uncertain. The new accounting standards will impact, among other matters, the methodology for estimating allowances for expected loan losses and for classification and valuation of our investment portfolio, as well as our revenue recognition policy. For further information on the transition to Ind AS, see "Risk Factors – Banks and non-banking financial companies in India will be required to prepare financial statements under the Ind AS for periods beginning from April 1, 2018. There is limited clarity on the impact of such transition to Ind AS" and "Significant Differences between Indian GAAP and Ind AS".

Other than as disclosed in this Placement Document, there have been no changes to our significant accounting policies in the last three fiscal years.

COMPONENTS OF INCOME AND EXPENDITURE

Income

Interest Earned

Interest earned consists of interest on advances and bills, income on investments, interest on balances with RBI and other inter-bank funds and other interest earned. Income from investments consists of interest on investments in India and outside India. Our securities portfolio consists primarily of Government securities, debentures and bonds, equity shares, mutual fund units, certificates of deposit, commercial paper and security receipts. We also have investments in our subsidiaries and joint ventures. On the balances that we maintain with RBI to meet our cash reserve requirements, we do not receive any interest.

Other Income

Our non-interest income consists principally of (i) commission, exchange and brokerage, (ii) net profit on the sale of investments, (iii) net profit (loss) on the sale of land, buildings and other assets (iv) net profit on foreign exchange transactions, (v) miscellaneous income, which primarily includes recoveries in assets written off.

Expenditure

Interest Expended

Our interest expended include interest on deposits, interest on RBI and inter-bank borrowings and other interest/ discount such as interest on subordinated debt/ capital bonds, discount on CBLO borrowings, penal interest paid, interest for delayed payments and other borrowings from other financial institutions.

Operating Expenses

Our operating expenses include, among others, (i) payments to and provision for employees, (ii) rent, taxes and lighting, (iii) depreciation on our Bank's property, (iv) insurance, (v) repairs and maintenance, (vi) postage, telegrams, telephones, etc., (vii) advertisement and publicity (viii) printing and stationery, and (ix) auditors' fee and expenses.

***Provisions and Contingencies* (*net*)**

Our provisions and contingencies consist of (i) provision made towards taxation, (ii) provision towards NPAs, (iii) provision for depreciation in the value of investments, (iv) provision towards standard assets, and (viii) other provisions which includes provisions and contingencies towards restructured advances and towards shifting loss.

RESULTS OF OPERATIONS

Six Months ended September 30, 2017 compared to Six Months ended September 30, 2016

The following table sets forth certain information relating to our Bank's results of operations for the six months ended September 30, 2016 and September 30, 2017:

	Six months ended September 30,	
	2016	**2017**
	(Unaudited)	
	(₹ million)	
Interest earned	160,847.60	163,754.31
Other income	21,793.26	26,319.86
Income	**182,640.86**	**190,074.17**
Interest expenses	117,050.70	118,121.02
Operating expenses	31,142.41	31,997.57
Provisions and contingencies	31,017.84	54,096.98
Expenditure	**179,210.95**	**204,215.57**

	Six months ended September 30,	
	2016	2017
	(Unaudited)	
	(₹ million)	
Net profit (loss)	**3,429.90**	**(14,141.40)**

Income

Interest Earned

Total interest earned increased by 1.80% from ₹ 160,847.60 million in the six months ended September 30, 2016 to ₹ 163,754.31 million in the six months ended September 30, 2017. This increase was primarily attributable to an increase in interest earned on RBI and other inter-bank borrowings by 23.42% from ₹ 4,162.77 million in the six months ended September 30, 2016 to ₹ 5,137.78 million in the six months ended September 30, 2017. This was offset by a decrease in interest earned on investment by 9.09% from ₹ 39,808.16 million in the six months ended September 30, 2016 to ₹43,425.11 million in the six months ended September 30, 2017 and a decrease in interest earned on advances by 0.77% from ₹ 115,805.51 million in the six months ended September 30, 2016 to ₹ 114,919.26 million in the six months ended September 30, 2017.

Other Income

Other income increased by 20.77% from ₹ 21,793.26 million in the six months ended September 30, 2016 to ₹ 26,319.86 million in the six months ended September 30, 2017. This was primarily due to an increase in net profit on sale of investments by 44.28% from ₹ 7,825.33 million in the six months ended September 30, 2016 to ₹11,290.71 million in the six months ended September 30, 2017. In addition, commission, exchange and brokerage income increased by 7.50% from ₹ 2,096.12 million in the six months ended September 30, 2016 to ₹ 2,253.42 million in the six months ended September 30, 2017, and miscellaneous income increased by 29.19% from ₹ 6,466.11 million in the six months ended September 30, 2016 to ₹ 8,353.41 million in the six months ended September 30, 2017.

Expenditure

Interest Expenses

Total interest expended increased by 0.91% from ₹ 117,050.70 million in the six months ended September 30, 2016 to ₹ 118,121.02 million in the six months ended September 30, 2017 primarily due to an increase resulted from a 16.41% increase in other interest expenses from ₹ 6,188.00 million in the six months ended September 30, 2016 to ₹ 7,203.64 million in the six months ended September 30, 2017, as well as an increase in interest paid on RBI/inter-bank borrowings, which increased by 83.63% from ₹ 2,041.90 million in the six months ended September 30, 2016 to ₹ 3,749.60 million in the six months ended September 30, 2017. This was offset by a decrease in interest paid on deposits by 1.52% from ₹ 108,820.81 million in the six months ended September 30, 2016 to ₹ 107,167.78 million in the six months ended September 30, 2017, resulting from a 70 bps decrease in the cost of deposits due to a decrease in CASA deposits, from 6.47% as of September 30, 2016 to 5.77% as of September 30, 2017.

Net interest margin was 2.07% as of September 30, 2017 compared to 2.29% as of September 30, 2016, a decrease of 22 bps, primarily on account of the increase in the net interest income by ₹ 1,836.39 million, or 4.19%.

Operating Expenses

Operating expenses increased by 2.75% from ₹ 31,142.41 million in the six months ended September 30, 2016 to ₹ 31,997.57 million in the six months ended September 30, 2017. This increase was primarily attributable to an increase in rent, taxes and lighting expenses by 9.76% from ₹ 2,390.16 million in the six months ended September 30, 2016 to ₹ 2,623.41 million in the six months ended September 30, 2017. Further, there was an increase in depreciation on property by 2.49% from ₹ 1,143.13 million in the six months ended September 30, 2016 to ₹ 1,171.60 million in the six months ended September 30, 2017

This was partially offset by a decrease in payments to and provisions for employees, which decreased by 6.09% from ₹ 17,326.05 million in the six months ended September 30, 2016 to ₹ 16,270.81 million in the six months ended September 30, 2017 and a decrease in postage, telegram, telephone charges by 16.59% from ₹ 345.25

million in the six months ended September 30, 2016 to ₹ 287.96 million in the six months ended September 30, 2017.

Provisions and Contingencies

Provisions and contingencies (including tax) increased by 74.41% from ₹ 31,017.84 million in the six months ended September 30, 2016 to ₹ 54,096.98 million in the six months ended September 30, 2017. These provisions mainly include provision towards NPAs, provision towards standard assets, provision on restructured assets, provision for depreciation on investment, and other provisions and contingencies. The increase in provision was primarily due to an increase in provisions towards existing NPAs due to ageing, fresh slippages and IBC accounts.

Net Profit

For the reasons discussed above, we incurred a net loss of ₹ 14,141.40 million in the six months ended September 30, 2017 compared to net profit of ₹ 3,429.90 million in the six months ended September 30, 2016.

Fiscal 2016 compared to Fiscal 2017

The following table sets forth certain information relating to our results of operations in Fiscal 2016 and Fiscal 2017:

	Fiscal	
	2016	**2017**
	(Audited)	
	(₹ million)	
Interest earned	321,988.01	326,599.80
Other income	36,317.35	49,645.99
Income	**358,305.36**	**376,245.79**
Interest expenses	238,857.02	237,566.45
Operating expenses	63,022.16	64,378.45
Provisions and contingencies	42,910.16	68,748.76
Expenditure	**344,789.34**	**370,693.66**
Net profit	**13,516.02**	**5,552.13**

Income

Interest Earned

Total interest earned increased by 1.43% from ₹ 321,988.01 million in Fiscal 2016 to ₹ 326,599.80 million in Fiscal 2017. This increase was primarily attributable to an increase of interest earned on investments which increased by 15.39% from ₹ 75,351.45 million in Fiscal 2016 to ₹ 86,950.96 million in Fiscal 2017. Interest earned on investments increased primarily due to an increase in the average investment from ₹ 999,450.00 million in Fiscal 2016 to ₹ 1,197,140.00 million in Fiscal 2017, as result of higher SLR investments requirements with an increase in net demand and time liabilities and lower credit during the year. The increase in interest earned on investments was partly offset by a 3.02% marginal decrease in interest on advances and bills from ₹ 236,580.61 million in Fiscal 2016 to ₹ 229,431.01 million in Fiscal 2017. The decrease in the yield on advances from 9.63% in Fiscal 2016 to 8.72% in Fiscal 2017 was primarily on account of the introduction /reduction of MCLR during Fiscal 2017.

Other Income

Other income increased significantly by 36.70% from ₹ 36,317.35 million in Fiscal 2016 to ₹ 49,645.99 million in Fiscal 2017. This was primarily due to a significant increase in net profit on sale of investments by 124.65% from ₹ 9,163.66 million in Fiscal 2016 to ₹ 20,586.63 million in Fiscal 2017, attributable to favorable market conditions.

Expenditure

Interest Expenses

Total interest expended decreased marginally by 0.54% from ₹ 238,857.02 million in Fiscal 2016 to ₹ 237,566.45 million in Fiscal 2017 primarily due to a decrease in interest paid on deposits by 0.35% from ₹ 220,774.45 million in Fiscal 2016 to ₹ 219,990.94 million in Fiscal 2017, resulting from a reduction in the cost of deposits due to an increase in CASA deposits, from 32.35% as of March 31, 2016 to 34.44% as of March 31, 2017. Interest paid on RBI/ inter-bank borrowings also decreased by 11.14% from ₹ 5,408.34 million in Fiscal 2016 to ₹ 4,806.08 million in Fiscal 2017, due to a marginal decline in the applicable interest rate during such period and the reduced borrowings. Other interest expenses primarily decreased on account of a decrease in borrowings.

As a result, net interest margin was 2.23% as of March 31, 2017 compared to 2.32% as of March 31, 2016, a decrease of 9 bps, primarily on account of the increase in the net interest income by ₹ 5,902.36 million, or 7.10%.

Operating Expenses

Operating expenses increased by 2.15% from ₹ 63,022.16 million in Fiscal 2016 to ₹ 64,378.45 million in Fiscal 2017. This increase was primarily attributable to an increase in rent, taxes and lighting expenses by 8.78% from ₹ 4,700.48 million in Fiscal 2016 to ₹ 5,113.33 million in Fiscal 2017, driven by expansion of our branch network and financial inclusion outlets along with ATM related expenditure during such period. In addition, other expenditure also increased by 25.39% from ₹ 11,935.23 million in Fiscal 2016 to ₹ 14,964.99 million in Fiscal 2017. There was also an increase in insurance expense by 15.34% from ₹ 3,268.56 million in Fiscal 2016 to ₹ 3,770.00 million in Fiscal 2017. This was partially offset by a decrease in payments to and provisions for employees by 7.17% from ₹ 36,992.20 million in Fiscal 2016 to ₹ 34,342.03 million in Fiscal 2017, as a result of lower pension provision. In addition, depreciation on property decreased by 3.31% from ₹ 2,441.14 million in Fiscal 2016 to ₹ 2,360.40 million in Fiscal 2017 and decrease in advertisement and publicity expenses by 3.27% from ₹ 692.50 million in Fiscal 2016 to ₹ 669.83 million in Fiscal 2017.

Provisions and Contingencies

Provisions and contingencies increased significantly by 60.22% from ₹ 42,910.16 million in Fiscal 2016 to ₹ 68,748.76 million in Fiscal 2017. These provisions mainly include provision towards NPAs, provision towards standard assets, provision on restructured assets, provision for depreciation on investment, provisions made towards income tax and other provisions and contingencies. The increase in provision was primarily due to an increase in provisions towards existing NPAs due to ageing and fresh slippages.

Net Profit

As a result of the reasons discussed above, we recorded net profit of ₹ 5,552.13 million in Fiscal 2017 compared to net profit of ₹ 13,516.02 million in Fiscal 2016.

Fiscal 2015 compared to Fiscal 2016

The following table sets forth certain information relating to our results of operations in Fiscal 2015 and Fiscal 2016:

	Fiscal	
	2015	**2016**
	(Audited)	
	(₹ million)	
Interest earned	320,839.62	321,988.01
Other income	35,230.02	36,317.35
Income	**356,069.64**	**358,305.36**
Interest expenses	236,400.66	238,857.02
Operating expenses	61,434.29	63,022.16
Provisions and contingencies	40,418.30	42,910.16
Expenditure	**338,253.25**	**344,789.34**
Net profit	**17,816.39**	**13,516.02**

Income

Interest Earned

Total interest earned marginally increased by 0.36% from ₹ 320,839.62 million in Fiscal 2015 to ₹ 321,988.01 million in Fiscal 2016. This increase was primarily attributable to an increase in interest earned on investments which increased by 4.90% from ₹ 71,829.63 million in Fiscal 2015 to ₹ 75,351.45 million in Fiscal 2016. Interest earned on investment increased due to an increase in total investment from ₹ 844,617.29 million in Fiscal 2015 to ₹ 892,083.46 million in Fiscal 2016 as a result of higher SLR investment requirement with an increase in net demand and time liabilities and lower credit during the year. There was also an increase in interest on balances with the RBI and other inter-bank funds by 20.74% from ₹ 6,759.54 million in Fiscal 2015 to ₹ 8,161.39 million in Fiscal 2016. The increase in interest earned was partially offset by a decrease in interest on advances and bills by 1.33% from ₹ 239,772.51 million in Fiscal 2015 to ₹ 236,580.61 million in Fiscal 2016. This decrease was primarily due to a decrease in our repo lending and other interbank balances.

Other Income

Other income marginally increased from ₹ 35,230.02 million in Fiscal 2015 to ₹ 36,317.35 million in Fiscal 2016. This was primarily due to an increase in commission, exchange and brokerage income by 4.83% from ₹ 3,908.73 million in Fiscal 2015 to ₹ 4,097.67 million in Fiscal 2016, primarily due to increase in fee income from advances and third party products. In addition, there was an increase in net profit on sale of investments by 29.30% from ₹ 7,087.40 million in Fiscal 2015 to ₹ 9,163.66 million in Fiscal 2016, attributable to favorable market conditions. This increase was marginally offset by a 8.45% decrease in miscellaneous income from ₹ 14,524.44 million in Fiscal 2015 to ₹ 13,297.84 million in Fiscal 2016, due to lower recovery in written off accounts.

Expenditure

Interest Expenses

Total interest expenses increased by 1.04% from ₹ 236,400.66 million in Fiscal 2015 to ₹ 238,857.02 million in Fiscal 2016, primarily due to an increase in interest paid on deposits by 2.09% from ₹ 216,248.65 million in Fiscal 2015 to ₹ 220,774.45 million in Fiscal 2016, resulting from an increase in volume of deposits. Deposits increased by 8.16% from ₹ 3,168,699.17 million as of March 31, 2015 to ₹ 3,427,200.10 million as of March 31, 2016. Cost of deposits was 7.31% and 7.00% in Fiscal 2015 and Fiscal 2016, respectively.

This was partially offset by a decrease in other interest expenses by 10.04% from ₹ 14,088.69 million in Fiscal 2015 to ₹ 12,674.24 million in Fiscal 2016, along with a decrease in interest paid on RBI/inter-bank borrowings, which decreased by 10.80% from ₹ 6,063.32 million in Fiscal 2015 to ₹ 5,408.34 million in Fiscal 2016.

As a result, net interest margin was 2.32% as of March 31, 2016 compared to 2.48% as of March 31, 2015, a decrease of 16 bps, primarily resulting from a decrease in net interest income by ₹ 1,307.97 million, from ₹ 84,438.96 million in Fiscal 2015 to ₹ 83,130.99 million in Fiscal 2016.

Operating Expenses

Operating expenses increased by 2.58% from ₹ 61,434.29 million in Fiscal 2015 to ₹ 63,022.16 million in Fiscal 2016. This increase was primarily attributable to an increase in depreciation on our Bank's property by 10.55% from ₹ 2,208.12 million in Fiscal 2015 from ₹ 2,441.14 million in Fiscal 2016. There was also an increase in repair and maintenance expenses by 8.65% from ₹ 1,042.74 million in Fiscal 2015 to ₹ 1,132.91 million in Fiscal 2016. Other expenditure, mainly comprising ATM and point of sale related expenses and office related expenses, increased by 12.37% from ₹ 10,621.06 million in Fiscal 2015 to ₹ 11,935.23 million in Fiscal 2016.

Provisions and Contingencies

Provisions and contingencies increased by 6.17% from ₹ 40,418.30 million in Fiscal 2015 to ₹ 42,910.16 million in Fiscal 2016. These provisions mainly include provision towards NPAs, provision towards standard assets, provision on restructured assets, provision for depreciation on investment, provisions made towards income tax and other provisions and contingencies. The increase in provision was primarily due to provisions towards NPAs

Net Profit

As a result of the above, we recorded net profit of ₹ 13,516.02 million in Fiscal 2016 compared to net profit of ₹ 17,816.40 million in Fiscal 2015.

FINANCIAL CONDITION

Assets

The table below sets out the principal components of our Bank's assets as of the dates indicated:

Particulars	As of March 31,			As of September 30, 2017
	2015	2016	2017	
	(Audited)			(Unaudited)
	(₹ million)			
Cash and balances with the RBI	150,630.78	156,047.21	165,204.47	214,338.84
Balance with banks and money at call and short notice	73,149.44	136,714.99	163,020.55	181,416.36
Investments	844,617.29	892,083.46	1,121,489.60	128,4178.42
Advances	2,556,545.65	2,673,540.02	2,864,665.77	2,908,500.68
Fixed assets	26,819.53	39,398.73	38,944.15	38,427.86
Other assets	164,396.61	149,174.61	173,719.87	148,898.21
Total assets	**3,816,159.30**	**4,046,959.02**	**4,527,044.40**	**4,775,760.37**

Total assets increased by 5.49% from ₹ 4,527,044.40 million as of March 31, 2017 to ₹ 4,775,760.37 million as of September 30, 2017. This increase was primarily due to (i) an increase in investments by 14.51% from ₹ 1,121,489.60 million as of March 31, 2017 to ₹ 1,284,178.42 million as of September 30, 2017 (ii) an increase in balance with banks and money at call and short notice by11.28 from ₹ 163,020.55 million as of March 31, 2017 to ₹ 181,416.36 million as of September 30, 2017, and (iii) an increase in advances by 1.53% from ₹ 2,864,665.77 million as of March 31, 2017 to ₹ 2,908,500.68 million as of September 30, 2017. This increase was significantly offset by a decrease in other assets by 14.29% from ₹ 173,719.87 million as of March 31, 2017 to ₹ 148,898.21 million as of September 30, 2017.

Total assets increased by 11.86% from ₹ 4,046,959.02 million as of March 31, 2016 to ₹ 4,527,044.40 million as of March 31, 2017. This increase was primarily due to (i) an increase in advances by 7.15%, from ₹ 2,673,540.02 million as of March 31, 2016 to ₹ 2,864,665.77 million as of March 31, 2017, (ii) an increase in investments by 25.72% from ₹ 892,083.46 million as of March 31, 2016 to ₹ 1,121,489.60 million as of March 31, 2017, (iii) an increase in balance with banks and money at call and short notice by 19.24% from ₹ 136,714.99 million as of March 31, 2016 to ₹ 163,020.55 million as of March 31, 2017, and (iv) an increase in other assets by 16.45% from ₹ 149,174.61 million as of March 31, 2016 to ₹ 173,719.87 million as of March 31, 2017.

Total assets increased by 6.05% from ₹ 3,816,159.30 million as of March 31, 2015 to ₹ 4,046,959.02 million as of March 31, 2016. This increase was primarily due to (i) an increase in advances by 4.58%, from ₹ 2,556,545.65 million as of March 31, 2015 to ₹ 2,673,540.02 million as of March 31, 2016, and (ii) an increase in balance with banks and money at call and short notice by 86.90% from ₹ 73,149.44 million as of March 31, 2015 to ₹ 136,714.99 million as of March 31, 2016.

Advances

The following table sets forth a breakdown of our Bank's advances as of the dates indicated:

	As of March 31,			As of September 30, 2017
	2015	2016	2017	
	(Audited)			(Unaudited)
	(₹ million)			
MSME loans	547,546.67	555,236.63	619,126.73	622,558.66
Agriculture loans	315,740.00	388,190.00	441,240.00	429,090.00
Retail loans	264,842.77	327,649.71	403,796.88	447,390.38
Large Corporate and others	1,285,101.93	1,245,460.05	1,258,209.04	1,271,115.53
Total Gross domestic loans	**2,413,231.37**	**2,516,536.39**	**2,722,372.65**	**2,770,154.57**
International loans	214,341.63	260,716.81	294,462.95	329,373.83
Total Gross loans	**2,627,573.00**	**2,777,253.20**	**3,016,835.60**	**3,099,528.40**

Gross advances mainly comprise of bills purchased and discounted, cash credit, overdrafts and loans repayable on demand, and term loans.

Net advances increased by 1.53% from ₹ 2,864,665.77 million as of March 31, 2017 to ₹ 2,908,500.68 million as of September 30, 2017, primarily due to an increase in term loans by 1.38% from ₹ 1,413,885.49 million as of March 31, 2017 to ₹ 1,433,390.50 million as of September 30, 2017. Advances made to the priority sector such

as agricultural sector, increased during this period, by 1.95% from ₹ 1,042,190.02 million as of March 31, 2017 to ₹ 1,062,542.29 million as of September 30, 2017. There was also an increase in advances made to the public sector during the same period by 32.25% from ₹ 167,629.77 million as of March 31, 2017 to ₹ 221,688.23 million as of September 30, 2017.

Net advances increased by 7.15 % from ₹ 2,673,540.02 million as of March 31, 2016 to ₹ 2,864,665.77 million as of March 31, 2017 primarily due to an increase in term loans by 11.03% from ₹ 1,273,436.19 million as of March 31, 2016 to ₹ 1,413,885.49 million as of March 31, 2017. Advances made to the priority sector such as agricultural sector, increased significantly during this period, by 9.65% from ₹ 950,484.51 million as of March 31, 2016 to ₹ 1,042,190.03 million as of March 31, 2017. There was also an increase in advances made to the public sector during the same period by 25.92% from ₹ 133,126.63 million as of March 31, 2016 to ₹ 167,629.77 million as of March 31, 2017.

Net advances increased by 4.58% from ₹ 2,556,545.65 million as of March 31, 2015 to ₹ 2,673,540.02 million as of March 31, 2016 primarily due to an increase in cash credit, overdrafts and loans repayable demand by 9.09% from ₹ 1,208,000.96 million as of March 31, 2015 to ₹ 1,317,797.78 million as of March 31, 2016. This increase was primarily on account of an increase in RAM segments. There was also a marginal increase in term loans by 0.24% from ₹ 1,270,382.45 million as of March 31, 2015 to ₹ 1,273,436.19 million as of March 31, 2016. Advances made to the priority sectors increased by 10.71% from ₹ 858,551.77 million as of March 31, 2015 to ₹ 950,484.51 million as of March 31, 2016 driven by RBI's priority sector lending norms and recently launched financial inclusion programs.

Investments

Our investments mainly represent investments in government securities and other approved securities, investments in debt instruments such as debentures and bonds of highly rated public sector undertakings and corporates, investments in equity shares, security receipts and short term money market instruments such as commercial paper.

Investments increased by 14.51% from ₹ 1,121,489.60 million as of March 31, 2017 to ₹ 1,284,187.42 million as of September 30, 2017, primarily due to an increase in investments in India, largely comprising government securities, by 16.88% from ₹ 875,491.24 million as of March 31, 2017 to ₹ 1,023,237.84 million as of September 30, 2017. Investments in shares increased by 19.96% from ₹ 20,060.62 million as of March 31, 2017 to ₹ 24,065.27 million as of September 30, 2017, however, investments in debentures decreased by 2.76% from ₹ 172,217.01 million as of March 31, 2017 to ₹167,468.35 million as of September 30, 2017.

Investments increased by 25.72% from ₹ 892,083.46 million as of March 31, 2016 to ₹ 1,121,489.60 million as of March 31, 2017, primarily due to an increase in investments in India, largely comprising government securities, that increased by 22.50% from ₹ 714,689.75 million as of March 31, 2016 to ₹ 875,491.24 million as of March 31, 2017. The increase of government securities in our investment portfolio was driven by increase in deposits. We also recorded an increase in investments in shares and debentures. Investments in shares increased by 62.16% from ₹ 12,370.48 million as of March 31, 2016 to ₹ 20,060.62 million as of March 31, 2017, while investments in debentures increased by 28.97% from ₹ 133,533.77 million as of March 31, 2016 to ₹ 172,217.01 million as of March 31, 2017.

Investments decreased by 5.62% from ₹ 844,617.29 million as of March 31, 2015 to ₹ 892,083.46 million as of March 31, 2016, primarily driven by decrease in investment in Government securities and by an increase in investments in shares, and debentures and bonds. Investment in Government securities decreased by 1.67% from ₹ 726,853.13 million as of March 31, 2015 to ₹ 714,689.75 million as of March 31, 2016. Investments in shares increased by 29.12% from ₹ 9,580.51 million as of March 31, 2015 to ₹ 12,370.48 million as of March 31, 2016. Investments in debentures and bonds increased by 62.05% from ₹ 82,404.65 million as of March 31, 2015 to ₹ 133,533.77 million as of March 31, 2016. In addition, there was an increase in investments in other money market securities such as mutual funds and security receipts, by 4.19% from ₹ 15,203.30 million as of March 31, 2015 to ₹ 15,839.69 million as of March 31, 2016.

Balances with Banks and Money at Call and Short Notice

Balances with banks and money at call and short notice was ₹181,416.36 million as of September 30, 2017 compared to ₹ 163,020.55 million as of March 31, 2017, ₹ 136,714.99 million as of March 31, 2016 and ₹ 73,149.44 million as of March 31, 2015. The increase during the six months ended September 30, 2017 was driven by an increase in deposit accounts with banks in India. The increase in Fiscal 2017 was driven by an increase in

deposit accounts other than current accounts with banks in India, which increased by 58.23% from ₹ 35,447.94 million as of March 31, 2016 to ₹ 56,089.33 million as of March 31, 2017. The increase in Fiscal 2016 was primarily attributable to an increase in balances with banks outside India and money at call and short notice, which increased by 79.31% from ₹ 54,400.33 million as of March 31, 2015 to ₹ 97,542.91 million as of March 31, 2016.

Other Assets

Other assets primarily include deferred tax assets, net inter-office balance, and interest receivables. Other assets was ₹ 148,898.21 million as of September 30, 2017 compared to ₹ 173,719.87 million as of March 31, 2017, ₹ 149,174.61 million as of March 31, 2016 and ₹ 164,396.61 million as of March 31, 2015. The decrease during the six months ended September 30, 2017, was primarily due to a decrease in interest accrued and other assets. The increase during Fiscal 2016 was primarily due to an increase in other assets, while the increase in during Fiscal 2017 was driven by an increase in deferred tax assets by 452.08% from ₹ 4,155.50 million as of March 31, 2016 to ₹ 22,941.60 million as of March 31, 2017.

Liabilities

The table below sets out the principal components of our shareholders' funds and liabilities as of the dates indicated:

Particulars	As of March 31,			As of September 30, 2017
	2015	2016	2017	
	(Audited)			(Unaudited)
	(₹ million)			
Capital	6,357.79	6,874.41	6,874.41	7,264.29
Reserves and surplus	191,251.03	222,037.66	227,477.56	218,820.76
Share application money	-	-	5,410.00	0.00
Total Shareholders' Funds	**197,608.82**	**228,912.07**	**239,761.97**	**226,085.06**
Deposits	3,168,699.17	3,427,200.09	3,783,915.76	3,860,248.56
Borrowings	353,599.82	309,573.52	412,258.73	579,217.94
Other liabilities and provisions	96,251.50	81,273.35	91,107.95	110,208.82
Total Liabilities	**3,618,550.49**	**3,818,046.96**	**4,287,282.44**	**4,549,675.32**
Total liabilities and shareholders' funds	**3,816,159.31**	**4,046,959.02**	**4,527,044.40**	**4,775,760.38**

Shareholder funds was ₹ 226,085.06 million as of September 30, 2017 compared to ₹ 239,761.97 million as of March 31, 2017, ₹ 228,912.07 million as of March 31, 2016, ₹ 197,608.82 million as of March 31, 2015.

Liabilities amounted to ₹ 4,775,760.38 million as of September 30, 2017 compared to ₹ 4,287,282.43 million as of March 31, 2017, ₹ 3,818,046.96 million as of March 31, 2016 and ₹ 3,618,550.49 million as of March 31, 2015. The increase as of September 30, 2017 and as of March 31, 2017 was primarily on account of growth in our Bank's deposits and borrowings. The increase as of March 31, 2016 may be attributable to an increase in deposits during the period.

Deposits

The following table sets forth a breakdown of our Bank's deposits, as well as the percentage of total deposits that each item contributes, as of the dates indicated:

	As of March 31,						As of September 30, 2017	
	2015		2016		2017			
	Amount (₹ million)	Percentage of total deposits (%)	Amount (₹ million)	Percentage of total deposits (%)	Amount (₹ million)	Percentage of total deposits (%)	Amount (₹ million)	Percentage of total deposits (%)
	(Audited)						(Unaudited)	
Demand deposits (current account)	210,924.85	6.66%	297,431.46	8.67%	262,362.82	6.93%	220,656.44	5.72%

Savings bank deposits	715,580.52	22.58%	811,326.17	23.67%	1,040,724.26	27.50%	1,075,218.09	27.85%
Term deposits	2,242,193.80	70.76%	2,318,442.46	67.65%	2,480,828.67	65.57%	2,564,374.03	66.43%
Total deposits	**3,168,699.17**	**100.00%**	**3,427,200.09**	**100.00%**	**3,783,915.75**	**100.00%**	**3,860,248.56**	**100%**

Deposits mainly comprise demand deposits, savings bank deposits and term deposits.

Deposits increased by 2.02% from ₹ 3,783,915.75 million as of March 31, 2017 to ₹ 3,860,248.55 million as of September 30, 2017 mainly due to an increase in savings bank deposits by 3.31% from ₹ 1,040,724.26 million as of March 31, 2017 to ₹ 1,075,218.09 million as of September 30, 2017. There was also an increase in term deposits by 3.36% from ₹ 2,480,828.66 million as of March 31, 2017 to ₹ 2,564,374.03 million as of September 30, 2017. This was offset by a decrease in demand deposits.

Deposits significantly increased by 10.41% from ₹ 3,427,200.09 million as of March 31, 2016 to ₹ 3,783,915.75 million as of March 31, 2017 mainly due to an increase in savings bank deposits by 28.27% from ₹ 811,326.17 million as of March 31, 2016 to ₹ 1,040,724.26 million as of March 31, 2017 primarily on account of demonetization. There was also an increase in term deposits by 7.00% from ₹ 2,318,442.46 million as of March 31, 2016 to ₹ 2,480,828.67 million as of March 31, 2017. This was partly offset by a decrease in demand deposits, which includes current account deposits and other demand deposits, which decreased by 11.79% from ₹ 297,431.46 million as of March 31, 2016 to ₹ 262,362.82 million as of March 31, 2017.

Deposits increased by 8.16% from ₹ 3,168,699.17 million as of March 31, 2015 to ₹ 3,427,200.09 million as of March 31, 2016 primarily due to an increase in demand deposits. Demand deposits increased by 41.01% from ₹ 210,924.85 million as of March 31, 2015 to ₹ 297,431.46 million as of March 31, 2016.

Borrowings

Borrowings mainly comprise capital instruments (which includes perpetual bonds, upper tier II bonds and tier II bonds), borrowings in India (which includes borrowings from institutions and agencies such as Micro Units Development and Refinance Agency, National Bank for Agriculture and Rural Development and National Housing Bank), and borrowings outside India (which includes intra-day foreign currency borrowings by our Bank's Hong Kong branch and indebtedness pursuant to issuance of bonds and medium term notes to subscribers).

Our Bank's borrowings increased by 40.50% from ₹ 412,258.73 million as of March 31, 2017 to ₹ 579,217.94 million as of September 30, 2017, primarily on account of an increase in borrowings in the form of capital instruments, mainly perpetual bonds.

Our Bank's borrowings increased by 33.17% from ₹ 309,573.52 million as of March 31, 2016 to ₹ 412,258.73 million as of March 31, 2017, primarily attributable to an increase in borrowings in the form of capital instruments, mainly perpetual bonds, that increased from ₹ 10,400.00 million as of March 31, 2016 to ₹ 42,400.00 million as of March 31, 2017. The increase in perpetual bonds was driven by raising of instruments to meet the capital requirement. There was also an increase in borrowings of lower tier II capital, by 29.81% from ₹ 52,000.00 million to ₹ 67,500.00 million during such period. This was partly offset by a decrease in borrowings of upper tier II capital by 33.33% from ₹ 22,500.000 million as of March 31, 2016 to ₹ 15,000.00 million as of March 31, 2017. Changes in the mix of borrowings for tier II capital was driven by the need to maintain capital adequacy ratios as mandated by the regulator. Borrowings in India increased by 91.48% from ₹ 16,667.55 million as of March 31, 2016 to ₹ 31,915.39 million as of March 31, 2017, primarily attributable to an increase in borrowings from other banks. Borrowings outside India which largely comprises medium term note borrowings to meet the funding requirement for the overseas branches also increased by 22.81% from ₹ 208,005.97 million as of March 31, 2016 to ₹ 255,443.35 million as of March 31, 2017.

Our Bank's borrowings decreased by 12.45% from ₹ 353,599.82 million as of March 31, 2015 to ₹ 309,573.52 million as of March 31, 2016. The decrease was primarily attributable to a decrease in borrowings in India from other institutions and agencies, which decreased by 72.13% from ₹ 44,950.74 million as of March 31, 2015 to ₹ 12,526.01 million as of March 31, 2016. Borrowings outside India also decreased by 3.81% from ₹ 216,249.08 million as of March 31, 2015 to ₹ 208,005.97 million as of March 31, 2016.

Other Liabilities and Provisions

Other liabilities and provisions represent bills payable, interest payable, deferred tax liability and other provisions.

Other liabilities and provisions increased by 20.96% from ₹ 91,107.95 million as of March 31, 2017 to ₹ 110,208.83 million as of September 30, 2017, primarily due to an increase in interest payable by 16.93% from ₹16,547.98 million as of March 31, 2017 to ₹ 19,349.30 million as of September 30, 2017.

Other liabilities and provisions increased by 12.10% from to ₹ 81,273.35 million as of March 31, 2016 to ₹ 91,107.95 million as of March 31, 2017, primarily due to an increase in interest payable by 59.09% from ₹ 10,401.44 million as of March 31, 2016 to ₹ 16,547.98 million as of March 31, 2017. There was also an increase of ₹ 6,185.97 million in other liabilities including provisions which was partly offset by a decrease in bills payable by ₹ 2,497.92 million or 14.31% from ₹ 17,453.47 million as of March 31, 2016 to ₹ 14,955.55 million as of March 31, 2017.

Other liabilities and provisions decreased significantly by 15.56% as of March 31, 2016, primarily resulting from a decrease of 24.59% in other liabilities including provisions. We also had no deferred tax liabilities as of March 31, 2016, compared to a deferred tax liability of ₹ 4,522.35 million as of March 31, 2015. This decrease was partly offset by an increase in bills payable by 49.44% from ₹ 11,679.23 million as of March 31, 2015 to ₹ 17,453.47 million as of March 31, 2016.

LIQUIDITY AND CAPITAL RESOURCES

Our Bank regularly monitors its funding levels to ensure that it is able to satisfy requirements of loan disbursements and those that would arise upon maturity of liabilities. Our Bank maintains diverse sources of funding and liquid assets to facilitate flexibility in meeting its liquidity requirements.

CASH FLOWS

The following table sets forth our Bank's statement of cash flows for Fiscal 2015, 2016 and 2017:

Particulars	Fiscal 2015	Fiscal 2016	Fiscal 2017
	(₹ million)		
Net cash from/(used in) operating activities	(37,994.77)	87,578.20	4,642.44
Net cash from/(used in) investing activities	(2,548.14)	(16,684.10)	(5,228.80)
Net cash from/(used in) financing activities	33,594.36	(1,912.10)	36,049.20
Net increase/(decrease) in cash and cash equivalents	(6,948.55)	68,982.00	35,462.84

Operating Activities

Net cash from operating activities was ₹ 4,642.44 million in Fiscal 2017, while we had a net profit before tax in Fiscal 2017 of ₹ 3,426.04 million. The difference was primarily attributable to an increase in investments of ₹ 232,341.60 million in Fiscal 2017 and an increase in advances of ₹ 252,105.00 million in Fiscal 2017. This was partially offset by an increase in deposits of ₹ 356,715.70 million and provision for NPAs amounting to ₹ 60,319.00 million.

Net cash from operating activities was ₹ 87,578.20 million in Fiscal 2016, while we had a net profit before tax in Fiscal 2016 of ₹ 17,653.90 million. The difference was primarily attributable to provision for NPAs amounting ₹ 46,550.30 million and an increase in deposits amounting to ₹ 258,500.90 million. This was partly offset by a decrease in advances amounting to ₹ 157,312.10 million.

Net cash used in operating activities was ₹ 37,994.77 million in Fiscal 2015, while we had net profit before tax in Fiscal 2015 of ₹ 27,833.80 million. The primary reason for the outflow was an increase in advances of ₹ 292,139.23 million. This was partly offset by provision for NPAs amounting to ₹ 26,637.80 million, and an increase in deposits of ₹ 191,942.80 million.

Investing Activities

Net cash used in investing activities was ₹ 5,228.80 million in Fiscal 2017, primarily due to an increase in net fixed assets of ₹ 1,840.00 million.

Net cash used in investing activities was ₹ 16,684.10 million in Fiscal 2016, primarily due to an increase in net fixed assets of ₹ 15,603.40 million.

Net cash used in investing activities was ₹ 2,548.14 million in Fiscal 2015, primarily due to an increase in net fixed assets of ₹ 2,589.74 million.

Financing Activities

Net cash from financing activities was ₹ 36049.20 million in Fiscal 2017, primarily relating to proceeds from issue of capital instruments amounting to ₹ 40,000.00 million, and share application money received amounting to ₹ 5,410.00 million. This was partially offset by interest paid on capital instruments and borrowings, amounting to ₹ 7,747.40 million in Fiscal 2017.

Net cash used in financing activities was ₹ 1,912.10 million in Fiscal 2016, primarily relating to proceeds from interest paid on borrowings comprising capital instruments amounting to ₹ 7,557.20 million, along with payment of dividend (including dividend distribution tax) of ₹ 4,644.10 million. This was partially offset by security premium received of ₹ 10,272.60 million.

Net cash from financing activities was ₹ 33,594.36 million in Fiscal 2015, primarily relating to issuance of subordinate bonds and tier II bonds amounting to ₹ 36,662.06 million.

Capital

We calculate our Capital to Risk Weighted Assets Ratio under Basel III guidelines. The CRAR under Basel III was 11.84% (on a consolidated basis) as of March 31, 2017, and 11.22% (on a standalone basis) as of September 30, 2017.

We are registered with and subject to supervision by the RBI, including the RBI's detailed guidelines for implementation of Basel III capital regulations that were issued in May 2012. Basel III Capital Regulations are being implemented in India with effect from April 1, 2013 in a phased manner, which our Bank has complied with.

Our Bank's regulatory capital and capital adequacy ratios calculated under Basel III as of the dates indicated are as follows:

	Regulatory Capital	**As of March 31, 2017**	**As of September 30, 2017**
		(Audited)	**(Unaudited)**
		₹ million	
	Tier I capital	262,796.60	246,827.60
	Tier II capital	80,542.40	78,860.00
	Total Capital	343,339.00	325,687.60
	Regulatory Capital	**As % of Risk Weighted Assets**	
(i)	Common Equity Tier I Ratio	6.46%	5.75
(ii)	Capital Conservation Buffer (comprising Common Equity)	1.25%	1.25
(iii)	Common Equity Tier I Ratio plus Capital Conservation Buffer (i)+(ii)	7.71%	7.00

(iv)	Additional Tier I capital	1.31%	1.50
(v)	Tier I capital adequacy ratio (i) +(iv)	7.77%	7.25
(vi)	Tier II capital	2.77%	2.72
(vii)	Total Capital Ratio (MTC) (v)+(vi)	10.54%	9.97
(viii)	Total Capital Ratio plus Capital Conservation Buffer (vii)+(ii)	11.79%	11.22

Capital Expenditure

Our capital expenditure consists principally of expenditure relating to branch network expansion as well as investment in technology and communication infrastructure. In Fiscal 2015, Fiscal 2016 and Fiscal 2017, our Bank incurred ₹ 2,548.14 million, ₹ 15,603.40 million and ₹ 1,840.00 million, respectively, as net capital expenditure respectively on this account.

Contingent Liabilities

Our contingent liabilities primarily relate to claims against us not acknowledged as debts which represent claims filed against us in the normal course of business relating to various legal cases currently in progress. These also include demands raised by income tax and other statutory authorities and disputed by us. Contingent liabilities also include liabilities on account of outstanding forward exchange contracts that we enter into on our own account and on behalf of our customers. Guarantees given on behalf of entities, acceptances, endorsements and other obligations also form part of our contingent liabilities.

The table below sets forth, as of the dates indicated, the principal components of our Bank's contingent liabilities as of the dates indicated:

Contingent Liabilities	**As of March 31,**		
	2015	**2016**	**2017**
	(₹ million)		
Claims against the Bank not acknowledged as debts	35,928.58	38,571.54	35,324.63
Liability for partly paid investments	5.92	5.92	5.92
Liability on account of outstanding forward exchange contracts	2,961,704.27	3,474,370.44	1,804,391.06
Guarantees given on behalf of constituents	230,792.42	139,725.39	150,854.53
Acceptances, endorsements and other obligations	250,411.52	274,601.14	300,311.90
Other items for which Bank is contingently liable	12,210.56	9,889.60	25,120.60
Total	**3,491,053.27**	**3,937,164.03**	**2,316,008.64**

AUDIT QUALIFICATIONS AND MATTERS OF EMPHASIS

There are no qualifications or matters of emphasis highlighted by our statutory auditors in their audit reports to our Audited Financial Statements and their review report on the Unaudited Interim Financial Information.

QUALITATIVE DISCLOSURE ABOUT RISKS AND RISK MANAGEMENT

We are exposed to various risks that are an inherent part of any banking business, with the major risks being credit risk, market risk, liquidity risk and operational risk. We have various policies and procedures in place to measure, manage and monitor these risks systematically across all its portfolios. For further information about the types of risks and our risk management policies, see "Our Business – Risk Management".

SIGNIFICANT DEVELOPMENTS AFTER THE LAST AUDITED CONSOLIDATED FINANCIAL STATEMENTS INCLUDED IN THIS PLACEMENT DOCUMENT THAT MAY AFFECT OUR FUTURE RESULTS OF OPERATIONS

Pursuant to a meeting of our Board of Directors on November 3, 2017, we have adopted and filed with the stock exchanges the Unaudited Interim Financial Information. For further information, see "Financial Statements".

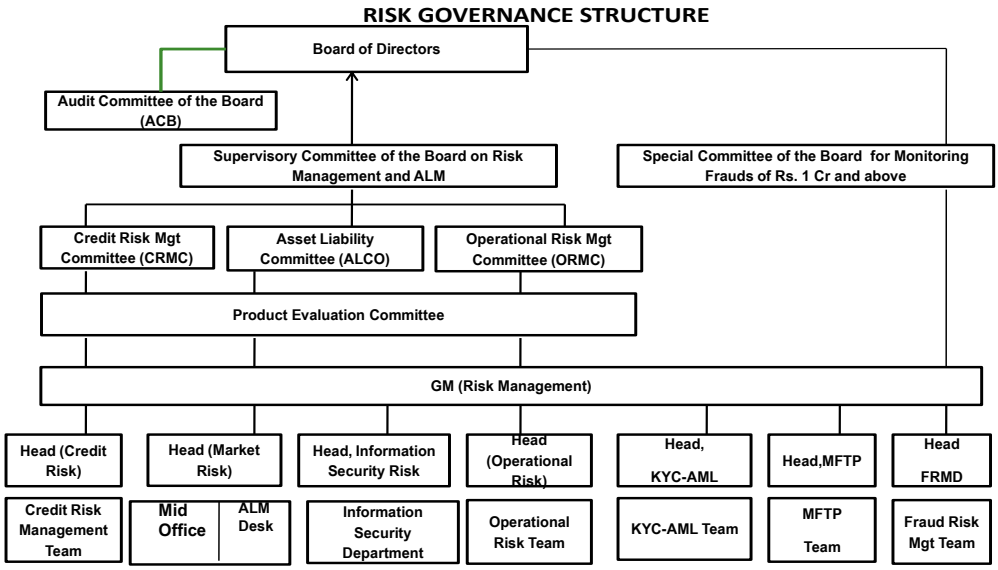
Except as discussed above and as otherwise stated in this Placement Document, to our knowledge, no circumstances have arisen since the date of the last audited financial statements as disclosed in this Placement Document which materially and adversely affects or is likely to affect, our profitability, or the value of our assets or our ability to pay our liabilities.

RISK MANAGEMENT

We have set up a robust risk management framework. Our risk management involves developing and maintaining a healthy portfolio of assets and liabilities within the parameters of a reasonable risk profile and the applicable regulatory framework and our efforts are also focused towards ensuring that capital is used efficiently. We have comprehensive policies, procedures, organisational structures and control systems in place to identify, measure, assess, monitor, manage and control all the risks systematically across all our portfolios. The risk management framework is subjected to review, upgrade and allows modifications, on an ongoing basis, in tune with regulatory guidelines and best practices in the industry.

Our Board of Directors, specifically the Supervisory Committee supported by the special risk management committees such as the Credit Risk Management Committee ("CRMC"), the Operational Risk Management Committee ("ORMC") and the Asset Liability Committee ("ALMC") (collectively, the "Risk Management Committees"), formulate our risk management policies. Our Board of Directors sets limits on our risk position by assessing our risk appetite, the resources available for managing risks and our risk exposure capacity.

The following diagram sets forth the Bank's risk management organization structure:



Our risk management policies and functions are structured to address our major risks, credit risk, market risk, operational risk, foreign exchange risk and liquidity risk.

Credit Risk

Credit Risk is an inherent risk and arises when a borrower or counterparty fails to meet its obligations in accordance with the agreed terms. The CRMC oversees the credit risk management functions and uses various tools for managing credit risks such as credit risk policies, credit approval processes, prudential exposure limits, risk rating systems, risk based pricing, and portfolio management. In accordance with RBI guidelines, the credit exposure ceiling is fixed in relation to our capital funds under capital adequacy standards (Tier I and Tier II capital).

We have formulated various policies to deal with credit risks such as loan policy, the credit risk management policy, the collateral management policy and the real estate sector lending policy, which sets out our risk appetite, risk based pricing, risk diversification/ mitigation strategy, prudential limit, substantial exposure ceiling, group exposure ceiling, rating wise exposure ceiling, preferred sector growth strategies, credit approval process, documentation and security standards, and security valuation. These policies are revised periodically based on our corporate goals and business plans. We have adopted a committee approach for credit sanctions and have credit approval committees and credit grids at various levels.

We have also established a comprehensive internal rating models for all advances above ₹ 0.2 million and scoring models for retail exposures. Our entire credit portfolio is subject to an internal credit rating. We use an advanced internal rating-based compliant two-dimensional rating model for corporate exposures above ₹ 50 million.

We carry out credit process audit before the disbursement of a loan and post disbursement and review all credit exposures periodically. We have also formulated guidelines/procedures to monitor credit weaknesses and the method of surveillance to be adopted at the various stages of our lending operations. We also carry out portfolio analysis, quick mortality analysis, rating-wise distribution and default probability analysis, and have a separate credit monitoring section for monitoring accounts showing early warning signals.

We also continuously monitor portfolio concentrations including by borrowers, groups, sectors, retail schemes, industrial, geography and constantly strives to improve credit quality and maintain a risk profile that is diverse in terms of borrowers, products, industry types and geography.

Market Risk

Market risk is the risk of losses that exposes to price movements of financial instruments arising as a result of changes in market variables such as interest rates, foreign exchange rates, equity prices and other asset prices. The primary risk that arises as a financial intermediary is the interest rate risk due to the management of our assets and liabilities. We are also exposed to foreign exchange risk on foreign currency positions, liquidity or funding risk, and price risk on trading portfolios.

Our market risk management framework comprises policies such as market risk management policy, asset liability management policy and treasury policy. Market risk management policy encompasses identification, monitoring assessment and mitigation of market risk. The fundamental focus of the asset liability management policy is the protection and enhancement of our net interest margin in the short-term and the enhancement of shareholders' value (the market value of our equity) in the long-term. These policies are revised annually in line with changes in financial and market conditions.

Our risk limits such as stop loss limits, day-light limits, over-night limits, gaps and sensitivity analysis, are set up based on a number of criteria including regulatory guidelines, relevant market analysis, business strategy, management experience and our risk appetite. These limits are monitored on a daily, bi-weekly and a monthly basis and exceptions are put up to the Risk Management Committees.

The Asset Liability Management Committee ("ALCO") is responsible for the implementation of and adherence to the asset liability management policy and market risk policies and strategies approved by the Board of Directors and the Supervisory Committee. The ALCO carries out asset-liability management as an independent function that is separate from the business unit functions. The ALCO also identifies risk associated with our portfolio and provides appropriate risk measurement methodologies, recommends prudential internal limits on the various market risks and is responsible for the pricing of the products for deposits and advances. The asset liability management desk assists the ALCO for its day-to-day functioning.

We manage market risk and asset liability management risk by using various tools such as value at risk ("VaR") limit, stress tests, back-testing, interest rate gap and sensitivity analysis.

Foreign Exchange Risk

We conduct extensive foreign exchange operations including trading both proprietary trading and trading on behalf of clients in various currencies and as a result, are exposed to foreign exchange risks as a result of adverse exchange rate movements during any period in which we may have an open position in any combination of foreign currencies. Foreign exchange rate risk can arise out of changes on foreign exchange spot and forward rates.

We manage our foreign exchange risk by hedging most of our open positions. We have established a system of fundamental methods that apply to managing such risks. We focus on managing the maturity of foreign currency assets and liabilities and managing the interest rate risk and the exchange risk inherent in various merchant transactions and trading positions. We have fixed various limits such as on aggregate gap limit, on individual gap limit, on over night and day light exposure limit, a deal size limit, stop loss limits and a VaR limit to manage foreign exchange rate risk. We comply with internal guidelines and RBI-prescribed guidelines on foreign

exchange operations. We have an independent office for confirmations, settlements, accounting, revaluation and reconciliation of nostro accounts for foreign exchange transactions.

Liquidity Risk

Liquidity refers to our ability to meet our funding requirements for repayment of liabilities and utilizing investment and lending opportunities in a timely manner at an optimum cost. Liquidity risk may be caused by our inability to liquidate assets on time or to obtain funding to meet our liquidity needs or due to market disruption. ALCO manages the liquidity risk and reports to the Supervisory Committee on asset liability management and the Board of Directors.

Our liquidity management primarily focuses on maintaining our liquidity levels to meet our liabilities and ensuring our liquidity levels are sufficient. Our asset liability management policy lays out a framework for management of our liquidity risk by providing tolerance limits for our structural liquidity position and an operational framework for prudent risk management.

We manage our liquidity on a static and dynamic basis using various tools such as gap analysis, ratio analysis, dynamic liquidity statements and scenario analysis. We undertake behavioural analysis of non-maturity products such as savings and current deposits and cash/overdraft accounts on a periodic basis, to ascertain the volatility of residual balances in such accounts. We conduct liquidity stress tests under different scenarios at periodic intervals to assess the impact on liquidity to resist stressed conditions.

Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes and systems or from external events, such as, process reliability, IT security, outsourcing operations, fraud, error, regulatory compliance and recruiting, training and retaining staff.

We have established an operational risk management framework to effectively identify, measure, manage and address operational risks. The governance of operational risk management is monitored by the Operational Risk Management Committee, which reviews all operational risk events and control strategies. Our operational risk management focuses on proactive measures in order to ensure business continuity, a competent and well-informed staff and its adherence to established rules and procedures as well as on security arrangements to protect our physical and IT infrastructure. We have formulated comprehensive policies, procedures and processes, which are aimed at enhancing operational efficiency, to mitigate operational risks and conduct internal inspections and audits.

Information Security Department

We have set up an information security department to help us mitigate information security incidents. The information security department ensures that information security awareness is provided to our customers and policies are communicated to our employees, contractors, and other third parties.

Fraud Risk Management

We have established a comprehensive fraud risk management policy to oversee the reporting and monitoring of fraud cases which is governed by the fraud risk management department. Fraud review are conducted periodically for analyzing the methods used in frauds and attempted frauds and to suggest corrective methods or actions in order to prevent such frauds.

Transfer Price Mechanism

We have adopted a scientific transfer price mechanism known as ‘matched fund transfer pricing’. Transfer pricing is done at account level and transfer rates are linked to market rates. Each item of asset or liability is transfer priced based on the date of origination, tenor, cash flow pattern and repricing characteristics. Accordingly, we are able to scientifically calculate the net interest income for all accounts.

SUMMARY OF KEY DIFFERENCES BETWEEN INDIAN GAAP AND IND AS

To,

The Board of Directors
Union Bank of India,
239, Vidhan Bhawan Marg
Nariman Point,
Mumbai 400 021.

and

Book Running Lead Managers

("**Book Running Lead Managers**" shall have the meaning assigned to such term in the Preliminary Placement Document/Placement Document.)

Dear Sirs,

Sub: Proposed qualified institutions placement of equity shares of face value Rs. 10 each ("Equity Shares") of Union Bank of India (the "Bank") under Chapter VIII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (the "Issue")

1. We are providing hereunder the broad differences to the best of our knowledge and understanding in Annexure A as a summary of significant differences between (a) the accounting standards under the Banking Regulation Act, 1949, Generally Accepted Accounting Principles in India along with recognition and measurement principles laid down in the Accounting Standards specified by the Institute of Chartered Accountants of India so far as they are applicable to the Bank and the guidelines and circulars issues by the Reserve Bank of India from time to time (collectively referred to as "**Indian GAAP**"); and (b) the Indian Accounting Standards ("**Ind AS**").

2. We consent to the inclusion of the above information in the Preliminary Placement Document and the Placement Document to be filed by the Bank with the Stock Exchanges, the Securities and Exchange Board of India, and any other authority and such other documents as may be prepared in connection with the Issue.

3. The aforesaid information is to assist the placement agents and legal counsel appointed pursuant to the Issue and submitted to the Stock Exchanges, the Securities and Exchange Board of India and any other regulatory or statutory authority in respect of the Issue and for the records to be maintained by the placement agents in connection with the Issue. We undertake to immediately inform the placement agent and legal counsel in case of any changes to the above until the date when the Equity Shares pursuant to the Issue commence trading on the Stock Exchanges. In the absence of any such communication, you may assume that there is no change in respect of the matters covered in this certificate.

4. Several of differences have different implications according to nature timing and type of industry.

5. The annexure is intended to provide only general information for the broad understanding and knowledge for the user of this letter. This should not be construed as complete and comprehensive comparison Ind AS and Indian GAAP.

For P A & Associates
Chartered Accountants
Firm Registration Number: 313085E

Dillip Agarwalla
(Membership Number: 055420)

For S Bhandari & Co
Chartered Accountants
Firm Registration Number: 000560C

P P Pareek
(Membership Number: 071213)

Annexure A

SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND IND AS

The financial information included herein is prepared and presented in accordance with Indian GAAP. Certain differences exist between Indian GAAP and Ind AS which might be material to the financial information herein and are summarized below. The Bank is responsible for preparing the Summary below. Bank has not prepared a complete reconciliation of its financial statements and related footnote disclosures between Indian GAAP and Ind AS and has not quantified such differences. Accordingly, no assurance is provided that the following summary of differences between Indian GAAP and Ind AS is complete. In making an investment decision, investors must rely upon their own examination of Bank, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between Indian GAAP and Ind AS, and how those differences might affect the financial information herein.

Sr. No.	***Particulars***	***Indian GAAP***	***Ind-AS***
1	*Presentation of Financial Statement*	**Statement of Change in Equity**: Under Indian GAAP, a statement of changes in equity is not required. Movements in share capital, retained earnings and other reserves are presented in the Schedules to Financial Statements.	**Statement of Change in Equity:** Ind AS-1 requires the presentation of a statement of changes in equity showing: a) Transactions with owners in their capacity as owners, showing separately contributions by and distribution to equity holders. b) The total comprehensive income for the period. Amounts attributable to owners of the parent and non- controlling interests are to be shown separately. c) Effects of retrospective application or restatement on each component of equity. d) For each component of equity, a reconciliation between the opening and closing balances separately disclosing each change.
		Other Comprehensive Income: There is no concept of 'Other Comprehensive Income' under Indian GAAP.	**Other Comprehensive Income:** Ind AS 1 introduces the concept of Other Comprehensive Income ("OCI"). Items of income and expenses that are not recognized in profit and loss as required or permitted by other Ind ASs are presented under OCI.
		Other disclosures: There are no specific no disclosure requirements under Indian GAAP for : a) Critical judgments made by the management in applying accounting management in applying accounting policies	**Other disclosures:** Ind AS-1 requires disclosure of: a) Critical judgments made by the management in applying accounting management in applying accounting policies b) Key sources of estimation risk of causing a material

Sr. No.	*Particulars*	*Indian GAAP*	*Ind-AS*
		b) Key sources of estimation risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period; c) Information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital	adjustment to the carrying amounts of assets and liabilities within the next financial period; c) Information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.
		Extraordinary items: Under Indian GAAP, extraordinary items are disclosed separately in the statement of profit and loss and are included in the determination of net profit or loss for the period. Items of income or expense to be disclosed as extraordinary should be distinct from the ordinary activities and are determined by the nature of the event or transaction in relation to the business ordinarily carried out by an entity.	**Extraordinary items:** Under Indian AS, presentation of any items of income or expense as extraordinary is prohibited.
		Change in Accounting Policies: Indian GAAP requires changes in accounting policies should be presented in the financial statements on a prospective basis (unless transitional provisions, if any, of an accounting standard require otherwise) together with a disclosure of the impact of the same, if material. If a change in the accounting policy has no material effect on the financial statements for the current period, but is expected to have a material effect in the later periods, the same should be appropriately disclosed.	**Change in Accounting Policies:** Ind AS requires retrospective application of changes in accounting policies by adjusting the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts for each period presented as if the new accounting policy had always been applied, unless transitional provisions of an accounting standard require otherwise.
		. **Errors:** Under Indian GAAP**,** prior period errors are included in determination of profit or loss for the period in which the error is discovered and are separately disclosed in the statement of profit and loss in a manner that the impact on current profit or loss can be perceived.	**Errors:** As per Ind AS 8 material prior period errors shall be corrected retrospectively in the first set of financial statements either by restating the comparative amounts for the prior period(s) presented in which the error occurred or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and

Sr. No.	*Particulars*	*Indian GAAP*	*Ind-AS*
			equity.
2	*Cash Flow Statement*	**1.** Bank overdrafts are considered as operating activities/ as part of cash and cash equivalents. **2.** Cash flows from items disclosed as cash extraordinary are classified as arising from operating, investing or financing activities as appropriate, and separately disclosed.	**1.** As on IND AS 7, it should be included as cash and cash equivalents if they form an integral part of an entity's management. **2.** As presentation of items as extraordinary is not permitted, the cash flow statement does not reflect any items of cash flow as extraordinary.
3	Deferred Taxes	Under Indian GAAP, the Entity determines deferred tax to be recognized in the financial statements with reference to the income statement approach i.e. with reference to the timing differences between profit offered for income taxes and profit as per the financial statements.	As per Ind AS 12 *Income Taxes,* deferred tax is determined with reference to the balance sheet approach i.e. based on the differences between carrying value of the assets/ liabilities and their respective tax base. Using the balance sheet approach, there could be additional deferred tax charge/income on account of: i. All Ind AS opening balance sheet adjustments. ii. Actuarial gain and losses accounted in OCI. iii. Indexation of freehold land. iv. Fair valuation adjustments (employee loans, security deposits etc.)
4	Property, plant and equipment — reviewing depreciation and residual value	Under Indian GAAP, the Entity currently provides depreciation on straight line method and on other assets depreciation under WDV method, based on the useful life prescribed in Schedule II to the Companies Act, 2013. or as estimated by the Management based on technical evaluation	Ind AS 16 mandates reviewing the method of depreciation, estimated useful life and estimated residual value of an asset at least once in a year. The effect of any change in the estimated useful and residual value shall be taken prospectively. Ind AS 101 allows current carrying value under Indian GAAP for items of property, plant and equipment to be carried forward as the cost under Ind AS.
5	Property, plant and equipment – Provision for site restoration expenses	under Indian GAAP, the entity does not have to recognize provision for Site restoration expenses. However after 01.04.2017 the provisions of Ind-As and AS 10 are same.	Under Ind AS 16, the cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the

Sr. No.	*Particulars*	*Indian GAAP*	*Ind-AS*
			item during a particular period for purposes other than to produce inventories during that period.
6	Leases	**Leasehold Land:** Leasehold land is recorded and classified as fixed assets and is excluded from lease standard. **Operating Lease Rentals:** Under Indian GAAP, lease payments under an operating lease are recognized as an expense in the statement of profit and loss on a straight line basis over the lease term, unless another systematic basis is more representative of the time pattern of the users benefit. **Determining whether an arrangement contains a lease:** There is no such requirement if it does not take the legal form of a lease.	**Leasehold Land:** Land lease is classified as operating or finance as per the criteria under Ind AS 17. When a lease includes both land and building elements, an entity assesses the classification of each element as finance or operating lease separately. **Operating Lease Rentals:** Under Ind AS 17, lease payments under an operating lease are recognized as an expense in the statement of profit and loss on a straight line basis over the lease term unless either of the below: **a.** another systematic basis is more representative of the time pattern of the user's benefit, or **b.** the payments to the lessor are structured to increase in line with expected general inflation for cost increases. **Determining whether an arrangement contains a lease:** An arrangement that does not take the legal form of a lease but fulfilment of which is dependent on the use of specific assets and which conveys the right to use the assets is accounted for as a lease in accordance with Ind AS 17.
7	Accounting for Employee benefits	Currently under Indian GAAP the Entity recognizes all short term and long term employee benefits in the profit and loss account as the services are received. For long term employee benefit, the Entity uses actuarial valuation to determine the liability.	Under Ind AS 19, the change in liability is split into changes arising out of service, interest cost and re-measurement and the change in split between interest income and re-measurements. Changes due to service cost and net interest cost/ income need to be recognized in the income statement and the changes arising out of re- measurements are to be recognized directly in OCI.
8	Segment Disclosures – Determination of	Currently under Indian GAAP, segment information is prepared in conformity with the accounting policies adopted	Ind AS 108 requires segment disclosure based on the components of the entity that Management monitors in making decisions about

Sr. No.	*Particulars*	*Indian GAAP*	*Ind-AS*
	Segments	for preparing and presenting the financial statements of the enterprise as a whole. Segment revenue, segment expense, segment result, segment asset and segment liability have been defined. Disclosures are required based on classification of segment as primary or secondary. Disclosure requirements for secondary reporting format are less detailed than those required for primary reporting segments.	operating matters (the management approach'). Such components (operating segments) are identified on the basis of internal reports that the entity's Chief Operating Decision Maker(CODM) regularly reviews in allocating resources to segments and in assessing their performance. The term 'chief operating decision maker' identifies a function not necessarily a manager with a specific necessarily a manager with a specific title. That function is to allocate resources to and assess the performance of the operating segments of an entity. Often the chief operating decision maker of an entity is its chief executive officer or chief operating officer but, for example, it may be a group of executive directors or others.
9	Business Combination	Upon acquisition, any excess of the amount of the purchase consideration over the value of net assets of the transferor entity acquired by the transferee entity is recognized in the transferee entity's financial statements as goodwill on acquisition. All acquisitions have been accounted in line with treatment prescribed in the court approval or in case of amalgamation, as prescribed under AS-14	As per IND AS 103, All business combinations are to be accounted at fair value using the "Acquisition method". Upon acquisition, all assets acquired and liabilities assumed are recorded at fair value on the acquisition date. Contingent consideration payable shall be considered as part of total consideration while arriving at goodwill or gain on acquisition, as the case may be. However common control transactions are scoped out and can be accounted for using the "book value" approach Lastly, Ind AS 101 provides exemptions for past business combinations from accounting prescribed under Ind AS 103 and the entity can elect to continue the accounting it had adopted under Indian GAAP.
10	Classification of Financial Instruments and subsequent measurement	Currently under Indian GAAP the Entity classifies all its financial assets and liabilities as short term or long term. Long term investments are carried at cost less any permanent diminution in the value of such investments determined on a specific identification basis. Current investments are carried at lower of cost and fair value. Financial liabilities are carried at their transaction values.	Ind AS 109 requires all Financial to be either classified as measured at amortized cost or measured at fair value. Where assets are measured at fair value, gains and losses are either recognized entirely in profit or loss (FVTPL), or recognized in other comprehensive income (FVTOCI). Financial assets include equity and debts investments, interest free deposits, loans, trade receivables

Sr. No.	*Particulars*	*Indian GAAP*	*Ind-AS*
		Provision for doubtful debts: Under Indian GAAP, provisions are made for specific receivables based on circumstances such as credit default of customer or disputes with customers. An enterprise should assess the provision of doubtful debts at each period end which, in practice, is based on relevant information such as past experience, actual financial position and cash flows of the debtors. Different methods are used for making provisions for bad debts, including ageing analysis and individual assessment of recoverability.	etc., There are two measurement categories for financial liabilities —FVTPL and amortized cost. Fair value adjustment on transition shall be adjusted against opening retained earnings on the date of transition. **Provision for doubtful debts:** In addition to the specific provisions under Indian GAAP, under Ind AS, at each reporting date, an entity shall assess whether the credit risk on trade receivables has increased significantly since initial recognition. When making the assessment, an entity shall use the Expected Credit Loss model to provide for a loss allowance over and above any provision for doubtful debts in the profit and loss statement. An entity shall measure expected credit losses to reflect the following: an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic condition
		Recognition and measurement of Financial liabilities at transaction value Bank borrowings and debentures were measured at initial recognition minus the principal repayments.	Financial liabilities at amortized cost shall be measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount
11	Other Income	Interest income is accounted on accrual basis. Dividend income is accounted for when the right to receive it is established.	Ind AS 18 requires interest to be recognised using effective interest rate method as per Ind AS 109.
12	Revenues - Measurement	Revenue is recognized at the nominal amount of consideration receivable.	Revenue is recognized at fair value of the consideration receivable. Fair value of revenue from sale of goods and services when the inflow of cash and cash equivalents is deferred is determined by

Sr. No.	*Particulars*	*Indian GAAP*	*Ind-AS*
			discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of consideration is recognized as interest revenue using the effective interest method.

INDUSTRY OVERVIEW

*The information presented in this section includes extracts from various publicly available information, data and statistics and has been derived from various government publications (including publications of the Reserve Bank of India ("**RBI**")) and industry sources. Neither we nor any other person connected with the Issue has independently verified this information. The data may have been re-classified by us for the purposes of presentation. The information in this section includes extracts from publicly available information, data and statistics and has been derived from various government publications and industry sources, including reports that have been prepared by World Bank that have the following disclaimer: "This is an adaptation of an original work by The World Bank. Views and opinions expressed in the adaptation are the sole responsibility of the author or authors of the adaptation and are not endorsed by The World Bank." Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but that their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, projections, forecasts and assumptions that may prove to be incorrect. Accordingly, investors should not place undue reliance on or base their investment decision on this information.*

Economic Conditions in India

The Indian economy with a gross domestic product ("**GDP**") at current prices in fiscal 2017 is estimated at ₹ 151,840 billion, showing a growth rate of 11.0% over the estimates of GDP for fiscal 2016 of ₹ 136,820 billion (*Source: Press Note on Provisional Estimates of Annual National Income, 2016-2017 and Quarterly Estimates of Gross Domestic Product for the Fourth Quarter of 2016-2017, Central Statistics Officer, Ministry of Statistics and Programme Implementation, Government of India, May 31, 2017*). The Indian economy in fiscal 2017 was marked by moderate expansion and macroeconomic stability, low inflation, and improvement in current account and fiscal deficits due to negative impacts from the global slowdown and the transient impact of demonetisation (*Source: RBI Annual Report 2016 - 2017*). Due to the slowdown in gross capital formation, the GDP growth in fiscal 2017 moderated, however, the Government and private consumption accelerated and held up aggregate demand. (*Source: RBI Annual Report 2016 - 2017*). The GDP at constant (fiscal 2012) prices in the first quarter of fiscal 2018 is estimated at ₹ 31,100 billion, showing a growth rate of 5.7% over the estimates of GDP in the first quarter of fiscal 2017 of ₹ 29,420 billion (*Source: Press Note on Estimates of Gross Domestic Product for the first quarter (April-June) 2017-2018, Central Statistics Office, Ministry of Statistics and Programme Implementation, Government of India, August 31, 2017)*. India's GDP growth slowed in fiscal 2016 amid disruptions due to demonetization and uncertainty leading up to the implementation of the Goods and Services Tax ("**GST**") in July 2017. *(Source: World Bank. 2017. "Growth out of the Blue." South Asia Economic Focus (October), Washington, DC: World Bank. Doi: 10.1596/978-1-4648-1213-2. License: Creative Commons Attribution CC BY 3.0 IGO*)

However, the outlook for growth in India in fiscal 2018 has brightened, with the likelihood of another favourable monsoon and the implementation of major policy reforms which would help to unlock bottlenecks to growth. (*Source: RBI Annual Report 2016 - 2017*). India's economic activity is expected to stabilize and maintain an annual GDP growth at 7% in fiscal 2018. India's growth is projected to increase gradually to 7.4% by fiscal 2020, reinforced by a recovery in private investment, which is expected to increase due to rise in public capital expenditure and an improvement in the investment scenario partly due to the implementation of GST and the Insolvency and Bankruptcy Code, 2016, and favourable measures to attract foreign direct investment. (*Source: World Bank. 2017. "Growth out of the Blue." South Asia Economic Focus (October), Washington, DC: World Bank. Doi: 10.1596/978-1-4648-1213-2. License: Creative Commons Attribution CC BY 3.0 IGO*)

The Union Budget 2017 announcements and the expectations of accelerated reforms and political stability further reinforced the overall positive business sentiment in India. The Union Budget 2017 reduced fiscal deficit from 3.9% of GDP in fiscal 2015 - 2016 to 3.5% in fiscal 2016 - 2017. Retail inflation measured by year-on-year variation in consumer price index declined by 2.18% in May 2017. (*Source: RBI - Financial Stability Report, June 2017*).

Demonetization

On November 8, 2016, the Government of India and the RBI, declared the ₹ 500 and ₹ 1,000 denominations of banknotes of then existing series issued by the RBI to cease to be legal tender. (*Source: Government of India, Gazette Notification No. 2652 dated November 08, 2016 and RBI notification (RBI/2016-17/112) dated November 8, 2017*) They were immediately replaced with new ₹ 500 and ₹ 2,000 currency notes. The withdrawal from circulation started immediately and ended on December 30, 2016. Demonetization weighed on growth in the third quarter of fiscal 2017. (*Source: World Bank Group. 2017. Global Economic Prospects, January 2017 Weak Investment in Uncertain Times. Washington, DC: World Bank. doi:10.1596/978-1-4648-1016-9. License: Creative Commons Attribution CC BY 3.0 IGO. Available at http://www.worldbank.org/en/publication/global-economic-prospects*).

For fiscal 2018, it is expected that the growth would return to normal as the new currency notes in required quantities come back into circulation and as follow up actions to demonetization are taken. Factors such as monsoons, an increase in the level of exports following the projected increase in global growth and various reform measures taken by the GoI to strengthen the economy will help in maintain the momentum of such growth. However, there are few challenges to growth forecast, for example, the prices of crude oil have started rising and are projected to increase further in the next year. (*Source: Economic Survey 2016-2017 – Ministry of Finance*). For further information on the impact of demonetization on banking sector, see "– Impact of demonetization on the Indian banking sector".

Key Banking Industry Trends in India

With the effects of demonetisation turning out to be short-lived and modest relative to the expectations, the outlook for fiscal 2018 has been brightened considerably by a number of factors. First, with the accelerated pace of remonetisation, discretionary consumer spending held back by demonetisation is expected gather momentum over several quarters ahead. The recovery will also likely be aided by the reduction in banks' lending rates due to large inflows of current and savings accounts ("**CASA**") deposits, although the fuller transmission impact might be impeded by stressed balance sheets of banks and the tepid demand for bank credit. Second, various proposals in the Union Budget 2017-18 have been growth stimulating: stepping up of capital expenditure; boosting the rural economy and pushing for affordable housing; the roll-out of the GST; and steps to attract higher foreign direct investment through initiatives like abolishing the Foreign Investment Promotion Board. Third, global trade and output are expected to expand at a stronger pace in 2017 and 2018 than in recent years, easing the external demand constraint on domestic growth prospects. (*Source: RBI Monetary Policy Report – April 2017*) In addition, wholesale price index inflation increased from (0.45)% in March 2016 to 5.70% in March 2017. Some of these expectations in relation to the projected acceleration in real gross value added for fiscal 2018 have materialised, whereas the recovery in discretionary and investment spending has been weaker than expected and *kharif* food grains production is expected to be lower than the previous year in view of the shortfall and irregular rainfall during the south-west monsoon in the current year. The uncertainty about the implementation of the GST also has had some impact on economic activity, however, it is expected to be offset by productivity-enhancing effects in the medium- and long-run. (*Source: RBI Monetary Policy Report – October 2017*)

India's domestic macroeconomic conditions remained stable in fiscal 2017, and the expectations of accelerated reforms and political stability further reinforced the overall positive business sentiment in India. India being one of the fastest growing major economies in the world and is also expected to accelerate to 7.2% in fiscal 2017 and 7.5% in the next fiscal year. (*Source: World Bank Group. 2017. Global Economic Prospects, June 2017: A Fragile Recovery. Washington, DC: World Bank. Washington, DC: World Bank. doi: 10.1596/978-1-4648-1024-4. License: Creative Commons Attribution CC BY 3.0 IGO. Available at http://www.worldbank.org/en/publication/global-economic-prospects*) The GDP at constant (fiscal 2012) prices in the first quarter of fiscal 2018 is estimated at ₹ 31,100 billion, showing a growth rate of 5.7% over the estimates of GDP in the first quarter of fiscal 2017 of ₹ 29,420 billion (*Source: Press Note on Estimates of Gross Domestic Product for the first quarter (April-June) 2017-2018, Central Statistics Office, Ministry of Statistics and Programme Implementation, Government of India, August 31, 2017)* While retail inflation witnessed significant decline during the recent quarters, the real gross value added growth declined to 6.6% in fiscal 2017 compared 7.9% in fiscal 2016. While deposit growth of scheduled commercial banks picked up during fiscal 2017, there was a slowdown in credit growth, which adversely affected net interest income, particularly of the public sector banks. Accordingly, while profitability ratios of scheduled commercial banks improved, public sector banks continued to reflect negative return on assets. However, the capital adequacy positions of private and foreign banks showed an improvement. (*Source: RBI – Financial Stability Report, June 2017*)

The domestic outlook remains positive with macroeconomic stability. Liquidity conditions remain easy. The current account deficit remains contained. However, weak investment demand is a major challenge. Retrenchment of credit by public sector banks is partly offset by non-banking financial companies, mutual funds and the capital market but they cannot fully substitute banks in a bank-based financial system. The Reserve Bank of India ("RBI") and the Government are accordingly proactively taking steps to resolve challenges with respect to rising non-performing assets in the banking sector. The RBI has also activated prompt corrective actions (PCA) to manage the banking system. However, strengthening the internal governance framework of financial entities and observance of market discipline will require additional focus. (*Source: RBI – Financial Stability Report, June 2017*)

Recent Macroeconomic Trends

Since October 2016, the appetite for risk in global financial markets has been punctuated by bouts of volatility triggered by the US presidential election results in November and apprehensions of intensified protectionist measures by the US. Thereafter, markets responded positively to the expectations of a significant reset of the policy mix in the US by the new administration sharpening focus on the fiscal policy. The strengthening of the US dollar, hardening of bond yields, a surge in equity markets on easing global deflation risks and a stronger growth outlook for advanced economies triggered capital outflows from emerging markets. *(Source: Reserve Bank of India - Monetary Policy Report, April 2017)*

In the first six months of fiscal 2018, the global financial markets were lifted by record low volatility, declining credit spreads and stretched market valuations, as concerns about the pace of reflation and normalisation of monetary policy in advanced economies receded. The equity markets significantly increased, due to a renewed reach for returns. Bond yields, which had firmed up till early 2017, reversed course from April 2018 on softer than expected commodity prices and expectations of a more relaxed pace of monetary policy normalisation in the United States on easing inflation risks. The United States dollar depreciated against major currencies, partly correcting for the upside it had gained post-presidential elections in the United States. The geopolitical risks, however, resulted in volatility in August 2018. The global financial markets remained largely resilient to the September 2018 communication of the federal reserve on its balance sheet normalisation. Financial markets in emerging market economies remained stable, with the equity markets rising and the return of large portfolio flows exerting appreciation pressures on their currencies. *(Source: Reserve Bank of India - Monetary Policy Report, October 2017)*

The foreign exchange market has experienced bouts of volatility triggered by international developments. Inflows on account of financial institutional investors, particularly into the equity segment, and positive sentiments generated by a narrower current account deficit restricted wide movement of the rupee. Despite moderation in India's exports, India's external sector position has been comfortable, with the current account deficit progressively contracting from US$ 88.2 billion (4.8% of GDP) in fiscal 2013 to US$ 22.2 billion (1.1% of GDP) in fiscal 2016. The current account deficit further narrowed to 0.7% of GDP in fiscal 2017 from 1.1% of GDP in fiscal 2016 on account of contraction in the trade deficit. The trade deficit narrowed to US $ 112.4 billion in fiscal 2017 from US $ 130.1 billion in fiscal 2016. *(Source: The RBI's Developments in India's Balance of Payments during the Fourth Quarter (January – March) of 2016-17)* India's current account deficit at US $ 14.3 billion (2.4% of GDP) in the first quarter of fiscal 2018 was higher than US$ 0.4 billion (0.1% of GDP) in the first quarter of fiscal 2017 and US $ 3.4 billion (0.6% of GDP) in the fourth quarter of fiscal 2017. The widening of the current account deficit on a year-on-year basis was primarily on account of higher trade deficit (US$ 41.2 billion) brought by a larger increase in merchandise imports relative to exports.*(Source: The RBI's Developments in India's Balance of Payments during the First Quarter (April - June) of 2017-18)*

The subsequent depreciation of the rupee could be attributed largely to the strengthening of the US dollar globally following the US presidential election results and tightening of monetary policy by the Federal Reserve. The Indian rupee depreciated by 3.4% against the US dollar in the aftermath of the US presidential election results from April 2016 to December 2016. The rupee displayed two-way movements up to mid-January 2017, but since then, it has appreciated on resumption of portfolio inflows in both the debt and equity segments. Factors such as India's low current account deficit, the emphasis of monetary policy on the 4% inflation target, the transient impact of demonetization on economic activity, and the commitment to fiscal prudence announced in the Union Budget provided stability to the exchange rate. The rupee gained further in March 2017, as foreign portfolio

investment inflows, especially equity, were boosted by the outcome of State elections, which augur well for accelerating the pace of reforms. However, credit growth, particularly to industry, remained slow on risk aversion by banks due to high levels of stressed assets and weak demand in view of the depressed investment cycle and the presence of spare capacity in manufacturing. The Indian rupee ended fiscal 2017 and ended the first quarter of fiscal 2018 at 64.85 and 64.73, respectively, against the US dollar. However, on an average, the Indian Rupee depreciated 2.4% against the U.S. Dollar in fiscal 2017 from fiscal 2016. (*Source: RBI's Database on Indian Economy. Available at* https://dbie.rbi.org.in/DBIE/*dbie.rbi?site= home*)

The deceleration in the industrial sector was discernible even before the demonetization - the Index of Industrial production ("**IIP**") contracted by 0.3% in the period April-October 2016 as compared with a growth of 4.8% in the same period of the previous year. (*Source: Reserve Bank of India - Monetary Policy Report, April 2017 and Economic Survey 2016 – 2017, Government of India, Ministry of Finance, January 2017*) The industrial gross value added growth reduced to 1.5 % in the first quarter of fiscal 2018, primarily due to the GST related uncertainties. The IIP exhibited a broad based deceleration in the first quarter of fiscal 2018. (*Source: Reserve Bank of India - Monetary Policy Report, October 2017*)

India's current sovereign ratings are "Baa2/Stable" from Moody's and "BBB-/Stable" from Fitch. For further information, see "Risk Factors - Risks Relating to India - Any downgrade of our Bank's debt ratings or of India's sovereign debt rating by international rating agencies could adversely affect our business."

Indian Banking Authority

The Reserve Bank of India was established on April 1, 1935 in accordance with the provisions of the Reserve Bank of India Act, 1934. The Central Office of the Reserve Bank was initially established in Calcutta but was permanently moved to Mumbai in 1937. The Central Office is where the Governor sits and where policies are formulated, though originally privately owned, since nationalisation in 1949, the Reserve Bank is fully owned by the Government of India. The Reserve Bank of India performs this function under the guidance of the Board for Financial Supervision ("**BFS**"). The Board was constituted in November 1994 as a committee of the Central Board of Directors of the Reserve Bank of India.

Impact of Liberalization on the Indian Financial Sector

Until 1991, the financial sector in India was heavily controlled and commercial banks and long-term lending institutions had mutually exclusive roles and objectives and operated in a largely stable environment, with little or no competition. Long-term lending institutions were focused on the achievement of the Government's various socioeconomic objectives, including balanced industrial growth and employment creation, especially in areas requiring development. Long-term lending institutions were extended access to long-term funds at subsidized rates through loans and equity from the Government and from funds guaranteed by the Government originating from commercial banks in India and foreign currency resources originating from multilateral and bilateral agencies. The focus of the commercial banks was primarily to mobilize household savings through demand and time deposits and to use these deposits to meet the short-term financial needs of borrowers in industry, trade and agriculture. In addition, the commercial banks provided a range of banking services to individuals and business entities.

However, since 1991, there have been comprehensive changes in the Indian financial system. Various financial sector reforms have transformed the operating environment of the banks and long-term lending institutions. In particular, the deregulation of interest rates, emergence of a liberalized domestic capital market, and entry of new private sector banks, along with the broadening of long-term lending institutions' product portfolios, have progressively intensified the competition between banks and long-term lending institutions. The RBI has permitted the transformation of long-term lending institutions into banks subject to compliance with the prudential standards applicable to banks (*Source: RBI Circular on Approach to Universal Banking dated April 28, 2001 http://www.rbi.org.in/scripts/NotificationUser.aspx?Mode=0&Id=368#anx1*).

Introduction to Indian financial sector

The RBI, the central banking and monetary authority of India, is the central regulatory and supervisory authority for the Indian financial system. A variety of financial intermediaries in the public and private sectors participate

in India's financial sector, including (i) commercial banks, comprising: private sector banks, regional rural banks, public sector banks, foreign banks, co-operative banks, small finance banks and payment banks; (ii) long-term lending institutions; (iii) non-banking financial companies, including housing finance companies; (iv) other specialized financial institutions, and state-level financial institutions; (v) insurance companies; (vi) micro-finance companies; and (vii) mutual funds.

Commercial Banks

Commercial banks in India have traditionally focused on meeting the short-term financial needs of industry, trade and agriculture. In recent years the commercial banks have also focused on increasing long-term financing to sectors like infrastructure. As of June 30, 2017, there were 144 scheduled commercial banks in India with a network of 139,240 reporting offices (*Source: RBI's Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, August 31, 2017*). Scheduled Commercial Banks ("**SCBs**") are banks that are listed in the schedule to the RBI Act, 1934, and are further categorized as public sector banks, private sector banks and foreign banks. As of June 30, 2017, scheduled commercial banks had approximately ₹ 107.5 trillion of deposits and approximately ₹ 78.2 trillion of bank credit. As of June 30, 2017, the aggregate deposits for all scheduled commercial banks had registered an annual growth rate of 12.6% while the bank credit for all scheduled commercial banks had registered an annual growth rate of 8.0%. (*Source: RBI's Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, August 31, 2017*)

Public Sector Banks

Public sector banks (majority ownership by the Government of India) make up the largest category in the Indian banking system. The public sector banks in India include 19 nationalized banks and 56 regional rural banks ("**RRBs**"), as of September 30, 2017. (*Source: RBI. Available at https://www.rbi.org.in*) As of June 30, 2017, the aggregate deposits for all public sector banks had registered an annual growth rate of 11.1% while the bank credit for all public sector banks had registered an annual growth rate of 4.4%. (*Source: RBI's Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, August 31, 2017*) The public sector banks' large network of branches enables them to fund themselves out of low cost deposits.

Regional Rural Banks

RRBs were established from 1976 to 1987 by the Government, state governments and sponsoring commercial banks jointly with a view to develop the rural economy. RRBs provide credit to small farmers, artisans, small entrepreneurs and agricultural labourers. The National Bank for Agriculture and Rural Development ("**NABARD**") is responsible for supervising the functions of the RRBs. In 1986, the Kelkar Committee made comprehensive recommendations covering both the organizational and operational aspects of RRBs, several of which were adopted as amendments to the Regional Rural Bank Act, 1976. As part of a comprehensive restructuring program, re-capitalization of the RRBs was initiated in fiscal 1995, a process which continued until fiscal 2000 and covered 187 RRBs with aggregate financial support of ₹ 21.9 billion from the stakeholders. Simultaneously, prudential reforms on income recognition, asset classification and provisioning for loan losses following customary banking benchmarks were introduced.

As of June 30, 2017, there were 21,294 RRB reporting offices and the aggregate deposits for all regional rural banks had registered an annual growth rate of 17.3% while the bank credit for all regional rural banks had registered an annual growth rate of 11.3%. (*Source: RBI's Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, August 31, 2017*)

Private Sector Banks

Most large banks in India were nationalized in 1969, resulting in public sector banks making up the largest portion of Indian banking. The Government's focus on public sector banks was maintained throughout the 1970s and 1980s. In addition, existing private sector banks that showed signs of an eventual default were merged with state-owned banks. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the RBI permitted entry of the private sector into the banking system. This resulted in the introduction of private sector banks. These banks are collectively known as the "new" private sector banks.

According to RBI, there are 21 Indian private sector banks, three local area banks, nine small finance banks and three payment banks. (*Source: RBI. Available at https://www.rbi.org.in*)

As of June 30, 2017, the aggregate deposits for all private sector banks had registered an annual growth rate of 19.7% while the bank credit for all private sector banks had registered an annual growth rate of 20.3%. Their network of 24,635 reporting offices accounted for 17.69% of the total reporting office network of scheduled commercial banks in the country. (*Source: RBI's Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, August 31, 2017*)

Foreign Banks

According to RBI, there were 43 foreign banks operating in India, as of September 30, 2017. *(Source: RBI. Available at https://www.rbi.org.in)* As of June 30, 2017, the aggregate deposits for all foreign banks had registered an annual growth rate of (1.4)% while the bank credit for all foreign banks had registered an annual growth rate of (8.5)%. Their network of 285 reporting offices accounted for 0.20% of the total reporting office network of scheduled commercial banks in the country. (*Source: RBI's Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, August 31, 2017*) Foreign banks may operate in India by establishing wholly owned subsidiaries, which are allowed to raise rupee resources through issue of non-equity capital instruments. In addition, wholly owned subsidiaries of foreign banks may be allowed to open branches in Tier 1 to Tier 6 centres except at specified locations considered sensitive for national security reasons. Establishment of a subsidiary would require approval of the RBI which would be subject to various factors including economic and political relations with the country of incorporation of the parent bank and reciprocity with the home country of the parent bank. The regulatory framework for a subsidiary of a foreign bank would be substantially similar to that applicable to domestic banks, including with respect to management, directed lending, investments and branch expansion. Wholly-owned subsidiaries of foreign banks may, after further review, be permitted to enter into merger and acquisition transactions with Indian private sector banks, subject to adherence to the foreign ownership limit of 49% under automatic route and 74% under the government approval route that is currently applicable to Indian private sector banks. (*Source: RBI. Available at https://www.rbi.org.in*)

Co-operative Banks

Co-operative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban and semi-urban areas of India. The state land development banks and the primary land development banks provide long term credit for agriculture. In response to liquidity and insolvency problems experienced by some cooperative banks in fiscal 2001, the RBI undertook several interim measures, pending formal legislative changes, including measures related to lending against shares, borrowing in the call market and term deposits placed with other urban co-operative banks. Presently the RBI is responsible for supervision and regulation of urban co-operative banks, and NABARD for state co-operative banks and district central cooperative banks. The Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004 provides for the regulation of all co-operative banks by the RBI. According to RBI, there are 19 scheduled state co-operative banks, 14 non-scheduled state co-operative banks, 54 scheduled urban co-operative banks and 1,500 non-scheduled urban co-operative banks, as of September 30, 2017. (*Source: RBI. Available at https://www.rbi.org.in*)

Small Finance Banks

The objective of small finance banks is to further financial inclusion by (a) provision of savings vehicles, and (ii) supply of credit to small business units; small and marginal farmers; micro and small industries; and other unorganised sector entities, through high technology-low cost operations. The RBI granted in-principle approvals to 10 Small Finance Banks in September 2015 pursuant to which, nine Small Finance Banks (Au Small Finance Bank Limited, Capital Small Finance Bank Limited, Equitas Small Finance Bank Limited, ESAF Small Finance Bank Limited, FINCARE Small Finance Bank Limited, North East Small Finance Bank Limited, Suryoday Small Finance Bank Limited, Ujjivan Small Finance Bank Limited and Utkarsh Small Finance Bank Limited) have already started operations.

Payment Banks

The RBI has liberalised the licensing regime for banks in India and intends to issue licences on an ongoing basis, subject to meeting the criteria laid down by RBI. The RBI is supportive of creating more specialised banks and

granting differentiated banking licenses such as for payment banks and small finance banks. The RBI also has plans to create wholesale and long-term finance banks in the near future. In November 2014, the RBI released guidelines for licensing of payment banks and for licensing of small finance banks in the private sector. On August 19, 2015 the RBI granted in-principle approval to 11 applicants to set up payment banks.

Long-Term Lending Institutions

The long-term lending institutions were established to provide medium-term and long-term financial assistance to various industries for setting up new projects and for the expansion and modernisation of existing facilities. These institutions provided fund-based and non-fund-based assistance to industry in the form of loans, underwriting and direct subscription to shares, debentures and guarantees. The primary long-term lending institutions included IDBI Bank, IFCI Limited, the Industrial Investment Bank of India and ICICI prior to its amalgamation with ICICI Bank Limited.

The long-term lending institutions were expected to play a critical role in Indian industrial growth and, accordingly, had access to concessional government funding. However, in recent years, the operating environment of the long-term lending institutions has changed substantially. Although the initial role of these institutions was largely limited to providing a channel for government funding to industry, the reform process required such institutions to expand the scope of their business activities, including into, fee-based activities like investment banking and advisory services and short-term lending activities including corporate finance and working capital loans.

Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group in 1998, a working group was created in 1999 to harmonise the role and operations of long-term lending institutions and banks. The RBI, in its mid-term review of monetary and credit policy for fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms applicable to banks. In April 2001, the RBI issued guidelines on several operational and regulatory issues which were required to be addressed in evolving a path for conversion of a long-term lending institution into a universal bank. *(Source: Committee on Banking Sector Reforms (Narasimham Committee II) - Action taken on the recommendations. Available at https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs /24157.pdf)*

Non-Banking Financial Companies

As of March 2017, there were 11,517 non-banking financial companies ("**NBFCs**") registered with the RBI, of which 179 are deposit accepting ("**NBFCs-D**"). There were 220 Systemically Important Non-Deposit accepting NBFCs ("**NBFCs-ND-SI**"). All NBFC-D and NBFCs-ND-SI are subjected to prudential regulations such as capital adequacy requirements and provisioning norms along with reporting requirements. *(Source: RBI - Financial Stability Report, June 2017).*

Housing Finance Companies

Housing finance companies form a distinct sub-group of non-banking financial companies. As a result of the various incentives given by the government for investing in the housing sector in recent years, the scope of this business has grown substantially. The Housing Development Finance Corporation Limited is a leading provider of housing finance in India. In recent years, several other players including banks have entered the housing finance industry. The National Housing Bank and the Housing and Urban Development Corporation Limited are the two major financial institutions instituted through acts of Parliament to improve the availability of housing finance in India. The National Housing Bank Act, 1987, provides for securitisation of housing loans, foreclosure of mortgages and setting up of the Mortgage Credit Guarantee Scheme.

Other Financial Institutions

Specialized Financial Institutions

In addition to the long-term lending institutions, there are various specialized financial institutions which cater to the specific needs of different sectors. These include NABARD, the Export Import Bank of India, the Small Industries Development Bank of India, the Risk Capital and Technology Finance Corporation Limited, the Tourism Finance Corporation of India Limited, the National Housing Bank, the Power Finance Corporation

Limited, the Infrastructure Development Finance Corporation Limited and the India Infrastructure Finance Company.

State Level Financial Institutions

State financial corporations operate at the state level and form an integral part of the institutional financing system. State financial corporations were set up to finance and promote small medium enterprises ("SMEs"). The state financial institutions are expected to achieve balanced regional socio-economic growth by generating employment opportunities and widening the ownership base of industry. At the state level, there are also state industrial development corporations, which provide finance primarily to medium-sized and large enterprises.

Insurance Companies

As of March 31, 2016, there were 53 insurance companies in India, of which 24 were life insurance companies, 29 were general insurance companies and 1 national re-insurer. Of the 24 life insurance companies, 23 were in the private sector and one in the public sector. Among the general insurance companies, 23 are in the private sector and six (including the Export Credit Guarantee Corporation of India Limited and the Agriculture Insurance Company of India Limited) are in the public sector *(Source: IRDA Annual Report 2015-16)*. The General Insurance Corporation of India, a re-insurance company, is in the public sector. The Life Insurance Corporation of India, the General Insurance Corporation of India and public sector general insurance companies also provide long-term financial assistance to the industrial sector.

The insurance sector in India is regulated by Insurance Regulatory Development Authority ("**IRDA**"). In December 1999, the Indian Parliament passed the IRDA Act, which amended the Insurance Act, 1938 and opened up the Indian insurance sector for foreign and private investors. The Insurance Act, 1938 was further amended by the Insurance Law (Amendment) Act, 2015 which raised permitted foreign equity participation in new insurance companies from 26.00% to 49.00%. Insurance companies are required to be Indian owned and controlled. Control includes the right to appoint majority of directors or control the management or policy decisions by the virtue of shareholding or management rights or shareholders agreements or voting agreements. Therefore, both the ownership and control are required to remain in Indian hands. Further, the amendment has permitted insurers to raise capital through instruments other than equity.

In its monetary and credit policy for fiscal 2001, the RBI issued guidelines governing the entry of banks and financial institutions into the insurance business. The guidelines permit banks and financial institutions to enter the business of insurance underwriting through joint ventures provided they meet stipulated criteria relating to their net worth, capital adequacy ratios, profitability track record, level of non-performing loans and the performance of their existing subsidiary companies.

Life insurance industry recorded a premium income of ₹ 3,669.43 billion during fiscal 2016 as against ₹ 3,281.02 billion in the previous fiscal, registering a growth of 11.84% (over 4.39% growth in the previous fiscal). While, private sector insurers posted 13.64% growth (below 14.32% growth in previous fiscal) in their premium income, LIC recorded 11.17% growth (over 1.15% growth in the previous fiscal). The non-life insurance industry had underwritten a total premium of ₹ 963.79 billion in India for fiscal 2016 as against ₹ 846.86 billion in fiscal 2015, registering a growth of 13.81% as against an increase of 9.20% recorded in the previous fiscal. The public sector insurers exhibited growth in fiscal 2016 at 12.08% (over the previous fiscal's growth rate of 10.24%. The private general insurers registered a growth of 13.12%, over 9.62% achieved during the previous fiscal.) *(Source: IRDA Annual Report 2015 – 2016)*

Mutual Funds

As of March 31, 2017, there were 41 mutual funds in India with average assets under management of ₹ 18,295.84 billion, an increase of 35.17% from ₹ 13,534.43 billion as of March 31, 2016. From 1963 to 1987, the Unit Trust of India was the only mutual fund operating in the country. It was set up in 1963 at the initiative of the Government and the RBI. From 1987 onwards, several other public sector mutual funds entered this sector. These mutual funds were established by public sector banks, the Life Insurance Corporation of India and the General Insurance Corporation of India. (*Source:* *http://www.amfiindia.com/research-information/mf-history*) The mutual funds industry was opened up to the private sector in 1993. The industry is regulated by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

In June 2009, SEBI removed the entry load, up-front charges deducted by mutual funds, for all mutual fund schemes and required that the up-front commission to distributors should be paid by the investor to the distributor directly. In November 2009, to enhance the reach and marketability of mutual fund schemes, SEBI permitted the use of stock exchange terminals to facilitate transactions in mutual fund schemes as a result of which mutual fund units can now be traded on recognized stock exchanges. In February 2010, the SEBI introduced guidelines for the valuation of money market and debt securities with a view to ensure that the value of money market and debt securities in the portfolio of mutual fund schemes reflect the current market value. The valuation guidelines were effective from August 1, 2010.

Performance of the Indian Banking Sector

Various factors, such as changes in the economic conditions of the Indian and global economy, changes in the interest rate environment, movements in global commodity markets and exchange rates, increased global competition and changes in Indian laws, regulations and policies, rise or fall in unemployment may affect the health of Indian banking sector. However the sector is highly regulated which lends relative stability during such uncertain economic periods.

The gross non-performing advances ("**GNPAs"**) of the banking sector rose but the stressed advances ratio declined between September 2016 and March 2017 on account of agriculture, services and retail sectors. Overall, capital to risk weighted assets ratio improved from 13.4% to 13.6% between September 2016 and March 2017 owing to improvement in capital adequacy of private and foreign banks. The share of large borrowers both in scheduled commercial banks total loans portfolio as well as gross non-performing advances showed a reduction between September 2016 and March 2017. *(Source: RBI - Financial Stability Report, June 2017)*

The GNPAs ratio of scheduled commercial banks rose from 9.2% in September 2016 to 9.6% in March 2017. The net non-performing advances ratio of scheduled commercial banks increased marginally from 5.4% in September 2016 to 5.5% in March 2017. The stressed advances (GNPAs plus restructured standard advances) ratio declined from 12.3% to 12.0% due to fall in restructured standard advances. While there is a fall in stressed advances ratio in agriculture, services and retail sectors, the stressed advances ratio in industry sector, however, rose from 22.3% to 23.0% mainly on account of subsectors such as cement, vehicle, mining and quarrying, and basic metals. Accretion of new non-performing advances from restructured standard advances declined in fiscal 2017. The GNPAs of scheduled commercial banks may rise from 9.6% in March 2017 to 10.2% by March 2018. (*Source: RBI – Financial Stability Report, June 2017*)

Asset Quality and Lending Rates

The Indian banking industry currently faces asset quality and capitalisation problems. According to the RBI, among financial institutions, asset quality of public sector banks, scheduled urban co-operative banks and non-banking financial companies has deteriorated. The stressed advances ratio declined from 12.3% to 12.0% due to fall in restructured standard advances. While there is a fall in stressed advances ratio in agriculture, services and retail sectors, the stressed advances ratio in industry sector, however, increased from 22.3% to 23.0% mainly on account of subsectors such as cement, vehicle, mining and quarrying and basic metals. Large borrowers account for 56% of gross advances and 86.5% of gross non-performing advances of scheduled commercial banks, whereas, top 100 large exposures account for 15.2% of gross advances. Non-performing accounts within top 100 exposures contribute to 25.6% of gross non-performing advances of scheduled commercial advances. The banking stability indicator, which presents an overall assessment of changes in underlying conditions and risk factors that have a bearing on the stability of the banking sector during a period, accordingly worsened between September 2016 and March 2017 due to deterioration in asset quality and profitability. (*Source: RBI – Financial Stability Report, June 2017*)

The RBI through a press release dated December 17, 2015 released the final guidelines on computing interest rates on advances based on the marginal cost of funds. The guidelines come into effect from April 1, 2016. Apart from helping improve the transmission of policy rates into the lending rates of banks, these measures are expected to improve transparency in the methodology followed by banks for determining interest rates on advances. The guidelines are also expected to ensure availability of bank credit at interest rates which are fair to the borrowers as well as the banks. Further, marginal cost pricing of loans will help the banks become more competitive and enhance their long run value and contribution to economic growth. (*Source: https://rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=35749*)

Impact of demonetization on the Indian banking sector

Demonetization has had a significant impact on the balance sheet of scheduled commercial banks, both in terms of size and composition. Decline in currency in circulation on account of demonetization led to a surge in bank deposits. The demonetized notes were accepted at bank counters till December 30, 2016. With the return of specified bank notes ("**SBNs**") to the banking system, while currency in circulation contracted, deposits in the banking system increased. The sudden increase in deposits (given the gradual replacement of SBNs by new notes) created large surplus liquidity conditions in the banking system. *(Source: Macroeconomic Impact of Demonetisation- A Preliminary Assessment; Reserve Bank of India, March 10, 2017)*

Between October 28, 2016 (prior to demonetization) and January 6, 2017 (post-demonetization), total currency in circulation declined by about ₹ 8,800 billion. This, in turn, was largely reflected in sharp increase of about ₹ 6,720 billion in aggregate deposits of the banking system. As per data available for October 28, 2016 (prior to demonetization) and February 17, 2017 (latest available), the aggregate deposits of SCBs increased by ₹5,549 billion during the period. Re-monetization has been progressing at a fast pace. Between end of December 2016 and early March 2017, there was a net increase in currency in circulation by approximately ₹ 2,600 billion. During this period, deposits with banks also declined moderately. With progressive re-monetization, the surplus liquidity in the banking system declined from a peak of ₹ 7,956 billion on January 4, 2017 to an average of ₹ 6,014 billion in February and further down to ₹ 4,806 billion in March. Importantly, currency in circulation in terms of number of pieces and value has been steadily rising during this period. *(Source: Macroeconomic Impact of Demonetization- A Preliminary Assessment; Reserve Bank of India, March 10, 2017)*

Post-demonetization, there has been a surge in the CASA deposits of banks. The sharp increase of 4.1% in the share of CASA deposits in aggregate deposits to 39.3% (up to February 17, 2017) resulted in a reduction in the cost of aggregate deposits. The cost of CASA at 3.2% is significantly lower than the weighted average term deposit rate at 7.1%. Banks have also lowered their term deposit rates; the median term deposit rate declined by 38 basis points ("**bps**") during November 2016-February 2017. CASA deposits in aggregate deposits with the SCBs went up to 39.2% (as on March 17, 2017) – an increase of 4.0% relative to the pre-demonetization period. The decline in the cost of funding resulted in decline in the one year median marginal cost of funds based lending rate ("**MCLR**") by as much as 70 bps post-demonetization (November 2016-February 2017). *(Source: Macroeconomic Impact of Demonetisation – A Preliminary Assessment; Reserve Bank of India, March 10, 2017)*

Investment demand was also expected to benefit from the improved transmission of the cumulative 175 bps cut in the repo rate to lending rates amidst structural surplus liquidity conditions in the banking system. Many banks reduced their MCLR post-demonetization. The positive revenue impact stemming from better reporting of transactions and tax enforcement/compliance was also expected to create space for higher public investment. The overall business climate is expected to improve as the medium-term positive effects of demonetization start to gain traction. *(Source: Macroeconomic Impact of Demonetisation- A Preliminary Assessment; Reserve Bank of India, March 10, 2017)*

Recent Developments in the Indian Banking Industry

- As part of the framework for revitalising distressed assets, the RBI introduced the Scheme for Sustainable Structuring of Stressed Assets for financial restructuring of large accounts on June 13, 2016. The process of selling stressed assets by banks was further streamlined to facilitate better valuation, price discovery and the creation of a vibrant stressed assets market.

- After consultation with the Government, the RBI also released a separate framework for the revival of distressed loans in this sector on March 17, 2016 after considering the difficulties faced by micro, small and medium enterprises in resolving and restructuring their stressed bank loans.

- The RBI has liberalised the banking licensing regime and intends to issue licences on an ongoing basis, subject to the RBI's qualification criteria. The RBI has issued licences to two new private sector banks, 11 payment banks and 10 small finance banks in fiscal 2016. RBI also issued guidelines for universal banking license in August 2016, which can be applied for at any time.In accordance with these guidelines, resident individuals/ professionals who are resident Indian and have 10 years of experience in banking and finance at a senior level and existing non-banking financial companies that are controlled by resident Indian and have a successful track record of at least 10 years may apply for the license. Further, entities/ groups in the private sector that are owned and controlled by resident Indian are also eligible promoters

provided that they have a successful track record of at least 10 years and if such entity/ group has total assets of ₹ 50 billion or more, the non-financial business of the group does not account for 40% or more in terms of total assets/ gross income.

Banking Sector Reform

Most large banks in India were nationalized in 1969 and thereafter were subject to a high degree of control until reform began in 1991 with the establishment of the Committee on the Financial System (The Narasimham Committee I) in August 1991 to recommend measures for reforming the financial sector. Many of the recommendations made by the committee, which addressed organizational issues, accounting practices and operating procedures, were implemented by the Government. The second Committee on Banking Sector Reform (The Narasimham Committee II) submitted its report in April 1998. The major recommendations of the committee were in respect of capital adequacy requirements, asset classification and provisioning, risk management and merger policies. The RBI accepted and began implementing many of these recommendations in October 1998.

In addition to controlling interest rates and entry into the banking sector, these government regulations also channeled lending into priority sectors. Banks were required to fund the public sector through the mandatory acquisition of low interest-bearing government securities or SLR bonds to fulfill statutory liquidity requirements. As a result, bank profitability was low, non-performing assets were comparatively high, capital adequacy was diminished, and operational flexibility was hindered.

Structural Reforms

Amendments to the RBI Act

In May 2006, the Indian Parliament approved amendments to the RBI Act removing the floor rate of 3.0% for a CRR requirement, giving the RBI discretion to reduce the CRR to less than 3.0%. The amendments also created a legal and regulatory framework for derivative instruments.

Amendments to Laws Governing Public Sector Banks

In 2006, the Indian Parliament amended the laws governing India's public sector banks permitting these banks to issue preference shares and make preferential allotments or private placements of equity. The amendments also authorize the RBI to prescribe 'fit and proper' criteria for directors of such banks and to permit the supersession of their boards and appointment of administrators in certain circumstances.

Amendments to the Banking Regulation Act

The Government promulgated an ordinance in 2007 enabling the RBI to specify the SLR without any floor rate. The ordinance has subsequently been repealed and replaced by the Banking Regulation (Amendment) Act, 2007.

In December 2012, the Indian Parliament amended the laws governing the banking sector. The main amendments were as follows:

- to permit all private banking companies to issue preference shares that will not carry any voting rights, subject to the RBI guidelines;
- to make prior approval of the RBI mandatory for the acquisition of more than 5.0% of a banking company's paid-up capital or voting rights by any individual or firm or group, and empower the RBI to impose conditions while granting approval for such acquisitions;
- to empower the RBI, after consultations with the Government, to supersede the board of a private sector bank for a total period not exceeding twelve months, during which time the RBI will have the power to appoint an administrator to manage the bank;
- to give the RBI the right to inspect affiliates of enterprises or banking entities (affiliates include subsidiaries, holding companies or any joint ventures of banks); and
- to restrict the maximum voting power exercisable by a shareholder in a private banking company to 26% irrespective of its total shareholding and raise the ceiling for voting rights of shareholders of a nationalized bank from 1% to 10%.

Legislative Framework for Recovery of Debts due to Banks

In fiscal 2003, the Indian Parliament passed the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (the "**SARFAESI Act**"). The SARFAESI Act provides that a secured creditor may, in respect of loans classified as non-performing in accordance with RBI guidelines, give notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which the secured creditor may take possession of the assets constituting the security for the loan, and exercise management rights in relation thereto, including the right to sell or otherwise dispose of the assets. The SARFAESI Act also provides for the setting up of asset reconstruction companies regulated by the RBI to acquire assets from banks and financial institutions. The RBI has issued guidelines for asset reconstruction companies in respect of their establishment, registration and licensing by the RBI, and operations. Asset Reconstruction Company (India) Limited, set up by the Industrial Development Bank of India, State Bank of India and certain other banks and institutions, received registration from the RBI and commenced operation in August 2003. Foreign direct investment is now permitted in the equity capital of asset reconstruction companies and investment in security receipts issued by asset reconstruction companies by foreign institutional investors registered with the SEBI is permitted, subject to certain conditions and restrictions.

Earlier, following the recommendations of the Narasimham Committee, the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 was enacted. This legislation provides for the establishment of a tribunal for speedy resolution of litigation and recovery of debts owed to banks or financial institutions. The Act created tribunals before which the banks or the financial institutions can file a suit for recovery of the amounts due to them. However, if a scheme of reconstruction is pending before the Board for Industrial and Financial Reconstruction, under the Sick Industrial Companies (Special Provisions) Act, 1985, no proceeding for recovery can be initiated or continued before the tribunals. This protection from creditor action ceases if the secured creditor takes action under SARFAESI Act. While presenting its budget for fiscal 2002, the Government announced measures for the setting up of more debt recovery tribunals and the eventual repeal of the Sick Industrial Companies (Special Provisions) Act, 1985. The Act was finally repealed with effect from December 1, 2016.

The Insolvency and Bankruptcy Code, 2016 ("**Insolvency Code**") was brought into force at the same time. The Insolvency Code is a significant development aimed at a comprehensive, centralized regime and an efficient procedural framework. The Insolvency Code is intended to integrate the regulatory framework provided under: Sick Industrial Companies (Special Provisions) Act, 1985 ("**SICA**"), which established the Board for Industrial and Financial Reconstruction for sick companies; various provisions within the Companies Act, 2013 (and its predecessor, the Companies Act, 1956) relating to insolvency for corporations; SARFAESI Act relating to secured lending; the Presidency Towns Insolvency Act, 1909 and the Provincial Insolvency Act, 1920 relating to bankruptcy of individuals (which have been repealed in entirety as the Insolvency Code came into effect); and chapter XIII of the Limited Liability Partnership Act, 2008 relating to limited liability partnerships. Pursuant to notification of the provisions relating to insolvency resolution and liquidation process under the Insolvency Code, several applications have been made to the National Company Law Tribunal ("**NCLT**") since December 2016 by creditors and corporate debtors themselves.

Corporate Debt Restructuring Forum

The RBI has devised a corporate debt restructuring system as an institutional mechanism for the restructuring of corporate debt. The objective of this framework is to ensure a timely and transparent mechanism for the restructuring of corporate debts of viable entities facing problems, outside the purview of the Board for Industrial and Financial Reconstruction, debt recovery tribunals and other legal proceedings. In particular, this framework aims to preserve viable corporations that are affected by certain internal and external factors and minimize the losses to the creditors and other stakeholders through an orderly and coordinated restructuring program. The corporate debt restructuring system is a non-statutory mechanism and a voluntary system based on debtor-creditor and inter-creditor agreements.

Impact on Implementation of Ind AS

The Ministry of Corporate Affairs, in its press release dated January 18, 2016, issued a roadmap for implementation of Ind AS for scheduled commercial banks, insurers, insurance companies and non-banking financial companies. This roadmap requires these institutions to prepare Ind AS based financial statements for the accounting periods beginning from April 1, 2018 onwards with comparatives for the periods ending March 31,

2018. The RBI, by its circular dated February 11, 2016, requires all scheduled commercial banks to comply with Ind AS for financial statements beginning April 1, 2018 and banks are also required to be in preparedness to submit proforma Ind AS financial statements to the RBI from the half-year ended September 30, 2016, onwards. The RBI does not permit banks to adopt Ind AS earlier than the prescribed timelines. In addition, banks shall disclose in the annual report, the strategy for Ind AS implementation, including the progress made in this regard from fiscal 2017 onwards.

The possible impact of Ind AS on financial reporting along with the nature and extent of such impact is still uncertain. Further, the new accounting standards will change, among other things, methodologies for estimating provisions for expected loan losses and for classifying and valuing investment portfolios along with revenue recognition policies. The mark to market requirements required under Ind AS may also impact revenues and profitability.

Credit Policy Measures

Credit Policy during fiscal 2018

First Bi-monthly Monetary Policy Statement for the year 2017-18 (April 6, 2017)

- The policy repo rate under the Liquidity Adjustment Facility ("**LAF**") remained unchanged at 6.25%
- The reverse repo rate under the LAF was at 6.0%, and the Marginal Standing Facility ("**MSF**") rate and the bank rate was at 6.50%.
- This is in consonance with the objective of achieving the medium-term target for Consumer Price Index ("**CPI**") inflation of 4% within a band of +/- 2 %, while supporting growth.

Second Bi-monthly Monetary Policy Statement for the year 2017-18 (June 7, 2017)

- The policy repo rate under the LAF remained unchanged at 6.25%
- The reverse repo rate under the LAF was at 6.00%, and the MSF rate and the bank rate was at 6.50%.
- This is in consonance with the objective of achieving the medium-term target for CPI inflation of 4% within a band of +/- 2 %, while supporting growth.

As stated in the Statement on Developmental and Regulatory Policies issued by the RBI on June 7, 2017, the minimum SLR requirement was reduced from 20.50% to 20.00% of Net Demand and Time Liabilities ("**NDTL**") with effect from the fortnight beginning June 24, 2017.

Third Bi-monthly Monetary Policy Statement for the year 2017-18 (August 2, 2017)

- The policy repo rate under the LAF reduced by 25 bps from 6.25% to 6.00% with immediate effect.
- The reverse repo rate under the LAF is adjusted to 5.75%, and the MSF rate and the bank rate adjusted to 6.25%.
- This is in consonance with the objective of achieving the medium-term target for CPI inflation of 4% within a band of +/- 2 %, while supporting growth.

Fourth Bi-monthly Monetary Policy Statement for the year 2017-18 (October 4, 2017)

- The policy repo rate under the LAF remained unchanged at 6.00%
- The reverse repo rate under the LAF remained at 5.75%, and the MSF rate and the Bank Rate remained at 6.25%.
- This is in consonance with the objective of achieving the medium-term target for CPI inflation of 4% within a band of +/- 2 %, while supporting growth.

As stated in the Statement on Developmental and Regulatory Policies issued by the RBI on October 4, 2017, the minimum SLR requirement was reduced from 20.00% to 19.50% of NDTL with effect from the fortnight beginning October 14, 2017. The ceiling on SLR securities under "Held to Maturity" was also reduced from 20.25% to 19.50% of the banks' NDTL in a phased manner, i.e., 20.00% by December 31, 2017 and 19.50% by March 31, 2018.

Credit Policy during fiscal 2017

First Bi-monthly Monetary Policy Statement for the year 2016-17 (April 5, 2016)

- The policy repo rate under the LAF was reduced by 25 bps from 6.75% to 6.5%;
- The minimum daily maintenance of the CRR was reduced from 95% of the requirement to 90% with effect from the fortnight beginning April 16, 2016, while keeping the CRR unchanged at 4.0% of NDTL;
- Continue to provide liquidity as required but progressively lower the average ex ante liquidity deficit in the system from 1% of NDTL to a position closer to neutrality; and
- Narrow the policy rate corridor from +/-100 bps to +/- 50 bps by reducing the MSF rate by 75 bps and increasing the reverse repo rate by 25 bps, with a view to ensuring finer alignment of the weighted average call rate with the repo rate;

Consequently, the reverse repo rate under the LAF stood adjusted to 6.0%, and the MSF rate to 7.0%. The bank rate which is aligned to the MSF rate also stood adjusted to 7.0%.

Second Bi-monthly Monetary Policy Statement for the year 2016-17 (June 7, 2016)

- The policy repo rate under the LAF remained unchanged at 6.5%;
- The CRR of scheduled banks remained unchanged at 4.0% of NDTL;
- Continue to provide liquidity as required but progressively lower the average ex ante liquidity deficit in the system from 1% of NDTL to a position closer to neutrality; and

Consequently, the reverse repo rate under the LAF remained unchanged at 6.0%, and the MSF rate and the bank rate at 7.0%.

Third Bi-monthly Monetary Policy Statement for the year 2016-17 (August 9, 2016)

- The policy repo rate under the LAF remained unchanged at 6.5%;
- The CRR of scheduled banks remained unchanged at 4.0% of NDTL;
- Continue to provide liquidity as required but progressively lower the average ex ante liquidity deficit in the system from 1% of NDTL to a position closer to neutrality; and

Consequently, the reverse repo rate under the LAF will remain unchanged at 6.0%, and the MSF rate and the Bank Rate at 7.0%.

Fourth Bi-monthly Monetary Policy Statement for the year 2016-17 (October 4, 2016)

- The policy repo rate under the LAF reduced by 25 bps from 6.5% to 6.25%.
- Consequently, the reverse repo rate under the LAF stands adjusted to 5.75%, and the MSF rate and the bank rate to 6.75%.
- This was in consonance with the objective of achieving CPI inflation at 5% by the fourth quarter of 2016-17 and the medium-term target of 4% within a band of +/- 2%, while supporting growth.

Fifth Bi-monthly Monetary Policy Statement for the year 2016-17 (December 7, 2016)

- The policy repo rate under the LAF remained unchanged at 6.25%.

- Consequently, the reverse repo rate under the LAF remained unchanged at 5.75%, and the MSF rate and the bank rate at 6.75%.

- This was in consonance with the objective of achieving CPI inflation at 5% by the fourth quarter of 2016-17 and the medium-term target of 4% within a band of +/- 2%, while supporting growth.

Sixth Bi-monthly Monetary Policy Statement for the year 2016-17 (February 8, 2017)

- The policy repo rate under the LAF remained unchanged at 6.25%.

- This was in consonance with the objective of achieving CPI inflation at 5% by the fourth quarter of 2016-17 and the medium-term target of 4% within a band of +/- 2%, while supporting growth.

Consequently, the reverse repo rate under the LAF remained unchanged at 5.75%, and the MSF rate and the bank rate at 6.75%.

Other Developmental and Regulatory Measures

- The existing Prompt Corrective Action ("**PCA**") framework for banks has been reviewed, updated and finalised with the approval of the Board for Financial Supervision. Indicators, which will trigger the updated PCA, include capital ratios, net NPA ratio and return on assets. Leverage would be monitored additionally. The banks under PCA would be required to conform to such mandatory and discretionary actions as may be decided by the RBI.

- The provision in the SARFAESI Act, 2002 of a minimum of ₹ 20 million of owned funds for asset reconstruction companies ("ARCs") was amended in 2016 as ₹ 20 million of net owned funds and the cap on owned fund of 15% of financial assets was removed. In view of the enhanced role of ARCs and greater cash based transactions, it is proposed to stipulate a minimum net owned funds of ₹ 1 billion for ARCs.

- It is proposed that if the pre-enhancement rating of the Partial Credit Enhancement ("**PCE**") enhanced bond subsequently improves over the rating at the time of issuance, the capital calculated will be as per the prevailing difference in pre- and post-enhancement rating and it will not be subject to either the extant floor (the capital requirement on the PCE at the time of issuance of the PCE enhanced bonds) or the restriction of maintaining the number of notches of improvement in rating at the time of issuance. It is also proposed that in order to be eligible for PCE by banks, the bonds will have to be rated by two credit rating agencies accredited by the RBI.

- Final guidelines are proposed to be issued on banking outlets, clarifying the definition and harmonizing the treatment of different forms of bank presence for the purpose of opening outlets in underserved areas. These will supersede the branch licensing guidelines in force.

- SEBI has put in place regulations for real estate investment trust ("**REITs**") and Infrastructure Investment Trusts ("**InvITs**") and requested the RBI to allow banks to participate in these schemes. Currently, banks are allowed to invest in equity-linked mutual funds, venture capital funds and equities to the extent of 20% of their net owned funds. It is proposed to allow banks to invest in REITS and InvITs within this umbrella limit.

- The framework on Counter-cyclical Capital Buffer ("**CCCB**") was put in place by the RBI in terms of guidelines issued on February 5, 2015 wherein it was advised that the CCCB would be activated as and when the circumstances warranted, and that the decision would normally be pre-announced with a lead time of four quarters. Based on the review and empirical testing of CCCB indicators, it has been decided that it is not necessary to activate CCCB.

Future Developments in the Banking Sector and Expected Domestic Reforms

Implementation of the Basel III capital regulations

In December 2010, the Basel Committee on Banking Supervision ("**BCBS**") issued a comprehensive reform package of capital regulations, Basel III. The objective of the reform package is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, thus reducing the risk of spill over from the financial sector to the real economy. The RBI issued the RBI Basel III Capital Regulations and the guidelines

became operational from April 1, 2013. However, the reform package and guidelines will be implemented in a phased manner. On December 31, 2013, the RBI further extended the implementation of credit valuation adjustment risk to April 1, 2014; and, on March 27, 2014, extended the deadline for full implementation of Basel III requirements to March 31, 2019. *(Source: RBI Circular DBOD.No.BP.BC.81/21.06.201/2013-14 dated December 31, 2013 and RBI Circular DBOD.No.BP.BC.102/21.06.201/2013-14 dated March 27, 2014.)*

Under Basel III, total capital of a bank in India must be at least 9.00% of Risk Weighted Assets ("**RWAs**") (8.00% as specified by the BCBS), Tier I capital must be at least 7.00% of RWAs (6.00% as specified by the BCBS) and Common Equity Tier I capital must be at least 5.50% of RWAs (4.50% as specified by BCBS). Due to the transitional arrangements, the capital requirements of banks may be lower during the initial periods and higher during later years. Therefore, banks have been advised to carry out their capital planning accordingly. In addition to the minimum requirements as indicated above, banks are required to maintain a capital conservation buffer ("**CCB**") in the form of common equity of 2.50% of RWAs. Under the RBI Basel III Guidelines, total capital with CCB has been fixed at 11.50% of RWAs. In July 2014, the RBI released the *"Final Report of the Internal Working Group on Implementation of Counter-cyclical Capital Buffer",* which requires banks to maintain a buffer of up to 2.5% of RWAs in period of high credit growth as precaution for downturn. Further, as per the RBI's release on *"Framework for Dealing with Domestic Systemically Important Banks (D-SIBs)"* dated July 22, 2014, D-SIBs must have incremental capital of 0.2% to 0.8% and the quantum of capital required is dependent upon size, interconnectedness, substitutability and complexity of the bank.

In June 2014, the RBI released guidelines for a Liquidity Coverage Ratio ("**LCR**") as part of the Basel III framework on liquidity standards, which will require minimum LCRs starting at 60% as of January 1, 2015, increasing in equal annual steps to 100% by January 1, 2019.

Further, Additional Tier I non-equity capital instruments under Basel III are expected to provide additional features such as full coupon discretion, and principal loss absorption when the common equity ratio of a bank falls below 6.125% of its risk-weighted assets. In the case of Tier II non-equity capital instruments, the distinction between Upper Tier II and Lower Tier II instruments under Basel II is removed and a single class of Tier II instrument eligibility criteria has been prescribed. Additionally, under Basel III, loss absorption features have been included in the event of the occurrence of the "Point of Non-Viability" trigger. The RBI has also fixed the base at the nominal amount of capital instruments outstanding on January 1, 2013, and their recognition will be capped at 90.00% from April 1, 2013, with the cap reducing by 10.00% points in each subsequent year.

On August 31, 2015, the RBI designated the SBI and ICICI Bank Ltd. as domestic systemically important banks ("**D-SIB"**). Based on the methodology provided in the D-SIB framework and data collected from banks as of March 31, 2015, the SBI and ICICI Bank Ltd. will have to provide Additional Common Equity Tier 1 ("**CET1**") requirements as a percentage of risk weighted assets of 0.6% and 0.2%, respectively. The CET1 requirements applicable to D-SIBs will be applicable from April 1, 2016 in a phased manner and would become fully effective from April 1, 2019. The additional CET1 requirements will be in addition to the CCB.

Dynamic provisioning guidelines

At present, banks generally make two types of provisions; general provisions on standard assets and specific provisions on NPAs. Since the level of NPAs varies through the economic cycle, the resultant level of specific provisions also behaves cyclically. Consequently, lower provisions during upturns and higher provisions during downturns have a pro-cyclical effect on the real economy.

To address the pro-cyclicality of capital and provisioning, efforts at an international level are being made to introduce countercyclical capital and provisioning buffers. The RBI has prepared a discussion paper on a countercyclical (dynamic) provisioning (DP) framework.

The DP framework is based on the concept of expected loss, or "EL", which is the average level of losses a bank can reasonably expect to experience, and is considered the cost of doing business. It is generally covered by provisioning and pricing. The objective of DP is to soften the impact of incurred losses on the results of operations through the economic cycle, and not to provide a general provisioning cushion for EL. More specifically, the DP created during a year will be the difference between the long run average EL of the portfolio for one year and the incremental specific provisions made during the year. The parameters of the model suggested in the discussion paper are calibrated based on data of Indian banks. Banks that have the capability to calibrate their own parameters

may, with the prior approval of the RBI, introduce a DP framework using the theoretical model indicated by the RBI. Other banks will have to use the standardised calibration provided by the RBI. (*Source: RBI Annual Report 2011-2012 and Discussion Paper on Introduction of Dynamic Loan Loss Provisioning Framework for Banks in India dated March 30, 2012*.)

Finance Sector Legislative Reforms Commission ("FSLRC")

The FSLRC was constituted on March 24, 2011 to redraft and harmonise legislation related to the financial sector. (*Source: RBI Report on Trend and Progress of Banking in India 2011-12*. In its approach paper released on October 1, 2012, the FSLRC has proposed a two-agency regulatory model; the RBI as the monetary authority, banking regulator and payment systems regulator, and a single regulator for the rest of the financial sector. (*Source: FSLRC, Ministry of Finance, Approach Paper and Press Release.*)

The FSLRC submitted its final report to the Government on March 22, 2013. As per this report, the FSLRC recommended a non-sectoral, principle-based, legislative architecture for the financial sector by restructuring and/or upgrading existing regulatory agencies and creating new agencies wherever necessary for better governance. On September 30, 2014, the Government announced the establishment of four new task forces to lay the roadmap for the upgrade of existing agencies and establishment of new agencies, namely Financial Sector Appellate Tribunal, Resolution Corporation, Public Debt Management Agency and Financial Data Management Centre. (*Source: Government of India, Ministry of Finance, Department of Economic Affairs Press Release dated September 30, 2014.*)

Financial Holding Company ("FHC")

In June 2010, the RBI set up a working group to examine the different holding company structures prevalent internationally in the financial sector and to examine the feasibility of introducing an FHC structure in India. FHCs are companies that own or control one or more banks or NBFCs. Currently, banks in India are organised under a bank-subsidiary model, or "BSM", in which the bank is the parent of all the subsidiaries of the group. In May 2011, the RBI released the working group's recommendations that included, among others, that the FHC model should be pursued as a preferred model for the financial sector in India and that the RBI should be designated as the regulator for FHCs. The recommendations have currently not been implemented. (*Source: RBI Report of the Working Group on Introduction of Financial Holding Company Structure in India and Press. Available at http://www.rbi.org.in*)

Goods and Service Tax

GST has been implemented with effect from July 1, 2017 and has replaced the indirect taxes on goods and services such as central excise duty, service tax, central sales tax, state VAT and surcharge currently being collected by the central and state governments. The GST is expected to be applied to banking transactions, which will increase the tax incidence and administrative compliance costs for banks. The rate of GST on banking transactions has been set at 18% as compared to 15% that was applicable prior to implementation of the GST.

Union Budget 2017 – 2018

The Government of India recently announced the Union Budget with a number of proposals in relation to the banking sector. The Union Budget has proposed that ₹ 100 billion will be made available for recapitalisation of banks in fiscal 2018 (₹ 250 billion had been deployed to 11 PSU Banks in fiscal 2017). The allowable provision for NPAs of banks has been increased from 7.5% to 8.5%. Further, to encourage digital transactions, the budget provides that banks are required to target introduction of additional one million new point of sale ("**POS**") terminals by March 2017. They had been encouraged to introduce two million Aadhar based POS by September 2017. The Union Budget has also proposed the creation of a Payments Regulatory Board within the RBI by replacing the existing Board for Regulation and Supervision of Payment and Settlement Systems. These proposals are expected to have a positive effect on the banking sector and will introduce opportunities for growth.

Future Outlook and Key Trends

Going forward, banks will need to move towards the mandated higher capital standards, stricter liquidity and leverage ratios and a more cautious approach to risk. This implies that Indian banks will need to improve efficiency even as their costs of doing business increase, including by way of consolidation of branches and increasing focus

on non-interest income. They will need to refine their risk management skills for enterprise-wide risk management. In addition, banks need to have in place a fair and differentiated risk pricing of products and services, since capital comes at a cost. This involves costing, a quantitative assessment of revenue streams from each product and service and an efficient transfer-pricing mechanism that would determine capital allocation.

Due to the demonetization and digitization push by the Government, banks will also need to develop their digital banking infrastructure to provide mobile and online services to their customers. These services would not only have to facilitate online payments and transactions, but also the creation of new accounts and the checking of existing accounts.

During fiscal 2017, NPAs rose sharply across the industry, with the gross non-performing advances ratio of scheduled commercial banks rising from 9.2% in September 2016 to 9.6% in March 2017 and their net non-performing advances ratio increasing from 5.4% to 5.5% in the same period. (*Source: RBI – Financial Stability Report, June 2017*) Banks need to effectively utilize the various measures put in place by the RBI and the Government for the resolution and recovery of bad loans in order to reduce the NPAs on their books. They also have to strengthen their due diligence, credit appraisal and post-sanction loan monitoring systems to minimize and mitigate the problem of increasing NPAs in fiscal 2018 and beyond.

BUSINESS

Some of the information in the following discussion, including information with respect to our plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read "Forward-Looking Statements", for a discussion of the risks and uncertainties related to those statements. Our actual results may differ materially from those expressed in or implied by these forward-looking statements. Also read sections "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", for a discussion of certain factors that may affect our business, financial condition or results of operations.

Our fiscal year ends on March 31 of each year, and references to a particular fiscal year are to the twelve months ended March 31 of that year. Unless otherwise specified or as the context requires, financial information herein for Fiscal 2015, 2016 and 2017 is derived from our Audited Standalone Financial Statements, and financial information included herein for the six months ended September 30, 2016 and 2017 is from our Unaudited Interim Financial Information. For further information, see "Financial Statements".

Unless otherwise indicated, industry and market data used in this section has been derived from industry publications and other publicly available information.

Unless otherwise stated, references to "the Bank" or "our Bank", are to Union Bank of India on a standalone basis and references to "the Group", "we", "us", "our", are to Union Bank of India on a consolidated basis.

Overview

Our Bank was incorporated in 1919 and has since expanded to include a wide range of banking and financial products and services to both large and mid-sized corporates and micro, small and medium enterprises ("MSME") as well as retail customers. In Fiscal 2017, we had 3.41% market share in terms of aggregate deposits in India and 3.42% market share in terms of total aggregate advances in India.

As of September 30, 2017, we have a wide distribution network in India that includes 4,291 branches across 29 states and six union territories. Our international operations include the operations of our Subsidiary, Union Bank of India (UK) Limited and four branches in Hong Kong, Dubai International Financial Centre ("DIFC"), Antwerp and Sydney. We also have three representative offices in Abu Dhabi, Shanghai and Beijing. In addition to our Subsidiary, branches and representative offices, our Bank has 7,674 automated teller machines ("ATMs"), 27 extension counters, 60 satellite offices and 48 service branches across India, as of September 30, 2017. Our other distribution channels include internet banking, e-remittance, telephone banking, SMS banking and mobile banking. Further, our Bank had issued 0.21 million credit cards and 32.88 million debit cards, as of September 30, 2017.

In Fiscal 2015, 2016 and 2017 and in the six months ended September 30, 2017, transactions through alternate channels (non-branch) comprised 53.29%, 66.71%, 67.90% and 71.20%, respectively, of our Bank's total transactions. We have undertaken several digital initiatives by providing services, such as, amongst others, "Immediate Payment Service" ("IMPS"), "*M passbook*" and "*U Control*". In addition, we have recently, launched the "*Union Sahyog*" mobile application which provides our customers access to all our mobile based banking applications, missed call/SMS based services, internet banking login and self-user creation, deposit and loan product information, online account opening, online loan application, online complaint and right to information.

We provide a wide range of products and services aimed at various customer segments and industries. Our operations are internally aligned into distinct business lines for (i) corporate/ wholesale banking, (ii) retail banking, (iii) treasury operations and (iv) other banking operations. Revenues from corporate/ wholesale banking, treasury operations, retail banking and other banking operations accounted for 38.67%, 27.29%, 33.16% and 0.89%, respectively, in Fiscal 2017 and 37.75%, 27.48%, 33.45% and 1.33%, respectively, in the six months ended September 30, 2017, respectively, of our Bank's total revenue and accounted for 1.51%, 1.10%, 1.34% and 0.05% of our Bank's total assets. We also provide our customers with asset management services through our Subsidiary, Union Asset Management Company Limited and life insurance products through our Joint Venture, Star Union Dai-ichi Life Insurance Company Limited. We believe that such services provides us with significant cross-selling opportunities and also enhance our customer base.

Corporate/ Wholesale Banking. Our corporate/ wholesale banking business largely caters to corporate customers including large, medium and small businesses. We offer a wide range of customized financial products that include, amongst others, cash management services, deposits, credit, loan syndication and treasury products. Our

Bank's corporate/ wholesale assets increased at a CAGR of 12.12% from ₹ 1,564,742.67 million as of March 31, 2015 to ₹ 1,967,009.40 million as of March 31, 2017 and was ₹ 1,773,302.26 million as of September 30, 2017.

Retail Banking. Our retail banking business provides retail customers with a range of financial products and services including housing loans, retail trade loans, automobile loans, consumer loans, education loans, medical loans and other personal loans and deposit services such as demand, savings and fixed deposits. In addition, we offer products such as global debit cards and global credit cards and provide utility services including bills payment and submission of application supported by blocked amount in relation to capital market transactions. We also act as corporate agents for distributing and marketing third-party products, including mutual fund products, and general and life insurance products. Our Bank's retail banking assets has marginally decreased from ₹ 1,072,859.54 million as of March 31, 2015 to ₹ 1,012,476.14 million as of March 31, 2017 and was ₹ 1,275,161.93 million as of September 30, 2017. Our retail operations also include our agricultural banking operations that provide products and services for agriculture, small scale industrial undertakings and tertiary sector needs. In addition, our retail banking operations include MSME banking operations. Our MSME banking operations includes various schemes launched for provision of credit to MSMEs, which are specially designed taking into account the needs of certain segments among the MSMEs having specific and uniform requirements. Our Bank's MSME advances increased at CAGR of 6.34% from ₹ 547,546.67 million as of March 31, 2015 to ₹ 619,126.63 million as of March 31, 2017 and was ₹ 622,558.66 million as of September 30, 2017.

Treasury Operations. Our treasury operations include management of Government securities, compliance with RBI's statutory liquidity ratio ("SLR") and cash reserve ratio ("CRR") norms and our international banking services such as foreign exchange services, international trade finance and NRI services comprising foreign exchange operations, remittance facilities for resident Indians, foreign currency loans, lending and deposit services to non-resident Indians. We also provide trade finance and other services to exporters and importers including the collection of bills, provision of foreign currency loans such as arranging short-term foreign currency loans through our correspondent banks and provision of credit substitutes such as letters of credit and guarantees. Our treasury investment portfolio was ₹ 1,284,178.42 million as of September 30, 2017 and revenue from treasury operations grew at a CAGR of 15.01% from ₹ 94,573.47 million in Fiscal 2015, to ₹ 125,085.37 million in Fiscal 2017.

Other Banking Operations. Our other banking operations includes provision of fee-based products and services such as cash management services, merchant banking, depository services, clearing bank services and handling of GoI's business including tax collections, public provident fund, "*Sukanya Samriddhi Scheme*". Our revenue from other banking assets has marginally decreased from ₹ 3,423.60 million in Fiscal 2015 to ₹ 3,343.15 million in Fiscal 2017 and ₹ 2,531.45 million in the six months ended September 30, 2017.

Total deposits of our Bank increased at a CAGR of 9.28% from ₹ 3,168,699.17 million as of March 31, 2015 to ₹ 3,783,915.75 million as of March 31, 2017. CASA ratio increased from 29.24% as of March 31, 2015 to 34.44% as of March 31, 2017. Gross advances grew at a CAGR of 7.15% from ₹ 2,627,573.00 million as of March 31, 2015 to ₹ 3,016,835.60 million as of March 31, 2017. As of March 31, 2017 and September 30, 2017, total assets were ₹ 4,527,044.40 million and ₹ 4,775,760.37 million, respectively, and net worth was ₹ 190,940.00 million and ₹ 170,980.00 million, respectively, in the same periods. We have a strong funding profile, with a credit-deposits ratio of 82.92%, 81.04%, 79.73% and 80.29% in Fiscal 2015, 2016 and 2017 and in the six months ended September 30, 2017, respectively. Net interest income in Fiscal 2015, 2016 and 2017 and in the six month period ended September 30, 2017 was ₹ 84,438.97 million, ₹ 83,130.99 million, ₹ 89,033.35 million and ₹ 45,633.29 million, respectively. Operating profit in Fiscal 2015, 2016 and 2017 and in the six month period ended September 30, 2017 was ₹ 58,234.70 million, ₹ 57,220.18 million, ₹ 74,300.89 million and ₹ 39,955.58 million, respectively. Net profit in Fiscal 2015, 2016 and 2017 and in the six month period ended September 30, 2017 was ₹ 17,816.40 million, ₹ 13,516.02 million, ₹ 5,552.13 million and ₹ (14,141.40) million, respectively.

Our Bank's capital adequacy ratio as of March 31, 2015, 2016 and 2017, in accordance with Basel III norms, was at 10.22%, 10.56% and 11.79%, respectively. Further, our Bank's CRAR as of September 30, 2017 was 11.22% in accordance with Basel III norms, well above the regulatory mandated benchmark of 10.25%.

As of March 31, 2015, 2016 and 2017 and as of September 30, 2017, gross NPAs of our Bank as a percentage of gross advances were 4.96%, 8.70%, 11.17% and 12.35%, respectively. Net NPAs as a percentage of net advances were 2.71%, 5.25%, 6.57% and 6.70% as of March 31, 2015, 2016 and 2017 and as of September 30, 2017, respectively. Provision coverage ratio was 59.23%, 50.98%, 51.41% and 56.06% as of March 31, 2015, 2016 and 2017 and as of September 30, 2017, respectively.

Our Competitive Strengths

Strong and trusted brand with large and growing customer base

Our Bank was India's 80th most valuable brand in 2017 (*Source: Brand Finance - "India 100 2017 – The annual report on the most valuable Indian brands – May 2017*"). We have received numerous industry awards for our technology, risk management, mobile and internet banking, training, and financial inclusion. In particular, in Fiscal 2017, we won the "Skoch Award" for financial inclusion by Skoch Group, the award for "Best Financial Inclusion Initiatives" by the Indian Banks' Association, the "Golden Peacock Award" by the International Conference of Corporate Social Responsibility and the "Best Performing Bank (public sector bank)" in Fiscal 2017 at the National APY Conference in 2017. In addition, we received a "Certificate of Recognition" for the project "Immediate Payment Service" at the Financial Inclusion and Payment Systems conference in 2015 and won the "National Payments Excellence Award" for RuPay card issuance and e-commerce transactions by the National Payment Corporation of India, the "Best Corporate Vigilance Excellence Award" for initiating an anti-corruption drive by the Institute of Public Enterprise and the "Bank with Best CSR Practices" by ABP News in 2016. We continuously focus on to develop and build our brand across India and other jurisdictions and intend to enhance our brand image and spread awareness about our products and services on various social media platforms.

We believe that our large distribution network has enabled us to provide services to a broad customer base across India, including private and public sector enterprises, corporate, MSMEs and retail customers, which together amounted to 67.80 million customers as of September 30, 2017. Our Bank's customer base has grown significantly over the years and grew from 56.40 million customers in Fiscal 2015 to 65.62 million customers in Fiscal 2017. We believe that the strength of our customer relationships is derived from our proximity to our customer base, the range of our existing products and services, and our consistent innovation of new products and services to meet our customers' needs.

In order to support our existing network of branches and ATMs, we have also developed a multi-channel electronic banking system that we believe enables us to acquire new customers and strengthens our relationship with existing customers. Our electronic banking system includes internet banking, phone banking, mobile applications, e-wallet services and account services via mobile phone. As of September 30, 2017, our Bank had 1.66 million registered internet banking users, 1.47 million registered mobile banking users and 0.24 million registered users on our e-wallet services.

Extensive distribution network with a focus on alternate delivery channels

Our pan-India branch network allows us to provide banking services to a wide variety of customers, including large and mid-sized companies, institutions, state-owned enterprises as well as commercial, agricultural, industrial and retail customers. As of September 30, 2017, we have 4,291 branches across 29 Indian states and six union territories and our branch network has grown by 207 branches, since Fiscal 2015. As of September 30, 2017, we had 59.03% of our branches in rural and semi-urban areas where we believe there are significant growth opportunities. We are also geographically well distributed to ensure we have no significant concentration of branches in any one territory.

The following table sets forth the percentage of our branches classified on the basis of the regions as of September 30, 2017:

Geographic Region	% of Branches
Central Region	32.02
Eastern Region	13.38
North Eastern Region	1.98
Northern Region	12.51
Southern Region	21.46
Western Region	18.65
Total	**100.00**

For further information, see " – Delivery Channels and Accessibility – Branches".

We have also focused on expanding our presence overseas to grow from a domestic bank to an international bank with our international operations that include the operations of our Subsidiary, Union Bank of India (UK) Limited, four branches in Hong Kong, DIFC, Antwerp and Sydney. In addition, we have three representative offices in Abu Dhabi, Shanghai and Beijing. As of September 30, 2017, we have 7,674 ATMs, of which 4,562 were located at our branches or extension counters (onsite) and 3,112 were located off site. We have added 653 ATMs to our network between Fiscal 2015 and Fiscal 2017. As of September 30, 2017, our ATM-to-branch ratio was 1.79.

As of September 30, 2017, we have 163 e-lobbies and 133 "cashless campuses" in India and in Fiscal 2017, we opened 12 new e-lobbies and 42 new cashless campuses at various locations in India. We also have 5,407 business correspondents, as of September 30, 2017, to serve unbanked areas. In Fiscal 2017, we had 5,407 business correspondents and 0.78 million accounts were opened by such business correspondents.

We believe our strong brand, together with the wide range of our geographic reach and multi-channel distribution, provides significant opportunities to increase revenues from our existing customer base, both by delivering higher-value banking products to India's under-banked rural population as well as tailoring our branch network to cater more effectively to our strategic growth customer segments, including retail, agriculture and MSME.

Diversified asset portfolio with increasing focus on retail, agriculture and MSME ("RAM") sectors

We are engaged in wide variety of banking activities such as corporate, MSME and retail banking, and offer a wide range of financial products and services to corporate, MSMEs and retail customers including both resident and non-resident Indians. We also provide funding to sectors identified by the GoI as priority sector with specific focus on agriculture and MSME sector. We cater to our corporate customers by offering infrastructure/ project finance in the form of working capital, short term credit, import-export credit, and letters of credit facilities.

RAM sectors comprised an increasingly larger share of our Bank's total domestic advances from 46.75% as of March 31, 2015 to 50.51% as of March 31, 2016 to 53.78% as of March 31, 2017 and further to 54.11% as of September 30, 2017. Our asset mix is well diversified over our key strategic growth customer segments of RAM, with 16.15%, 15.49% and 22.47%, of our Bank's total domestic loans to retail, agriculture and MSME sectors, respectively, as of September 30, 2017. We believe our strategically diversified asset portfolio among these key segments will lead to better risk diversification, efficient capital utilization, increased revenue and improved margins.

Our asset mix not only reduces our risk concentration and hedges against any sector specific risks, but also provides significant opportunities to increase yield and net interest margin and optimize our risk weighted assets, since for example, residential mortgages secured against property have high loan recovery rates. Our diversified asset mix also provides us with opportunities for cross-selling of products.

Significant low-cost deposit base resulting in strong funding profile

Over the years, we have built a strong base of distributed clientele, which has provided us with low cost funding and has been a source of strength for our liability portfolio. Our strong funding profile includes a credit-deposits ratio of 82.92%, 81.04% and 79.73% as of March 31, 2015, 2016 and 2017, respectively and 80.29% as of September 30, 2017. As of March 31, 2017 and September 30, 2017, our Bank's deposits form 83.58% and 80.83% of our Bank's total liabilities, respectively, providing us a strong and stable base and significant liquidity. The low-cost deposits comprise CASA, which together accounted for 34.17% of our Bank's total deposits as of September 30, 2017. CASA ratio increased from 29.24% as of March 31, 2015 to 32.35% as of March 31, 2016 and further to 34.44% as of March 31, 2017 and was 33.57% as of September 30, 2017. Our Bank had 54.55 million and 58.98 million CASA deposit accounts as of March 31, 2015 and 2016, respectively, and we added 5.05 million and 2.45 million CASA deposit accounts in Fiscal 2017 and in the six months ended September 30, 2017, respectively. Aggregate base of CASA deposit account as of September 30, 2017 was 66.48 million. The growth of CASA deposits was in part as a result of our participation in the "Pradhan Mantri Jan Dhan Yojana" ("PMJDY") scheme aimed at bringing India's underbanked population into the formal financial system by creating awareness about the uses and benefits of the financial services offered by us. Under the PMJDY, as of September 30, 2017, we had opened 7.34 million accounts, and the balance contained in such accounts amounted to ₹12,937.70 million in the same period.

In addition to CASA, ratio of retail deposits to total deposits in Fiscal 2015, 2016 and 2017 and in the six months ended September 30, 2017, was 61.15%, 63.86%, 66.08% and 66.16%, respectively. A large part of our deposit base is retail and lower bulk deposits ensures lower concentration risk, increasing the spread of our liability

portfolio and enhances our profitability when compared with higher-cost time deposits. Cost of deposits was 7.31%, 7.00%, 6.28% and 5.77% in Fiscal 2015, 2016, 2017 and in the six months ended September 30, 2017, respectively.

We believe that we are able to maintain a relatively low-cost funding base as compared to our competitors, by leveraging our strengths, expanding our base of retail savings and current deposits and increasing the free float generated by transaction services.

Strong, technology-enabled operating platform and committed to digital banking

We have an information technology ("**IT**") platform that ensures connectivity across our branches, ATMs and other network channels. Our technology infrastructure integrates our core banking applications, internet banking, mobile banking, ATMs, payment systems as well as other products, services and systems. We believe that our IT infrastructure has enabled us to improve operating efficiencies and effectively cater to the needs of existing customers, thereby enhancing our ability to compete effectively. We have made investments to upgrade our technology infrastructure supporting our core banking functions, internal reporting systems and customer interfaces along with investments in creating various web and mobile based digital products. In Fiscal 2018, we launched a recovery application which helps us in our loan recovery process.

In Fiscal 2015, 2016 and 2017 and in the six months ended September 30, 2017, transactions through alternate channels (non-branch) comprised 53.29%, 66.71%, 67.90% and 71.20% of the our Bank's total transactions. Our Bank's registered internet banking user base has grown at a CAGR of 17.40% from 1.11 million as of March 31, 2015 to 1.53 million as of March 31, 2017, and was 1.66 million as of September 30, 2017. We have introduced various modern banking platforms such as internet banking, mobile banking, tele-banking, phone banking, "Tabulous Banking" (a tablet based savings account opening process), "Talking ATMs" and multi-function "*SampUrna*" ATMs which provide a number of value added services such as mobile top up, e-cash remittance, direct tax payment, interbank mobile payment service remittance, "National Electronic Funds Transfer" ("NEFT") and mutual funds payments. We have also taken active steps in optimizing our operational efficiency through usage of IT which include promoting customer usage of non-branch distribution channels, as well as the usage of IT in human resource initiatives, loan appraisals, post disbursement monitoring and risk management.

We are also committed to digital banking and have upgraded our systems to ensure a smooth integration between our existing infrastructure and our new digital banking products. We have developed various digital products, services and solutions, such as, amongst others, our mobile banking application, "*Umobile*", our mobile passbook application, "*Mpassbook*", Green PIN solution for debit cards, unified payment interface, mobile based application for credit cards. We continuously focus on increasing reliance on transactions through digital channels, which are more cost effective than physical channels. We have installed "cash recyclers" at various locations which enables us to accept and dispense cash in a single machine by automating the cash cycle. Recently, we launched the "*Union Sahyog*" mobile application which provides our customers access to various services, such as, all our mobile based banking applications, missed call/ SMS based services, internet banking login and self-user creation, deposit and loan product information, online account opening, online loan application, online complaint and right to information. In addition, we have conducted several digital banking awareness camps in Kerala and Uttar Pradesh and have under "*Union DigiGaon*" initiative provided our digital channels of payment, spread awareness and conducted education camps across villages in India in order to promote digital transactions.

Our collection of digital offerings and initiatives has won numerous awards in India. In Fiscal 2017, we received the "National Payments Excellence Awards" for RuPay card issuance and e-commerce transactions by the National Payment Corporation of India, the "Best Financial Inclusion Initiatives" by the Indian Banks' Association and the "Skoch Award" for financial inclusion by Skoch Group.

Strong relationship with the GoI and various state governments

As of September 30, 2017, the GoI held 65.40% of our Bank's paid-up Equity Share capital, and we believe our strong relationship with both central and state governments are key factors driving asset growth and providing a stable source of business. The GoI generates significant business activity in the Indian economy.

We have leveraged our strong technology capabilities and established a separate business vertical to strengthen our relationships with GoI departments with a view to increase our share of Government business. We believe that our relationship with the GoI is instrumental in attracting new potential customers. In certain instances, we act as the sole agent for certain GoI transactions.

We act as RBI's agent for certain banking businesses of the central and state governments. We also handle the GoI's payment functions through our branches, including tax collections, salary and pension payments and expenditure payments of various ministries of the GoI. In particular, we handle disbursement of funds for certain GoI ministries, comprising the Ministry of Corporate Affairs, Ministry of Railways, Ministry of Statistics and Programme Implementation, the Ministry of Labor and Employment, Ministry of Science and Technology and the Ministry of Environment and Forests. We have also opened a specialized "e-Focal" point branch to serve all electronic payment requirements of these ministries. We have also introduced a scheme to provide a bankable platform for business units identified as 'start-ups' under 'Start-Up India' scheme of the GoI.

Experienced management leadership

We have an experienced management team with a significant concentration of career banking professionals. Our Bank has four full-time directors and in addition, representatives of the GoI and RBI support us on our Board. Members of our Board have significant experience in banking and financial services. Our Managing Director and Chief Executive Officer has over 30 years of experience in the banking industry. The senior management team has experience in key areas, including retail, corporate and international banking. In addition, we have been able to build a team of professionals with relevant experience, including credit management, risk management, treasury, information technology and marketing, restructuring balance sheet and business mix, improving operating efficiency and in-depth knowledge of banking operations and management. We believe that our management team's extensive and diverse expertise provides us with a broad perspective from which we can make strategic management and operational decisions and allows us to develop a strong understanding of industry-specific aspects of our business and operations.

Strategies

We continuously evaluate our growth strategy, with the aim of enhancing our position as a one of the leading provider of banking and other financial services in India, and remaining profitable. The objectives that form our business strategies are described below:

Project Utkarsh

We launched "*Project Utkarsh*", a business process transformation initiative, in 2015, with an aim to (i) provide improved customer experience and process efficiency; (ii) increase customer cross selling; (iii) achieve higher liabilities and assets sales productivity; (iv) maximize performance and returns from multi-channels; and (v) build performance driven culture and focus on leadership development. We have implemented "*Project Utkarsh*" across India leading to a significant increase in CASA productivity.

Through "*Project Utkarsh*", we intend to focus on re-designing and streamlining certain key elements, such as, redesigning the branch operation model ("*Union Xperience*"), revamping our retail loan processing centres ("*Union Loan Points*") and MSME loan processing centres ("SARAL" units), and strengthening our human resources. In addition, we intend to implement new methods for generating fee based income and set up digital channels to enable customer migration towards such channels, which would lead to operational efficiency and customer convenience. We also aim at revamping our marketing and sales model and build an integrated multi-channel lead management system to enhance sales productivity and improve sales performance. In order to make our interactions customer centric along with proactive cross selling, we intend to make available maximum possible information about customers at every touch point through business analytics.

Continue focus on growth of RAM sectors

We have identified the growth of RAM sectors as a priority business initiative. We believe that these priority sectors offer large and profitable growth opportunities. See "— Strengths — Diversified asset portfolio with increasing focus on RAM sectors".

We have identified the retail loan segment as a key area for increasing our credit portfolio. Loans and advances to the retail sector have increased by 23.71% in Fiscal 2016 and further increased by 23.24% in Fiscal 2017. As a percentage of total loans and advances, loans and advances to the retail sector represented 14.83% of total outstanding domestic gross loans as of March 31, 2017. We intend to focus more on mortgage-based retail products to reduce the risk associated with loans having little or no collateral. Such loans mainly comprise home loans and loans against property to salaried employees and small business owners with income adequate to repay

their loans. We have also opened special retail lending processing centers known as "*Union Loan Points*" at 74 locations to focus on retail lending, as of September 30, 2017. Our aim is to substantially increase our loans and advances portfolio to the retail sector by simplifying our current processes, launching new products and services and developing our distribution channels. We believe that this will help us diversify risk, increase our interest income and incorporate better efficiency in capital utilization. This will also enhance our customer base and provide us with business opportunities through relationship banking and cross selling.

Approximately 17.4% of India's GDP in 2016 was derived from agriculture (*Source: World Bank. Available at https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS*). As per the second advised estimates by the Central Statistics Office, the share of agriculture and allied sectors (including agriculture, livestock, forestry and fishery) is expected to be 17.3 % of GVA during fiscal 2017 at fiscal 2012 prices. As of September 30, 2017, we had 59.03% of our branches in rural and semi-urban centers and we intend to maintain and enhance our position as one of the leading banks for agricultural and rural economy related lending in India and to further strengthen our ties with the agricultural community and related manufacturers. In addition to such branches, we have identified 21 centres across India as "agri-clusters" which are intended to focus on strengthening our agriculture portfolio.

We also have a nationwide presence in, and extend finance to, the MSME sector. In this sector, our Bank has experienced a growth of 1.40% and 11.51%, in Fiscal 2016 and 2017, respectively. We intend to further expand our MSME sector banking activities by establishing more MSME focused branches and dedicated processing centers for MSME loans known as "SARAL centres". As of September 30, 2017, we have 320 dedicated MSME branches and 21 "SARAL centres" to cater to our MSME customers. By ensuring quick turnaround time, these units ensure a hassle free experience for prospective customers and increase branch productivity by streamlining processes. In addition, we propose to strengthen our relationship with MSMEs by offering various facilities at competitive terms and thereby allowing us to expand our business.

As of September 30, 2017, gross NPAs in the RAM sectors as a percentage of the RAM advances were 8.16% compared with overall gross NPA of 12.35%.

Focus on asset quality management

We are working towards reducing our gross NPA levels by improving the quality of credit by ensuring compliance and monitoring of our loan sanction policies and accounts and also by reassessing credit ratings periodically. As of March 31, 2015, 2016 and 2017 and as of September 30, 2017, gross NPAs as a percentage of gross advances were 4.96%, 8.70%, 11.17% and 12.35%, respectively. Net NPAs as a percentage of total advances were 2.71%, 5.25%, 6.57% and 6.70% as of March 31, 2015, 2016 and 2017 and as of September 30, 2017, respectively.

In order to prevent increase in our gross NPA levels, we have undertaken various initiatives to contain slippages and continue to take action and speed up recovery from overdue loan accounts. We organize recovery camps and *lok adalats* with the help of government officials, enter into one time settlement and sell off stressed assets to asset reconstruction companies. We plan to set up a soft collection process for retail and small loans by engaging third party agencies for tele-calling. We specifically monitor NPA accounts above ₹ 500 million. In Fiscal 2018, we have launched the "Special Settlement Scheme" to settle doubtful and loss assets of up to ₹ 50 million and in order to settle accounts of up to ₹ 0.10 million, we have launched a "Low Value Special Settlement Scheme" recently. Further, in Fiscal 2017, we formulated a "Special Settlement Scheme" for quick settlement of NPA accounts of up to ₹ 2.5 million. We implemented the "Ujwal DISCOM Assurance Yojana" in Rajasthan, Uttar Pradesh and Punjab in order to reduce the stressed assets in the state electricity boards. In addition, we recently launched a recovery application which helps us in our loan recover process. In Fiscal 2017 and in the six months ended September 30, 2017, NPA recovery amounted to ₹ 13,883.70 million and ₹ 8,119.61 million, respectively, against slippages of ₹ 132,438.93 million and ₹ 71,387.43 million in Fiscal 2017 and in the six months ended September 30, 2017, respectively.

Deepen liability franchise for enhancing low cost deposits

Our distribution network and geographic presence has allowed us to attract interest free current account and low cost savings account deposits leading to a stable CASA deposit base. See "—Strengths—Strong funding profile and low-cost deposit base." As of September 30, 2017, CASA deposits were ₹ 1,295,874.52 million. CASA ratio increased from 29.24% in Fiscal 2015 to 34.44% in Fiscal 2017. We intend to continue to leverage our network to tap additional CASA accounts and to increase our marketing efforts to corporates and GoI agencies to handle their CASA accounts. We also believe that the "Government's Direct Benefits Transfer" program will provide opportunities to increase our CASA assets.

We have entered into arrangements with certain public sector undertakings and corporates to provide salary accounts, deposits and various other credit facilities to their employees at concessional rates along with certain other benefits.

We seek to increase our CASA deposits in order to reduce our cost of funds and improve our core deposits. To attract retail customers and increase our CASA deposits, we intend to introduce new products and promote our products through targeted marketing campaigns. We believe that by leveraging our CBS, internet and mobile banking systems, it will enable us to increase our customer base, thereby increasing CASA deposits.

Continue investments in technology to support our digital strategy, enhance customer experience and improve operational efficiency

We believe the increased availability of internet access and broadband connectivity across India requires a comprehensive digital strategy to proactively develop new methods of reaching our customers and running our businesses. As a result, we are continuously investing in latest technology as a means of improving our customers' experience, offering them a range of products tailored to their financial needs and making it easier for them to interact with us. We have launched internet and mobile based applications across most of our product and service portfolios, and we believe we will continue to invest in creating a superior technology infrastructure to support our digital strategy. In addition, we have also set up "cashless campus" facilities at 133 universities and colleges to enable students to make digital payments for the various facilities located in the university or college premises.

We believe additional investments in our technology infrastructure to further develop our digital strategy will allow us to cross-sell a wider range of products on our digital platform in response to our customers' needs and thereby expand our relationship with our customers across a range of customer segments. We believe a comprehensive digital strategy will provide benefits in developing long-term customer relationships by allowing customers to interact with us, access and operate their accounts wherever and whenever they desire and further attract and engage with the next generation of customers

We have launched a number of initiatives recently, including unified payment interface and paperless KYC verification. We intend to further leverage our IT capabilities to improve operating efficiency. We are developing a data warehouse and customer relationship management module, which we expect will enhance our capability to cross-sell and increase business from our existing customer base. We also intend to further leverage technology towards continual development of our digital banking offering.

Focus on capital optimization and continue to strengthen risk management

We are continuously tailoring our organizational structure to develop and optimize our business opportunities. We believe we can better utilize our branch space and personnel to enhance the quality of customer service and improve marketing and sales efforts by centralizing back office support such as clearing services, check issuing services account opening and processing of loan proposals to our branches.

We believe that effective risk management is essential for our growth, strategic planning and long-term sustainable development. We plan to continuously focus on strengthening our risk management and internal control capabilities by improving our policies and procedures and introducing advanced risk management tools. We aim to continue to enhance our credit risk management systems and processes in line with the growth of our business. We are currently working with consultants to implement more advanced integrated approaches to risk management, which we plan to have evaluated by an external valuation agency.

Our risk management strategy entails the identification, measurement and management of risks across the various businesses of our Bank. We also conduct regular stress tests which are forward-looking economic assessments of our financial health based on a number of economic scenarios and we take remedial measures, if necessary, depending on the outcome of the tests. In addition, we have implemented faster processes for debt recovery that includes legal action as well as the use of debt recovery agencies. While, provisioning coverage ratio were 59.23%, 50.98%, 51.41% and 56.06%, with respect of NPAs (including technical write-offs) as of March 31, 2015, March

31, 2016, March 31, 2017 and as of September 30, 2017, respectively, we intend to increase our provisioning coverage ratio in Fiscal 2018.

Our endeavour will be to continue to develop technology-based solutions to supplement our existing processes and investment in risk management techniques. We believe that our efforts in strengthening our risk management framework would improve our asset quality. For further details, see "Risk Management".

Strengthen human resource profile

We believe that the key to our growth and success is our ability to attract, motivate and retain talented and experienced professionals. We intend to recruit additional experienced professionals and train our existing employees in a number of ways, including by providing extensive on-the-job and classroom training, e-learning and development programmes to enhance their professional capabilities and help with their personal development. We have started an e-learning management system through which we conduct an online quiz competition in order to improve and update our employees' banking knowledge. We also plan to offer a variety of rotation programmes and placement choices. We plan to improve our existing mentoring programmes to ensure greater employee productivity. We have introduced a leadership program, "*Union Bhavishya*", for our employees, in order to identify future leaders and provide the requisite leadership skills. We will continue to work with our employees to improve employee satisfaction. To this end, we have introduced "*HR Suvidha*", a centre for facilitating centralized sanctioning of employee benefits, which we believe, has resulted in greater employee satisfaction.

Key Milestones

Calendar Year	Major Milestones
1919	Incorporated as 'The Union Bank of India Limited'
1969	Nationalization of our Bank
2002	Equity Shares listed on NSE and BSE
2007	Commenced operations in Abu Dhabi, United Arab Emirates
2007	Entered into a joint venture agreement to establish Star Union Dai-ichi Life Insurance Company
2008	Commenced operations in Hong Kong
2011	Commenced operations in asset management through our subsidiary, Union KBC Asset Management Company Private Limited (now known as Union Asset Management Company Private Limited)
2011	Approval for setting up branch office in DIFC
2014	Commenced operations in Antwerp, Belgium
2014	Our international subsidiary, Union Bank of India (UK) Limited in the United Kingdom became operational
2016	Commenced operations in Sydney, Australia

Banking Operations

Our operations are internally aligned into distinct business lines for (i) corporate/ wholesale banking, (ii) retail banking operations, (iii) treasury operations and (iv) other banking operations.

The following table sets forth certain information relating to our Bank's assets classified by our principal business segments in the periods indicated:

Particulars	As of March 31,			As of September 30,
	2015	2016	2017	2017
	(Audited)			(Unaudited)
	(₹ million)			
Corporate/ Wholesale banking assets	1,564,742.67	1,832,816.67	1,967,009.40	1,773,302.26
Retail banking assets	1,072,859.54	933,207.17	1,012,476.14	1,275,161.93
Treasury assets	1,134,405.47	1,241,870.24	1,494,522.51	1,692,967.08
Other banking assets (including unallocated)	44,151.63	39,064.92	53,036.36	34,329.12
Total	**3,816,159.31**	**4,046,959.00**	**4,527,044.41**	**4,775,760.39**

Corporate/ Wholesale Banking

Our corporate/ wholesale banking business caters to the business needs of varied enterprises and corporate entities both in the public and private sector, ranging from large corporates, multi-national corporates and other financial institutions. Our corporate/ wholesale banking products include term loans and advances for acquisition, construction and renovation of assets as well as working capital facilities. We also offer fee based services such as cash management and remittances services and provide finance to corporates through syndication of loans. The core focus of our corporate/ wholesale banking business has been to acquire quality customers on a consistent basis and delivering customized solutions through efficient technology platforms supported by quality customer service. We also endeavour to provide value addition through cross-sales of our wide range of products and services.

Our Bank's corporate/ wholesale assets increased at CAGR of 12.12% from ₹ 1,564,742.67 million as of March 31, 2015 to ₹ 1,967,009.40 million as of March 31, 2017 and was ₹ 1,773,302.26 million as of September 30, 2017.

We offer a range of loan and advances and other products to assist corporate customers with their financial needs including various fund and non-fund based facilities:

Term Loans. Our term loans primarily consist of financing acquisition, construction and renovation of assets, including project finance (infrastructure and non-infrastructure). We typically secure these loans by the real assets financed, as well as by other assets of the borrower. Repayment of these loans are typically made in instalments over the life of the term loan.

Working Capital. We offer revolving credit facilities secured by working capital assets, such as inventory and receivables, and may take additional security in the form of mortgage of immoveable property, pledges or hypothecation of marketable securities and personal guarantees. Working capital facilities are typically provided for 12 months. We also provide overdrafts, working capital demand loans, working capital term loans and bill discounting facilities.

Letters of Credit. We provide letter of credit facilities and charge fees based on the term of the facility and the amount drawn down. Letter of credit facilities are often partially or fully secured by assets including cash deposits, documents of title to goods, stocks and receivables. We generally provide such facilities as part of a package of working capital financing products or term loans.

Guarantees. We issue guarantees on behalf of our customers to guarantee their payment and performance obligations which are generally secured by a counter guarantee or a fixed or floating charge on the assets of the borrower, including cash deposits.

Loans against Shares and Securities. We extend loans and advances against shares, debentures, public sector undertaking bonds and units of the Unit Trust of India to individuals, brokers and market makers, subject to RBI and SEBI regulations and in accordance with our own lending policy.

Foreign Currency Loans. We provide loan facilities in foreign currencies. Foreign currency denominated loans in India are granted out of our "Foreign Currency (Non-Resident) Accounts (Banks) Scheme Funds", pursuant to RBI guidelines. Corporate customers can raise funds in foreign currencies as set forth in the external commercial borrowing policy of the GoI and the RBI. As of March 31, 2015, March 31, 2016, March 31, 2017 and as of September 30, 2017, foreign currency loans, including export credit in foreign currency, amounted to ₹ 43,312.50 million, ₹ 47,857.31 million, ₹ 65,995.90 million and ₹ 87,873.61 million, respectively, or 1.65%%, 1.72%, 2.19% and 2.84%, respectively, of our total outstanding advances, respectively.

Union Rent Scheme (Corporate). Under the "*Union Rent Scheme*", we provide finance against future lease receivables. We have developed this scheme in response to the growth in the real estate market in metropolitan and urban centers. We allow owners of properties to obtain loans secured against the future rent receivables from such properties.

Retail Banking Operations

We offer a variety of retail services designed to meet our customers' needs including loan and deposit products targeted primarily at individuals (salaried, self-employed professionals and other self-employed individuals) to meet their personal financial requirements. Our products to retail customers include saving accounts, current accounts, recurring deposits and other time deposits, which are offered with certain variations as customized

products to well-defined target groups such as professionals, entrepreneurs, students and salaried employees. We offer housing loans, vehicle loans, trade loans, education loans and personal loans. Our retail products and services also include international debit and credit cards, electronic banking such as internet banking, mobile banking and SMS banking and provide utility services such as, amongst others, bill payments, submission of application supported by blocked amount and railway ticket reservations. We also acts as corporate agent for distributing and marketing third-party products, including mutual fund products and general insurance and life insurance products. In order to cater to the financial needs of our retail customers, we have opened 74 "*Union Loan Points*", as of September 30, 2017, across India for centralized processing of retail loans.

Our Bank's retail banking assets has decreased from ₹ 1,072,859.54 million as of March 31, 2015 to ₹ 1,012,476.14 million as of March 31, 2017 and was ₹ 1,275,161.93 million as of September 30, 2017. CASA comprising primarily of current and savings deposits, increased from 54.55 million accounts as of March 31, 2015 to 64.03 million accounts as of March 31, 2017 and was 66.48 million accounts as of September 30, 2017. As a percentage of total deposits, retail term deposits accounted for 38.64%, 40.51% and 42.89% as of March 31, 2015, March 31, 2016 and March 31, 2017, respectively, and 45.04% as of September 30, 2017. Retail advances accounted for 10.08%, 11.80% and 13.38% of gross advances as of March 31, 2015, March 31, 2016 and March 31, 2017, respectively, and 14.43% as of September 30, 2017.

Our retail lending operations primarily consist of the following products: (i) home loans; (ii) education loans; (iii) vehicle loans; (iv) personal loans and (v) other retail loans.

The following table sets forth details on our retail credit across segments:

	As of March 31,						As of September 30, 2017	
	2015		2016		2017			
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
	(₹ million)	(%)	(₹ million)	(%)	(₹ million)	(%)	(₹ million)	(%)
	(Audited)						(Unaudited)	
Home loans	181,651.98	68.59	211,213.07	64.46	231,262.34	57.27	241,250.96	53.92
Education loans	21,460.79	8.10	27,353.32	8.35	30,201.37	7.48	32,124.05	7.18
Vehicle loans	22,637.68	8.55	27,457.08	8.38	33,240.07	8.23	36,791.64	8.22
Personal loans	8,744.48	3.30	11,714.62	3.58	12,690.67	3.14	14,020.02	3.13
Other retail loans	30,347.84	11.46	49,911.62	15.23	96,402.42	23.87	123,203.71	27.54
Total outstanding retail loans	**264,842.77**	**100.00**	**327,649.71**	**100.00**	**403,796.87**	**100.00**	**447,390.38**	**100.00**

We offer a range of retail loan products with the including the following principal retail loan products:

Home Loans. We advance long-term loans to cater to various housing requirements of individuals ranging from purchase, construction, renovations and furnishing. We offer certain home loan schemes, such as "*Union Home Loan Scheme*", to specific customer segments such as, amongst other, housing loans to agriculturists and higher income group. In addition, under our "*Union Paradise Scheme*", we provide housing loans to NRIs for the acquisition of residential property in India. Our housing loan portfolio increased at CAGR of 12.83% from ₹ 181,651.98 million as of March 31, 2015 to ₹ 231,262.34 million as of March 31, 2017, and was ₹ 241,250.96 million as of September 30, 2017. Further, we provide supplementary financing to our "*Union Home Loan Scheme*" borrowers, who have made monthly repayment installments on time for at least 24 months, through our "*Union Top-up Scheme*".

Education Loans. We provide financial assistance to our customers for pursuing education in India and other jurisdictions. We provide special education loan schemes for students of certain educational institutions. Our education loan portfolio increased at CAGR of 18.63% from ₹ 21,460.79 million as of March 31, 2015 to ₹ 30,201.37 million as of March 31, 2017, and was ₹ 32,124.05 million as of September 30, 2017.

Vehicle loans. We offer a variety of loans under our vehicle loan portfolio, including two wheeler and four wheelers loans for personal and commercial purposes our "*Union Miles Scheme*". We have entered into MoUs with vehicle manufacturers and dealers for financing vehicles. Our vehicle loan portfolio increased at CAGR of 21.18% from ₹ 22,637.68 million as of March 31, 2015 to ₹ 33,240.07 million as of March 31, 2017, and was ₹ 36,791.64 million as of September 30, 2017.

Personal loans. We offer loans to assist individuals to meet their various family and personal needs. In particular, to meet short term credit needs for medical expenses or purchase of consumer durables. We also offer loan for pensioners/ senior citizens. Our personal loan portfolio increased at CAGR of 20.47% from ₹ 8,744.48 million as of March 31, 2015 to ₹ 12,690.67 million as of March 31, 2017, and was ₹ 14,020.02 million as of September 30, 2017.

In addition, we extend mortgage loans and loans against immovable property for residential and commercial properties in the form of term loans or secured overdrafts and also we provide financial assistance to retired employees of GoI or public sector undertakings, banks or other reputed private organizations whose pension is paid through us.

Priority Sectors Lending

As stipulated by RBI guidelines, commercial banks in India are required to lend through advances or investment, 40.00% of their adjusted net bank credit ("ANBC") or credit equivalent amount of off-balance sheet exposures, whichever is higher, to certain specified "priority sectors", subject to certain exemptions permitted by RBI from time to time. Priority sector advances include advances to the agriculture sector, micro and small enterprises, weaker sections, housing and education finance up to certain ceilings.

We are required to comply with the priority sector lending requirements as of March 31, in each fiscal year. Any shortfall in the amount required to be lent to the priority sectors may be required to be deposited with the Rural Infrastructure Development Fund established by NABARD or funds with other financial institutions as specified by the RBI.

As of March 31, 2015, March 31, 2016, March 31, 2017 and September 30, 2017, outstanding priority sectors lending, as a percentage of ANBC were 39.98%, 41.60%,42.46%, and 42.60%, respectively. The following table presents data on outstanding priority sectors lending, as a percentage of ANBC as of the dates indicated:

Particulars	**As of March 31,**						**As of September 30, 2017**	
	2015		**2016**		**2017**			
	Amount	**% of ANBC**	**Amount**	**% of ANBC**	**Amount**	**% of ANBC**	**Amount**	**% of ANBC**
	(Audited)						**(Unaudited)**	
	(₹ million, except for %)							
Agriculture credit	351,750.11	16.09	454,170.00	18.42	507,579.67	19.27	490,473.45	18.79
MSMEs	336,098.53	15.38	402,370.03	16.32	435,761.48	16.54	443,831.33	17.00
Other Priority Sectors credit	186,016.86	8.51	169,420.00	6.87	175,271.21	6.65	177,726.63	6.81
Priority Sectors credit total	873,865.50	39.98	1,025,960.03	41.60	1118,612.36	42.46	1,112,031.41	42.60
Adjusted net bank credit	**2,185,621.83**		**2,466,125.88**		**2,634,307.67**		**2,610,344.07**	

Agriculture Lending

Our loans to the agricultural sector consist of loans to individual farmers, groups of farmers, agri-entrepreneuers and corporates. We offer a wide variety of products and schemes to the agricultural community to assist rural development through 2,533 branches situated in rural and semi-urban centers, as of September 30, 2017. We extend crop loans to farmers to meet their financial needs towards seasonal agricultural operations and also provide working capital loans for their allied activities. We provide short to medium-term finance for agricultural activities and the "*Union Green Card*", which provides farmers with credit for crop loans, investment credit and consumption needs, plantation, horticulture, fisheries, animal husbandry, sericulture and for associated activities such as dairy and poultry. We also offer a wide range of loan products for irrigation, purchase of agricultural

equipment, farm mechanization, farm development and the creation of storage and marketing infrastructure facilities for agriculture products.

In order to enhance support and assistance to the rural communities as part of our agriculture lending, we have introduced several programs such as, "self help groups" which provide micro finance to a group of micro-entrepreneurs and rural self-employment training institutes which provide skill development training to youth in rural and semi urban areas. As of September 30, 2017, we had established 14 training institutes, conducted 2,027 training programs and provided training to 56,861 candidates.

In addition, we have also implemented the "Interest Subvention Scheme" under the National Rural Livelihood Mission implemented by the Ministry for Rural Development to support "self help groups" established by women. As of September 30, 2017, we had formed 191,548 "self help groups" and had provided 176,436"self help groups" with credit assistance aggregating to ₹ 27,669 million. As of September 30, 2017, the total number of "self help groups" formed by women was 169,342.

Apart from providing a good yield, our agriculture finance portfolio helps us to meet our priority sector lending obligations, where we are required to lend 40.00% of our adjusted net bank credit or credit equivalent amount of off balance sheet exposure, whichever is higher, towards priority sectors and 18.00% of our adjusted net bank credit or credit equivalent amount of off balance sheet exposure, whichever is higher, towards agriculture.

MSMEs

As part of our corporate and wholesale banking business, we provides financing to MSMEs involved in manufacturing and service/ trade activities. Lending to MSMEs engaged in manufacturing or providing or rendering services with credit facilities up to ₹ 50.00 million are considered as a "priority sectors" under the RBI regulations.

As of September 30, 2017, we had 320 dedicated business banking branches promoting and providing financing services to MSMEs and 21 "SARAL centres" for fast and efficient appraisal and sanction of MSME loans.

The table below sets out our investment limits for lending to MSMEs:

Manufacturing Sector	
Enterprises	Original investment in plant and machinery
Micro Enterprises	Does not exceed ₹ 2.50 million
Small Enterprises	More than ₹ 2.50 million to ₹ 50.00 million
Medium Enterprises	More than ₹ 50.00 million to ₹ 100.00 million
Service Sector	
Enterprises	Original investment in equipment
Micro Enterprises	Does not exceed ₹ 1.00 million
Small Enterprises	More than ₹ 1.00 million to ₹ 20.00 million
Medium Enterprises	More than ₹ 20.00 million to ₹ 50.00 million

In addition to setting up dedicated branches and "SARAL centres" to ensure focused attention on this sector, we have developed a wide range of tailor-made products and customized services, such as, amongst others:

Union High Pride Scheme. We grant working capital loans of between ₹ 10.00 million and ₹ 250.00 million with concessional interest rates based on the credit rating of the borrower. We provide fund and non-fund based working capital loans and term loans for purchase, construction and/ or renovation of factories, office and equipment for business activities.

Union Progress Scheme. We target micro-enterprises engaged in the manufacturing and service sector and grant credit facilities term loans and/ or working capital (fund and non-fund) to meet business-related needs, including purchase and construction of business premises, machinery, equipment, vehicles and working capital requirements.

Union Trade Scheme. We provide credit facilities (term loans and/ or working capital) to various traders in retail and wholesale as well to restaurants and other service sector businesses under this scheme with minimum collateral coverage of 75% of total credit limit.

Union Transport Scheme. We launched the "*Union Transport Scheme*" to attract potential business from the commercial vehicle sector and fleet owners of both passenger transport and commercial goods transport by financing utility vehicles, light commercial vehicles, medium commercial vehicles, luxury and heavy commercial vehicles up to ₹ 35.00 million for fleet operators of not more than 10 vehicles. The scheme offers, among other things, flexible repayment options and competitive interest rates compared to leaders in the industry, easy financing for second hand vehicles and faster approval procedures.

Channel Finance. We enter into arrangements with certain customers to provide financial support to their dealers to meet their working capital requirements, such as purchase of vehicles, in order for them to sell it onwards to retail customers.

Credit Linked Capital Subsidy Scheme. We allow MSMEs under this scheme to obtain a 15.00% capital subsidy on the cost of eligible plant and machinery to upgrade their technology system in certain sectors. MSMEs registered with the relevant state Directorate of Industries are eligible for loans up to ₹ 10.00 million.

Credit Guarantee Fund Trust Scheme ("CGTMSE"). We are a member lending institution under the CGTMSE scheme established by the GoI and the Small Industries Development Bank of India ("SIDBI"), providing loans to the eligible industries under this scheme.

Our Bank's MSME advances increased at CAGR of 6.34% from ₹ 547,546.67 million as of March 31, 2015 to ₹ 619,126.73 million as of March 31, 2017 and was ₹ 622,558.66 million as of September 30, 2017.

International Banking

Our international banking operations offer a wide range of products related to trade and investment besides tailor-made schemes for our significant NRI customer base. As of March 31, 2015, 2016, 2017 and as of September 30, 2017, overseas advances accounted for 8.16%, 9.39%, 9.76% and 10.63%, respectively, of total gross advances.

Foreign Exchange Operations. We undertake derivative transactions for our customers on a back-to-back basis with counterparty banks. As of September 30, 2017, we offer foreign exchange services through our 93 authorized exchange dealing branches spread across India and we were authorized to transact in nine major freely convertible foreign currencies through a network of 12 correspondent banks. As of September 30, 2017, we maintained 43 nostro accounts in various foreign currencies with different correspondent banks and 79 vostro accounts of other banks and exchange houses and have also entered into Indian Rupee drawing arrangements with 19 exchange houses based in countries, such as, Oman, for handling inward remittances pursuant to these accounts.

Export Credits. We offer both pre- and post-shipment credit to Indian exporters through Indian Rupee denominated loans as well as foreign currency loans in India. As of March 31, 2015, March 31, 2016, March 31, 2017 and September 30, 2017, total outstanding export credit facilities were ₹ 99,803.79 million, ₹ 95,065.89 million, ₹ 100,469.46 million and ₹ 118,517.84 million, respectively.

Import Finance. We provide various types of credit facilities and other services to importers for their import business in India. The various facilities provided include import bills collection, import letters of credit establishment, foreign currency loans, arrangement of short-term foreign currency loans through our correspondent banks and issue guarantees on behalf of importers.

Non-Resident Indian ("NRI") Business. We offer a wide range of products for NRIs including remittance facilities and acceptance of deposits in Indian Rupee as well as designated foreign currencies. In order to facilitate remittance, we have introduced an online remittance solution, "*Union Flash*", for our NRI customers located in the Middle East. NRI deposits amounted to ₹ 182,234.40 million and ₹ 174,775.90 million as of March 31, 2017 and September 30, 2017, respectively.

Correspondent Banking. As of September 30, 2017, we had 320 correspondent relationships with leading international banks and serviced all operational aspects of correspondent banking including all matters pertaining

to the exchange of test keys, SWIFT authentication (bilateral key exchange arrangement), appointments of correspondents, maintenance and reconciliation of nostro accounts and treasury management.

Treasury Operations

Our treasury operations consist of managing our funds and liquidity, investing in debt and equity products and maintaining required regulatory reserves. We also have a trading book in debt/ equity and foreign exchange within the framework of our treasury policy. Our treasury operations also include a range of products and services for corporate and commercial customers such as forward contracts, interest rate and currency swaps and foreign exchange products and services. We operate in the currency futures market on proprietary accounts. Our treasury investment portfolio was ₹ 1,284,178.42 million as of September 30, 2017 and revenue from treasury operations grew at a CAGR of 15.01% from ₹94,573.47 million in Fiscal 2015 to ₹ 125,085.37 million in Fiscal 2017.

Under the RBI's statutory liquidity ratio ("SLR") requirement, as of September 30, 2017, we are required to maintain an amount equal to at least 20% of our demand and time liabilities in approved securities such as central and state Government securities and other approved securities as compared to 20.50% as of March 31, 2017. As of September 30, 2017, SLR securities consisted of 24.99% of our demand and time liabilities, as compared to 23.94% as of March 31, 2017. Under the RBI's cash reserve ratio ("CRR") requirements, as of September 30, 2017, our Bank is required to maintain a minimum of 4.00% of our Bank's eligible demand and time liabilities in a current account with the RBI, as compared to 4.00% as of March 31, 2017. As of September 30, 2017, 4.03% of our Bank's net demand and time liabilities were maintained in current accounts with the RBI. The RBI pays no interest on these cash reserves.

Our treasury operations are the focal point for the management of our market risk. We undertake liquidity management by seeking to maintain an optimum level of liquidity while complying with SLR and CRR.

The following table gives details of our Bank's investment portfolio as of the periods indicated:

Particulars	**As of March 31,**			**As of September 30,**
	2015	**2016**	**2017**	**2017**
	(Audited)			**(Unaudited)**
	(₹ million)			
Held to Maturity	612,540.78	586,790.95	670,274.55	783,971.88
Available for sale	231,875.32	302,608.49	451,029.00	490,273.19
Held for Trading	201.19	2,684.02	186.05	9,933.35
Total	844,617.29	89,2083.46	1,121,489.60	1,284,178.42

Other Banking Services

Our revenue from other banking operations has marginally decreased from ₹ 3,423.60 million in Fiscal 2015 to ₹ 3,343.15 million in Fiscal 2017 and ₹ 2,531.45 million in the six months ended September 30, 2017. In addition to our corporate/ wholesale banking, retail banking and treasury operations, we offer a wide range of products and services:

Cash Management and Remittances

We provide a fee based Cash Management Services ("CMS") to help optimize the liquidity of our clients through improved flow of funds. CMS allows collection and payment on behalf of customers at a high speed with nominal cost and enables customers to collect checks and other instruments from a number of centers and pool funds at a single point and make payments at various locations in India and other jurisdictions. In order to accelerate our CMS services, we have taken various steps, such as reorganizing of CMS operations, recruiting of specialist officers, opening specialized CMS branches and introducing of modern web based software exclusively to facilitate CMS operations. The CMS collection offers fast cash collection of checks in urban or other areas and also facilitates a centralized payments system service to corporate clients whereby a payment can be made to multiple recipients in different locations at once using electronic modes such as National Electronic Funds Transfer ("NEFT")/ Real Time Gross Settlement ("RTGS") and mobile based payment provided by National Payments Corporations of India. We also offer a virtual account system wherein all inward remittances to our corporate account holders on electronic modes such as NEFT/ RTGS can be managed.

We have also implemented RTGS through our "*Union Bullet Scheme*", which allows remittances to be made at any of the our CBS branches and paid to a beneficiary quickly. In addition, we have implemented certain secured messaging services which provide links to other payment and settlement systems.

Merchant Banking and Depository Services

We are registered with SEBI for acting as a merchant banker and a banker to an issue. We have implemented a depository services platform for our retail customers for holding debt and equity securities. We are hold a permanent registration with SEBI for acting as a depository participant. As of September 30, 2017, we maintained 75,360 demat accounts through 719 branches across India.

Insurance Product Distribution

We distribute insurance products, life and non-life, under the bancassurance model as a corporate agent and earn a fee-based income. We have formed a joint venture life insurance company, Star Union Dai-ichi Life Insurance Company Limited.

Distribution of Mutual Funds

We have a subsidiary in the name of Union Asset Management Company Private Limited, for our mutual funds business. We are approved by the Association of Mutual Funds of India to distribute mutual fund products in accordance with SEBI guidelines. In addition, we have also entered into agreements with various leading mutual fund asset management companies for the distribution and sale of the mutual fund products issued and underwritten by them through our branches.

Electronic Payment Solutions

We service electronic payments and remittance solutions to various governmental and non-governmental organizations in relation to disbursement of salaries and fee payments. As an accredited banker, we are mandated to remit funds under the Member of Parliament Local Area Development scheme operated by the Ministry of Statistics and Programme Implementation of the GoI and manage the Compensatory Afforestation Fund Management and Planning Authority and the National Rural Employment Guarantee Act implemented by the GoI.

Utility Payment Services and Other Online Products

We offer utility bill payment services in conjunction with certain other vendors, which enables our customers to pay their utility bills through internet banking. In addition, we offer various other online products such as, amongst others, railway ticket reservations and payment of telephone bills and life insurance premiums.

GoI Business

In addition to our primary banking operations, we also provide certain services to the GoI and to the state governments. In particular, we act as the agency bank for collection of direct taxes, pension payments and GoI bonds. We earn commission income on the various banking transactions/ services rendered to the GoI.

We are authorized to distribute GoI tax saving bonds through the RBI, open and service public provident fund accounts, open senior citizens savings scheme accounts and other deposit products of the GoI. We are also authorized to service the accounts of the Ministry of Labour, the Ministry of Environment and Forest, the Ministry of Statistics and Programme Implementation, Ministry of Corporate Affairs, Ministry of Science and Technology and the Ministry of Railways. In addition, we provide e-payment solutions to the GoI and various state governments through specialized "e-Focal" point branch as well as service the sub-treasury operations for certain state governments.

Credit and Debit Cards

We offer domestic and international credit and debit cards. As of September 30, 2017, our Bank had issued 0.21 million credit cards and 32.88 million debit cards across our customer base, compared to 0.18 million credit cards and 30.89 million debit cards as of March 31, 2017.

Miscellaneous services

In addition to the above, customers are provided with other value-added services such as online applications for initial public offering, viewing status of dematerialized accounts, market information and research on selected stocks accessed through our website, which provides links to the relevant providers.

Deposits

Our deposits are primarily classified as follows:

CASA Deposits. CASA deposits include savings deposits, which are interest bearing on-demand deposit accounts designed primarily for individuals and trusts and demand deposits, which are non-interest bearing accounts designed primarily for businesses.

The table below sets forth our Bank's CASA deposit accounts as a percentage of our Bank's total deposit accounts:

Particulars	**As of March 31,**			**As of September 30,**
	2015	**2016**	**2017**	**2017**
	(Audited)			**(Unaudited)**
	(₹ million, except for %)			
CASA deposit accounts	54.55	58.98	64.03	66.48
Total deposit accounts	62.19	67.04	72.31	74.95
CASA deposit accounts as a % of total deposit accounts	87.72%	87.98%	88.55%	88.70

The growth of CASA deposits was in part as a result of our participation in the PMJDY scheme aimed at bringing India's unbanked population into the formal financial system by creating awareness about the uses and benefits of the financial services offered by us. Under the PMJDY, as of March 31, 2017 and as of September 30, 2017, we had opened 6.80 million accounts and 7.34 million accounts, respectively, and the balance contained in such accounts amounted to ₹13,538.50 million and ₹ 12,937.70 million, respectively, in the same period.

Time Deposits. We accept time deposits (also referred to as fixed deposits or term deposits) which have a fixed maturity period with interest rates as determined by us. Such deposits can be withdrawn before maturity in accordance with applicable rates by paying penalties. Term deposits include recurring deposits, which enable the customer to make deposits over a fixed term at regular intervals. In addition, senior citizens over 60 years and our employees are offered additional interest over the usual rate under all of our deposit schemes.

The following table sets forth the balances outstanding by the type of deposit, as of the dates indicated:

Particulars	**As of March 31,**						**As of September 30, 2017**	
	2015		**2016**		**2017**			
	Balance Outstanding	**% of Total**	**Balance Outstanding**	**% of Total**	**Balance Outstanding**	**% of Total**	**Balance Outstanding**	**% of Total**
	Audited						**Unaudited**	
	(₹ million, except for %)							
Demand Deposits	**210,924.86**	**6.66**	**297,431.46**	**8.68**	**262,362.82**	**6.93**	**220,656.44**	**5.72**
From Banks	6,100.71	0.19	5,545.46	0.16	4,997.25	0.13	6,616.25	0.17
From Others	204,824.15	6.47	291,886.00	8.52	257,365.57	6.80	214,040.19	5.55
Savings Deposits	**715,580.52**	**22.58**	**811,326.17**	**23.67**	**1,040,724.26**	**27.51**	**1,075,218.09**	**27.85**
Term Deposits	**2,242,193.80**	**70.76**	**2,318,442.46**	**67.65**	**2,480,828.67**	**65.56**	**2,564,374.03**	**66.43**
From Banks	130,228.38	4.11	103,271.86	3.01	75,230.62	1.99	64,860.52	1.68
From Others	2,111,965.42	66.65	2,215,170.61	64.64	2,405,598.05	63.57	2,499,513.51	64.75
Deposit from branches outside India	46,396.78	1.46	66,336.12	1.94	66,159.10	1.75	69,946.65	1.81
Total Deposits	**3,168,699.18**	**100.00**	**3,427,200.09**	**100.00**	**3,783,915.75**	**100.00**	**3,860,248.56**	**100.00**

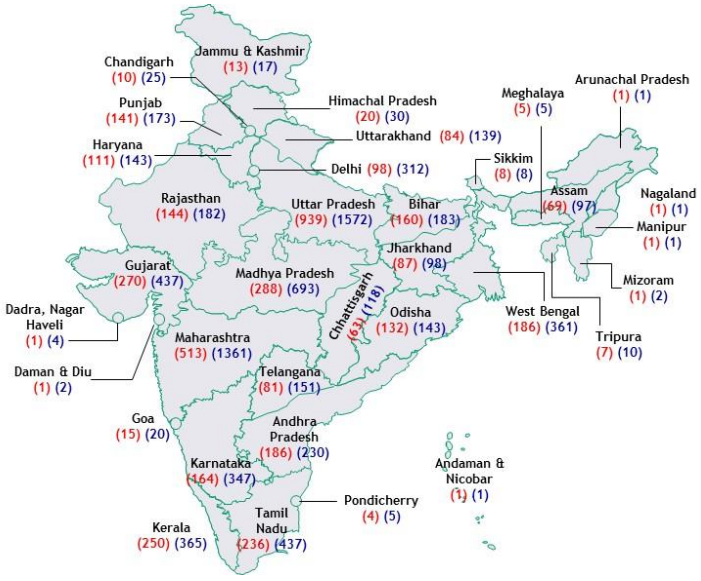
In addition to conventional current deposit products, we offer a variety of special value-added products and services that complement our deposit accounts, increase our product offering and provide greater convenience for

our customers. We offer fixed deposits, including short deposits, fixed deposits, monthly income scheme and interest-bearing deposits available for both short and long maturity periods. The rate of interest on the deposits is dependent upon the maturity period and the principal amount of the deposit. Our current deposit products are designed to cater to the banking requirements of businessmen, traders, companies and other entities, as well as individuals involved in commercial or business activities.

Delivery Channels

We cater to our customers across metropolitan, urban and rural areas through a range of delivery methods in order to enable them to access our products and services, including physical branches, rural branches, financial inclusion outlets, internet banking and telephone banking.

The map below shows the location of our branches and ATMs located in India, as of September 30, 2017:



Domestic Branches (4,291)
ATMs (7,674)

Branch Network

As of September 30, 2017, we had 4,291 domestic branches in India across 29 states and six union territories. Our international operations include the operations of our Subsidiary, Union Bank of India (UK) Limited, four branches in Hong Kong, DIFC, Antwerp and Sydney. In addition, we have three representative offices in Abu Dhabi, Shanghai and Beijing. As of September 30, 2017, we had 27 extension counters and 48 service branches. Our branch network includes eight specialized branches that cater exclusively to the credit requirements of corporate clients. These branches play a key role in developing our corporate and wholesale lending business.

The following table sets forth the number of our branches in metro, urban, semi-urban and rural locations (as classified by the RBI) as of the dates indicated:

	As of March 31,			As of September 30,
	2015	2016	2017	2017
Metro	739	750	907	909
Urban	856	882	848	849
Semi-urban	1,203	1,253	1,280	1,286
Rural	1,280	1,311	1,243	1,247
Total	4,078	4,196	4,278	4,291

The following table sets forth the number of our branches classified on the basis of the regions, as of September 30, 2017:

Geographic Region	No. of Branches
Central Region	1,374
Eastern Region	574
North Eastern Region	85
Northern Region	537
Southern Region	921
Western Region	800
Total	**4,291**

The following table sets forth the number of branches and offices in each state/ union territory as of September 30, 2017:

State/ Union Territory	No. of Branches	No. of Offices
Andaman & Nicobar	1	0
Andhra Pradesh	186	9
Arunachal Pradesh	1	0
Assam	69	6
Bihar	160	3
Chandigarh	10	3
Chattisgarh	63	8
Dadra & Nagar Haveli	1	0
Daman & Diu	1	0
Delhi	98	5
Goa	15	3
Gujarat	270	18
Haryana	111	3
Himachal Pradesh	20	0
Jammu & Kashmir	13	0
Jharkhand	87	5
Karnataka	164	9
Kerala	250	9
Madhya Pradesh	288	29
Maharashtra	513	50
Manipur	1	0
Meghalaya	5	0
Mizoram	1	0
Nagaland	1	0
Orissa	132	6
Pondicherry	4	0
Punjab	141	8
Rajasthan	144	5
Sikkim	8	0
Tamil Nadu	236	18
Telangana	81	2
Tripura	7	0
Uttar Pradesh	939	28
Uttaranchal	84	4
West Bengal	186	8
Total	**4,291**	**239**

ATMs

As of September 30, 2017, our Bank had 7,674 ATMs, of which 4,562 were located at our branches or extension counters (on-site) and 3,112 were located off-site. Most of our ATMs function 24X7 and are located at various commercial establishments and at other convenient locations, offering our customers the convenience of facilities such as cash withdrawal, balance enquiry, mini statements of accounts and fund transfer. Our Bank opened 635 and 156 new ATMs in Fiscal 2017 and in the six months ended September 30, 2017, respectively, across India. We also operate cash deposit machines and passbook kiosks.

As of September 30, 2017, our Bank had issued 0.21 million credit cards and 32.88 million debit cards across our customer base.

We have introduced "*SampUrna ATMs*" at each of our ATMs which provide a number of value added services such as mobile top up, e-cash remittance, direct tax payment, interbank mobile payment service remittance, NEFT and mutual funds premium payment. We also participate in a shared ATM network with various banks across India under the National Payment Corporation of India network. In Fiscal 2013, we introduced the innovative concept of "*Talking ATMs*" for visually impaired and had 2,495 "*Talking ATMs*" in operation as of September 30, 2017.

Financial Inclusion Network

Financial inclusion is part of a national scheme to deliver financial services to India's disadvantaged and low-income segments at an affordable cost. Business correspondents act as agents on our behalf and may accept deposits or make cash payments when customers would like to deposit or withdraw money to or from their accounts at locations other than a traditional bank branch. As of September 30, 2017, 5,407 business correspondents provided banking services on our behalf.

The following table sets forth the number of financial inclusion accounts opened and the amount of CASA deposits from financial inclusion customers as of the dates indicated:

	As of March 31,			**As of September 30, 2017**
	2015	**2016**	**2017**	
	(₹ million)			
	(Audited)			**(Unaudited)**
Financial inclusion accounts opened	4.60	5.82	6.81	7.34
CASA deposits from financial inclusion customers	3,523.90	8,580.71	13,538.47	12,937.70

Internet Banking

Our internet banking platform is the preferred channel for our customers. Our Internet banking system can be used seamlessly across laptops, mobile or hand-held devices for online payment for direct tax, central excise, service tax, NEFT/ RTGS, salary uploads, railway ticket booking and railway freight. In addition, various state governments have have established payment gateway integration with our internet banking application, enabling our customers to pay taxes online. We have entered into several payment gateway integrations with merchants, educational institutes, GoI agencies and trading partners for facilitating of online payments.

Our Bank's registered internet banking user base has grown at a CAGR of 17.40% from 1.11 million as of March 31, 2015 to 1.53 million as of March 31, 2017, and was 1.66 million as of September 30, 2017.

Mobile Banking

Our mobile banking application, "*Umobile*" enables customers to undertake banking activities such as inter-bank mobile payments services, funds transfer through NEFT/ IMPS, balance enquiry, mini statement, check book request and utility payments. We have also introduced "P2A" (person to application), "P2P" (person to person) and "P2U" (person to Aadhaar) through "*Umobile*" for transmission of funds.

Our Bank's registered mobile banking users have grown at a CAGR of 194.83% from 0.13 million as of March 31, 2015 to 1.13 million as of March 31, 2017, and was 1.47 million as of September 30, 2017.

Unified Payment Interface ("UPI")

UPI is a system that powers multiple bank accounts into a single mobile application (of any participating bank), allows for immediate money transfer through mobile devices, and serves as a single mobile application for accessing different bank accounts.

Call Centers

Our multi-lingual call centers are staffed with 331 service officers. We allow customers to conveniently access banking services with a single number through basic voice connectivity.

Capital Adequacy and Liquidity Coverage

As of March 31, 2017 and September 30, 2017, capital adequacy ratio under the RBI Basel III Capital Regulations was 11.79% and 11.22%, respectively, and Tier I capital adequacy ratio was 9.02% and 8.50%, respectively, and Common Equity Tier 1 ("CET1") capital adequacy ratio was 7.71% and 7.00%, respectively.

Liquidity coverage ratio ("LCR") was 104.98% and 105.93%, respectively, as of March 31, 2017 and September 30, 2017, compared to the minimum requisite LCR of 80.00%. In addition, leverage ratio was 5.38% and 4.78% as of March 31, 2017 and September 30, 2017, respectively, compared to the requisite RBI indicative ratio of 4.50%.

Information Technology

We have adopted technologies and processes to serve the changing requirements of our customers and to ensure efficient and accessible services to our customers through our diversified branch network and various platforms.

All our branches and offices including our training centres have implemented CBS. Our international branches have also have implemented CBS, which connects all our multiple delivery channels to a common platform. CBS facilitates networking of branches, which enables customers to operate their accounts, and avail banking services from any of our branches on CBS network, regardless of where that customer maintains their account. Our CBS deployment comprises three sites, primary site, near site and disaster recovery site, located in different seismic zones. Our disaster recovery site in Bengaluru has been ISO 27001 certified by the British Standards Institutions in 2015. We undertake periodic disaster recovery drills by shifting our entire CBS operations to our disaster recovery site. We have also integrated CBS with the anti-money laundering system to help us identify suspicious transactions. In order to enhance the security of transactions, we have also implemented bio-metric authentic solution for all the CBS users.

In an effort to increase our operational efficiencies, we have established a lending automation service, which is a comprehensive end-to-end loan processing system and a document management system to automate the business process in our branches and offices. Our "*PeopleSoft*" human resource management system application enables us to manage our employee related matters such as administration of staff welfare schemes and staff loan approvals.

We also focus on alternate delivery channels to effectively serve our customers, including through the immediate payment service and public provident fund access through internet banking, missed call facilities and SMS banking. We have also launched kiosk banking, which enables customers to obtain various banking services and also provide GoI services such as, amongst others, electricity bill payments and property tax payments.

We have implemented various support systems to cater to our customers and enhance their banking experiences. We have installed a unified payment interface. We use the Aadhaar enabled payment system which allows banks to authenticate customers using biometric verification with Unique Identification Authority of India. Our enterprise application integration focuses on integrating disparate source systems such as treasury payments, instant remittances for exchange houses to credit foreign-inward remittances instantly to beneficiaries in India and offline fee collection for education institutes with core banking. In addition, we have implemented support systems such as "*Tabulous Banking*" for opening of bank accounts through handheld devices and extended banking facilities to India's unbanked and under-banked population through doorstep banking. We have also through our call centre, introduced uninterrupted banking service to our customers which involves customer support through interactive voice responses and facilited account opening process through "e-KYC".

Compliance

Our compliance department ensures compliance with all the regulatory requirements across all our businesses and operations. Our compliance department undertakes the function of disseminating key regulatory changes and updates affecting our various businesses, providing guidance on compliance related issues and reviewing new products and processes from a regulatory compliance perspective. Further, in order to develop a strong compliance culture, we provide employee education on compliance through trainings, sessions and circulars.

Except as disclosed in this Placement Document, we comply with all KYC norms specified by the RBI and have a comprehensive KYC and anti-money laundering ("AML") policy in accordance with RBI guidelines. The compliance levels at branches are monitored periodically by the internal/ concurrent auditors and reported to our KYC unit for follow-up.

Competition

The banking industry in India is highly competitive and we face strong competition in all our principal lines of business. Our primary competitors are GoI-controlled public sector banks, private sector banks, foreign banks with operations in India, co-operative banks, and for certain products, non-banking financial institutions, small finance banks, regional rural banks, payment banks and housing finance companies. Our competition primarily entails issues of variety, pricing and quality of products and services, convenience of banking facilities, reach of distribution network and brand recognition, as well as information technology capabilities.

In February 2013, the RBI issued guidelines for the entry of new banks in the private sector, including eligibility criteria, capital requirements, shareholding structure, business plan and corporate governance practices. Subsequently, in April 2014, the RBI granted in-principle approval to two applicants to set up universal banks. The RBI has also issued guidelines in November 2014 on licensing of "small finance banks" and "payments banks" in the private sector in the banking industry, pursuant to which RBI has granted in-principle approval to several payment banks and small finance banks and several such banks have also commenced operations. Accordingly, we face increased competition from the operations of existing competitors as well as entry of additional banks offering a similar or a wider range of products and services.

Corporate/ Wholesale banking

Our corporate banking products and services face competition from public sector banks, foreign banks, private sector banks and financial institutions in areas such as pricing, rupee loans, foreign currency loans, foreign exchange transactions, trade finance services and cash management services.

Retail Banking

Our retail banking products and services primarily face competition from public sector banks, small finance banks, housing finance companies, as well as existing and new private sector banks and foreign banks. Public sector banks have large deposit bases and wide distribution networks while foreign banks have significant presence among non-resident Indians and also compete for non-branch based products. In mutual fund sales and other investment related products, our principal competitors are brokers, foreign banks and other new private sector banks.

Treasury Operations

We primarily face competition with respect to our treasury operations from foreign banks, private sector banks and public sector banks in foreign exchange, derivatives and money market business.

See "Risk Factors - Risk Relating to the Business of our Bank - The Indian banking industry is very competitive and our growth strategy depends on its ability to compete effectively".

Our Subsidiaries, Joint Venture and Associate

As of the date of this Placement Document, we have three wholly-owned Subsidiaries, (i) Union Asset Management Company Private Limited; (ii) Union Trustee Company Private Limited; and (iii) Union Bank of India (UK) Limited. Further, we have recently entered into investment and subscription agreements dated October 18, 2017 in relation to subscription of compulsorily convertible preference shares for an amount aggregating to ₹ 104.00 million which will be convertible into 39.62% of the paid up share capital of Union Asset Management

Company Private Limited upon conversion (on a fully diluted basis). Separately, our Bank has resolved to infuse additional capital in to Union Asset Management Company Private Limited through subscription of optionally convertible preference shares for an amount of ₹ 200 million, out of which our Bank has presently invested ₹ 100 million.

We have one Joint Venture, Star Union Dai-ichi Life Insurance Company Limited, which offers life insurance products. We own 25.10% shareholding of our Joint Venture as on the date of this Placement Document. We also have one Associate, Kashi Gomti Samyut Gramin Bank, a regional rural bank, of which we own 35.00% as on the date of this Placement Document.

Intellectual Property Rights

We have applied for and have received registration for "Union Bank of India" trademark. In addition, our Bank has filed application for registration of "U" logo and the trademark "Digipurse", both of which are currently pending. In addition, we have not made any application for our tagline.

Insurance

We maintain insurance cover for our assets and branches in accordance with industry practice, including insurance protection from fire and special perils, policies for assets, bankers indemnity policy, burglary policy for goods held in trust, group personal accident policy for our employees staff, and electronic and equipment insurance policy. In addition, we have also assured ex-gratia payment to our employees' nominee under our "Death Relief Fund Scheme" and secured a group mediclaim policy for our permanent employees. We have also secured directors' and officers' liability insurance.

Employees

As of September 30, 2017, our Bank had 38,392 permanent employees. In addition, we have outsourced certain limited ancillary activities to registered agencies. In addition to basic compensation, our employees are eligible for benefits from provident fund, pension plans, gratuity plans, housing loans at concessional rates, medical reimbursement, leave fare concession, group insurance cover and basic retirement benefits, including provident fund and gratuity for eligible employees.

We place significant emphasis on training our employees and provide regular and specialized training to enable them to effectively address regulatory and market developments in the banking and financial services industry.

Majority of our officers and employees are members of a recognized union or officers' association. We are party to several collective bargaining agreements/ negotiations, in relation to salary, performance incentives and workforce flexibility, which are entered on a regional or industry level. We have not experienced a serious work stoppage or other form of labour action. See "Risk Factors - Risk Relating to the Business of our Bank - Our employees are unionized and any union action may adversely affect our business."

Corporate Social Responsibility Activities

We have established a trust, "*The Union Bank Social Foundation*", to undertake our corporate social responsibility ("CSR") initiatives. Our CSR initiatives are primarily focused on the promoting education and awareness in the rural sector, ensuring environmental sustainability, promoting healthcare and sanitation, and providing infrastructure support. Our recent CSR initiatives have been focused on providing infrastructure and sanitation facilities to schools under the "*Union Adarsh Gram Yojana*" scheme and healthcare.

Properties

Our head office is located at Vidhan Bhavan Marg, Nariman Point, Mumbai and has been leased by the state government of Maharashtra for 99 years. As of September 30, 2017, we had 4,291 branches including four branches in Hong Kong, DIFC, Antwerp and Sydney and three representative offices in Abu Dhabi, Shanghai and Beijing. A significant majority of our offices and branches are located on premises taken by us on long term lease or leave and license basis from third parties. For further details, see "Risk Factors - Majority of our offices, branches and ATMs are located on premises taken by us on lease or on leave and license basis. We may not be able to renew these agreements for our branches upon acceptable terms or at all which could have an adverse effect on our business and results of operations."

SELECTED STATISTICAL INFORMATION

The selected statistical information contained in this section is based on or derived from our Audited Standalone Financial Statements for Fiscal 2015, 2016 and 2017, and financial information included herein for the six months ended September 30, 2016 and 2017, is from our Unaudited Interim Financial Information. The following discussion should be read together with the information included in the sections "Selected Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Statements" included elsewhere in this Placement Document.

Certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance have been included in this section and elsewhere in this Placement Document. We compute and disclose such non-GAAP financial measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance. However, note that these non-GAAP financial measures and other statistical and other information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other banks in India or elsewhere.

Average Balance Sheet of the Bank

The table below presents the average balances for interest-earning assets and interest-bearing liabilities of the Bank together with the related interest revenue and expense amounts, resulting in the presentation of the average yields and cost for each period. The average balance is the average of quarterly balances outstanding, except for the average balance of deposit, advances and investments for which the average balance is the average of fortnightly balances outstanding. The average yield on average assets is the ratio of interest revenue to average interest-earning assets (except that investments include equity investments and interest revenue with respect to investments includes dividends on such equity investments). The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.

	Six months ended September 30,					
	2016			**2017**		
	Average Balance	**Interest Income/ Expense**	**Avg. Yield/ Cost (%)**	**Average Balance**	**Interest Income/ Expense**	**Avg. Yield/ Cost (%)**
	(₹ million, except percentages)					
	(unaudited)					
Interest-earning assets:						
Advances	2,580,250.00	115,805.51	8.98	2,883,360.00	114,919.26	7.97
Investments	1,076,620.00	39,808.16	7.40	1,266,410.00	43,425.11	6.86
Others	120,418.50	5,233.97	8.69	160,763.15	5,409.94	6.73
Total interest-earning assets	**3,777,288.50**	**160,847.64**	**8.52**	**4,310,533.15**	**163,754.31**	**7.60**
Non-interest earning assets:						
Fixed assets	38,668.65	0.00	-	38,232.44	0.00	-
Other assets	304,878.80	0.00	-	335,211.45	0.00	-
Total non-interest earning assets	**343,547.45**	**0.00**	**-**	**373,443.89**	**0.00**	**-**
Total Assets	**4,120,835.95**	**160,847.60**	**7.81**	**4,683,977.04**	**163,754.31**	**6.99**
Interest-bearing liabilities:						
Total deposits	3,365,260.00	108,820.81	6.47	3,712,240.00	107,167.78	5.77
Subordinated loan	94,900.00	3,990.00	8.41	129,900.00	5,840.00	8.99
Borrowings	260,550.00	4,239.89	3.25	449,317.94	5,113.24	2.27
Total interest-bearing liabilities	**3,720,710.00**	**117,050.70**	**6.29**	**4,291,457.94**	**118,121.02**	**5.50**

	Six months ended September 30,					
	2016			2017		
	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)
	(₹ million, except percentages)					
	(unaudited)					
Non-interest bearing liabilities:						
Capital and reserves	233,157.86	0.00	-	230,709.25	0.00	-
Other liabilities	90,613.60	0.00	-	102,741.80	0.00	-
Total non-interest bearing liabilities	**323,771.46**	**0.00**	**-**	**333,451.05**	**0.00**	**-**
Total liabilities	**4,044,481.46**	**117,050.70**	**5.79**	**4,624,908.99**	**118,121.02**	**5.11**

	Year ended March 31,								
	2015			2016			2017		
	Average Balance	Interest Income/ Expense	Average Yield/ Cost (%)	Average Balance	Interest Income/ Expense	Average Yield/ Cost (%)	Average Balance	Interest Income/ Expense	Average Yield/ Cost (%)
	(₹ million, except percentages)								
Interest-earning assets:									
Advances	2,300,120.00	239,772.51	10.42	2,456,890.00	236,580.61	9.63	2,631,220.00	229,431.01	8.72
Investments	1,014,040.00	71,829.63	7.08	999,450.00	75,351.45	7.54	1,197,140.00	86,950.96	7.26
Others	91,145.06	9,237.48	10.13	111,692.42	10,055.95	9.00	134,706.59	10,217.83	7.59
Total interest-earning assets	**3,405,305.06**	**320,839.62**	**9.42**	**3,568,032.42**	**321,988.01**	**9.02**	**3,963,066.59**	**326,599.80**	**8.24**
Non-interest earning assets:									
Fixed assets	26,474.28	0.00	-	30,006.76	0.00	-	38,697.24	0.00	-
Other assets	279,950.05	0.00	-	299,334.33	0.00	-	330,452.79	0.00	-
Total non-interest earning assets	**306,424.33**	**0.00**	**-**	**329,341.09**	**0.00**	**-**	**369,150.03**	**0.00**	**-**
Total Assets	**3,711,729.39**	**320,839.62**	**8.64**	**3,897,373.51**	**321,988.01**	**8.26**	**4,332,216.62**	**326,599.80**	**7.54**
Interest-bearing liabilities:									
Total deposits	2,957,720.00	216,248.65	7.31	3,155,810.00	220,774.45	7.00	3,502,630.00	219,990.94	6.28
Subordinated bond	85,396.00	7,750.00	9.08	77,397.00	7,060.00	9.12	105,150.00	8,860.00	8.43
Borrowings	240,164.00	12,402.01	5.16	244,950.00	11,022.57	4.50	275,512.00	8,715.51	3.17
Total interest-bearing liabilities	**3,283,280.00**	**236,400.66**	**7.20**	**3,478,157.00**	**238,857.02**	**6.87**	**3,883,292.00**	**237,566.45**	**6.12**

	Year ended March 31,								
	2015			2016			2017		
	Average Balance	Interest Income/ Expense	Average Yield/ Cost (%)	Average Balance	Interest Income/ Expense	Average Yield/ Cost (%)	Average Balance	Interest Income/ Expense	Average Yield/ Cost (%)
	(₹ million, except percentages)								
Non-interest bearing liabilities:									
Capital and reserves	195,450.52	0.00	-	218,101.12	0.00	-	234,110.63	0.00	-
Other liabilities	86,569.68	0.00	-	86,770.44	0.00	-	91,103.06	0.00	-
Total non-interest bearing liabilities	**282,020.20**	**0.00**	**-**	**304,871.56**	**0.00**	**-**	**325,213.69**	**0.00**	**-**
Total liabilities	**3,565,300.20**	**236,400.66**	**6.63**	**3,783,028.56**	**238,857.02**	**6.31**	**4,208,505.69**	**237,566.45**	**5.65**

Yields, Spreads and Margins

The following table sets forth, for the periods indicated, the yields, spreads and interest margins on the Bank's interest-earning assets.

	Year ended March 31,			Six months ended September 30	
	2015	2016	2017	2016	2017
	(₹ million, except percentages)				
	(audited)			(unaudited)	
Interest income on interest-earning assets	320,839.62	321,988.01	326,599.80	160,847.60	163,754.31
Interest expense on interest-bearing liabilities	236,400.66	238,857.02	237,566.45	117,050.70	118,121.02
Average interest-earning assets	3,405,305.06	3,568,032.42	3,963,066.59	3,777,288.50	4,310,533.15
Average interest-bearing liabilities	3,283,280.00	3,478,157.00	3,883,292.00	3,720,710.00	4,291,457.94
Average total assets	3,711,729.39	3,897,373.51	4,332,216.62	4,120,835.95	4,683,977.04
Average interest-earning assets as a percentage of average total assets	91.74	91.55	91.48	91.66	92.03
Average interest-bearing liabilities as a percentage of average total assets	88.46	89.24	89.64	90.29	91.62
Average interest-earning assets as a percentage of average interest-bearing liabilities	103.72	102.58	102.05	101.52	100.44
Yield[(1)]	9.42	9.02	8.24	8.52	7.60
Cost of funds[(2)]	7.20	6.87	6.12	6.29	5.50
Spread	2.22	2.16	2.12	2.22	2.09
Net interest margin[(3)]	2.48	2.33	2.25	2.32	2.12
Credit to deposit ratio	82.92	81.04	79.73	77.01	80.29
Cost to Income ratio	51.34	52.10	46.42	44.47	47.48
Other Income to Operating Income ratio	29.44	30.40	35.80	33.22	36.58

Notes:

(1) Yield is interest income divided by total quarterly average interest-earning assets.

(2) Cost of funds is interest expense divided by total quarterly interest-bearing liabilities.

(3) Net interest margin is the difference of interest earned and interest expended divided by the total quarterly average interest-earning assets.

Financial Ratios of the Bank

The following tables set forth certain key financial indicators as of and for the dates and periods indicated for the Bank.

	As of and for the year ended March 31,			As of and for the six months ended September 30,	
	2015	2016	2017	2016	2017
	(percentage)				
	(audited)			(unaudited)	
Return on average equity[(1)]	9.12	6.20	2.37	2.94	(12.12)
Return on average assets[(2)]	0.49	0.35	0.13	0.17	(0.60)
Dividend payout ratio[(3)]	25.76	11.95	0.00	0.00	0.00
Cost to average assets[(4)]	1.66	1.61	1.48	1.51	1.37
Tier I capital adequacy ratio (Basel III)	7.50	8.14	9.02	8.56	8.50
Tier II capital adequacy ratio (Basel III)	2.72	2.42	2.77	2.63	2.72
Total capital adequacy ratio (Basel III)	10.22	10.56	11.79	11.19	11.22
Net non-performing assets ratio[(5)]	2.71	5.25	6.57	6.39	6.70
Allowance as percentage of gross non-performing assets[(6)]	46.90	41.97	44.14	43.25	49.12
Average net worth to total average assets[(7)]	5.27	5.60	5.40	5.66	4.93

Notes:

(1) Return on average equity is the ratio of the net profit after tax to the quarterly average net worth (capital plus reserves).

(2) Return on average assets is the ratio of the net profit after tax to the quarterly average assets.

(3) Dividend payout ratio is the ratio of dividend to adjusted net profit (after exclusion of a one-off income item from net profit).

(4) Cost to average assets is the ratio of the operating expenses, excluding lease depreciation, to the quarterly average assets.

(5) Net non-performing assets ratio is the ratio of net non-performing assets divided by net advances.

(6) Allowance as a percentage of gross non-performing assets is the ratio of non-performing asset provisions made to the gross non-performing assets.

(7) Average net worth to total average assets is the ratio of quarterly average capital and reserves divided by total quarterly average assets.

Investment Portfolio

As of March 31, 2017 and September 30, 2017, the Bank's investments comprised 24.77% and 24.92%, respectively, (excluding repo deposits) 26.83% and 26.89%, respectively, (including repo deposits) of its total assets, while total advances were 63.28% and 60.90%, respectively, of the Bank's total assets. The Bank carries out its investment activities according to various investment and trading policies. These policies set forth delegation of powers, types of instruments, maximum limits on investments in different types of securities, position limits, stop loss limits, duration limits and minimum acceptable credit spreads.

The Bank is required to maintain a minimum holding of 20.00% of its demand and time liabilities in SLR securities. In addition, the surplus funds of the Bank's deposits and advances are invested by the domestic Treasury. These investments are in conformity with the Bank's policy on investments and the risk limits set by the Bank's board.

Total Domestic Investment Portfolio

The following tables sets forth, as of the dates indicated, information relating to the Bank's total domestic investment portfolio. Domestic investments constituted 98.90%, 98.39%, 98.30% and 98.24% of the Bank's investment portfolio as of March 31, 2015, 2016 and 2017 and September 30, 2017, respectively.

	As of September 30, 2016				As of September 30, 2017			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ million)							
	(unaudited)							
Government securities	917,102.60	944,184.62	27,886.68	(804.65)	1,023,297.49	1,036,632.05	17,736.59	(4,402.03)
Other debt securities(1)	209,198.21	219,609.30	12,671.23	(2,260.14)	203,799.50	205,244.89	4,596.82	(3,151.43)
Total debt securities	1,126,300.81	1,163,793.92	40,557.91	(3,064.79)	1,227,096.99	1,241,876.94	22,333.41	(7,553.46)
Non-debt securities(2)	28,447.61	24,951.11	4,160.07	(7,656.57)	41,374.78	34,056.47	5,381.23	(12,823.21)
Subsidiaries and associates — at cost	5,517.45	5,517.45	0.00	0.00	7,416.62	7,416.62	-	-
Total	**1,160,265.87**	**1,194,262.48**	**44,717.98**	**(10,721.36)**	**1,275,888.39**	**1,283,350.03**	**27,714.64**	**(20,376.67)**

Notes:
(1) non-SLR other than equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.
(2) non-SLR equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.

	As of March 31, 2015				As of March 31, 2016				As of March 31, 2017			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ million)											
Government securities	726,853.13	726,190.49	9,133.61	(9,850.26)	836,531.80	840,659.23	10,767.56	(6,640.13)	971,523.74	990,696.80	24,612.51	(5,439.44)
Other debt securities(1)	180,342.53	184,317.63	4,686.33	(711.23)	142,397.57	146,093.78	6,245.32	(979.45)	200,185.94	200,042.62	3,305.79	(3,449.12)
Total debt securities	**907,195.66**	**910,508.12**	**13,819.94**	**(10,561.49)**	**978,929.37**	**986,753.01**	**17,012.88**	**(7,619.58)**	**1,171,709.68**	**1,190,739.42**	**27,918.30**	**(8,888.56)**
Non-debt securities(2)	27,207.72	24,549.35	3,293.26	(5,951.63)	24,885.99	20,632.25	3,588.19	(7,885.69)	33,547.75	29,922.63	4,628.61	(8,669.65)
Subsidiaries and associates — at cost	3,747.13	3,747.13	-	-	4,268.21	4,268.21	0.00	0.00	7,416.62	7,416.62	0.00	0.00
Total	**938,150.51**	**938,804.60**	**17,113.20**	**(16,513.12)**	**1,008,083.57**	**1,011,653.47**	**20,601.07**	**(15,505.27)**	**1,212,674.05**	**1,228,078.67**	**32,546.91**	**(17,558.21)**

Notes:
(1) non-SLR other than equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.
(2) non-SLR equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.

Available for Sale Investments

The following tables sets forth, as of the dates indicated, information related to the Bank's domestic investments available for sale.

	As of September 30, 2016				As of September 30, 2017			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ million)							
	(unaudited)							
Government securities	177,609.32	179,655.24	2,083.15	(37.23)	255,759.94	255,965.00	2,162.67	(1,957.62)
Other debt securities(1)	164,704.19	172,545.86	10,101.81	(2,534.45)	186,149.96	187,043.45	4,044.92	(3,151.43)

	As of September 30, 2016				As of September 30, 2017			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ million)							
	(unaudited)							
Total debt securities	342,313.51	352,201.10	12,184.96	(2,571.68)	441,909.90	443,008.45	6,207.59	(5,109.05)
Non-debt securities(2)	26,946.44	23,156.61	3,777.40	(7,292.91)	40,013.62	32,432.92	5,086.34	(12,790.70)
Subsidiaries and associates — at cost	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00)
Total	**369,259.95**	**375,357.71**	**15,962.36**	**(9,864.59)**	**481,923.52**	**475,441.37**	**11,293.93**	**(17,899.75)**

Notes:
(1) non-SLR other than equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.
(2) non-SLR equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.

	As of March 31,											
	2015				2016				2017			
	Book Value	Market Value	Unreal-ized Gain	Unreal-ized Loss	Book Value	Market Value	Unreal-ized Gain	Unreal-ized Loss	Book Value	Market Value	Unreal-ized Gain	Unreal-ized Loss
	(₹ million)											
Government securities	120,050.09	120,988.33	1,060.25	(122.01)	177,940.51	179,073.86	1,309.38	(176.04)	235,916.56	233134.06	902.29	(3,684.79)
Other debt securities (1)	84,029.97	88,005.08	4,686.33	(711.23)	95,957.09	98,957.84	5,491.25	(979.45)	181,325.38	180,548.00	2,671.74	(3,449.12)
Total debt securities	**204,080.06**	**208,993.41**	**5,746.58**	**(833.24)**	**273,897.60**	**278,031.70**	**6,800.63**	**(1,155.49)**	**417,241.94**	**413,682.06**	**3,574.03**	**(7,133.91)**
Non-debt securities (2)	25,013.37	22,282.21	3,080.18	(5,811.34)	23,027.97	18,448.52	3,178.84	(7,743.45)	31,721.52	27,713.22	4,198.33	(8,622.53)
Total	**229,093.43**	**231,275.62**	**8,826.76**	**(6,644.58)**	**296,925.57**	**296,480.22**	**9,979.47**	**(8,898.94)**	**448,963.46**	**441,395.28**	**7,772.36**	**(15756.44)**

Notes:
(1) non-SLR other than equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.
(2) non-SLR equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.

Held to Maturity Investments

The following tables set forth, as of the dates indicated, information related to the Bank's domestic investments held to maturity.

	As of September 30, 2016				As of September 30, 2017			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ million)							
	(unaudited)							
Government securities	736,945.91	761,979.90	25,800.93	(766.94)	757,550.07	770,739.23	15,560.96	(2,3741.80)
Other debt securities (1)	44,165.29	46,723.68	2,558.39	0.00	17,649.54	18,201.44	551.90	-
Total debt securities	**781,111.20**	**808,703.58**	**28,359.32**	**(766.94)**	**775,199.61**	**788,940.67**	**16,112.86**	**(2,371.80)**
Non-debt securities (2)	1,679.55	1,971.76	378.40	(86.19)	1,355.65	1,617.96	294.82	(32.51)
Subsidiaries and associates — at cost	5,517.45	5,517.45	0.00	0.00	7,416.62	7,416.62	-	-
Total	**788,308.20**	**816,192.79**	**28,737.72**	**(853.13)**	**783,971.88**	**797,975.25**	**16,407.68**	**(2,404.31)**

Notes:

(1) non-SLR other than equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.

(2) non-SLR equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.

	As of March 31, 2015				As of March 31, 2016				As of March 31, 2017			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ million)											
Government securities	606,708.94	605,107.76	8,073.06	(9,728.25)	657,448.64	660,445.15	9,458.02	(6,461.51)	735,607.18	757,562.75	23,710.22	(1,754.65)
Other debt securities (1)	96,312.54	96,312.54	-	-	44,630.48	45,350.61	720.13	0.00	18,749.54	19,372.31	622.77	0.00
Total debt securities	**703,021.48**	**701,420.30**	**8,073.06**	**(9,728.25)**	**702,079.12**	**705,795.76**	**10,178.15**	**(6,461.51)**	**754,356.72**	**776,935.06**	**24,332.99**	**(1,754.65)**
Non-debt securities (2)	2,084.72	2,160.05	212.87	(137.54)	2,123.62	2,420.64	438.66	(141.63)	1,751.22	2,121.79	417.15	(46.57)
Subsidiaries and associates — at cost	3,747.13	3,747.13	-	-	4,268.21	4,268.21	0.00	0.00	7,416.62	7,416.62	0.00	0.00
Total	**708,853.33**	**707,327.48**	**8,285.93**	**(9,865.79)**	**708,470.95**	**712,484.61**	**10,616.81**	**(6,603.14)**	**763,524.56**	**786,473.47**	**24,750.14**	**(1,801.22)**

Notes:

(1) non-SLR other than equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.

(2) non-SLR equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.

Held for Trading Investments

The following tables sets forth, as of the dates indicated, information related to the Bank's domestic investments held for trading.

1.

	As of September 30, 2016				As of September 30, 2017			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ million)							
	(unaudited)							
Government securities	2,547.37	2,549.49	2.60	(0.48)	9,987.48	9,927.83	12.96	(72.61)
Other debt securities [1]	54.42	65.45	11.03	0.00	-	-	-	-
Total debt securities	2,601.79	2,614.94	13.63	(0.48)	9,987.48	9,927.83	12.96	(72.61)
Non-debt securities [2]	95.94	97.05	4.26	(3.16)	5.52	5.59	0.07	-
Subsidiaries and associates — at cost	0.00	0.00	0.00	0.00	-	-	-	-
Total	**2,697.73**	**2,711.99**	**17.89**	**(3.64)**	**9,993.00**	**9,933.42**	**13.03**	**(72.61)**

Notes:
(1) Non-SLR other than equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.
(2) Non-SLR equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.

	As of March 31, 2015				As of March 31, 2016				As of March 31, 2017			
	Book Value	Market Value	Unreal-ized Gain	Unrea l-ized Loss	Book Value	Market Value	Unre al-ized Gain	Unreal-ized Loss	Book Valu e	Market Value	Unre al-ized Gain	Unre al-ized Loss
	(₹ million)											
Government securities	94.10	94.40	0.30	-	1,142.65	1,140.23	0.16	2.58	0.00	0.00	0.00	0.00
Other debt securities [1]	-	-	-	-	1,500.00	1,504.63	4.63	0.00	111.03	122.31	11.28	0.00
Total debt securities	94.10	94.40	0.30	-	2,642.65	2,644.86	4.79	2.58	111.03	122.31	11.28	0.00
Non-debt securities [2]	109.64	107.08	0.21	(2.76)	44.40	43.79	0.00	0.60	75.02	87.61	13.13	(0.54)
Subsidiaries and associates — at cost	-	-	-	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	**203.74**	**201.48**	**0.51**	**(2.76)**	**2,687.05**	**2,688.65**	**4.79**	**3.18**	**186.05**	**209.92**	**24.41**	**(0.54)**

Notes:
(1) Non-SLR other than equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.
(2) Non-SLR equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.

Residual Maturity Profile

Available for sale

The following table sets forth, as of the date indicated, an analysis of the residual maturity profile of the Bank's domestic investments in government and corporate debt securities classified as available for sale and their weighted average market yields.

	As of September 30, 2017							
	Up to One Year		One to Five Year		Five to Ten Years		More than Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ million, except percentages)							

	(unaudited)							
Government securities*	45,820.12	6.81%	40,327.65	6.67%	114,011.19	6.32%	55,600.99	6.74%
Other debt securities*	36,891.22	6.59%	65,725.05	7.01%	52,948.90	7.29%	30,584.81	7.87%
Gross book value	82,711.34	6.71%	106,052.70	6.88%	166,960.09	6.63%	86,185.80	7.14%
Total debt securities market value	77,889.52	6.71%	105,825.71	6.88%	166,296.91	6.63%	85,529.62	7.14%

	As of March 31, 2017							
	Up to One Year		One to Five Year		Five to Ten Years		More than Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ million, except percentages)							
Government securities*	54,905.14	6.45%	30,359.29	6.81%	100,961.19	6.73%	49,690.94	6.84%
Other debt securities*	33,811.78	6.23%	65,349.12	7.42%	44,927.14	7.31%	37,237.34	8.04%
Gross book value	88,716.92	6.37%	95,708.41	7.23%	145,888.33	6.91%	86,928.28	7.35%
Total debt securities market value	87,292.06	6.47%	96,319.62	7.18%	144,971.31	6.95%	85,099.06	7.51%

	As of March 31, 2016							
	Up to One Year		One to Five Year		Five to Ten Years		More than Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ million, except percentages)							
Government securities*	3,314.51	7.48%	31,570.09	7.62%	96,067.40	7.83%	46,988.50	7.85%
Other debt securities*	11,620.78	5.51%	42,457.12	8.52%	19,479.31	8.68%	22,709.88	9.95%
Gross book value	14,935.29	5.95%	74,027.21	8.14%	115,546.71	7.97%	69,698.38	8.53%
Total debt securities market value	13,519.67	6.57%	74,844.91	8.05%	116,675.33	7.89%	73,272.49	8.12%

	As of March 31, 2015							
	Up to One Year		One to Five Year		Five to Ten Years		More than Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ million, except percentages)							
Government securities*	24,588.48	7.91%	6,386.19	7.94%	69,405.97	7.85%	20,607.68	7.80%
Other debt securities*	7,044.82	8.94%	42,179.53	8.50%	23,596.35	8.51%	15,124.35	8.28%
Gross book value	31,633.3	8.14%	48,565.72	8.43%	93,002.32	8.02%	35,732.03	8.00%
Total debt securities market value	31,633.3	8.14%	48,565.72	8.43%	93,002.32	8.02%	35,732.03	8.00%

**Book value*

Held to maturity

The following table sets forth, as of the date indicated, an analysis of the residual maturity profile of the Bank's domestic investments in government and corporate debt securities classified as held to maturity and their weighted average market yields.

	As of September 30, 2017							
	Up to One Year		One to Five Year		Five to Ten Years		More than Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ million, except percentages)							
	(unaudited)							
Government securities*	34,630.51	6.38%	329,896.02	6.77%	302,707.89	6.89%	90,331.13	7.08%
Other debt securities*	3,527.35	6.76%	10,028.35	7.20%	4,087.45	7.55%	2.36	7.98%
Gross book value	38,157.86	6.42%	339,924.37	6.78%	306,795.34	6.90%	90,333.49	7.08%
Total debt securities market value	38,157.86	6.42%	348,486.02	6.78%	311,302.71	6.90%	90,696.25	7.09%

	As of March 31, 2017							
	Up to One Year		One to Five Year		Five to Ten Years		More than Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ million, except percentages)							

Government securities*	3,059.36	6.16%	370,115.84	6.85%	308,680.37	7.09%	53,751.62	7.23%
Other debt securities*	3,527.35	6.84%	10,928.35	7.45%	4,287.45	7.64%	6.39	2.97%
Gross book value	6,586.71	6.52%	381,044.19	6.87%	312,967.82	7.10%	53,758.01	7.23%
Total debt securities market value	6,674.10	6.44%	391,526.72	6.68%	325,170.92	6.83%	53,563.32	7.26%

	As of March 31, 2016							
	Up to One Year		One to Five Year		Five to Ten Years		More than Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ million, except percentages)							
Government securities*	48,749.95	7.51%	358,114.73	7.63%	268,392.38	7.67%	35,258.07	7.94%
Other debt securities*	0.00	0.00%	13,455.70	8.01%	24,381.78	8.25%	6,793.00	8.51%
Gross book value	48,749.95	7.51%	371,570.43	7.64%	292,774.16	7.72%	42,051.07	8.03%
Total debt securities market value	50,319.78	7.27%	373,384.46	7.61%	293,833.57	7.69%	42,504.16	7.94%

	As of March 31, 2015							
	Up to One Year		One to Five Year		Five to Ten Years		More than Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ million, except percentages)							
Government securities*	7,166.74	8.14%	281,132.02	7.92%	283,760.45	7.82%	33,048.55	7.85%
Other debt securities*	40,916.75	5.29%	23,154.57	5.08%	32,224.83	5.40%	16.40	-
Gross book value	48,083.49	5.71%	304,286.59	7.70%	315,985.28	7.57%	33,064.95	7.85%
Total debt securities market value	48,083.49	5.71%	304,286.59	7.70%	315,985.28	7.57%	33,064.95	7.84%

**Book value*

Held for trading

The following table sets forth, as of the date indicated, an analysis of the residual maturity profile of the Bank's domestic investments in government and corporate debt securities classified as held for trading and their weighted average market yields.

	As of September 30, 2017							
	Up to One Year		One to Five Year		Five to Ten Years		More than Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ million, except percentages)							
	(unaudited)							
Government securities*	-	-	-	-	3,531.82	6.66%	6,455.66	7.33%
Other debt securities*	-	-	-	-	-	-	-	-
Gross book value	-	-	-	-	3,531.82	6.66%	6,455.66	7.33%
Total debt securities market value	-	-	-	-	3,530.80	6.66%	6,397.03	7.33%

	As of March 31, 2017							
	Up to One Year		One to Five Year		Five to Ten Years		More than Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ million, except percentages)							
Government securities*	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other debt securities*	0.00	0.00	0.00	0.00	0.00	0.00	111.03	8.81
Gross book value	0.00	0.00	0.00	0.00	0.00	0.00	111.03	8.81
Total debt securities market value	0.00	0.00	0.00	0.00	0.00	0.00	122.31	8.00

	As of March 31, 2016							
	Up to One Year		One to Five Year		Five to Ten Years		More than Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ million, except percentages)							
Government securities*	0.00	0.00	0.00	0.00	1.22	7.46%	1,141.44	7.69
Other debt securities*	0.00	0.00	1,500.00	8.55	0.00	0.00	0.00	0.00
Gross book value	0.00	0.00	1500	8.55	1.22	7.46%	1141.44	7.69
Total debt securities market value	0.00	0.00	1,504.63	8.55	1.22	7.46%	1,140.23	7.69

	As of March 31, 2015

	Up to One Year		One to Five Year		Five to Ten Years		More than Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ million, except percentages)							
Government securities*	-	-	94.40	7.78%	-	-	-	-
Other debt securities*	-	-	-	-	-	-	-	-
Gross book value	-	-	94.40	7.78%	-	-	-	-
Total debt securities market value	-	-	94.40	7.78%	-	-	-	-

**Book value*

Funding

The Bank's funding operations are designed to ensure stability, low cost of funding and effective liquidity management. The Bank's principal sources of funds are deposits from retail and corporate customers, borrowings from the RBI and other financial institutions, foreign currency borrowings, profits from the purchase and sale of investments, and the public issuance of bonds. Deposits raised from the retail segment were 61.15%, 63.86%, 66.08% and 66.16% of total deposits as of March 31, 2015, 2016 and 2017 and September 30, 2017, respectively. Of the Bank's total deposits as of March 31, 2017 and September 30, 2017, 6.93% and 5.71%, respectively, were demand deposits and 27.50% and 27.85%, respectively, were savings bank deposits, while 65.56% and 66.43%, respectively, were term deposits.

Total Deposits

The following table sets forth, for the periods indicated, the Bank's average outstanding domestic deposits on a quarterly average basis and the percentage composition by each category of deposits. For the year ended March 31, 2015, 2016 and 2017 and the six months ended September 30, 2017, the average cost (interest expense divided by the average of balance for the relevant period) of savings deposits was 4.00%, 4.00%, 4.00% and 3.92%, respectively, and the average cost of time deposits was 9.38%, 8.36%, 7.64% and 7.02%, respectively.

The average deposits on a quarterly average basis for the periods set forth are as follows:

	Six months ended September 30,		Six months ended September 30,	
	2016		2017	
	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)			
	(unaudited)			
Current deposits	239,767.03	6.85	253,583.01	6.66
Savings deposits	863,309.63	24.66	106,1413.68	27.87
Time deposits	2397829.32	68.49	249,4109.43	65.47
Total	**3,500,905.98**	**100.00**	**3,809,106.12**	**100.00**

	Year ended March 31,					
	2015		2016		2017	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)					
Current deposits	210,924.85	6.66	297,431.46	8.68	262,362.82	6.94
Savings deposits	715,580.52	22.58	811,326.17	23.67	1,040,724.26	27.50
Time deposits	2,242,193.80	70.76	2,318,442.46	67.65	2,480,828.67	65.56
Total	**3,168,699.17**	**100.00**	**3,427,200.09**	**100.00**	**3,783,915.75**	**100.00**

As of September 30, 2017, domestic term deposits in excess of ₹ 10.00 million had balance to maturity profiles as set out below.

	As of September 30, 2017				
	Up to 3 Months	3 to 6 Months	6 to 12 Months	1 Year to 3 Years	More Than 3 Year
	(₹ million)				
	(unaudited)				
Balance to maturity for deposits exceeding ₹ 10.00 million each	278,093.60	118,307.20	389,603.20	66,853.20	16,585.10

Short-term Borrowings

The following table sets forth, for the periods indicated, information related to the Bank's short-term Rupee borrowings, which are comprised primarily of money-market borrowings (call borrowing and CBLO borrowing). Short-term Rupee borrowings exclude deposits and securities sold under repurchase agreements.
2.

	Year ended March 31,			Six months ended September 30,	
	2015	2016	2017	2016	2017
	(₹ million, except percentages)				
	(audited)			(unaudited)	
Period end balance	0.00	1749.04	0.00	9,996.32	0.00
Average balance during the period not captured[(1)]	3,389.91	4,817.69	4,097.41	4,149.68	20,500.00
Average interest rate during the period[(2)]	6.64	6.63	5.99	6.00	5.97
Interest at period end[(3)]	169.48	319.50	183.95	124.51	613.86

Notes:
(1) Average daily balances outstanding.
(2) Represents the ratio of interest expense on short-term borrowings to the average of balances of short-term borrowings.
(3) Represents the total interest paid on account of short term borrowings during the period.

Perpetual Debt and Upper Tier II Instruments

The following table sets forth, as of September 30, 2017, the details of Perpetual Debt and Upper Tier II instruments issued by the Bank.

a) Innovative Perpetual Debt Instruments ("IPDI")

Particulars	Date of Issue	Perpetual and Call option	Coupon rate	₹ million
Perpetual	December 12, 2007	December 12, 2017	9.90%	2,000.00
Perpetual Bond	September 9, 2008	September 9, 2018	11.15%	2,000.00
Perpetual Bond	March 30, 2009	March 30, 2019	9.10%	1,400.00
Perpetual	June 16, 2009	June 16, 2019	8.85%	2,000.00
Unsecured Non-Convertible Basel III Compliant at 1 Bonds	September 15, 2016	September 15, 2021	9.50%	10,000.00
Unsecured Non-Convertible Basel III Compliant at 1 Bonds	November 4, 2016	November 4, 2021	9.00%	10,000.00
Unsecured Non-Convertible Basel III Compliant at 1 Bonds Series XXIII Tranche 1	March 29, 2017	March 29, 2022	9.10%	2,500.00
Unsecured Non-Convertible Basel III Compliant at 1 Bonds Series XXIII Tranche 2	March 30, 2017	March 30, 2022	9.10%	7,500.00
Unsecured Non-Convertible Basel III Compliant at 1 Bonds Series XXIII Tranche 3	March 31, 2017	March 31, 2022	9.10%	5,000.00
Unsecured Non-Convertible Basel III Compliant at 1 Bonds Series XXIV	May 3, 2017	May 3, 2022	9.08%	5,000.00
TOTAL				**47,400.00**

b) Upper Tier II Bonds

Particulars	Date of Issue	Date of maturity	Coupon rate	₹ million
Upper Tier-II	June 25, 2009	June 25, 2014	8.65%	5,000.00
Upper Tier-II	January 27, 2010	January 27, 2025	8.55%	5,000.00
Upper Tier-II	June 28, 2010	June 28, 2015	8.48%	5,000.00
TOTAL				**15,000.00**

c) Lower Tier II Bonds, *i.e.* Subordinated Bonds

Particulars	Date of Issue	Date of maturity	Coupon rate	₹ million
Lower Tier-II First Tranche	December 12, 2007	April 12, 2018	9.35%	4,000.00
Lower Tier II	September 17, 2008	September 17, 2018	10.95%	4,000.00
Lower Tier II	December 23, 2008	December 23, 2018	9.50%	2,000.00
Lower Tier II	December 30, 2008	December 30, 2018	8.60%	2,000.00
Lower Tier II	December 28, 2012	December 28, 2022	8.90%	8,000.00
Non-Convertible Redeemable bond	November 22, 2013	November 21, 2023	9.80%	20,000.00
Unsecured Non-Convertible Redeemable Basel III Compliant Tier II Bonds	March 29, 2016	March 29, 2026	8.61%	10,000.00
Unsecured Non-Convertible Redeemable Basel III Compliant Tier II Bonds	August 22, 2016	August 22, 2036	8.00%	10,000.00
Union Bank of India: Tier II Bonds-Series XXII	November 24, 2016	November 24, 2026	7.74%	7,500.00
TOTAL				**67,500.00**

Cash Flow Mismatch Analysis

The following table sets forth the Bank's structural liquidity gap position for its domestic operations as of September 30, 2017:

	As of September 30, 2017[(1)(2)(3)]				
	Up to 3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	Total
	(₹ million, except percentages)				
	(unaudited)				
Cash and bank balances	161,679.96	52,424.84	116,144.41	65,505.99	395,755.20
Advances	481,330.83	363,449.70	1,516,810.15	546,910.00	2,908,500.68
Investments	438,238.07	71,546.38	458,667.98	415,725.99	1,384,178.42
Fixed assets	0.00	0.00	0.00	38,427.86	38,427.86
Other assets	1,045,550.55	937,425.34	69,644.93	30,923.04	2,083,543.86
Total inflows	**2,126,799.41**	**1,424,846.26**	**2,161,267.47**	**1,097,492.88**	**6,810,406.02**
Capital and Reserves	0.00	0.00	0.00	240,226.46	240,226.46
Deposits	470,170.35	871,668.15	901,212.25	1,617,197.78	3,860,248.53
Borrowings	262,570.86	87,492.26	111,254.82	117,900.00	579,217.94
Other liabilities	1,066,066.86	999,527.49	35,489.65	31,963.49	2,133,047.49
Total outflows	**1,798,808.07**	**1,958,687.90**	**1,047,956.72**	**2,007,287.73**	**6,812,740.42**
Liquidity gap	327,991.34	(533,841.64)	1,113,310.75	(909,794.85)	(2,334.40)
Cumulative liquidity gap	327,991.34	(205,850.30)	907,460.45	(2,334.40)	(2334.40)
Cumulative liabilities	1,798,808.07	3,757,495.97	4,805,452.69	6,812,740.42	6,812,740.42
Cumulative liquidity gap as a % of cumulative liabilities	18.23%	(5.48)%	18.88%	(0.03)%	(0.03)%

Notes:

(1) Classification methodologies are based on the Asset Liability Management Guidelines issued by the RBI.

(2) Assets and liabilities are classified into categories as per residual maturity.

(3) Assets and liabilities that do not mature or have ambiguous maturities are classified as per historical behavioral analysis or management judgment.

Loan Portfolio and Credit Substitutes

As of September 30, 2017, the Bank's gross loan portfolio was ₹ 3,099,528.40 million. As of that date, the Bank's gross non-fund based exposure was ₹ 821,214.76 million. The majority of the Bank's gross loans and credit substitutes are to borrowers in India.

The Bank makes loans to a wide range of customers in the public and private sectors, including commercial and industrial customers, agricultural customers and individual customers, in each case within the guidelines issued by the RBI. Working capital facilities consist of revolving cash credit facilities and short-term loans. Revolving cash credit facilities, based on a traditional overdraft system of lending, have been the most common form of

working capital financing in India. Pursuant to RBI guidelines, only a specified percentage of a working capital facility can be accessed as cash credit, with the balance being short-term loans having a minimum maturity of one year.

The following tables set forth the Bank's advances by segment as of September 30, 2016 and 2017 and as of March 31, 2015, 2016 and 2017:

	As of September 30,			
	2016		2017	
	(₹ million)	% of total	(₹ million)	% of total
	(unaudited)			
Retail loans	365,304.19	13.12	447,390.38	14.43
MSME loans	582,686.12	20.93	622,558.66	20.09
Agriculture loans	411,590.00	14.79	429,090.00	13.84
Large Corporate and Others	1,159,300.91	41.65	1,271,115.53	41.01
Total domestic loans	**2,518,881.22**	**90.49**	**2,770,154.57**	**89.37**
International loans	264,799.98	9.51	329,373.83	10.63
Total gross loans	**2,783,681.20**	**100.00**	**3,099,528.40**	**100.00**

Note: Previous period figures have been regrouped / reclassified wherever necessary to conform to current period classification.

	As of March 31,					
	2015		2016		2017	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Retail loans	264,842.77	10.08	327,649.71	11.80	403,796.88	13.38
MSME loans	547,546.67	20.84	555,236.63	19.99	619,126.73	20.52
Agriculture loans	315,740.00	12.02	388,190.00	13.98	441,240.00	14.63
Large Corporate and Others	1,285,101.93	48.91	1,245,460.05	44.85	1,258,209.04	41.71
Total domestic loans	**2,413,231.37**	**91.84**	**2,516,536.39**	**90.62**	**2,722,372.65**	**90.24**
International loans	214,341.63	8.16	260,716.81	9.38	294,462.95	9.76
Total Gross loans	**2,627,573.00**	**100.00**	**2,777,253.20**	**100.00**	**3,016,835.60**	**100.00**

Note: Previous period figures have been regrouped / reclassified wherever necessary to conform to current period classification.

Interest Rate Sensitivity Analysis

The following table sets forth the interest rate sensitivity analysis of the Bank's assets and liabilities for the Bank's Indian operations as of September 30, 2017:

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-Sensitive	Total
	(₹ million)					
Assets						
Cash & Balances with RBI	0.00	0.00	0.00	0.00	214,338.88	214,338.88
Balances with other banks	107,510.30	48,241.50	11,659.40	0.00	14,693.90	182,105.10
Advances	644,428.80	1,965,262.70	265,944.50	4,329.10	0.00	2,879,965.10
Investments	79,789.91	68,500.05	439,717.28	640,121.56	55,646.10	1,283,774.90
Fixed Assets	0.00	0.00	0.00	0.00	38,453.50	38,453.50
Other Assets	0.00	0.00	0.00	0.00	379,752.70	379,752.70
Forex Swaps	439,717.80	455,012.10	52,370.50	0.00	0.00	947,100.40
Total Assets	1,271,446.81	2,537,016.35	769,691.68	644,450.66	702,885.08	5,925,490.58
OBS Items	21,050.00	69,950.00	0.00	0.00	0.00	91,000.00
Total RSA/Assets	**1,292,496.81**	**2,606,966.35**	**769,691.68**	**644,450.66**	**702,885.08**	**6,016,490.58**
Liabilities						
Capital & Reserve	0.00	0.00	0.00	0.00	240,226.50	240,226.50
Deposits	605,209.00	133,2657.00	1,867,382.10	47,400.40	2,749.10	3,855,397.60
Borrowings	155,831.20	45,450.40	146,258.30	95,500.00	25,659.20	468,699.10
Other Liabilities	0.00	0.00	0.00	0.00	305,664.90	305,664.90
Repos	137,909.90	0.00	0.00	0.00	0.00	137,909.90
Forex Swaps	391,701.20	452,909.20	4,407.30	0.00	0.00	849,017.70

Total Liabilities	1,290,651.30	1,831,016.60	2,018,047.70	142,900.40	574,299.70	5,856,915.70
OBS Items	69,950.00	18,000.00	0.00	3050.00	0.00	91,000.00
Total RSL/Liabilities	**1,360,601.30**	**1,849,016.60**	**2,018,047.70**	**145,950.40**	**574,299.70**	**5,947,915.70**

Concentration of Loans and Credit Substitutes

Pursuant to RBI guidelines, exposure ceilings are 15% of capital funds in the case of a single borrower and 40% in the case of a borrower group. The single borrower exposure limit is extendable by another 5%, up to 20% of capital funds, provided the additional credit exposure is on account of extension of credit to infrastructure projects. The borrower group exposure limit is extendable by another 10%, up to 50% of capital funds, provided that the additional exposure is for the purpose of financing infrastructure projects. In addition, banks may, in exceptional circumstances and with the approval of their respective board of directors, consider increasing their exposure to a single borrower or group of borrowers up to a maximum of an additional 5% of capital funds subject to disclosure in Annual Reports with the consent of the borrower. There are generally no restrictions in India on exposure to a particular industry. However, RBI has advised banks to fix limits on their exposure to specific industries or sectors. RBI norms specify exposure to capital markets, real estate, sensitive commodities listed by the RBI, venture capital funds, stockbrokers, financing for acquisition of overseas entities, and credit to overseas joint ventures. For further information, see "Key Regulations and Policies". The following tables sets forth, at the dates indicated, the Bank's gross fund-based loans outstanding categorized by borrower industry or economic activity.

	As at			
	September 30, 2016		**September 30, 2017**	
	(unaudited)			
	Amount of loans (₹ million)	**%**	**Amount of loans (₹ million)**	**%**
Coal	1,780.00	0.06	3,093.70	0.10
Mining	11,000.00	0.40	10,995.90	0.35
Iron and Steel	171,950.00	6.18	124,659.40	4.02
Other Metal and Metal Products	38,740.00	1.39	33,719.20	1.09
All Engineering	59,490.00	2.14	52,421.30	1.69
Electronics	8,630.00	0.31	12,668.20	0.41
Cotton Textiles	32,290.00	1.16	26,245.26	0.85
Jute Textiles	930.00	0.03	23,661.60	0.76
Other Textiles	45,520.00	1.64	942.70	0.03
Sugar	25,620.00	0.92	42,440.70	1.37
Tea	1,860.00	0.07	1,925.20	0.06
Food Processing	55,070.00	1.98	85,586.40	2.76
Vegetable Oils and Vanaspati	11,930.00	0.43	17,266.63	0.56
Tobacco and Tobacco Products	490.00	0.02	368.29	0.01
Paper and Paper Products	18,550.00	0.67	16,399.90	0.53
Rubber and Rubber Products	15,530.00	0.56	13970.09	0.45
Chemicals, Dyes, Paints etc	37,020.00	1.33	36679.69	1.18
(i) of which are Fertilisers	2,590.00	0.09	2309.18	0.07
(ii) of which are Petrochemicals	540.00	0.02	648.88	0.02
Cement	14,720.00	0.53	13,469.04	0.43
Leather and Leather Products	2,920.00	0.10	2,727.51	0.09
Gems and Jewellery	64,410.00	2.31	47,309.20	1.53
Construction	67,480.00	2.42	57,526.07	1.86
Petroleum	27,530.00	0.99	22,931.09	0.74
Automobiles (including rucks)	23,930.00	0.86	24,298.90	0.78
Computer Software	5,440.00	0.20	20,629.10	0.67
Infrastructure	382,610.00	13.74	534,182.70	17.23
NBFCs	334,670.00	12.02	211,470.00	6.82
Other Industries	72,290.00	2.60	270,192.94	8.72
Total	**1,523,400.00**	**55.05**	**1,707,780.71**	**55.10**
Residuary Other Advances	1,251,281.20	44.95	1,391,747.69	44.90
Grand Total	**2,783,681.20**	**100.00**	**3,099,528.40**	**100.00**

	As at					
	March 31, 2015		March 31, 2016		March 31, 2017	
	Amount of loans (₹ million)	%	Amount of loans (₹ million)	%	Amount of loans (₹ million)	%
Coal	1,341.40	0.05	2,480.00	0.09	2,900.00	0.10
Mining	18,143.40	0.69	11,460.00	0.41	10,290.00	0.34
Iron and Steel	88,059.50	3.35	105,340.00	3.79	110,180.00	3.65
Other Metal and Metal Products	27,966.80	1.06	25,910.00	0.93	27,460.00	0.91
All Engineering	36,854.00	1.40	45,870.00	1.65	50,860.00	1.69
Electronics	8,429.30	0.32	8,540.00	0.31	8,480.00	0.28
Cotton Textiles	22,621.70	0.86	27,810.00	1.00	26,300.00	0.87
Jute Textiles	613.20	0.02	1,010.00	0.04	930.00	0.03
Other Textiles	45,436.80	1.73	43,460.00	1.56	42,540.00	1.41
Sugar	18,935.00	0.72	23,900.00	0.86	21,200.00	0.70
Tea	1,496.70	0.06	1,920.00	0.07	1,920.00	0.06
Food Processing	48,178.60	1.83	50,590.00	1.82	56,500.00	1.87
Vegetable Oils and Vanaspati	8,769.60	0.33	10,020.00	0.36	13,650.00	0.45
Tobacco and Tobacco Products	465.80	0.02	540.00	0.02	370.00	0.01
Paper and Paper Products	9,873.50	0.38	13,060.00	0.47	15,800.00	0.52
Rubber and Rubber Products	13,895.80	0.53	13,330.00	0.48	13,830.00	0.46
Chemicals, Dyes, Paints etc.	54,248.50	2.06	36,740.00	1.32	35,980.00	1.19
(i) of which are Fertilisers	26,366.90	1.00	7,000.00	0.25	2,310.00	0.08
(ii) of which are Petrochemicals	1,045.10	0.04	410.00	0.01	650.00	0.02
Cement	13,983.50	0.53	13,880.00	0.50	13,550.00	0.45
Leather and Leather Products	2,709.70	0.10	2,810.00	0.10	2,700.00	0.09
Gems and Jewellery	50,411.10	1.92	49,120.00	1.77	47,350.00	1.57
Construction	60,721.30	2.31	49,740.00	1.79	50,700.00	1.68
Petroleum	25,967.70	0.99	18,630.00	0.67	22,830.00	0.76
Automobiles (including rucks)	23,921.60	0.91	22,460.00	0.81	22,570.00	0.75
Computer Software	7,420.60	0.28	10.00	0.00	8,210.00	0.27
Infrastructure	396,052.90	15.07	342,410.00	12.33	403,270.00	13.37
NBFCs	243,122.40	9.25	365,720.00	13.17	204,630.00	6.78
Other Industries	13,257.40	0.50	13,300.00	0.48	11,590.00	0.38
Total	**1,242,897.80**	**47.30**	**1,300,060.00**	**46.81**	**1,226,590.00**	**40.66**
Residuary Other Advances	1,384,675.20	52.70	1,477,193.20	53.50	1,790,245.40	59.34
Grand Total	**2,627,573.00**	**100.00**	**2,777,253.20**	**100.00**	**3,016,835.60**	**100.00**

The following table sets forth the Bank's top ten largest loan exposures by sectors as of the dates indicated.

	As of March 31,		As of September 30,	
	2016	2017	2016	2017
	(Audited)		(Unaudited)	
	(₹ million)			
Agriculture	388,190.00	441,240.00	411,590.00	429,090.00
Retail Advances	327,649.71	403,796.88	365,304.19	447,390.38
Infrastructure	342,410.00	400,260.00	365,140.00	482,340.00
Trade	296,280.00	338,040.00	303,480.00	359,700.00
NBFCs and HFCs	242,800.00	266,900.00	267,110.00	280,370.00
Basic Metal Product	131,240.00	137,650.00	138,090.00	141,070.00
Food Processing	70,600.00	94,310.00	82,170.00	87,820.00
Textile	72,280.00	70,170.00	68,760.00	72,860.00
Construction	49,740.00	51,630.00	55,030.00	110,490.00
All Engineering	45,870.00	51,060.00	50,870.00	52,700.00

As of September 30, 2017, the aggregate exposure of the Bank's ten largest group borrowers (fund-based) amounted to ₹ 463,220.00 million representing 142.23% of the Bank's total capital, which comprises ₹ 246,827.60

million Tier I and ₹ 78,860.00 million Tier II capital. The Bank's exposure to the single largest group borrower (fund-based) on such date was ₹ 844,60.00 million representing 25.93% of the Bank's capital.

The Bank's exposure (fund based) to its ten largest individual borrowers as of September 30, 2017 was ₹ 434,820.00 million, or approximately 14.02% of its total loan portfolio.

Regional Concentration

The Bank's widespread branch network enables the Bank to diversify its lending risks geographically. The following table presents an analysis of the Bank's domestic advances by region as of the dates indicated.

	As of March 31,		As of September 30,	
	2016	2017	2016	2017
	(Audited)		(Unaudited)	
	(₹ million)			
Central	308,531.78	350,441.37	321,889.92	398,052.58
Eastern	152,199.90	173,465.05	164,041.92	185,234.65
North Eastern	9,696.77	10,076.18	9,985.48	10,917.56
Northern	474,206.98	513,256.11	442,427.90	516,573.55
Southern	472,640.27	528,700.75	497,958.76	557,684.17
Western	1,100,306.18	1,150,603.31	1,082,852.41	1,106,740.46
Total domestic advances	**2,517,581.88**	**2,726,542.77**	**2,519,156.39**	**2,775,202.97**

Non-Performing Assets

The Bank has in the past suffered losses through impairment of loans as some borrowers were impacted by negative trends in the global market place, recessionary conditions in the domestic economy, increased competition and volatility in industrial growth and commodity prices. The Bank has adopted several measures to refine its credit selection processes and appraisal capabilities.

The management of NPAs has been one of the focus areas of the Bank with the objective to achieve global benchmarks. Towards this goal, the Bank has focused on:

- identification and monitoring of Special Mention Accounts as per RBI guidelines in order to check the movement of Standard Assets into the NPA category, conducting regular reviews and taking quick corrective action;
- restructuring impaired standard accounts as well as viable NPAs, both under the Corporate Debt Restructuring ("**CDR**") scheme developed by the RBI as well as under the Bank's own scheme for limiting NPAs;
- upgrading the Bank's assets; and
- high-value accounts and cases referred to the BIFR.

The Bank's gross NPA ratio increased from 4.96% as of March 31, 2015 and 8.70% as of March 31, 2016 to 11.17% as of March 31 2017 and 12.35% as of September 30, 2017. The Bank's net NPA ratio increased from 2.71% as of March 31, 2015 and 5.25% as of March 31, 2016 to 6.57% as of March 31 2017 and 6.70% as of September 30, 2017.

See "Risk Factors — Risks Relating to the Bank's Business — An increase in our Bank's portfolio of NPAs or provisioning requirements required under applicable RBI regulations could adversely affect our business, financial condition and results of operations.".

The following table sets forth, for the periods indicated, information about the Bank's NPA portfolio.

	As of March 31,			As of September 30,	
	2015	2016	2017	2016	2017
	(₹ million, except percentages)				
	(audited)			(unaudited)	
Non-Performing Assets					
Gross NPAs	130,308.70	241,708.90	337,122.80	298,620.50	382,858.40
Specific provisions	58,187.00	98,517.50	145,869.70	126,209.60	185,132.50

	As of March 31,			As of September 30,	
	2015	2016	2017	2016	2017
	(₹ million, except percentages)				
	(audited)			(unaudited)	
Floating provisions	2,932.00	2,932.00	2,932.00	2,932.00	2,932.00
NPA net of provisions and net table credits	69,189.70	140,259.40	188,321.10	169,478.90	194,793.90
Gross customer assets	2,627,573.00	2,777,253.20	3,016,835.60	2,783,681.20	3,099,528.40
Net customer assets	2,556,545.65	2,673,540.02	2,864,665.77	2,652,050.00	2,908,500.00
Gross NPAs/gross customer assets (%)	4.96	8.70	11.17	10.73	12.35
Net NPAs/net customer assets (%)	2.71	5.25	6.57	6.39	6.70
Specific provision as a percentage of gross NPAs	44.65	40.76	43.27	42.26	48.36
Total provisions as a percentage of gross NPAs	46.90	41.97	44.14	43.25	49.12
Provision cover (including prudential write-offs)	59.23	50.89	51.41	50.45	56.06

The following table sets forth, for the periods indicated, the Bank's NPA portfolio by primary business segments.

	Assets reclassified as NPAs during the six months ended	NPAs from Segment as of	Segment as % to Total NPAs as of	Segment as % to Total Loans as of			
	September 30, 2017	September 30, 2017	September 30, 2017	March 31, 2015	March 31, 2016	March 31, 2017	September 30, 2017
	(unaudited)			(audited)			(unaudited)
	(₹ million, expect for percentage)						
Infrastructure	9,098.69	45,884.02	16.75	0.37	0.25	1.56	2.07
Agriculture	7,273.89	28,920.00	8.37	0.60	0.73	0.75	1.03
Micro & Small ("MSE")	12,823.93	51,000.38	16.48	0.94	1.24	1.39	2.04
Retail Loans	2,243.11	11,310.00	3.48	0.23	0.33	0.42	0.43
Others	39,949.98	245,744.00	54.92	2.82	6.15	7.06	6.78
Total	**71,389.60**	**382,858.40**	**100.00**	**4.96**	**8.70**	**11.18**	**12.35**

The Bank's net provisioning coverage ratio as of March 31, 2015, 2016 and 2017 and September 30, 2017, computed as per RBI guidelines, was 59.23%, 50.98%, 51.41% and 56.06%, respectively.

Provisions for NPAs

The following table sets forth, for the periods indicated, movements in the Bank's provisions against NPAs.

	For Fiscal			For the six months ended September 30,	
	2015	2016	2017	2016	2017
	(₹ million)				
	(audited)			(unaudited)	
Specific provisions:					
Specific provisions at the beginning of the period	37,122.80	58,187.00	98,517.50	98,517.50	145,869.70
Additions during the period	26,809.80	46,550.30	60,319.00	29,447.90	53,402.30
Reductions during the period on account of recovery and write-offs	5,745.60	6,219.80	12,966.80	1,755.80	14,139.50
Specific provisions at the end of the period	**58,187.00**	**98,517.50**	**145,869.70**	**126,209.60**	**185,132.50**
Floating provisions:					
Floating provisions at the beginning of the period	5,112.10	2,932.00	2,932.00	2,932.00	2,932.00
Additions during the period	751.80	0.00	0.00	0.00	0.00
Utilizations during the period	2,931.90	0.00	0.00	0.00	0.00
Floating provisions at the end of the period	**2,932.00**	**2,932.00**	**2,932.00**	**2,932.00**	**2,932.00**
Total specific and floating provisions at the end of the period	**61,119.00**	**101,449.50**	**148,801.70**	**129,141.60**	**188,064.50**

The following table sets forth the classification of gross loan assets of the Bank at the dates indicated.

	As of March 31,			As of September 30,	
	2015	2016	2017	2016	2017
	(₹ million)				
	(audited)			(unaudited)	
Standard	2,497,264.20	2,535,544.40	2,679,712.80	2,485,060.70	2,716,670.00
Non-performing assets	130,308.80	241,708.80	337,122.80	298,620.50	382,858.40
Sub-standard assets	47,017.10	80,764.20	96,438.20	119,295.50	89,833.00
Doubtful assets	74,412.70	143,450.20	216,233.00	159,160.40	270,221.70
Loss assets	8,879.00	17,494.40	24,451.60	20,164.60	22,803.70
Total	**2,627,573.00**	**2,777,253.20**	**3,016,835.60**	**2,783,681.20**	**3,099,528.40**

The following table sets forth the Bank's NPAs for its ten largest industry NPA accounts, as of September 30, 2017.

Industry	Gross Principal Outstanding (₹ million)
Basic Metal & Metal Products	99,559.82
Infrastructure	45,884.02
Trade	37,841.24
Construction	35,124.23
Food Processing	22,645.28
All Engineering	22,156.93
Textile	18,030.56
Gems & Jewellery	14,812.75
Chemical & Chemical Products	6,423.32
NBFCs	3,710.86
Total	**306,189.01**

Recognition of NPAs and Provisioning

RBI Classification and Provisioning Requirements

The Bank classifies its assets in accordance with the RBI guidelines. Under these guidelines, an asset is classified as non-performing if any amount of interest or principal remains overdue for more than 90 days in respect of term loans. In respect of overdraft and cash credit, an asset is classified as non-performing if the account remains out of order for a continuous period of 90 days, and in respect of bills purchased and discounted, if the account remains overdue for more than 90 days.

Assets are classified as described below:

Standard asset	Performing assets are Standard Assets which do not disclose any problem and which do not carry more than the normal risk attached to the business. The performing asset is one which generates income for the bank.
Sub-standard asset	With effect from March 31, 2005, a Sub-standard Asset would be one which has remained a NPA for a period less than or equal to 12 months.
Doubtful asset	(1) With effect from March 31, 2005, an account would be classified as doubtful if it had continuously remained in the sub-standard category for 12 months. (2) A NPA where the erosion in the realizable value of securities is more than 50.00% of value as assessed by the Bank or as accepted by the RBI previously at the time of last inspection.
Loss asset	A loss asset is one where the loss has been identified by the bank, internal auditor, external auditors or the RBI inspectors, but the amount has not been written off wholly of partly. In other words, such an asset is considered uncollectible with little salvage or recovery value.
Accounts where there is erosion in the value of securities/frauds committed by the borrowers	(1) In cases of exposures, where the realizable value of securities, while sanctioning of the facility is more than 10.00% of the outstanding exposure and has subsequently eroded to 10.00% or less of the outstanding then the account should be straightaway classified as Loss Asset. (2) Further accounts where there is a potential threat of recovery on account of erosion in the realizable value of securities or non-availability of security and existence of other factors such as fraud, etc., should be classified as doubtful asset (where the realizable value of securities is less than 50.00% of the value assessed by the Bank or as accepted by the RBI at the time of last inspection). If the reliable value of the security as assessed by the bank or the approved valuer or the RBI is less than 10.00% of the outstanding in the borrower account, the existence of the security should be ignored and assets should be straight away classified as loss assets.

The following table provides a summary of the Bank's gross loan assets as of the periods indicated, in accordance with RBI classifications.

Asset Category	**As of March 31,**			**As of September 30,**	
	2015	**2016**	**2017**	**2016**	**2017**
	(₹ million)				
	(audited)			**(unaudited)**	
Standard assets	2,497,264.20	2,535,544.40	2,679,712.80	2,485,060.70	2,716,670.00
Sub-standard assets	47,017.10	80,764.20	96,438.20	119,295.50	89,833.00
Doubtful assets	74,412.70	143,450.20	216,233.00	159,160.40	270,221.70
Loss assets	8,879.00	17,494.40	24,451.60	20,164.60	22,803.70
Total	**2,627,573.00**	**2,777,253.20**	**3,016,835.60**	**2,783,681.20**	**3,099,528.40**

The following table sets forth the Bank's provisions for possible credit losses at the dates indicated.

Asset Category	**As of March 31,**			**As of September 30,**	
	2015	**2016**	**2017**	**2016**	**2017**
	(₹ million, except percentages)				
	(audited)			**(unaudited)**	
Provision held	61,119.00	101,449.50	148,801.70	129,141.60	188,064.50
Provision held as percentage of gross advances	2.33	3.65	4.93	4.64	6.07
Provision held as percentage of gross NPAs	46.90	41.97	44.14	43.25	49.12

Restructured Assets

The RBI has issued separate guidelines for restructured assets. A fully secured standard asset can be restructured by rescheduling principal repayments and/or the interest element, but it must be separately disclosed as a restructured asset. The amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written-off, or provision is made to the extent of the sacrifice involved. Similar guidelines apply to sub-standard assets. The sub-standard accounts which have been subjected to restructuring, whether in respect of a principal installment or an interest amount, are eligible to be upgraded to the standard category only after the

specified period, which is a period of one year after the date when first payment of principal or interest, whichever is earlier, falls due, subject to satisfactory performance during the period.

The following table sets forth a summary of the Bank's restructured assets as of and for the six months ended September 30, 2017.

	Standard	NPAs	Total
	(₹ million)		
Restructured assets as of September 30, 2017	52,700.33	10,2617.12	155,317.45
New restructuring during the six months ended September 30, 2017	19,167.80	1,424.01	20,591.81
Assets upgraded to Restructured Accounts during the six months ended September 30, 2017	151.51	(151.51)	-
Reclassified restructured assets[(1)] as of September 30, 2017	(13,651.29)	0.00	(13,651.29)
Restructured accounts downgraded the six months ended September 30, 2017	(8,246.57)	8,246.57	-
Change in outstanding/write-off/recovery/closures the six months ended September 30, 2017	(1,685.61)	(12,026.85)	(13,712.46)
Restructured Accounts as of September 30, 2017	**3,560.00**	**25,107.00**	**28,667.00**

Note:

(1) Restructured standard advances which no longer required higher provisioning and therefore not required to be classified as a restructured asset.

Provisioning and Write-Offs

RBI guidelines on provisioning and write-offs are as follows:

Standard asset	A general provision on Standard Assets with a minimum of 0.40% is to be made with the exception of farm credit to agricultural activities and SME sectors for which a provision of 0.25% will be made, housing loans extended at teaser rates and restructured advances for which a provision of 2% will be made and for advances to commercial real estate – residential housing sector, a provision of 0.75% will be made. For commercial real estate loans, a provision of 1.00% will be made. An account upgraded to standard category from non-performing advance, a provision of 5.00% is made in the first year from the date of upgrade.	
Sub-standard asset	A general provision of 15.00% on total outstanding loans should be made without making any allowance for Export Credit Guarantee Corporation of India (ECGC) guarantee cover and securities available. The unsecured outstanding which are identified as sub-standard would attract an additional provision of 10.00% (i.e. a total of 25.00% on the outstanding balance), with the exception of infrastructure loan accounts which will attract a provisioning of 20.00%. Unsecured outstanding is defined as an outstanding where the realizable value of security, as assessed by the bank, the approved valuers/RBI's inspecting officers, is not more than 10.00%, ab-initio, of the outstanding. Security will mean tangible security properly discharged to the bank and will not include intangible securities such as guarantees and comfort letters.	
Doubtful asset	Provisioning at 100.00% is to be made for the deficit portion i.e. to the extent to which advances are not covered by the realizable value of the security to which the Bank has a valid recourse and the realizable value is estimated on a realistic basis. With regard to the secured portion, as per the revised guidelines of the RBI, provision is to be made at rates ranging from 25.00% to 100.00% of the secured portion depending upon the period for which the advance has remained in the doubtful category. In regard to the secured portion, provision is to be made in accordance with the table below:	
	Period for which advance remained in "Doubtful" category	**Provision requirement (%)**
	Up to one year	25.00
	One to three years	40.00
	More than three years	100.00
Loss asset	The entire asset is written off or 100.0% provision will be made on outstanding amount, if loan assets are permitted to remain in the books for any reason.	

See "Key Regulations and Policies".

Floating Provisions

In June 2006, the RBI issued prudential norms on creation and utilization of floating provisions (i.e., provisions which are not made in respect of specific non-performing assets or are made in excess of regulatory requirements for provisions for Standard Assets). The norms state that floating provisions can be used only for contingencies under extraordinary circumstances for making specific provisions in impaired accounts after obtaining approval from the Board of Directors and with the prior permission of the RBI. Extraordinary circumstances in this regard would refer to losses which do not arise in the normal course of business and are exceptional and non-recurring in nature. These extraordinary circumstances would broadly fall under three categories, *viz.* (i) general, wherein the bank is put unexpectedly to loss due to events such as civil unrest, collapse of currency in a country, natural calamities, pandemics etc.; (ii) market, wherein there is a general meltdown in the markets affecting the entire financial system; and (iii) credit, wherein exceptional credit losses are encountered. Floating provisions for advances and investments would be held separately and cannot be reversed by credit to the profit and loss account. Until utilization of such provisions, they can be netted out from gross non-performing assets to arrive at disclosure of net non-performing assets. Alternatively, floating provisions can be treated as part of Tier II capital within the overall ceiling of 1.25% of total risk-weighted assets.

Analysis of Non-Performing Loans by Industry Sector

The following tables set forth, for the periods indicated, the Bank's domestic NPAs, by borrowers' industry or economic activity and as a percentage of its loans in the respective industry or economic activities sector. These figures do not include credit substitutes.

	As of September 30, 2016			As of September 30, 2017		
	Gross Loans	NPA	% of NPA in Industry	Gross Loans	NPA	% of NPA in Industry
	(₹ million, except percentages)					
Name of the Industry	(unaudited)					
Coal	1,780.00	0.00	0.00	3,093.70	200.00	0.05
Mining	11,000.00	200.00	0.07	10,995.90	910.00	0.24
Iron and Steel	171,950.00	60,140.00	20.14	124,659.40	85,390.00	22.30
Other Metal and Metal Products	38,740.00	12,490.00	4.18	33,719.20	18,560.00	4.85
All Engineering	59,490.00	9,440.00	3.16	52,421.30	12,980.00	3.39
Electronics	8,630.00	10.00	0.00	12,668.20	4,200.00	1.10
Cotton Textiles	32,290.00	7,040.00	2.36	26,245.26	8,210.00	2.14
Jute Textiles	930.00	10.00	0.00	23,661.60	20.00	0.01
Other Textiles	45,520.00	3,090.00	1.03	942.7	9,830.00	2.57
Sugar	25,620.00	4,620.00	1.55	42,440.70	7,900.00	2.06
Tea	1,860.00	0.00	0.00	1,925.20	0.00	0.00
Food Processing	55,070.00	5,550.00	1.86	85,586.40	8,530.00	2.23
Vegetable Oils and Vanaspati	11,930.00	2,140.00	0.72	17,266.63	5,970.00	1.56
Tobacco and Tobacco Products	490.00	20.00	0.01	368.29	20.00	0.01
Paper and Paper Products	18,550.00	3,430.00	1.15	16,399.90	4,190.00	1.09
Rubber and Rubber Products	15,530.00	2,000.00	0.67	13,970.09	2,260.00	0.59
Chemicals, Dyes, Paints etc.	37,020.00	4,540.00	1.52	36,679.69	6,440.00	1.68
(i) of which are Fertilisers	2,590.00	10.00	0.00	2,309.18	10.00	0.00
(ii) of which are Petrochemicals	540.00	100.00	0.03	648.88	100.00	0.03
Cement	14,720.00	650.00	0.22	13,469.04	560.00	0.15
Leather and Leather Products	2,920.00	270.00	0.09	2,727.51	470.00	0.12
Gems and Jewellery	64,410.00	13,840.00	4.63	47,309.20	13,930.00	3.64
Construction	67,480.00	12,450.00	4.17	57,526.07	18,940.00	4.95
Petroleum	27,530.00	6,920.00	2.32	22,931.09	1,650.00	0.43
Automobiles (including rucks)	23,930.00	1,820.00	0.61	24,298.90	3,610.00	0.94
Computer Software	5,440.00	5,440.00	1.82	20,629.10	5,040.00	1.32
Infrastructure	382,610.00	17,470.00	5.85	534,182.70	53,190.00	13.89
NBFCs	334,670.00	28,290.00	9.47	211,470.00	0.00	0.00
Other Industries	72,290.00	52,330.00	17.52	270,192.94	27,510.00	7.19
Total	**1,532,400.00**	**254,200.00**	**85.12**	**1,707,780.71**	**300,510.00**	**78.49**
Residuary Other Advances	1,251,281.20	44,420.50	14.88	1,391,747.69	82,348.40	21.51
Grand Total	**2,783,681.20**	**298,620.50**	**100.00**	**3,099,528.40**	**382,858.40**	**100.00**

Name of the Industry	March 31, 2015			March 31, 2016			March 31, 2017		
	Gross Loans	NPA	% of NPA in Industry	Gross Loans	NPA	% of NPA in Industry	Gross Loans	NPA	% of NPA in Industry
	(₹ million, except percentages)								
Coal	1,341.40	0.00	0.00	2,480.00	0.00	0.00	2,900.00	0.00	0.00
Mining	18,143.40	206.50	0.16	11,460.00	200.00	0.08	10,290.00	200.00	0.06
Iron and Steel	88,059.50	8,666.80	6.65	105,340.00	43,930.00	18.17	110,180.00	85,430.00	25.34
Other Metal and Metal Products	27,966.80	2,765.70	2.12	25,910.00	10,110.00	4.18	27,460.00	12,300.00	3.65
All Engineering	36,854.00	7,215.30	5.54	45,870.00	9,660.00	4.00	50,860.00	10,650.00	3.16
Electronics	8,429.30	4.90	0.00	8,540.00	10.00	0.00	8,480.00	0.00	0.00
Cotton Textiles	22,621.70	2,642.70	2.03	27,810.00	3,210.00	1.33	26,300.00	8,260.00	2.45
Jute Textiles	613.20	16.40	0.01	1,010.00	10.00	0.00	930	10.00	0.00
Other Textiles	45,436.80	6,103.80	4.68	43,460.00	7,980.00	3.30	42,540.00	6,860.00	2.03
Sugar	18,935.00	4,691.00	3.60	23,900.00	30.00	0.01	21,200.00	5,440.00	1.61
Tea	1,496.70	3.30	0.00	1,920.00	0.00	0.00	1,920.00	0.00	0.00
Food Processing	48,178.60	3,179.30	2.44	50,590.00	2,940.00	1.22	56,500.00	8,430.00	2.50
Vegetable Oils and Vanaspati	8,769.60	534.50	0.41	10,020.00	1,640.00	0.68	13,650.00	2,350.00	0.70
Tobacco and Tobacco Products	465.80	22.60	0.02	540	20.00	0.01	370	20.00	0.01
Paper and Paper Products	9,873.50	1,248.30	0.96	13,060.00	2,660.00	1.10	15,800.00	3,580.00	1.06
Rubber and Rubber Products	13,895.80	1,450.30	1.11	13,330.00	1,430.00	0.59	13,830.00	2,120.00	0.63
Chemicals, Dyes, Paints etc.	54,248.50	4,472.80	3.43	36,740.00	7,100.00	2.94	35,980.00	5,730.00	1.70
(i) of which are Fertilisers	26,366.90	24.70	0.02	7,000.00	10.00	0.00	2,310.00	0.00	0.00
(ii) of which are Petrochemicals	1,045.10	400.80	0.31	410	100.00	0.04	650	100.00	0.03
Cement	13,983.50	4,148.80	3.18	13,880.00	4,720.00	1.95	13,550.00	400.00	0.12
Leather and Leather Products	2,709.70	107.00	0.08	2,810.00	140.00	0.06	2,700.00	440.00	0.13
Gems and Jewellery	50,411.10	8,333.10	6.39	49,120.00	10,160.00	4.20	47,350.00	8,530.00	2.53
Construction	60,721.30	7,389.60	5.67	49,740.00	8,410.00	3.48	50,700.00	12,090.00	3.59
Petroleum	25,967.70	1.60	0.00	18,630.00	680.00	0.28	22,830.00	2,680.00	0.79
Automobiles (including rucks)	23,921.60	838.90	0.64	22,460.00	810.00	0.34	22,570.00	3,500.00	1.04
Computer Software	7,420.60	4,669.40	3.58	10.00	0.00	0.00	8,210.00	5,030.00	1.49
Infrastructure	396,052.90	4,563.70	3.50	342,410.00	13,370.00	5.53	403,270.00	49,340.00	14.64
NBFCs	243,122.40	0.00	0.00	365,720.00	15,090.00	6.24	204,630.00	8,110.00	2.41
Other Industries	13,257.40	1,219.50	0.94	13,300.00	1,240.00	0.51	11,590.00	1,430.00	0.42
Total	**1,242,897.80**	**74,495.80**	**57.17**	**1,300,060.00**	**145,540.00**	**60.21**	**1,226,590.00**	**242,930.00**	**72.06**
Residuary Other Advances	1,384,675.20	55,812.90	42.83	1,477,193.20	96,170.00	39.79	1,790,245.60	94,190.00	27.94
Grand Total	**2,627,573.00**	**13,0308.70**	**100.00**	**2,777,253.20**	**241,710.00**	**100.00**	**3,016,835.60**	**337,120.00**	**100.00**

Top Ten Non-Performing Corporate Loans

The following table sets forth, for the period indicated information regarding its ten largest NPAs, classified by industry sector, as well as the value of the collateral securing the loan, as of September 30, 2017. However, the net realizable value of such collateral may be substantially less, if anything. See "Risk Factors — Risks Relating to the Bank's Business - The value of the collateral provided by borrowers against advances may decrease or we may experience delays in enforcing our collateral if borrowers default on their obligations."

Industry	Gross Principal Outstanding	Provisions	Principal Outstanding Net of Provisions for Credit Losses	Security
	(₹ million)			
Basic Metal & Metal Products	99,559.82	36,299.16	63,260.66	341,339.42

Industry	Gross Principal Outstanding	Provisions	Principal Outstanding Net of Provisions for Credit Losses	Security
	(₹ million)			
Infrastructure	45,884.02	18,117.07	27,766.95	115,823.47
Trade	37,841.24	18,402.13	19,439.11	298,932.37
Construction	35,124.23	11,332.08	23,792.14	84,805.95
Food Processing	22,645.28	9,392.68	13,252.60	83,664.85
All Engineering	22,156.93	8,816.04	13,340.88	107,286.72
Textile	18,030.56	6,835.96	11,194.60	65,100.92
Gems & Jewellery	14,812.75	10,348.93	4,463.82	24,762.43
Chemical & Chemical Products	6,423.32	2,570.29	3,853.03	16,965.90
NBFCs	3,710.86	2,488.39	1,222.48	3,237.44
Total	**306,189.01**	**124,602.73**	**181,586.27**	**1,141,919.47**

NPA Management

The Bank is committed to efficiently managing and reducing its NPAs and has implemented the following measures to manage and reduce its NPA ratio:

Slippage Management

(a) Separate Credit Monitoring and Restructuring Department is established in order to strengthen the system of monitoring and ultimately bring down slippages. In order to monitor the accounts based on their level of distress, stressed assets are categorized into three stages of Special Mention Accounts ("SMA") viz. SMA-0, SMA-1 and SMA-2 for effective follow up. Close monitoring of delinquent accounts at its branch, regional and corporate office levels to avoid slippage of such assets to NPA status. There is a review of accounts by special committees called Asset Quality Management Committees ("AQMC") at Regional Office, Field General Manager's Office (FGMO) and Central Office. AQMC at Regional Office and FGMO level meet every month whereas at Central Office level meet every three months to deliberate action plans and short-term and long-term strategy. There is also a status review by the Corporate Office of accounts causing concern, including the formulation of appropriate action plans. The Bank's regional offices and Field General Manager's Office periodically conduct asset quality management committee meetings to discuss the top 100 stress accounts and formulate action plans to convert the accounts to stress-free standard assets. Furthermore, the asset quality management committee meetings are conducted at the Bank's corporate office once a quarter to discuss assets with an outstanding amount of ₹ 250 million and above and an action plan for such accounts.

(b) Triggering the CDR system with respect to large corporate customers to ensure the continuance of such accounts as standard assets.

(c) Undertaking timely financial restructuring of accounts so as to curtail further deterioration in financial condition of such assets. Where an account shows signs of liquidity problems and does not generate enough cash surplus to meet its commitments, such account is reviewed and restructured depending on the financial viability of the account and relevant borrower.

(d) Timely rephasement, rescheduling and/or restructuring of the relevant account so as to avert slippage of such accounts to NPA status. In the case where the borrower is not in a position to make payments to the Bank according to its repayment schedule, the Bank considers the reasons for the borrower's failure to meet its commitments and also the borrower's financial viability. If the Bank considers the delay or failure in repayments justified, instead of initiating action to recover the outstanding amounts, the Bank may rephase or reschedule the borrower's schedule of payment and the amount of installments.

NPA Management

(a) Initiating recovery action on slippage of accounts, including taking non-legal recovery actions or initiating legal action.

(b) Conducting recovery meetings at regional and zonal levels to arrive at settlements which are both cost effective and mutually beneficial. Recovery meetings involve inviting defaulting borrowers to the Bank in order to negotiate and reach mutually agreeable settlement proposals.

(c) Compromise settlements through Lok Adalats, ("people's courts"), established by the Government to facilitate the efficient settlement of disputes by way of mutual agreement. While only claims not exceeding ₹ 2 million can be brought to a Lok Adalat, given that the Lok Adalats do not charge any fees and their decisions are binding on the parties, it is often quicker to resolve disputes through a Lok Adalat than through regular courts. In light of this, the Bank strives to recover NPAs through the Lok Adalats as much as practicable.

(d) Reporting of willful defaulters with overdue amounts equal to ₹ 2.5 million and more to the RBI. The RBI then consolidates the data of such willful defaulters and disseminates this information amongst banks for their use. While the Bank does not rehabilitate or restructure NPAs of a willful defaulter, it enters into an acceptable mutual settlement with such a borrower.

(e) Close monitoring of "compromise settled accounts" for recovery in accordance with the terms of settlement. By maintaining open dialogue with borrowers of the compromise settled accounts, the Bank seeks to recover its NPAs within specified periods and with minimum costs.

(f) Aggressively pursuing and achieving substantial progress in respect of measures allowed to be implemented by the Bank under the SARFAESI Act (as further explained below).

(g) Monitoring the recovery of overdue amounts under any account by law officers subject to a court ruling. The role of such law officers is to liaise with the advocate, branch and debtor and the Debt Recovery Tribunal (DRT) during the relevant debt recovery action, and to take timely action.

(h) Strict adherence to rehabilitation packages under the CDR (for both normal and SME accounts) and monitoring the accounts closely for early recovery.

See "Risk Factors — Risks Relating to our Business — An increase in our portfolio of NPAs or provisioning requirements required under applicable RBI regulations could adversely affect our business, financial condition and results of operations."

SUPERVISION AND REGULATIONS

The following description is a summary of certain laws and regulations in India, which are applicable to the Bank. The information detailed in this section has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to be a substitute for professional legal advice.

Our statutory framework

The main legislation governing commercial banks, the Banking Regulation Act, 1949, applies to corresponding new banks constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, such as the Bank, only to a limited extent. Sections 34A, 36AD and certain other sections as referred to in Section 51 of the Banking Regulation Act, 1949 are applicable to corresponding new banks. The Bank, as a corresponding new bank, is governed primarily by, amongst others, the provisions of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970, and the Union Bank of India (Shares and Meetings) Regulations, 1998.

Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970

The Bank was constituted as a corresponding new bank pursuant to the provisions of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, as amended ("**Banking Companies Act**") which provides the operational framework for the Bank to operate and conduct its business. The Banking Companies Act, provides for, amongst others, operational and management framework; mode and number of directors to be appointed, manner for preparation and closure of accounts, holding meetings and other procedural aspects.

The Banking Companies Act provides that a corresponding new bank shall be governed by the directions provided by the Central Government in consultation with the RBI. Further, the board of directors after consultation with the RBI and with prior consultation of the Central Government may make regulations for, amongst others, (a) power, functions and duties of committees and committees of the board; (b) nature and manner in which the shares maybe held, transferred and all other activities in relation to the rights and duties of the shareholders; (c) procedure and manner in which meetings are to be held; and (d) other procedural aspects as maybe required for the operations of a bank.

The entire paid-up capital of a corresponding new bank, except the paid-up capital raised from public by public issue or preferential allotment or private placement should stand vested in and allotted to the Central Government. No shareholder of the corresponding new bank, other than the Central Government is entitled to exercise voting rights in respect of any shares held by him in excess of 10% of the total voting rights of all the shareholders of the corresponding new bank. However, the shareholder holding any preference share capital in the corresponding new bank will have, in respect of such capital, a right to vote only on resolutions placed before such corresponding new bank, which directly affects the rights attached to his preference shares and no preference shareholder is entitled to exercise voting rights in respect of preference shares held by him in excess of 10% of the total voting rights of all the shareholders holding preference share capital only.

The Banking Companies Act requires the shareholding of GoI in all corresponding new banks, including the Bank, at all times be a minimum of 51%. Further, not more than 20% of the shareholding of all corresponding new banks, including the Bank, can be held by foreign entities. Raising of further capital is permitted under the Banking Companies Act subject to consulting the RBI and obtaining the prior approval of the GoI.

An annual general meeting of every corresponding new bank has to be held at the place of the head office of the bank in each year at such time to be specified by the Board of Directors. However, such annual general meeting has to be held before the expiry of six weeks from the date on which the balance sheet, together with the profit and loss account and Auditor's report is forwarded to the Central Government or to the RBI whichever date is earlier. For details on constitution of the Board of Directors, see "Board of Directors and Key Managerial Personnel".

Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970

The Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 notified under Section 9 of the Banking Companies Act, as amended ("**Nationalised Bank Scheme**") was enacted by the Central Government in consultation with the RBI pursuant to powers granted to it under Section 9 of the Banking Companies Act. The

Nationalised Bank Scheme provides the procedure for the constitution and operations of the board of directors, appointment of the chairman and the managing director, their term and the remuneration payable to a whole time and managing director, the terms of office of the other directors of the board, mode and procedure for the removal and disqualification of directors; including manner of retirement of the nominee directors. The Nationalised Bank Scheme also prescribes the procedure for (a) holding of the meeting of the board of directors; (b) constitution of various advisory committees including the management committee; and (c) manner and procedure for the increase in the paid up capital of the company. Meetings of the board of directors should ordinarily be held at least six times in a year and at least once in each quarter.

Union Bank of India (Shares and Meetings) Regulations, 1998

Pursuant to the powers conferred on the Board by Section 19 of the Banking Companies Act, the Union Bank of India (Shares and Meetings) Regulations, 1998, as amended ("**Bank Regulations**") were brought into force, which provide the framework in relation to the Equity Shares of the Bank and the meetings of the shareholders of the Bank. For further details, see "Description of the Equity Shares".

Reserve Bank of India Act, 1934

Since the Bank is classified as a scheduled bank in the second schedule to the Reserve Bank of India Act, 1934, as amended ("**RBI Act**"), the provisions of the RBI Act applicable to scheduled banks are applicable to us. Under Section 42 of the RBI Act, every scheduled bank is required to maintain with the RBI an average daily balance, an amount not less than such percent of the total of the demand and time liabilities in India as shown in the return of the Bank submitted with the RBI and as the RBI may from time to time, having regard to the needs of securing the monetary stability in the country, notify in the Gazette of India. Every scheduled bank is required to send a fortnightly return to the RBI indicating the demand and time liabilities, the total amount of legal tender notes held by it in India, the balances held by it at other banks in current account and the money at call and short notice in India, its investments (at book value) in Central and State Government securities including treasury bills and treasury deposit receipts, the amount of advances in India, the inland bills purchased and discounted in India and foreign bills purchased and discounted.

Like all corresponding new banks, the Bank is regulated and supervised by the RBI. The RBI requires the Bank to furnish statements, information and certain details relating to its business. It has issued guidelines on several matters including recognition of income, classification of assets, valuation of investments, maintenance of capital adequacy and provisioning for impaired assets. The RBI has set up a Board for Financial Supervision ("**BFS**"), under the chairmanship of the Governor of the RBI. The primary objective of the BFS is to undertake consolidated supervision of the financial sector comprising commercial banks, financial institutions and non-banking finance companies. The appointment of the auditors of banks is subject to the approval of the RBI.

Therefore, the Bank, as a corresponding new bank, is governed primarily by (to the extent applicable) the provisions of the Banking Companies Act, the Banking Regulation Act and the RBI Act and such the other guidelines, regulations, policies, notifications, press releases, circulars that are issued by the RBI, from time to time, in relation to the banking business.

Banking Regulation Act, 1949

All corresponding new banks are also governed by (to the extent applicable) the provisions of the Banking Regulation Act, 1949, as amended by the Banking Regulation (Amendment Act), 2017 ("**Banking Regulation Act**"), which is the primary legislation governing commercial banks in India. The provisions of the Banking Regulation Act are in addition to and not, save as expressly provided in the Banking Regulation Act, in derogation of the Companies Act and any other law for the time being in force.

The RBI has issued various reporting and record keeping requirements for commercial banks. The appointment of the auditors of the banks is subject to the prior approval of the RBI. The RBI can direct a special audit in the interest of the depositors or in the public interest. The RBI also sets out the provisions in relation to the loan granting activities of a banking company. The Banking Regulation Act specifies the business activities in which a bank may engage. Banks are prohibited from engaging in business activities other than the specified activities.

Banks are also required to obtain licences from the RBI to shift their branches otherwise than within the same city, town or village. Further, the RBI requires banks to create a reserve fund to which they must transfer not less

than 20% of their profits of each year before dividends. If there is an appropriation from this account, the bank is required to report the same to the RBI within 21 days, explaining the circumstances leading to such appropriation.

The RBI may impose penalties on banks and its employees in case of infringement of regulations under the Banking Regulation Act. The penalty may be a fixed amount or may be related to the amount involved in any contravention of the regulations. The penalty may also include imprisonment. The banks are required to disclose any penalty imposed on them in their annual report. As per the Banking Regulation (Amendment Act), 2017 the GoI has been given power to the RBI for issuing directions to any banking company to initiate insolvency resolution process in case of a default, under the Insolvency and Bankruptcy Code, 2016.

Regulatory reporting and examination procedures

The RBI is empowered under the Banking Regulation Act to inspect a bank. The RBI monitors prudential parameters at quarterly intervals. To this end and to enable off-site monitoring and surveillance by the RBI, banks are required to report to the RBI on various aspects of their business. The RBI conducts periodical on-site inspections on matters relating to the bank's portfolio, risk management systems, internal controls, credit allocation and regulatory compliance, at intervals ranging from one to three years. The RBI also conducts on-site supervision of selected branches with respect to their general operations and foreign exchange related transactions.

Maintenance of records

The 'Master Direction on Know Your Customer (KYC) Direction, 2016', dated February 25, 2016, framed by the RBI also provide that records pertaining to identification of customers and their addresses obtained while opening the account and during the course of business have to be maintained for a minimum period of five years from the cessation of relationship with the client.

Regulations relating to the opening of branches and ATMs

Section 23 of the Banking Regulation Act requires banks to obtain prior permission of the RBI to open new branches, in or outside India. The RBI issues instructions and guidelines to banks on branch authorization from time to time, including guidelines allowing banking companies to open new branches, banking outlets, closure, shifting of branches/ extension counters/ ATMs etc. With effect from September 19, 2013, domestic scheduled commercial banks may open branches in Tier 1 to Tier 6 centres without prior permission from RBI, subject to the conditions laid down by RBI. Further, such banks may also shift, merge or close all branches except rural branches and sole semi-urban branches without prior permission from RBI, subject to the conditions laid down by RBI. Rural branches and sole semi-urban branches can also be closed subject to certain conditions.

In terms of the Revised Branch Authorisation Policy released by the RBI dated May 18, 2017, the RBI has further stipulated that the banks are required to open at least 25 percent of the total number of branches opened during a financial year in unbanked rural (Tier 5 and Tier 6) centres.

Further, RBI has permitted installation of off-site ATMs at centres identified by banks, without the need for permission from the RBI.

Further, banks are required to periodically report details of the branches opened/closed/shifted to RBI.

Capital adequacy requirements

The RBI has set out the minimum capital adequacy standards for banks based on the Guidelines of the Basel Committee on Banking Supervision. Under the 'Master Circular on Prudential Guidelines on Capital Adequacy and Market Discipline - New Capital Adequacy Framework' dated July 1, 2015, a bank is required to maintain a minimum total Capital to Risk weighted Assets Ratio ("**CRAR**") of 9% on an on-going basis and Tier 1 CRAR of at least 7%.

In January 2006, the RBI issued guidelines permitting banks to issue perpetual debt with a call option after not less than 10 years, to be exercised with its prior approval, for inclusion in Tier I Capital up to a maximum of 15% of total Tier I capital as on March 31st of the previous financial year. The RBI also permitted banks to issue debt instruments with a minimum maturity of 15 years and a call option after not less than 10 years, to be exercised with its prior approval, for inclusion in Tier II capital. In July 2006, the RBI issued guidelines permitting the

issuance of Tier I and Tier II debt instruments denominated in foreign currencies. In October 2007, the RBI issued guidelines for issuance of certain type of preference shares as part of the regulatory capital.

The RBI Basel III capital regulations were introduced in May 2012 and become effective from April 1, 2013 in a phased manner. In March 2013, the RBI deferred the implementation of credit valuation adjustment risk capital charges to January 1, 2014 due to certain issues related to introduction of mandatory forex forward guaranteed settlement through a central counterparty. On December 31, 2013, RBI further extended the abovementioned implementation timeline to April 1, 2014. Basel III capital regulations will be fully implemented by March 31, 2019. ("**Basel III Capital Regulations**").

Please find below some of the Basel III requirements which are applicable to banks:

*Capital Conservation Buffer ("**CCB**")*

Additionally, as per the Basel III Capital Regulations, banks are required to maintain a CCB of 2.50%, comprised of common equity Tier 1 capital, above the regulatory minimum capital requirement of 9% asset out below:

Minimum capital ratios in %	**March 31, 2014**	**March 31, 2015**	**March 31, 2016**	**March 31, 2017**	**March 31, 2018**	**March 31, 2019**
Minimum Common Equity Tier 1 ("**CET1**")	5	5.5	5.5	5.5	5.5	5.5
CCB	-	-	0.625	1.25	1.875	2.5
Minimum CET1+ CCB	5	5.5	6.125	6.75	7.375	8
Minimum Tier 1 capital	6.5	7	7	7	7	7
Minimum Total Capital(1)	9	9	9	9	9	9
Minimum Total Capital +CCB	9	9	9.625	10.25	10.875	11.5

Note:

1. The difference between the minimum total capital requirement of 9% and the Tier 1 requirement can be met with Tier 2 and higher forms of capital.

A CCB is applicable both at the solo level (global position) as well as at the consolidated level, i.e. restrictions would be imposed on distributions at the level of both the solo bank and the consolidated group. RBI may also consider accelerating the build-up of the CCB and shorten the transition periods, if the situation warrants so.

Restriction of Distribution

Banks should not distribute capital (i.e. pay dividends or bonuses in any form) in case capital level falls within this range. The distribution constraints imposed on banks when the capital levels fall into the range increase as the bank's capital levels approach the minimum requirements. The table set forth below indicates the minimum capital conservation ratios the bank must meet at various levels of the common equity Tier 1 capital ratios:

Minimum capital conservation standards for individual banks (fully effective from March 31 2019)	
Common Equity Tier 1 Ratio after including the current periods retained earnings	Minimum Capital Conservation Ratios
5.500% - 6.125%	100%
>6.125% - 6.750%	80%
>6.750% - 7.375%	60%
>7.375% - 8%	40%

>8%	NIL

Minimum Capital Conservation Ratio

During the Basel III transition period, banks have to refer to the following table for meeting the minimum capital conservation ratios at various levels of the common equity Tier 1 capital ratios:

Common Equity Tier 1 Ratio after including the current periods retained earnings			**Minimum Capital Conservation Ratios (expressed as % of earnings)**
As on March 31, 2016	**As on March 31, 2017**	**As on March 31, 2018**	
5.5% - 5.65625%	5.5% - 5.8125%	5.5% - 5.96875%	100%
>5.65625% - 5.8125%	>5.8125% - 6.125%	> 5.96875% - 6.4375%	80%
>5.8125% - 5.96875%	>6.125% - 6.4375%	> 6.4375% - 6.90625%	60%
>5.96875% - 6.125%	>6.4375% - 6.750%	> 6.90625% - 7.375%	40%
>6.125%	>6.750%	>7.375%	NIL

*Liquidity coverage ratio ("**LCR**")*

The Basel III Framework on Liquidity Standards includes liquidity coverage ratio ("**LCR**"), net stable funding ratio ("**NSFR**") and liquidity risk monitoring tools. The RBI had issued draft guidelines on liquidity risk management and Basel III framework on 'Liquidity Standards' in February 2012. After taking into account the feedback received from stakeholders, the guidelines on liquidity risk management were issued in November 2012. These included enhanced guidance on liquidity risk governance, and measurement, monitoring and reporting to the RBI on liquidity positions. The Basel III liquidity standards were subject to an observation period/revision by the Basel Committee with a view to addressing any unintended consequences that the standards may have for financial markets, credit extension and economic growth. The RBI, through a notification dated June 9, 2014 stated that the LCR will be introduced in a phased manner starting with a minimum requirement of 60% from January 1, 2015 and reaching a minimum of 100% on January 1, 2019.

Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances

Pursuant to the 'Master Circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances' dated July 1, 2015 ("**Master Circular/Prudential Norms**"), the RBI has classified Non-Performing Asset ("**NPA**") as (i) sub-standard assets; (ii) doubtful assets; and (iii) loss assets. These guidelines specify provisioning requirements specific to the classification of the assets.

In July 2005, the RBI issued guidelines on sales and purchases of NPAs between banks, financial institutions and NBFCs. These guidelines require that the board of directors of a bank must establish a policy for purchases and sales of NPAs. As per an RBI notification dated February 26, 2014, banks were permitted to sell their NPAs without any initial holding period. In October 2007, the RBI issued guidelines regarding valuation of NPAs being put up for sale. Further, the RBI has advised banks to maintain provisioning coverage ratio of at least 70% of Gross NPAs as on September 30, 2010.

Pursuant to the Master Circular, the provision has been increased to 5% of total exposure in respect of new restructured standard accounts where the total dues to banks are below ₹1, with effect from June 1, 2013 and in a phased manner for the stock of restructured standard accounts as of May 31, 2013 as follows:

(a) 3.50% with effect from March 31, 2014 (spread over the four quarters of 2013-2014);

(b) 4.25% with effect from March 31, 2015 (spread over the four quarters of 2014-2015); and

(c) 5% with effect from March 31, 2016 (spread over the four quarters of 2015-2016).

Corporate Debt Restructuring ("CDR") Mechanism

The institutional mechanism for restructuring has been set up through the establishment of the CDR Mechanism ("**CDR System**") in 2001.The CDR System is a joint forum of all banks and financial institutions and operates as

a non-judicial body. Decisions in relation to a particular advance require a super-majority amongst the participating banks and financial institutions. The Prudential Norms mentioned above equally apply to the accounts restructured under the CDR System.

Guidelines on Sale of Stressed Assets by Banks

The Guidelines on Sale of Stressed Assets by Banks dated September 1, 2016 issued by RBI provides the framework governing sale of stressed assets by banks to securitisation companies/reconstruction companies (created under the SARFAESI Act)/other banks non-banking financial companies/financial institutions. The salient features of the guidelines are as follows:

(a) At least once in a year, preferably at the beginning of the year, banks shall, through the approval of their board of directors, identify and list internally the specific financial assets identified for sale to other institutions;

(b) At a minimum, all assets classified as 'doubtful assets' above a threshold amount need to be reviewed by the board of directors or a committee thereof on a periodic basis and a view on exit or otherwise shall be taken;

(c) In order to make sure that sale of stressed assets by banks actually result in 'true sale' of assets and to create a vibrant stressed assets market, it has been decided to progressively restrict banks' investment in security receipts backed by their own stressed assets;

(d) Banks should have clear policies with regard to valuation of assets proposed to be sold. In particular it must be clearly specified as to in which cases internal valuation would be accepted and where external valuation would be needed. However, in case of exposures beyond ₹500 million, banks shall obtain two external valuation reports.

(e) In order to attract a wide variety of buyers, the invitation for bids should preferably be publicly solicited so as to enable participation of as many prospective buyers as possible. In such cases, it would be desirable to use e-auction platforms. Banks should also lay down a board approved policy in this regard;

(f) A bank offering stressed assets for sale shall offer the first right of refusal to securitization companies / reconstruction companies which have already acquired the highest and at the same time a significant share (~25-30%) of the asset, for acquiring the asset by matching the highest bid; and

(g) Banks shall put in place a board approved policy for adoption of the swiss challenge method for sale of their stressed assets to securitization companies/reconstruction companies / non-banking financial companies / financial institutions, amongst others. The broad contour of the swiss challenge method is also provided in these guidelines.

Scheme for Sustainable Structuring of Stressed Assets

The Scheme for Sustainable Structuring of Stressed Assets, dated June 13, 2016 ("**Scheme**") and the Scheme for Sustainable Structuring of Stressed Assets Revisions dated November 10, 2016 ("Revision Scheme") has been issued by RBI to ensure that adequate deep financial restructuring is done to give projects a chance of sustained revival and to facilitate the resolution of large accounts. The Scheme allows banks to rework stressed loans under the oversight of an external agency. For an account to be eligible for restructuring under the Scheme, the following conditions should have been met: (i) the project should have commenced commercial operations; (ii) the aggregate exposure (including accrued interest) of all institutional lenders in the account should exceed ₹5 billion (including rupee loans, foreign currency loans / external commercial borrowings); and (iii) the debt should be sustainable. A sustainable debt is one where the principal value of all debts owed to institutional lenders can be repaid if the future cash flows (return from the project) remain at their current level. A techno-economic viability study by the bank/joint lenders' forum/consortium of lenders shall be conducted to assess the debt level as sustainable. Additionally, for the Scheme to apply, sustainable debt should not be less than 50% of the current funded liabilities.

Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 as amended by the Enforcement of Security Interest and Recovery of Debt Laws and Miscellaneous Provisions (Amendment) Act, 2016

The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended by the Enforcement of Security Interest and Recovery of Debt Laws and Miscellaneous Provisions (Amendment) Act, 2016. ("**SARFAESI Act**") provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. The Prudential Norms issued by the RBI prescribe the process to be followed for sales of financial assets to asset reconstruction companies. The banks cannot sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realisation. However, banks may sell specific financial assets with an agreement to share in any surplus realised by the asset reconstruction company in the future. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets. The security interests covered by the SARFAESI Act are security interests over immovable and movable property, existing or future receivables, certain intangible assets (such as know-how, patents, copyrights, trademarks, licenses, franchises) and any debt or any right to receive payment of money, or any receivable, present or future, and in which security interest has been created. In the event that the secured creditor is unable to recover the entire sum due by exercise of the remedies under the SARFAESI Act in relation to the assets secured, such secured creditor may approach the debt recovery tribunal or the relevant court for the recovery of the balance amounts. A secured creditor may also simultaneously pursue its remedies under the SARFAESI Act as well as the debt recovery tribunal.

Recovery of Debts Due to Banks and Financial Institutions Act, 1993

The Recovery of Debts Due to Banks and Financial Institutions Act, 1993, as amended, ("**RDDBFI Act**"), was enacted for adjudication of disputes pertaining to debts due to banks and financial institutions exceeding ₹1 million. The RDDBFI Act provides for the constitution of debt recovery tribunals, before which banks and financial institutions may file applications for recovery of debts, and such debt recovery tribunals may pass orders for directions including recovery by the bank or financial institution of such dues as may be deemed fit along with a recovery certificate to such effect from the presiding officer of the respective debt recovery tribunal, directions for attachment of the properties secured towards the dues to the bank or financial institution, injunctive orders restraining the debtors from alienating, transferring or disposing of such secured properties, appointment of receivers and/or local commissioners with respect to such secured properties and distribution of proceeds from sale of such secured properties towards dues payable to the applicant banks and financial institutions. Pursuant to the recovery certificate being issued, the recovery officer of the respective debt recovery tribunal shall effectuate the final orders of the debt recovery tribunal in the application. Unless such final orders of the debt recovery tribunal have been passed with the consent of the parties to an application, an appeal may be filed against such final orders of the debt recovery tribunal before the debt recovery appellate tribunal, which is the appellate authority constituted under the RDDBFI Act. Upon enactment of the RDDBFI Act, all original suits filed before various courts and authorities in India were transferred before the debt recovery tribunals in the same jurisdiction for adjudication and disposal.

Priority Sector Lending

The 'Master Direction on Reserve Bank of India (Priority Sector Lending –Targets and Classification) Directions, 2016', dated July 7, 2016 ("**Master Direction**"), has set out the broad policy in relation to priority sector lending. In accordance with the Master Direction, the priority sectors for all scheduled banks include: (a) agriculture; (b) micro and small enterprises; (c) export credit; (d) education; (e) housing; (f) social infrastructure; (g) renewable energy; and (h) others. Under the RBI guidelines, the priority sector lending targets are linked to adjusted net bank credit (net bank credit plus investments made by banks in non-statutory liquidity bonds included in the held-to-maturity category and not taking in account the recapitalisation bonds floated by the Government) or credit equivalent amount of off-balance sheet exposure, whichever is higher, as on March 31st of the previous year. Currently, the total priority sector lending target for domestic banks is 40% of the adjusted net bank rate or credit equivalent amount of off-balance sheet exposure, whichever is higher.

In February 2011, the RBI excluded loans sanctioned to NBFCs, which are then lent onwards to individuals and entities with gold jewellery as collateral, from classification as direct agriculture lending under priority sector requirements. Similarly, investments made by banks in securitised assets originated by NBFCs, where the underlying assets were loans secured against gold jewellery, and the purchase/assignment of a gold loan portfolio from NBFCs, were also made ineligible for classification under agriculture sector lending. In May 2011, the RBI declassified fresh loans to NBFCs for on-lending to individuals, so that such loans were no longer a priority sector, effective from April 1, 2011. Pursuant to this circular, loans extended by banks to NBFCs are classified as priority sector advances only if the NBFC is registered as a NBFC–MFI under applicable law. However, loans to

microfinance institutions, including NBFCs operating as microfinance companies, sanctioned prior to April 1, 2011, for on-lending to individuals, continue to be eligible for classification under the priority sector category.

Export Credit

As per the 'Master Circular on Rupee/Foreign Currency Export Credit and Customer Service to Exporters', dated July 1, 2015, the banks can make short term working capital finance available to exporters at internationally comparable interest rates. Banks can offer export credit at interest rates at or above the base rate. Pre-shipment and post-shipment export credit can be provided in both Indian Rupees and foreign currencies. The scheme is applicable to all scheduled commercial banks.

The Insolvency and Bankruptcy Code, 2016

The Insolvency and Bankruptcy Code, 2016 ("**IBC**") was enacted and notified in the Gazette of India on May 5, 2016. The IBC became a single law that deals with insolvency and bankruptcy - consolidating and amending various laws relating to reorganization and insolvency resolution. The IBC covers individuals, companies, limited liability partnerships, partnership firms and other legal entities as may be notified, except the financial service providers and is aimed at creating an overarching framework to make it easier for sick companies to either wind up their businesses or engineer a turnaround, and for investors to exit. The salient features of the IBC are as follows:

(a) The IBC provides for a clear, coherent and speedy process for early identification of financial distress and resolution of companies and limited liability entities if the underlying business is found to be viable. Under the provisions of the IBC, insolvency resolution can be triggered at the first instance of default and the process of insolvency resolution has to be completed within the stipulated time limit;

(b) For individuals, the IBC provides for two distinct processes, namely – 'Fresh Start' and 'Insolvency Resolution' and lays down the eligibility criteria for the debtor for the purposes of making an application for a 'fresh start' process;

(c) The National Company Law Tribunal and the Debt Recovery Tribunal are designated as the adjudicating authorities for corporate persons and firms and individuals, respectively, for resolution of insolvency, liquidation and bankruptcy;

(d) The IBC also provides for establishing the Insolvency and Bankruptcy Board of India for regulation of insolvency professionals, insolvency professional agencies and information utilities;

(e) Insolvency professionals will assist in the completion of insolvency resolution, liquidation and bankruptcy proceedings envisaged in the IBC. Insolvency professional agencies will develop professional standards, code of ethics and will be first level regulators for insolvency professionals leading to the development of a competitive industry for such professionals. Information utilities will collect, collate, authenticate and disseminate financial information to facilitate such proceedings; and

(f) The IBC also proposes to establish a fund, the Insolvency and Bankruptcy Fund of India for the purposes of insolvency resolution, liquidation and bankruptcy of persons.

The President of India, on 23 November 2017 gave his assent to the ordinance to amend the Insolvency and Bankruptcy Code, 2016 (the "**Ordinance**"). The Ordinance aims at putting in place safeguards to prevent unscrupulous, undesirable persons from misusing or vitiating the provisions of the IBC. The amendments aim to keep-out such persons who have willfully defaulted, are associated with non-performing assets, or are habitually non-compliant and, therefore, are likely to be a risk to successful resolution of insolvency of a company. In addition to putting in place restrictions for such persons to participate in the resolution or liquidation process, the amendment also provides such check by specifying that the Committee of Creditors ("**CoC**") ensure the viability and feasibility of the resolution plan before approving it. The Insolvency and Bankruptcy Board of India has also been given additional powers. Some of the noteworthy amendments are as follows:

(i) The IBC is amended to enable the 'resolution professional', with the approval of the CoC, to specify eligibility conditions while inviting resolution plans from prospective resolution applicants keeping in view the scale and complexity of operations of business of the corporate debtor to avoid frivolous applicants;

(ii) Certain persons are considered ineligible to be a resolution applicant. Those being made ineligible, amongst others, include:

- willful defaulters;
- those who have their accounts classified as Non-Performing Assets (NPAs) for one year or more and are unable to settle their overdue amounts include interest thereon and charges relating to the account before submission of the Resolution Plan;
- those who have executed an enforceable guarantee in favour of a creditor, in respect of a corporate debtor undergoing a corporate insolvency resolution process or liquidation process under the IBC; and
- persons connected to the above, such as those who are promoters or in management of control of the resolution applicant, or will be promoters or in management of control of corporate debtor during the implementation of the resolution plan, the holding company, subsidiary company, associate company or related party of the above referred persons;

Exposure Norms

As a prudent measure aimed at better risk management and avoidance of concentration of credit risk, the RBI has prescribed credit exposure limits for banks and long-term lending institutions in respect of their lending to individual borrowers and to all companies in a single group (or sponsor group). The RBI has prescribed exposure ceiling for a single borrower as 15% of capital funds and group exposure limit as 40% of capital funds. The limit may be increased to 20% and 50%, respectively, provided that the excess exposure is on account of extension of credit for infrastructure projects. Banks may, in exceptional circumstances, with the approval of their board of directors, consider enhancement of the exposure to a borrower up to further 5% of capital funds, subject to the borrower (single or group) consenting to the banks making appropriate disclosures in their annual reports. The limit may be increased to 15% and 20%, respectively, provided that the excess exposure is on account of funds lent by the NBFC to infrastructure sectors.

The aggregate exposure of a bank to the capital markets in all forms (both fund based and non-fund based) should not exceed 40% of its net worth, as on March 31st of the previous year. Within this overall ceiling, the bank's direct investment in shares, convertible bonds, convertible debentures, units of equity-oriented mutual funds and all exposures to venture capital funds (both registered and unregistered) should not exceed 20% of its net worth.

Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks

Pursuant to the 'Master Circular on Prudential norms for Classification, Valuation and Operation of Investment Portfolio by Banks', dated July 1, 2015, the RBI has classified the investment portfolio of banks (including statutory liquid ratio securities and non- statutory liquid ratio securities securities) as (i) held to maturity, (ii) available for sale, and (iii) held for trading. Investments classified under held to maturity need not be marked to market and will be carried at acquisition cost, unless it is more than the face value, in which case the premium should be amortised over the period remaining to maturity. The individual scrips in the 'available for sale' category will be marked to market at quarterly or at more frequent intervals. Domestic securities under this category shall be valued scrip-wise and depreciation / appreciation shall be aggregated for each classification. Foreign investments under this category shall be valued scrip-wise and depreciation / appreciation shall be aggregated for five classifications (i.e. Government securities, other approved securities, shares, debentures and bonds, subsidiaries and / or joint ventures abroad and other investments (to be specified)). Further, the investment in a particular classification, both in domestic and foreign securities, may be aggregated for the purpose of arriving at net depreciation / appreciation of investments under that category. Net depreciation, if any, is to be provided for and net appreciation, if any, is to be ignored. Net depreciation required to be provided for in any one classification is required to not be reduced on account of net appreciation in any other classification. The individual scrips in the 'held for trading' category will be marked to market at monthly or at more frequent intervals and provided for as in the case of those in the 'available for sale' category. In respect of securities included in any of the three categories where interest / principal is in arrears, banks are required to not rely on income from the securities and to make appropriate provisions for the depreciation in the value of the investment.

Short-Selling of Government Securities

As per the 'Master Circular on Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks' dated July 1, 2015, banks and primary dealers are allowed to undertake short sale of Government dated securities, subject to the short position being covered within a maximum period of three months, including the day of trade. Further, such short positions shall be covered only by outright purchase of an

equivalent amount of the same security or through a long position in the 'When Issued' market or allotment in primary auction.

Regulations relating to Interest Rates on Rupee Deposits Held in Domestic, Non-Resident Ordinary ("NRO") and Non-Resident External ("NRE") Accounts

As per the 'Master Circular on Interest Rates on Rupee Deposits held in Domestic, NRO and NRE Accounts', dated July 1, 2015, the RBI has permitted banks to independently determine their interest rates on savings and term deposits (minimum period of seven days) under domestic/NRO accounts. Banks are also free to determine interest rates for savings deposits and term deposits of maturity of one year and above, under NRE deposit accounts. However, interest rates offered by banks on NRO and NRE deposits cannot be higher than those offered by them on comparable domestic Rupee deposits.

With respect to savings and time deposits accepted from resident employees and senior citizens, the Bank is permitted by the RBI to pay additional interest over the interest payable on deposits from the public, which must not exceed 1% in case of accounts of employees.

With a view to increasing the availability of financial services across regions and population segments, in August 2012, the RBI advised banks to make available a "Basic Savings Bank Deposit Account" account requiring no minimum balances and charges, making these accounts accessible to low-income segments of the population.

Deposit Insurance

Demand and time deposits of up to ₹100,000 accepted by Indian banks (other than primary co-operative societies) have to be mandatorily insured with the Deposit Insurance and Credit Guarantee Corporation **(**"**DICGC**"), a wholly-owned subsidiary of the RBI. Banks are required to pay the insurance premium for the eligible amount to the DICGC on a half yearly basis. The cost of the insurance premium cannot be passed on to the customer.

Prevention of Money Laundering Act, 2002

In order to prevent money laundering activities, the Government enacted the Prevention of Money Laundering Act, 2002, as amended ("**PMLA**"), which seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in money laundering, and for incidental matters connected therewith. Section 12 of the PMLA casts certain obligations on, amongst others, banking companies in regard to preservation and reporting of customer account information. The RBI has advised all banks to go through the provisions of the PMLA and the rules notified thereunder and to take all steps considered necessary to ensure compliance with the requirements of Section 12 of the PMLA.

Regulations Relating to Know Your Customer and Anti-Money Laundering

The RBI issued a Master Direction – Know Your Customer (KYC) Directions, 2016 on February 25, 2016, prescribing the guidelines for KYC and AML procedures. Banks are required to formulate their KYC policies which, at a minimum, must incorporate: (a) a customer acceptance policy (laying down explicit criteria for acceptance of customers and defining risk parameters); (b) customer identification procedures (including the allotment of the unique customer identification code for existing customers by March 31, 2014); (c) monitoring of transactions; and (d) risk management. The guidelines provide that banks should undertake customer identification procedures when: (a) establishing a banking relationship; (b) carrying out a financial transaction; (c) the bank doubts the authenticity or the adequacy of the previously obtained customer identification data; (d) when banks sell third party products as agents; (e) while selling banks' own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for more than ₹50,000 (f) when carrying out transactions for a non-account based customer, that is a walk-in customer, where the amount involved is equal to or exceeds ₹50,000, whether conducted as a single transaction or several transactions that appear to be connected; or (g) when a bank/FI has reason to believe that a customer (account-based or walk-in) is intentionally structuring a transaction into a series of transactions below the threshold of ₹50,000.

With effect from April 1, 2012, banks are not permitted to make payment of cheques, drafts, pay orders or banker's cheques bearing that date or any subsequent date, if they are presented beyond the period of three months from the date of such instrument.

In July 2013, RBI stipulated instructions that are required to be followed by the banks while selling third party products for mitigating reputational risk to banks and to enable a holistic view of a customer's transactions.

Regulations relating to Maintenance of Statutory Reserves

A bank is required to maintain on a daily basis, Cash Reserve Ratio ("**CRR**"), which is a specified percentage of its net demand and time liabilities, excluding interbank deposits, by way of a balance in a current account with the RBI. The CRR is 4% with effect from February 9, 2013. The RBI does not pay any interest on CRR balances. The CRR has to be maintained on an average basis for a fortnightly period and should not be below 95% of the required CRR on any day of the fortnight. The RBI may impose penal interest at the rate of 3% above the bank rate on the amount by which the reserve falls short of the CRR required to be maintained on a particular day and if the shortfall continues further the penal interest charged shall be increased to a rate of 5% above the bank rate in respect of each subsequent day during which the default continues.

In addition to the CRR, a bank is required to maintain its Statutory Liquidity Ratio ("**SLR**") a specified percentage of its net demand and time liabilities by way of liquid assets like cash, gold or approved unencumbered securities. The percentage of this liquidity ratio is fixed by the RBI from time to time, pursuant to Section 24 of the Banking Regulation Act. At present, the RBI requires banks to maintain SLR of 19.5%.

Regulations relating to Authorised Dealers for Foreign Exchange and Cross-Border Business Transactions

The foreign exchange and cross border transactions undertaken by banks are subject to the provisions of the Foreign Exchange Management Act, 1999, as amended ("**FEMA**"). All branches should monitor all non-resident accounts to prevent money laundering. The 'Master Direction External Commercial Borrowings, Trade Credit, Borrowing and Lending in Foreign Currency by Authorised Dealers and Persons other than Authorised Dealers on External Commercial Borrowings', dated January 1, 2016, states that no financial intermediary, including banks, will be permitted to raise external commercial borrowings or provide guarantees in favour of overseas lenders for external commercial borrowings.

The 'Master Direction on Risk Management and Interbank Dealings', dated July 5, 2016, states that all categories of overseas foreign currency borrowings of banks, including existing external commercial borrowings and loans or overdrafts from their head office, overseas branches and correspondents and overdrafts in nostro accounts (not adjusted within five days), shall not exceed 100% of their unimpaired Tier I capital or U.S.$10 million (or its equivalent), whichever is higher. Overseas borrowings for the purpose of financing export credit, capital funds raised/augmented by the issue of innovative perpetual debt instruments and debt capital instruments in foreign currency, subordinated debt placed by head offices of foreign banks with their branches in India as Tier II capital and any other overseas borrowings with the specific approval of the RBI would continue to be outside the limit of 100%.

Secrecy obligations

A bank's obligations relating to maintaining secrecy arise out of common law principles governing its relationship with its customers. Subject to certain exceptions, a bank cannot disclose any information to third parties. Further, the RBI may, in the public interest, publish the information obtained from the bank.

Guidelines on Management of Intra-Group Transactions and Exposures

The RBI issued the Guidelines on Management of Intra-Group Transactions and Exposures ("**Guidelines**") on February 11, 2014. Pursuant to the said Guidelines, RBI has prescribed quantitative limits on financial intra- group transactions and exposures and prudential measures for the non-financial intra-group transactions and exposures. The objective of these Guidelines is to ensure that banks engage in intra-group transactions and exposures in safe and sound manner in order to contain concentration and contagion risks arising out of such transactions. These Guidelines became effective from October 1, 2014.

Framework for Revitalising Distressed Assets in the Economy

RBI issued the Framework for Revitalising Distressed Assets in the Economy ("**Framework**") on January 30, 2014, which lays down the corrective action plan that will incentivise early identification of problem cases, timely restructuring of accounts which are considered to be viable, and taking prompt steps by banks for recovery or sale of unviable accounts. The salient features of this Framework include, amongst others, (i) early formation of a

lenders' committee with timelines to agree to a plan for resolution, (ii) incentives for lenders to agree collectively and quickly to a plan - better regulatory treatment of stressed assets if a resolution plan is underway, accelerated provisioning if no agreement can be reached, and (iii) independent evaluation of large value restructurings mandated, with a focus on viable plans and a fair sharing of losses (and future possible upside) between promoters and creditors. This Framework became fully effective from April 1, 2014.

In this regard, the RBI issued Guidelines on a Joint Lenders' Forum ("**JLF**") and a Corrective Action Plan ("**CAP**") detailing guidelines on formation of the JLF and adoption of the CAP for operationalising the aforementioned framework.

Special status of banks in India

The special status of banks is recognised under various statutes including the RDDBFI Act and the SARFAESI Act. As a bank, the Bank is entitled to certain benefits under the provisions of these legislations.

The Banking Ombudsman Scheme, 2006

The Banking Ombudsman Scheme, 2006, as amended ("**Banking Ombudsman Scheme**"), provides the extent and scope of the authority and functions of the banking ombudsman for redressal of grievances against deficiency in banking services, concerning loans and advances and other specified matters. On July 1, 2017, the scope of the Banking Ombudsman Scheme was widened to include, amongst others, deficiencies arising out of sale of insurance/ mutual fund/ other third party investment products by banks and to provide for revised procedures for redressal of complaints settled by agreement.

Restrictions on Investments in a Single Company

A bank may hold shares in a subsidiary company in accordance with the provisions of the Banking Regulation Act. Further the RBI 'Guidelines on Investments in Subsidiaries and Other Companies', dated December 12, 2011 and the 'Master Circular on Para Banking Activities' dated July 1, 2015, lays down the framework for banks investments in companies which are not subsidiaries.

Classification and Reporting of Fraud Cases

The RBI 'Frauds Classification and Reporting by Commercial Banks and Select FIs Directions 2016' dated July1, 2016, provides a framework for enabling banks to detect and report frauds early and taking timely consequent actions like reporting to the investigative agencies so that fraudsters are brought to book early, examining staff accountability and do effective fraud risk management. The fraud cases have been classified into misappropriation and criminal breach of trust, fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property, unauthorised credit facilities extended for reward or for illegal gratification, negligence and cash shortages, cheating and forgery, fraudulent transactions involving foreign exchange and any other type of fraud not coming under the specific heads as above. Information relating to frauds for the quarters ending June, September and December shall be placed before the audit committee of the board of directors. Banks are also required to conduct an annual review of the frauds and place a note before the board of directors for information.

Additionally, Banks have to constitute a special committee for monitoring and follow up of cases of frauds involving amounts of ₹10 million and above exclusively. Such committee is required to meet and review as and when a fraud involving an amount of ₹10 million and above comes to light. Pursuant to the RBI notification dated January 21, 2016, the RBI, has amongst others, increased the limits in relation to flash reporting to the RBI of fraud cases to ₹50 million as against the earlier limit of ₹10 million and above.

Guidelines relating to Setting up of Payments Banks

The RBI has also issued guidelines dated November 27, 2014 on licensing of 'payments banks' in the private sector in the banking industry, including the eligibility criteria, scope, capital requirements, shareholding structure, prudential norms, and other corporate governance practices applicable to such proposed entities. Further, the RBI on October 6, 2016 issued separate operating guidelines for payments banks considering the differential nature of business and financial inclusion focus of these banks.

Lending to Micro, Small & Medium Enterprises sector

The 'Master Direction on Lending to Micro, Small & Medium Enterprises ("**MSME**") Sector' dated July 21, 2016, stipulates provisions relating to lending to MSME Sector. Given the importance of the micro, small and medium enterprises for India's economy, the financing needs of this sector will continue to command special attention. The provisions shall apply to every Scheduled Commercial Bank (excluding Regional Rural Banks) licensed to operate in India by the RBI.

Declaration of dividend by bank

The payment of dividends by banks is subject to restrictions under the Banking Regulation Act. Section 15(1) of the Banking Regulation Act states that no banking company may pay any dividend on its shares until all its capitalised expenses (including preliminary expenses, organisation expenses, share-selling commissions, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off. In addition, Section 17(1) of the Banking Regulation Act requires every banking company to create a reserve fund and, out of the balance of the profit of each year as disclosed in the profit and loss account, transfer a sum equivalent to not less than 20% of such profit to the reserve fund before declaring any dividend.

Further, in May 2005, the RBI issued Guidelines on Declaration of Dividends by Banks, which prescribed certain conditions for declaration of dividends by banks, such as:

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

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

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

(d) any dividend can only be paid out of profit in the year in which the dividend is to be paid;

(e) the maximum permissible dividend payout ratio is 40% of net profit in the year in which the dividend is to be paid;

(f) in case the profit for the relevant period includes any extra-ordinary profits/income, the payout ratio shall be computed after excluding such extra-ordinary items for reckoning compliance with the prudential payout ratio;

(g) the RBI should not have placed any explicit restrictions on the bank for declaration of dividends;

(h) the financial statements pertaining to the financial year for which the bank is declaring a dividend should be free of any qualifications by the statutory auditors which have an adverse bearing on the profit during that year. In case of any qualification to that effect, the net profit should be suitably adjusted while computing the dividend payout ratio;

(i) in case the profit for the relevant period includes any extra-ordinary profits/income, the payout ratio shall be computed after excluding such extra-ordinary items for reckoning compliance with the prudential payout ratio; and

(j) the dividend payout is linked to a matrix of the Bank's CRAR and NPA ratios.

The RBI has pursuant to a notification dated March 27, 2014 laid down framework for implementation of Basel III Capital Regulations in India. In terms of Basel III Capital Regulations issued by the RBI, the Capital Conservation Buffer ("**CCB**") was scheduled to be implemented from March 31, 2015 in phases and would be fully implemented from March 31, 2018. The CCB was implemented on March 31, 2016. Consequently, Basel III Capital Regulations will be fully implemented as on March 31, 2019. Further, Basel III Capital Regulations

also impose certain constraints on distributions (i.e. payment of dividend or bonuses in any form etc.) in case the capital level of banks falls within the stipulated range as prescribed by the CCB (i.e. capital conservation and countercyclical buffers, etc.).

Implementation of Indian Accounting Standards

MCA notified the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015, pursuant to which the banking companies were exempted to comply with Indian Accounting Standards ("**Ind AS**") for preparation of financial statements. However, in terms of the MCA press release dated January 18, 2016, the scheduled commercial banks are required to prepare Ind AS based financial statements on consolidated and standalone basis in relation to accounting period beginning from April 1, 2018 onwards, with comparatives for the period ending March 31, 2018 or thereafter and not even voluntarily before that. Further, pursuant to the notification dated February 11, 2016, RBI has advised scheduled commercial banks to, amongst others, set up a Steering Committee headed by an official of the rank of an Executive Director (or equivalent) comprising members from cross-functional areas of the bank to immediately initiate the Ind AS implementation process. On June 23, 2016 pursuant to the circular bearing number RBI/2015-16/429 DBR.BP.BC.No.106/21.07.001/2015-16, RBI directed all scheduled commercial banks (excluding regional rural banks) to submit proforma Ind AS financial statements, for the half year ended September 30, 2016 latest by November 30, 2016 to the Principal Chief General Manager, Department of Banking Regulation, Central Office, Reserve Bank of India, Mumbai. Banks shall be guided by the Ind AS notified by the MCA under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016, as amended from time to time, in this regard.

Regulations relating to Making Loans

The provisions of the Banking Regulation Act govern the advancing of loans by banks in India. The RBI issues directions covering the lending activities of banks. Some of the major guidelines of the RBI, which are now in effect, are as follows:

- The RBI has prescribed norms for banks lending to non-bank financial companies and the financing of public sector disinvestment.
- The RBI introduced the "base rate" in place of the BPLR with effect from July 1, 2010. The base rate shall include all those elements of the lending rates that are common across all the categories of borrowers. For loans sanctioned up to June 30, 2010, BPLR would be applicable. However, for those loans sanctioned up to June 30, 2010 which come up for renewal from July 1, 2010 onwards, base rate would be applicable.
- Section 21A of the Banking Regulation Act provides that the rate of interest charged by a bank shall not be reopened by any court on the ground that the rate of interest charged by a bank is excessive. The Banking Regulation Act provides for protection to banks for interest rates charged by them.

Ownership restrictions

In terms of the FDI Policy, the total foreign ownership in a public sector bank cannot exceed 20.00% of its paid-up equity share capital, subject to government approval and provisions of the Banking Companies (Acquisition & Transfer of Undertakings) Acts 1970 ("**Banking Companies Act**"). This includes investment under the portfolio investment scheme as well. Further, the Banking Companies Act requires that shareholding of the Government of India in all corresponding new banks, including the Bank, at all times be a minimum of 51.00%. Further, not more than 20.00% of the shareholding of all corresponding new banks, including the Bank, can be held by foreign entities. Raising of further capital is permitted under the Banking Companies Act subject to consultation with the RBI and obtaining the prior approval of the Government of India.

Marginal Cost of Funds based Lending Rate (MCLR)

Pursuant to the notification issued by RBI dated December 17, 2015, all rupee loans sanctioned and credit limits renewed with effect from April 1, 2016 are to be priced with reference to the MCLR which is the internal benchmark for such purposes. MCLR comprise of: (a) marginal cost of funds; (b) negative carry on account of CRR; (c) operating costs and; (d) tenor premium. In terms of the notification, the board of directors of the banks are required to adopt a policy delineating the components of spread charged to a customer. Actual lending rates are to be determined by adding the components of spread to the MCLR. Further, no lending below the MCLR of a particular maturity for all loans linked to that benchmark is permitted. The aforementioned notification provides exemption to certain loans from being linked to MCLR as the benchmark for determining interest rate. Further, the aforementioned notification also provides for review of MCLR, reset of interest rates, treatment of interest

rates linked to base rate charged to existing borrowers and mandates all the banks to move to the MCLR based pricing from April 1, 2016.

Scheme to set up IFSC Banking Units (IBUs)

The RBI has formulated a scheme for the setting up of International Financial Services Centres ("**IFSC**") Banking Units ("**IBUs**") by banks in IFSCs. IBUs are permitted to engage in banking business in foreign currency and can undertake transactions with non-resident entities other than individual / retail customers / HNIs. The minimum capital requirement for these banking units would be U.S. Dollar 20 million. Funds raised by the banking units, including borrowings in foreign currency, would have to be from persons not resident in India. Deployment of funds can be with both persons resident in India as well as not resident in India. Liabilities of these units would be exempted from cash reserve ratio and the statutory liquidity ratio. The banking units will have to maintain the minimum regulatory capital as prescribed by RBI and prudential norms applicable to overseas branches of Indian banks would apply to these banking units. The banking units would operate and maintain their balance sheet only in foreign currency and will not be allowed to deal in Indian rupees, except having a special rupee account for administrative expenses. The loans and advances of these banking units would not be reckoned for priority sector lending requirements. IBUs are not allowed to open any current or savings accounts.

Information Technology Laws

Information Technology Laws The Information Technology Act, 2000 (the " **IT Act**") was enacted for the purpose of providing legal recognition to electronic transactions. In addition to this, it also provides for creating a mechanism for the authentication of electronic documentation through digital signatures. Further, the IT Act also provides for civil and criminal liability, including fines and imprisonment, for various computer related offenses. These include offenses relating to unauthorised access to computer systems, the unauthorised disclosure of confidential information, violation of privacy, publishing or transmitting obscene material in electronic form and computer fraud.

The Information Technology (Amendment) Act, 2008, which came into force on October 27, 2009, amended the IT Act and inter alia gives recognition to contracts concluded through electronic means, creates liability for failure to protect sensitive personal data and gives protection to intermediaries in respect of third party information liability.

Other regulations

In addition to the laws and regulations set out above, in respect of the merchant banking, banker to the issue, debenture trustee and depository related services offered by the Bank, the Bank is regulated, amongst others, by applicable regulations under the Securities Exchange Board of India Act, 1992. Further, our Subsidiaries are engaged, amongst others, in the business of factoring, investment managing services, equity related activities such as stock broking, equity trading, futures and options, insurance business and mutual funds and they have to be compliant with the law applicable to the business, they are engaged in.

Anti-corruption measures are primarily governed by the Prevention of Corruption Act, 1988, as amended ("**PCA**"), and to a certain extent the Indian Penal Code, 1860, as amended ("**IPC**"). PCA prohibits anyone from inducing any public servant to do or not do any official by corrupt or illegal means. It also prohibits public servants from accepting or obtaining or agreeing to accept any gratification, as a gift, bribe, monetary incentive or any other incentive from any person as a motive or reward for doing or to not do any official act by such public servant. The GoI is a majority shareholder in the Bank and by virtue of this, all employees of Bank are public servants, consequently all dealings with employee of Bank will be governed by the PCA. The GoI has set up the Central Vigilance Commission ("**CVC**") under the Central Vigilance Commission Act, 2003, as amended, as the designated agency to receive and inquire into written complaints or allegations of corruption or misuse of office by a public servant and to recommend appropriate action. A complaint may also be lodged with the CVC with respect to Central Government ministries/ departments, nationalised banks, public sector undertakings, etc.

BOARD OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

Board of Directors

Pursuant to the incorporation of the Bank in July 1969, a Board of Directors ("**Board of Directors**") was constituted in accordance with the Banking Companies Act and the Nationalised Bank Scheme.

As per sub-section 3 of section 9 of the Banking Companies Act, every board of directors of a corresponding new bank, constituted under any scheme made under sub-section 1 of section 9 of the Banking Companies Act shall include:

(a) not more than four whole-time directors to be appointed by the Central Government after consultation with RBI;

(b) one director who is an official of the Central Government to be nominated by the Central Government; provided that no such director shall be a director of any other corresponding new bank;

(c) one director, possessing necessary expertise and experience in matters relating to regulation or supervision of commercial banks, to be nominated by the Central Government on the recommendation of the RBI;

(d) *** (*omitted with effect from October 16, 2006*)

(e) one director, from among such of the employees who are workmen to be nominated by the Central Government;

(f) one director, from among the employees who are not workmen to be nominated by the Central Government after consultation with the RBI;

(g) one director who has been a chartered accountant for not less than 15 years to be nominated by the Central Government after consultation with the RBI;

(h) subject to provisions of clause (i), not more than six directors to be nominated by the Central Government;

(i) where the capital issued is:

1. not more than 16.00% of the total paid-up capital, one director;

2. more than 16.00% but not more than 32.00% of the total paid-up capital, two directors; and

3. more than 32.00% of the total paid-up capital, three directors, to be elected by the shareholders, other than the Central Government, from amongst themselves.

The MD & CEO and the Executive Directors are appointed by the Central Government. The remaining Directors are non-executive Directors that represent the Central Government, RBI and the shareholders of the Bank.

The following table sets forth details regarding the Board of Directors as of the date of this Placement Document:

Sr. No.	Name, Address, Occupation, Term and Nationality	Clause (as per Section 9(3) of the Banking Companies Act) under which appointed / nominated / elected	Age	Designation
1.	**Mr. Rajkiran Rai G.** **Address:** 2, Srivari Apartment, 3rd A Cross, 18 Main Road, BTM Layout, Bangalore South, Bannerghatta Road, Bangalore – 560076. **Occupation:** Service	Clause (a)	55	Managing Director and Chief Executive Officer

Sr. No.	Name, Address, Occupation, Term and Nationality	Clause (as per Section 9(3) of the Banking Companies Act) under which appointed / nominated / elected	Age	Designation
	Term: July 1, 2017 to June 30, 2020 (or until further orders, whichever is earlier) **Nationality**: Indian			
2.	**Mr. Vinod Kathuria** **Address**: Flat No. 174/A, Horizon Co-Operative Housing Society, Kalpataru Horizon, S.K. Ahire Marg, Near Doordarshan Kendra, Worli, Mumbai 400 018 **Occupation**: Service **Term**: January 22, 2016 to July 31, 2018 (or until the date of his superannuation or until further orders, whichever is earlier) **Nationality**: Indian	Clause (a)	59	Executive Director
3.	**Mr. Raj Kamal Verma** **Address**: Flat No. 154, Sea Lord Apartments, Cuffe Parade Lord Coop. Housing Society Ltd, 117 Cuffe Parade, Mumbai - 400005 **Occupation**: Service **Term**: August 9, 2016 to February 28, 2019 (or until the date of his superannuation or until further orders, whichever is earlier) **Nationality**: Indian	Clause (a)	58	Executive Director
4.	**Mr. Atul Kumar Goel** **Address**: Flat No. 25, Sunit Apartments, 5th Floor, 98, Cuffe Parade, Mumbai 400 005 **Occupation**: Service **Term**: September 15, 2016 to September 14, 2019 (or until further orders, whichever is earlier) **Nationality**: Indian	Clause (a)	52	Executive Director

Sr. No.	Name, Address, Occupation, Term and Nationality	Clause (as per Section 9(3) of the Banking Companies Act) under which appointed / nominated / elected	Age	Designation
5.	**Mr. Anil Kumar Misra** **Address**: Flat No. A-37, "Jalada", RBI Officers Quarters, Prabha Devi, Mumbai 400 025 **Occupation**: Service **Term**: July 6, 2015 onwards until further orders **Nationality**: Indian	Clause (c)	59	RBI Nominee Director
6.	**Dr. Madnesh Kumar Mishra** **Address**: G-102, Central Government Residential Complex, Deen Dayal Upadhyay Marg – 110002 **Occupation**: Service **Term**: July 22, 2016 onwards until further orders **Nationality**: Indian	Clause (b)	51	Central Government Nominee Director
7.	**Mr. Kewal Handa** **Address**: Nair House, 9th Floor, 14 B Road, Off. Ram Krishna Mission Road, Khar West, Mumbai – 400052 **Occupation**: Professional **Term**: July 6, 2017 to July 5, 2020 (or until further orders, whichever is earlier) **Nationality**: Indian	Clause (h)	65	Non-Executive Chairman and Part-Time Non-Official Director
8.	**Dr. Krishnappa Ramesha** **Address**: B-10, NIBM Campus, Kondhwa, NIBM Post Office, Pune – 411 048. **Occupation**: Service **Term**: April 25, 2016 to April 24, 2019 (or until further orders, whichever is earlier) **Nationality**: Indian	Clause (h) and (3A)	60	Part Time Non-Official Director

Sr. No.	Name, Address, Occupation, Term and Nationality	Clause (as per Section 9(3) of the Banking Companies Act) under which appointed / nominated / elected	Age	Designation
9.	**Dr. Ravindrarai H. Dholakia** **Address**: 313, IIM (Old Campus), Vastrapur, Ahmedabad - 380 015 **Occupation**: Service **Term**: June 27, 2015 – June 26, 2018 **Nationality**: Indian	Clause (i)	64	Shareholder Director
10.	**Mr. Gopal Krishan Lath** **Address**: C-226, Rajajipuram Lucknow - 226 017 **Occupation**: Chartered Accountant **Term**: June 27, 2015 – June 26, 2018 **Nationality**: Indian	Clause (i)	65	Shareholder Director
11.	**Dr. Uttam Kumar Sarkar** **Address**: NF – 3/13, I.I.M Calcutta Campus, D.H. Road, Joka Kolkata – 700104 **Occupation**: Service **Term**: June 27, 2015 – June 26, 2018 **Nationality**: Indian	Clause (i)	52	Shareholder Director

Biographies of the Directors

Mr. Rajkiran Rai G., aged 55 years, is the Managing Director and Chief Executive Officer of the Bank. He is an agricultural science graduate from University of Agricultural Sciences, Bengaluru. He has over three decades of experience in the banking sector. Mr. Rai started his career in 1986 with Central Bank of India, and has also been associated with Oriental Bank of Commerce. He is currently a director on the board of Union Asset Management Company Private Limited and Union bank of India (UK) Limited.

Mr. Vinod Kathuria, aged 59 years, is an Executive Director of the Bank. Mr. Kathuria holds a degree in bachelor of commerce and a degree in master of commerce from Delhi University and is a certified associate of the Indian Institute of Bankers. Having joined Punjab National Bank in 1983, Mr. Kathuria has over 34 years of experience in the banking industry. Before joining the Bank, Mr. Kathuria was associated with Punjab National Bank. Additionally, Mr. Kathuria has been associated with Principal Trustee Company Private Limited, India Factoring and Finance Solutions Private Limited and PNB Insurance Broking Private Limited. Presently, Mr. Kathuria is also a non-executive director of Union Asset Management Company Private Limited, one of the Bank's Subsidiaries.

Mr. Raj Kamal Verma, aged 58 years, is an Executive Director of the Bank. Mr. Verma holds a degree in bachelor of arts (honours) from Patna University and is a certified associate of the Indian Institute of Banking & Finance. He has over 36 years of experience in various facets of banking, both in domestic and international

operations, having started his career with Bank of India in the year 1981. He is currently a director on the board of National Payments Corporation of India.

Mr. Atul Kumar Goel, aged 52 years, is an Executive Director of the Bank. Mr. Goel holds a degree in bachelor of commerce (honours) from Meerut University and is a member of Institute of Chartered Accountants of India. He is also a certified associate of the Indian Institute of Bankers. Prior to his elevation as Executive Director at the Bank, he was associated with Allahabad Bank for over 24 years. Mr. Goel has also been a director on the board of All Bank Finance Limited, a subsidiary of Allahabad Bank. He is currently on the board of Union Trustee Company Private Limited and Star Union Dai-ichi Life Insurance Company Limited.

Mr. Anil Kumar Misra, aged 59 years, is the RBI Nominee Director of the Bank. Mr. Misra is a chief general manager of the risk monitoring department of the Reserve Bank of India. He holds a degree in master of business management from Banaras Hindu University and in public administration from Harvard University.

Dr. Madnesh Kumar Mishra, aged 51 years, is a Government Nominee Director of the Bank. He is also the joint secretary, Department of Financial Services, Ministry of Finance, Government of India. Dr. Mishra holds a degree of bachelor of technology in production engineering and has a fellowship in management from XLRI, Jameshdpur. Dr. Mishra is an officer of the Indian Revenue Service.

Mr. Kewal Handa, aged 65 years, is a Non-Executive Chairman and Part-Time Non-Official Director of the Bank. He is a qualified cost and works accountant and a company secretary and holds a degree in master of commerce from the University of Mumbai. Prior to joining the Bank, Mr. Handa was associated, as a director, with Pfizer Limited and Wyeth Limited. He has been awarded the 'India CFO 2004 – Excellence in Finance in an MNC' by International Market – Assessment Group, the 'Bharat Shiromani Award' by Shiromani Institute in 2006 and the 'Pharma Professional of the Year' award by Pharma Leaders Magazine. He is currently on the board of Salus Lifecare Private Limited, Mukta Arts Limited, International Institute of CSR Foundation, Clariant Chemicals (India) Limited, Greaves Cotton Limited, Omsav Pharma Research Private Limited, Constellation Alpha Capital Corp, R M Drip and Sprinklers Systems Limited and Oaknet Healthcare Private Limited.

Dr. Krishnappa Ramesha, aged 60 years, is a Part-Time Non-Official Director of the Bank. Dr. Ramesha holds a degree in bachelor of arts and master of arts from the University of Mysore. Dr. Ramesha also holds PhD in economics from the University of Calicut. Dr. Ramesha is currently serving as 'Dean – Research' at National Institute of Bank Management, Pune.

Dr. Ravindrarai H. Dholakia, aged 64 years, is a Shareholder Director of the Bank. He holds a degree in bachelor of arts, a degree in master of arts, and holds a PhD in economics from Maharaja Sayajirao University, Baroda. Dr. Dholakia is also a post-doctoral fellow at the University of Toronto. He is presently a director on the board of Adani Transmission Limited and Gujarat State Petroleum Corporation Limited.

Mr. Gopal Krishan Lath, aged 65 years, is a Shareholder Director of the Bank. Mr. Lath holds a degree in bachelor of commerce from Lucknow University and is a practicing chartered accountant with over 36 years of experience.

Dr. Uttam Kumar Sarkar, aged 52 years, is a Shareholder Director of the Bank. Dr. Sarkar holds a degree in bachelor of technology and a degree in master of technology in computer science and engineering along with a PhD from IIT Kharagpur. Dr. Sarkar has been associated with Indian Institute of Management, Calcutta since 1997, where he is presently a professor in management information system group and is also the dean of new initiatives and external relations.

Relationship with other Directors

None of the Directors are related to each other.

Borrowing Powers of the Board

All borrowings by the Bank are approved by the Board from time to time.

Interest of the Directors

All of the Directors may be deemed to be interested to the extent of fees payable to them for attending Board or Board committee meetings as well as to the extent of reimbursement of expenses payable to them. The Managing Director and Chief Executive Officer, the Executive Directors and all the other non-executive Directors, other than Dr. Madnesh Kumar Mishra and Mr. Anil Kumar Misra (who are the Central Government Nominee Director and the RBI Nominee Director, respectively), may also be deemed to be interested to the extent of remuneration paid to them for services rendered.

All of the Directors may also be regarded as interested in any Equity Shares held by them and also to the extent of any dividend payable to them and other distributions in respect of such Equity Shares held by them. All Directors may also be regarded as interested in the Equity Shares held by, or subscribed by and allotted to, the companies, firms and trusts, in which they are interested as directors, members, partners, trustees.

Except as otherwise stated in this Placement Document, we have not entered into any contract, agreement or arrangement during the preceding two years from the date of this Placement Document in which any of the Directors are interested, directly or indirectly, and no payments have been made to them in respect of any such contracts, agreements, arrangements which are proposed to be made with them.

Shareholding of Directors

The following table sets forth the shareholding of the Directors as on September 30, 2017:

Sr. No.	**Name of Director**	**Designation**	**No. of Equity Shares held as on September 30, 2017**	**Percentage of Equity Shares to total paid up capital**
1.	Mr. Rajkiran Rai G.	Managing Director and Chief Executive Officer	Nil	0.00
2.	Mr. Vinod Kathuria	Executive Director	Nil	0.00
3.	Mr. Raj Kamal Verma	Executive Director	Nil	0.00
4.	Mr. Atul Kumar Goel	Executive Director	Nil	0.00
5.	Mr. Anil Kumar Misra	RBI Nominee Director	Nil	0.00
6.	Dr. Madnesh Kumar Mishra	Central Government Nominee Director	Nil	0.00
7.	Mr. Kewal Handa	Non-Executive Chairman and Part-Time Non-Official Director	Nil	0.00
8.	Dr. Krishnappa Ramesha	Part Time Non-Official Director	Nil	0.00
9.	Dr. Ravindrarai H. Dholakia	Shareholder Director	200	~0.00
10.	Mr. Gopal Krishan Lath	Shareholder Director	100	~0.00
11.	Dr. Uttam Kumar Sarkar	Shareholder Director	100	~0.00

Terms of appointment of the Managing Director and Chief Executive Officer

Mr. Rajkiran Rai G. was appointed as the Managing Director and Chief executive Officer of the Bank by notification number F.No.4/4/(2)2017 – BO.I dated May 5, 2017, issued by the Union Secretary, Government of India, after consultation with the RBI under clause (a) of Sub-Section (3) of Section 9 of the Banking Companies Act. He holds the position until June 30, 2020.

The following table sets forth the remuneration paid by the Bank to Mr. Rajkiran Rai G:

Yearly Remuneration	
Basic Salary	₹1.92 million
Commission	Not applicable
Housing	Bank accommodation provided
Medical Reimbursement	Actuals incurred
Provident Fund	10% of basic salary
Superannuation	Superannuation benefits to be paid after retirement
Gratuity	Gratuity to be paid after retirement

Conveyance	Bank vehicle provided
Communication	Actuals incurred

* Basic salary structure for financial year 2018 (from July 2017) (as per last salary)

Remuneration of the Executive Directors

The following table sets forth all compensation paid by us to the other Executive Directors of the Bank for the current Fiscal Year 2018 (until September 30, 2017) and for the Fiscal Years 2017, 2016 and 2015:

(₹in millions)

Director Name	FY 2018*	FY 2017	FY 2016	FY 2015
Mr. Rajkiran Rai G.	0.70	0.00	0.00	0.00
Mr. Vinod Kathuria	1.27	2.02	0.35	0.00
Mr. Raj Kamal Verma	1.24	1.31	0.00	0.00
Mr. Atul Kumar Goel	1.24	1.13	0.00	0.00

*Until September 30, 2017

Sitting fee payable to Non-Executive Directors

The Directors appointed under clause (e), (f), (g), (h) and (i) of sub-section (3) of section (9) of the Banking Companies Act are entitled to sitting fees as mentioned below in accordance with circular no. 15/1/2011 – B.O.I dated October 18, 2011, issued by Department of Financial Services, Ministry of Finance, Government of India:

- sitting fee payable to a Director for attending a meeting of the Board is ₹20,000 per meeting.
- sitting fee payable to a Director for attending the committee meeting of the Board is ₹10,000 per meeting.

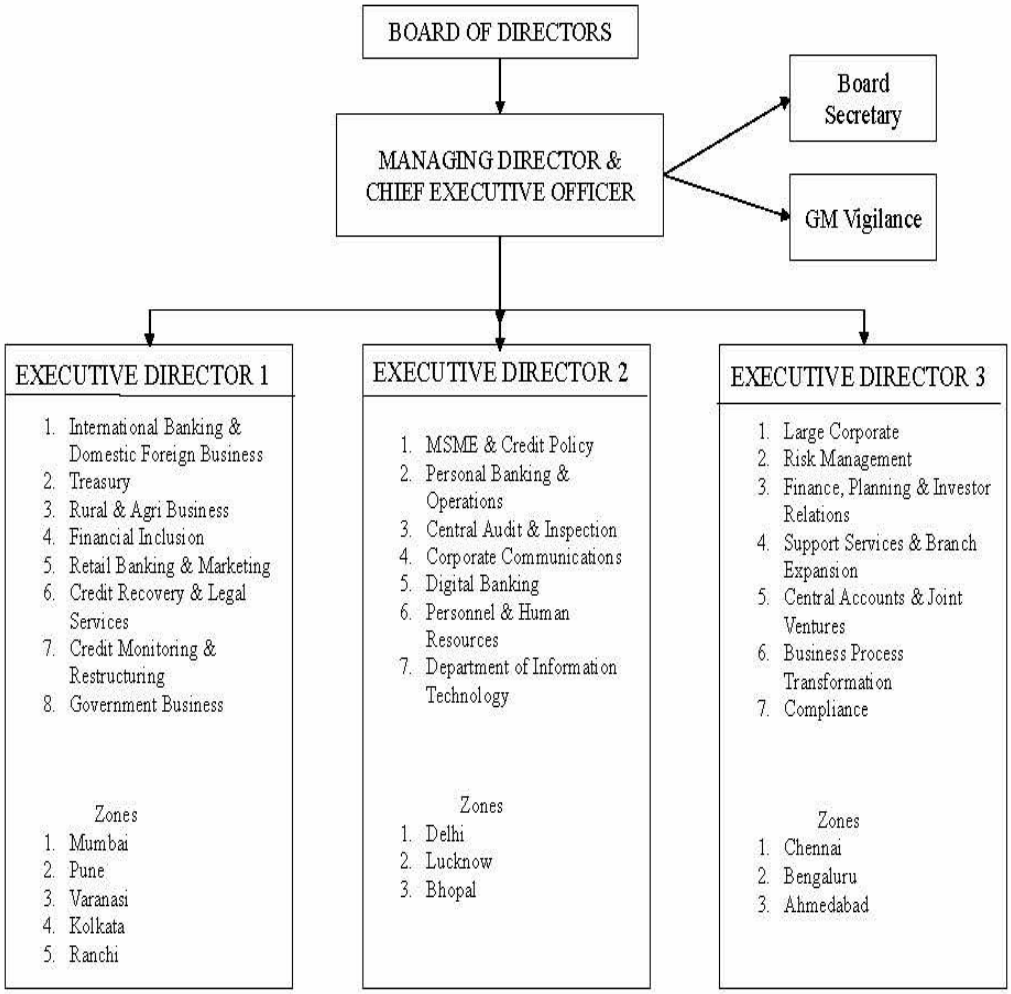
The following table sets forth all compensation paid by the Bank to the Non-Executive Directors of the Bank for the current Fiscal Year 2018 (to the extent applicable) and for the Fiscal Years 2017, 2016 and 2015:

(₹in millions)

Director Name	FY 2018*	FY 2017	FY 2016	FY 2015
Mr. Anil Kumar Misra	-	-	-	-
Dr. Madnesh Kumar Mishra	-	-	-	-
Mr. Kewal Handa	0.11	-	-	-
Dr. Krishnappa Ramesha	0.40	0.67	-	-
Dr. Ravindrarai H. Dholakia	0.34	0.67	0.43	0.27
Mr. Gopal Krishan Lath	0.30	0.56	0.53	0.26
Dr. Uttam Kumar Sarkar	0.29	0.44	0.34	-

*Until September 30, 2017

Organizational Structure of the Bank



Key Managerial Personnel

The following table sets forth the details of the key managerial personnel of the Bank:

Name of Key Managerial Personnel	Designation
Mr. Rajkiran Rai G.	Managing Director and Chief Executive Officer
Mr. B. Sreeneivasa Rao	Chief Financial Officer
Mr. Mangesh Mandrekar	Company Secretary
Mr. D. C. Chauhan	Chief Compliance Officer
Mr. A. Narayanan	Board Secretary

Biographies of the key managerial personnel of the Bank

Mr. B. Sreeneivasa Rao, is the Chief Financial Officer of the Bank. He is a Certified Associate of the Indian Institute of Bankers. He has vast exposure in different aspects of Banking having worked in both branches as well as in administrative offices in various capacities and at various geographical locations. He has over 3 years of experience at the Hong Kong branch of the Bank as its chief executive officer. Mr. Rao is the chief financial officer and is the head of finance, planning & investor relations department at Central Office of the Bank.

Mr. Mangesh Mandrekar, is the Company Secretary of the Bank since September 2017. He is an Associate Member of Institute of Company Secretaries of India. He also holds a bachelors' degree in law and commerce from Pune University along with a post graduate diploma in intellectual property laws from Asian School of Cyber Laws. He has around 10 years of experience in the legal and secretarial field. Before joining the Bank, he has worked with Sanghvi Movers Limited, ThyssenKrupp Industries India Private Limited and Persistent Systems Limited.

Mr. D. C. Chauhan, is the Chief Compliance Officer of the Bank. Mr. Chauhan is a Certified Associate from the Indian Institute of Bankers. He has vast exposure in different aspects of Banking having worked in both branches as well as in administrative offices in various capacities and at various geographical locations. Prior to joining the Bank he has headed the MSME vertical. He has been recently posted as chief compliance officer and principal officer of compliance – KYC department.

Mr. A. Narayanan, is the Board Secretary of the Bank. He is a qualified Cost & Works Accountant. He holds a post graduate degree in commerce from Kanpur University and is also a certified member of Indian Institute of Bankers. He has over 34 years of operations in the banking sector.

For details of the biography of Mr Rajkiran Rai G. who is also a Director on the Board of the Bank, please refer to "—Board of Directors and Key Managerial Personnel – Biographies of the Board".

Interest of key managerial personnel

The key managerial personnel of the Bank do not have any interest in the Bank other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them and banking relations undertaken by them in the ordinary course of business and to the extent of the Equity Shares held by them or their dependants in the Bank, if any.

Further, Mr. B. Sreeneivasa Rao, Mr. D. C. Chauhan and Mr. A. Narayanan may be deemed to be interested in the Bank to the extent of the loans availed by them from the Bank.

Other than as disclosed in this Placement Document, there are no outstanding transactions other than in the ordinary course of business undertaken by the Bank, in which the key managerial personnel are interested.

For details of the interest of Mr Rajkiran Rai G. who is also a Director on the Board of the Bank, please refer to "—Board of Directors and Key Managerial Personnel – Interest of the Directors".

Shareholding of key managerial personnel

The following table sets forth the shareholding of the key managerial personnel of the Bank as on September 30, 2017:

Sr. No.	Name of Director	Designation	No. of Equity Shares held as on September 30, 2017	Percentage of Equity Shares to total paid up capital
1.	Mr. Rajkiran Rai G.	Managing Director and Chief Executive Officer	Nil	0.00
2.	Mr. B. Sreeneivasa Rao	Chief Financial Officer	Nil	0.00
3.	Mr. Mangesh Mandrekar	Company Secretary and Compliance Officer	Nil	0.00
4.	Mr. D. C. Chauhan	Chief Compliance Officer	93	~0.00
5.	Mr. A. Narayanan	Board Secretary	115	~0.00

Corporate Governance

The Board presently consists of 11 Directors and the composition of the Board of Directors. However, the Bank is not in compliance with the provisions of the Banking Companies Act and the Nationalised Bank Scheme in connection with the composition of its Board of Directors. For further details, see "Risk Factors – We are currently not in compliance with the provisions of the Banking Acquisition Act in relation to appointment of workmen

employee director and non-workmen employee director on our Board". The Bank is in compliance with other corporate governance requirements under the Listing Regulations to the extent it does not violate statutes or guidelines or directives issued by the relevant authorities applicable to the Bank.

Committees of the Board of Directors

In line with the requirements of the provisions of the Banking Companies Act, Listing Regulations as also the extant guidelines of RBI, our Board has constituted various sub-committees as detailed below. Their constitution is for a more specific and focused approach towards some of the important functional areas of the Bank's operations, for providing proper direction, effective monitoring and controlling the affairs of the Bank. The committees are as follows:

Sr. No.	Committee of the Board	Purpose/ Functions	Members
1.	Management Committee	Has been constituted to consider various business matters such as sanctioning/ review of credit proposals, loan compromise/ write-off proposals, approval of capital and revenue expenditure beyond the powers of CAC-I, acquisition and hiring of premises, investments, donations amongst others.	• Mr. Rajkiran Rai G., Managing Director & CEO • Mr. Vinod Kathuria, Executive Director • Mr. Raj Kamal Verma, Executive Director • Mr. Atul Kumar Goel, Executive Director • Mr. Anil Kumar Misra, RBI Nominee Director • Dr. Krishnappa Ramesha, Part Time Non Official Director • Dr. Ravindralal H. Dholakia, Shareholder Director • Dr. Uttam Kumar Sarkar, Shareholder Director
2.	Audit Committee	• Provides direction and overseas the total audit function (both internal and external, including statutory audit) of our Bank. • Obtains and reviews reports from compliance officers. • Focuses on follow up of inter-branch adjustment accounts, arrears in balancing books at various branches and frauds amongst others. • Reviews accounting policies and related party transactions.	• Mr. Gopal Krishan Lath, Shareholder Director - Chairman of the Committee • Mr. Raj Kamal Verma, Executive Director • Dr. Madnesh Kumar Mishra, Government Nominee Director • Mr. Anil Kumar Misra, RBI Nominee Director • Mr. Kewal Handa, Non-Executive Chairman & Part Time Non Official Director
3.	Supervisory Committee of Directors on Risk and Asset Liability Management	Responsible for identifying, evaluating and monitoring the overall risks faced by our Bank.	• Mr. Kewal Handa, Non-Executive Chairman & Part Time Non Official Director - Chairman of the Committee • Mr. Rajkiran Rai G., Managing Director & CEO • Mr. Vinod Kathuria, Executive Director • Mr. Raj Kamal Verma, Executive Director • Mr. Atul Kumar Goel, Executive Director • Dr. Krishnappa Ramesha, Part Time Non Official Director • Mr. Gopal Krishan Lath, Shareholder Director

Sr. No.	Committee of the Board	Purpose/ Functions	Members
			• Dr. Uttam Kumar Sarkar, Shareholder Director
4.	Special Committee of the Board for Monitoring Cases of Fraud of ₹1.00 crore and above	Monitors and reviews all the cases of frauds of ₹10 million and above.	• Mr. Kewal Handa, Non-Executive Chairman & Part Time Non Official Director - Chairman of the Committee • Mr. Rajkiran Rai G., Managing Director & CEO • Mr. Raj Kamal Verma, Executive Director • Dr. Madnesh Kumar Mishra, Government Nominee Director • Dr. Krishnappa Ramesha, Part Time Non Official Director • Mr. Gopal Krishan Lath, Shareholder Director
5.	Recovery Management Committee	Monitors the progress in recovery on regular basis and submits its report to the Board.	• Mr. Rajkiran Rai G., Managing Director & CEO • Mr. Vinod Kathuria, Executive Director • Mr. Raj Kamal Verma, Executive Director • Mr. Atul Kumar Goel, Executive Director • Dr. Madnesh Kumar Mishra, Government Nominee Director
6.	Customer Service Committee	• Makes suggestions on improving the quality of customer services. • Reviews the implementation of the existing policies and procedures with a view to rationalise and simplify them and to suggest appropriate improvements to facilitate changes on an ongoing basis. • Review and recommendation of policies to the Board.	• Mr. Rajkiran Rai G., Managing Director & CEO • Mr. Vinod Kathuria, Executive Director • Mr. Raj Kamal Verma, Executive Director • Mr. Atul Kumar Goel, Executive Director • Dr. Madnesh Kumar Mishra, Government Nominee Director • Mr. Kewal Handa, Non-Executive Chairman & Part Time Non Official Director • Dr. Ravindralal H. Dholakia, Shareholder Director • Dr. Uttam Kumar Sarkar, Shareholder Director • Two special invitees
7.	HR Sub-Committee of Directors	Overseeing and reviewing the implementation of following: • overall human resource strategy of our Bank; • development of performance management systems; • streamlining policies; and • training of our Bank's employees.	• Mr. Rajkiran Rai G., Managing Director & CEO • Mr. Vinod Kathuria, Executive Director • Mr. Raj Kamal Verma, Executive Director • Mr. Atul Kumar Goel, Executive Director • Dr. Madnesh Kumar Mishra, Government Nominee Director • Dr. Ravindralal H. Dholakia, Shareholder Director

Sr. No.	Committee of the Board	Purpose/ Functions	Members
			• Dr. Uttam Kumar Sarkar, Shareholder Director • Two special invitees
8.	Stakeholders Relationship Committee	Monitors the grievances and complaints of the security holders of our Bank regarding transfer of shares, non-receipt of refund orders, share certificates, dividends amongst others.	• Dr. Krishnappa Ramesha, Part Time Non Official Director - Chairman of the Committee • Mr. Vinod Kathuria, Executive Director • Mr. Raj Kamal Verma, Executive Director • Mr. Atul Kumar Goel, Executive Director • Mr. Kewal Handa, Non-Executive Chairman and Part Time Non Official Director • Dr. Ravindralal H. Dholakia, Shareholder Director
9.	Information Technology ("IT") Strategy Committee of Directors	• Approving IT strategy and policy documents. • Ensuring that the IT organizational structure complements the business model and its direction. • Ensuring adequate mitigation for exposure towards IT risks and controls, evaluating effectiveness of management's monitoring. • Issuing high level policy guidance (related to risks, funding and sourcing tasks) • Implement a mechanism to undertake IT disaster management.	• Dr. Uttam Kumar Sarkar, Shareholder Director - Chairman of the Committee • Mr. Vinod Kathuria, Executive Director • Mr. Raj Kamal Verma, Executive Director • Mr. Atul Kumar Goel, Executive Director • Mr. Kewal Handa, Non-Executive Chairman & Part Time Non Official Director • Chief Information Officer (General Manager - DIT) • One outside information technology expert
10.	Nomination Committee	Examines the 'Fit and Proper' status of the elected Shareholder Directors.	• Mr. Kewal Handa, Non-Executive Chairman & Part Time Non Official Director - Chairman of the Committee • Dr. Madnesh Kumar Mishra, Government Nominee Director • Dr. Krishnappa Ramesha, Part Time Non Official Director
11.	Remuneration Committee	Decides the performance linked incentive to be paid to the Executive Directors of our Banks in terms of the relevant GoI guidelines.	• Mr. Kewal Handa, Non-Executive Chairman & Part Time Non Official Director - Chairman of the Committee • Dr. Madnesh Kumar Mishra, Government Nominee Director • Mr. Anil Kumar Misra, RBI Nominee Director • Dr. Ravindralal H. Dholakia, Shareholder Director • Dr. Uttam Kumar Sarkar, Shareholder Director
12.	Directors Promotion Committee	Considers candidates for promotions to 'Top Executive Grade Scale VII' as well as representation of officers against non-	• Mr. Rajkiran Rai G., Managing Director & CEO

Sr. No.	Committee of the Board	Purpose/ Functions	Members
		selection / non-approval to the 'Top Executive Grade Scale VII', besides considering cases for continuation in service in respect of officers in the 'Top Executive Grade'.	• Mr. Raj Kamal Verma, Executive Director • Two outside expert with domain knowledge
13.	Disciplinary Proceedings Committee – Vigilance/Non-Vigilance	Reviews vigilance, non-vigilance and disciplinary cases and departmental enquiries.	• Mr. Rajkiran Rai G., Managing Director & CEO • Dr. Madnesh Kumar Mishra, Government Nominee Director • Mr. Anil Kumar Misra, RBI Nominee Director
14.	Share Transfer Committee	To confirm transfer, transmission, demat and issue of duplicate shares amongst others.	• Mr. Vinod Kathuria, Executive Director • Mr. Raj Kamal Verma, Executive Director • Mr. Atul Kumar Goel, Executive Director • Chief Compliance Officer/ Chief Financial Officer • Deputy General Manager, Board Secretariat
15.	Review Committee for Classification of Non-Cooperative Borrower ("RCCNCB")	Reviews the orders of the Approving Committee i.e. Executive Director headed committee recording the borrower to be declared as non-cooperative. The order shall become final only after it is confirmed by the RCCNCB.	• Mr. Rajkiran Rai G., Managing Director & CEO • Mr. Gopal Krishan Lath, Shareholder Director • Dr. Uttam Kumar Sarkar, Shareholder Director
16.	Review Committee on Willful Defaulters of the Bank	Reviews and confirms the orders passed by the committee headed by Executive Director on classification of borrowers as willful defaulters.	• Mr. Rajkiran Rai G., Managing Director & CEO • Dr. Ravindralal H. Dholakia, Shareholder Director • Mr Gopal Krishan Lath, Shareholder Director
17.	Committee of the Board to Decide on Election of Shareholder Directors – Voting by Public Sector Banks	To take a decision on supporting the candidates in the election.	• Mr. Rajkiran Rai G., Managing Director & CEO • Mr. Vinod Kathuria, Executive Director • Mr. Raj Kamal Verma, Executive Director • Mr. Atul Kumar Goel, Executive Director • Mr. Gopal Krishan Lath, Shareholder Director • Dr. Krishnappa Ramesha, Part Time Non Official Director
18.	Election Disputes Committee	Make enquiries to determine if a particular election was a valid election and confirming the results of the election.	• Mr. Rajkiran Rai G., Managing Director & CEO • Dr. Madnesh Kumar Mishra, Government Nominee Director
19.	Credit Approval Committee-I ("CAC-I")	All credit related matters including approval/ review-renewal, miscellaneous requests, interest concessions, compromise/ write off proposals, approval of capital and revenue expenditure, acquisition and hiring	• Mr. Rajkiran Rai G., Managing Director & CEO • Mr. Vinod Kathuria, Executive Director

Sr. No.	Committee of the Board	Purpose/ Functions	Members
		of premises amongst others within its delegated authority are put up before the CAC-I for approval.	• Mr. Raj Kamal Verma, Executive Director • Mr. Atul Kumar Goel, Executive Director • General Manager incharge of Credit • General Manager incharge of Finance • General Manager incharge of Risk Management
20.	Committee of Directors for Raising Capital Funds	Authorised to complete the necessary formalities for raising of capital funds.	• Mr. Rajkiran Rai G., Managing Director & CEO • Mr. Vinod Kathuria, Executive Director • Mr. Raj Kamal Verma, Executive Director • Mr. Atul Kumar Goel, Executive Director

Policy on disclosures and internal procedure for prevention of insider trading

Regulation 8(1) and 9(1) of the SEBI Prohibition of Insider Trading Regulations, 2015 applies to the Bank and its employees and requires the Bank to implement a code of practices and procedures for fair disclosure of unpublished price sensitive information and to regulate, monitor and report trading by its employees and other connected persons towards achieving compliance with. The Bank has implemented a code of conduct for prevention of insider trading in accordance with the SEBI Prohibition of Insider Trading Regulations, 2015.

Other confirmations

Except as otherwise stated in this Placement Document, none of the Directors, nor the Promoter nor any key managerial personnel of the Bank have any financial or other material interest in this Issue.

Neither our Bank nor any of our Directors have been identified as wilful defaulters, as defined in the SEBI Regulations.

Neither our Bank nor any of our Directors have been debarred from accessing capital markets under any order or direction made by SEBI.

Related Party Transactions

For details in relation to the related party transactions entered by the Bank during the last three Fiscal Years, as per the requirements under Accounting Standard 18 issued by the Institute of Chartered Accountants in India read with circular dated March 29, 2003 issued by the RBI on 'Guidance on Compliance with the Accounting Standards by Banks', see "Financial Statements".

PRINCIPAL SHAREHOLDERS

The summary statement showing the holding of specified securities of the Bank as of the quarter ending September 30, 2017, is herein below:

Category of the shareholder	Nos. of shareholders	No. of fully paid-up equity shares held	Total nos. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957)As a % of (A+B+C2)	Number of Locked in shares		No. of equity shares held in dematerialized form
					No. (a)	As a % of total shares held (b)	
(A) Promoters & Promoter Group	1	475,094,778	475,094,778	65.40	475,094,778	100.00	475,094,778
(B) Public	239,019	251,334,520	251,334,520	34.60		0.00	238,506,754
(C1) Shares underlying DRs				0.00		0.00	
(C2) Shares held by Employee Trust				0.00		0.00	
(C)=(C1)+(C2) Non Promoter-Non Public				0.00		0.00	
Grand Total = (A) + (B) + (C)	239,020	726,429,298	726,429,298	100.00	475,094,778	65.40	713,601,532

The summary statement showing holding of specified securities of the Promoters and Promoter Group in the Bank as of the quarter ending September 30, 2017, is herein below:

Category of the shareholder	No. of shareholders	No. of fully paid-up equity shares held	Total nos. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957)As a % of (A+B+C2)	Number of Locked in shares		No. of equity shares held in dematerialized form
					No. (a)	As a % of total shares held (b)	
A1) Indian				0.00		0.00	
Central Government/ State Government(s)	1	475,094,778	475,094,778	65.40	475,094,778	100.00	475,094,778
President of India	0	475,094,778	475,094,778	65.40	475,094,778	100.00	475,094,778
Sub Total A1	1	475,094,778	475,094,778	65.40	475,094,778	100.00	475,094,778
A2) Foreign				0.00		0.00	
A=A1+A2	1	475,094,778	475,094,778	65.40	475,094,778	100.00	475,094,778

The summary statement showing holding of specified securities of public shareholders in the Bank as of the quarter ending September 30, 2017, is herein below:

Category & Name of the shareholders	No. of shareholders	No. of fully paid-up equity shares held	Total no. of shares held	Shareholding % calculated as per SCRR, 1957 As a % of (A+B+C2)	No. of voting rights	Total as a % of total voting right	Number of Locked in shares		No. of equity shares held in dematerialized form (Not Applicable)
							No. (a)	As a % of total shares held (b)	
B1) Institutions	0	0		0.00		0.00		0.00	
Mutual Funds/	14	51,984,891	51,984,891	7.16	51,984,891	7.16		0.00	51,984,891

Category & Name of the shareholders	No. of shareholders	No. of fully paid-up equity shares held	Total no. of shares held	Shareholding % calculated as per SCRR, 1957 As a % of (A+B+C2)	No. of voting rights	Total as a % of total voting right	Number of Locked in shares		No. of equity shares held in dematerialized form (Not Applicable)
							No. (a)	As a % of total shares held (b)	
HDFC TRUSTEE COMPANY LTD - A/C HDFC MID – CAP OPPOR TUNITIES FUND	1	33,263,128	33,263,128	4.58	33,263,128	4.58		0.00	33,263,128
ICICI PRUDENTIAL BALANCED ADVANTAGE FUND	1	7,453,110	7,453,110	1.03	7,453,110	1.03		0.00	7,453,110
Alternate Investment Funds	1	49,350	49,350	0.01	49,350	0.01		0.00	49,350
Foreign Portfolio Investors	127	44,199,272	44,199,272	6.08	44,199,272	6.08		0.00	44,199,272
Financial Institutions/ Banks	8	1,062,194	1,062,194	0.15	1,062,194	0.15		0.00	1,062,194
Insurance Companies	5	76,204,003	76,204,003	10.49	76,204,003	10.49		0.00	76,204,003
LIFE INSURANCE CORPORATIO N OF INDIA	1	70,421,019	70,421,019	9.69	70,421,019	9.69		0.00	70,421,019
Sub Total B1	155	173,499,710	173,499,710	23.88	173,499,710	23.88		0.00	173,499,710
B2) Central Government/ State Government(s)/ President of India	0	0		0.00		0.00		0.00	
Central Government/ State Government(s)/ President of India	3	10,740	10,740	0.00	10,740	0.00		0.00	10,740
Sub Total B2	3	10,740	10,740	0.00	10,740	0.00		0.00	10,740
B3) Non-Institutions	0	0		0.00		0.00		0.00	
Individual share capital upto Rs. 2 Lacs	235,780	58,661,892	58,661,892	8.08	58,661,892	8.08		0.00	45,979,926
Individual share capital in excess of Rs. 2 Lacs	82	5,932,496	5,932,496	0.82	5,932,496	0.82		0.00	5,932,496
NBFCs registered with RBI	9	22,489	22,489	0.00	22,489	0.00		0.00	22,489
Any Other (specify)	2,990	13,207,193	13,207,193	1.82	13,207,193	1.82		0.00	13,061,393
NRI – Repat	1,015	782,796	782,796	0.11	782,796	0.11		0.00	782,696
NRI – Non-Repat	575	290,291	290,291	0.04	290,291	0.04		0.00	280,491
Trusts	28	777,927	777,927	0.11	777,927	0.11		0.00	777,927
Overseas corporate bodies	1	3,059	3,059	0.00	3,059	0.00		0.00	3,059

Category & Name of the shareholders	No. of shareholders	No. of fully paid-up equity shares held	Total no. of shares held	Shareholding % calculated as per SCRR, 1957 As a % of (A+B+C2)	No. of voting rights	Total as a % of total voting right	Number of Locked in shares		No. of equity shares held in dematerialized form (Not Applicable)
							No. (a)	As a % of total shares held (b)	
Foreign Individuals	1	218	218	0.00	218	0.00		0.00	218
Clearing Members	156	1,195,942	1,195,942	0.16	1,195,942	0.16		0.00	1,195,942
Bodies Corporate	1,213	10,129,095	10,129,095	1.39	10,129,095	1.39		0.00	9,993,195
Unclaimed or Suspense or Escrow Account	1	27,865	27,865	0.00	27,865	0.00		0.00	27,865
Sub Total B3	238,861	77,824,070	77,824,070	10.71	77,824,070	10.71		0.00	64,996,304
B=B1+B2+B3	239,019	251,334,520	251,334,520	34.60	251,334,520	34.60		0.00	238,506,754

The summary statement showing holding of specified securities of non-Promoter non-public shareholders in the Bank as of the quarter ending September 30, 2017, is herein below:

Category and name of the shareholders(I)	No. of shareholder(III)	No. of fully paid up equity shares held(IV)	Total no. shares held(VII = IV+V+VI)	Shareholding % calculated as per SCRR, 1957 As a % of (A+B+C2)(VIII)	Number of Locked in shares (XII)		Number of equity shares held in dematerialized form(XIV)(Not Applicable)
					No. (a)	As a % of total shares held (b)	
C1) Custodian/DR Holder	0	0		0.00		0.00	
C2) Employee Benefit Trust	0	0		0.00		0.00	

Details of disclosures made by the trading members holding 1% or more of the total no. of Equity Shares of the Bank: Nil

ISSUE PROCEDURE

The following is a summary intended to present a general outline of the procedure relating to the application, payment, Allocation and Allotment of the Equity Shares to be issued pursuant to this Issue. The procedure followed in this Issue may differ from the one mentioned below, and investors are presumed to have apprised themselves of the same from the Bank or the Book Running Lead Managers. Investors are advised to inform themselves of any restrictions or limitations that may be applicable to them. See "Selling Restrictions" and "Transfer Restrictions".

Investors that apply in the Issue will be required to confirm and will be deemed to have represented to the Bank, the Book Running Lead Managers and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. The Bank and the Book Running Lead Managers and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire the Equity Shares. Investors are advised to inform themselves of any restrictions or limitations that may be applicable to them. See "*Selling Restrictions*" *and* "*Transfer Restrictions*".

The Bank, the Book Running Lead Managers and their respective directors, officers, agents, advisors, affiliates and representatives are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Placement Document. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply, and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares. QIBs are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Placement Document. Further, QIBs are required to satisfy themselves that their Application Forms would not result in triggering a tender offer under the Takeover Regulations.

Qualified Institutions Placement

The Issue is being made to QIBs in reliance upon Chapter VIII of the SEBI Regulations, through the mechanism of a QIP. Under Chapter VIII of the SEBI Regulations a listed issuer in India may issue equity shares to QIBs on a private placement basis provided *inter alia* that:

- the shareholders of the issuer have passed a special resolution approving such QIP. Such special resolution must specify (a) that the allotment of securities is proposed to be made pursuant to the QIP; and (b) the Relevant Date;

- equity shares of the same class of such issuer, which are proposed to be allotted through the QIP, have been listed on a recognised stock exchange in India having nation-wide trading terminals for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the above-mentioned special resolution;

- the aggregate of the proposed issue and all previous QIPs made by the issuer in the same financial year does not exceed five times the net worth (as defined in the SEBI Regulations) of the issuer as per the audited balance sheet of the previous financial year;

- the issuer shall be in compliance with the minimum public shareholding requirements set out in the SCRR;

- the issuer shall have completed allotments with respect to any offer or invitation made by the issuer or shall have withdrawn or abandoned any invitation or offer previously made by the issuer;

- the offering of securities by issue of public advertisements or utilisation of any media, marketing or distribution channels or agents to inform the public about the issue is prohibited.

At least 10% of the Equity Shares issued to QIBs must be allotted to Mutual Funds, provided that, if this portion or any part thereof to be allotted to Mutual Funds remains unsubscribed, it may be allotted to other QIBs.

Bidders are not allowed to withdraw their Bids after the Bid/Issue Closing Date.

Additionally, there is a minimum pricing requirement for pricing the equity shares offered in a QIP under the SEBI Regulations. The Floor Price shall not be less than the average of the weekly high and low of the closing prices of the Equity Shares quoted on the Stock Exchanges during the two weeks preceding the Relevant Date as calculated in accordance with Chapter VIII of the SEBI Regulations. However, an issuer may offer a discount of up to five percent of the Floor Price, subject to the approval of the shareholders by the special resolution pursuant to Regulation 82(a) of SEBI Regulations.

The "Relevant Date" referred to above, for Allotment, will be the date of the meeting in which the Board or committee of Directors duly authorised by the Board decides to open the Issue and the "Stock Exchange" means any of the recognised stock exchanges in India on which the equity shares of the issuer of the same class are listed and on which the highest trading volume in such equity shares has been recorded during the two weeks immediately preceding the Relevant Date.

The Bank has applied for and received the in-principle approval of the Stock Exchanges under Regulation 28(1) of the Listing Regulations for the listing of the Equity Shares on the Stock Exchanges on December 7, 2017. The Bank has also delivered a copy of the Preliminary Placement Document to the Stock Exchanges. The Bank will deliver a copy of this Placement Document to the Stock Exchanges and application for listing and trading for the Equity Shares shall be made after the Allotment of Equity Shares.

This Issue has been authorised by (i) Board of Directors at its meeting on April 28, 2017 (the relevant intimation under Regulation 29(1) of the Listing Regulations to the Stock Exchanges was made on April 25, 2017); (ii) the Bank's shareholders at the Annual General Meeting of the Bank, pursuant to a special resolution passed on June 23, 2017 (the relevant intimation under the Listing Regulations, to the Stock Exchanges was made on May 29, 2017); and (iii) the Committee of Directors for Raising Capital Funds at its meeting on August 9, 2017 (the relevant intimation under Regulation 29(1) of the Listing Regulations to the Stock Exchanges was made on August 4, 2017).

The Equity Shares will be Allotted within 12 months from the date of the shareholders' resolution approving the QIP and within 60 days from the date of receipt of subscription money from the successful Bidders. For details of refund of application money, see "—Pricing and Allocation – Designated Date and Allotment of Equity Shares".

The Equity Shares issued pursuant to the QIP must be issued on the basis of the Preliminary Placement Document and this Placement Document that shall contain all material information including the information specified in Schedule XVIII and Part G of Schedule VIII of the SEBI Regulations. The Preliminary Placement Document and this Placement Document are private documents provided to only select investors through serially numbered copies and are required to be placed on the website of the concerned Stock Exchanges and of the Bank with a disclaimer to the effect that it is in connection with an issue to QIBs and no offer is being made to the public or to any other category of investors.

The minimum number of allottees for each QIP shall not be less than:

- two, where the issue size is less than or equal to ₹2,500 million; and
- five, where the issue size is greater than ₹2,500 million.

No single allottee shall be allotted more than 50% of the issue size. QIBs that belong to the same group or that are under common control shall be deemed to be a single allottee. See "- Application Process - Application Form".

The aggregate of the proposed QIP and all previous QIPs made in the same financial year shall not exceed five times the net worth of the Issuer as per its audited balance sheet of the previous financial year. The Issuer has furnished a copy of the Preliminary Placement Document and shall furnish a copy of this Placement Document to each Stock Exchange on which its Equity Shares are listed.

Securities allotted to a QIB pursuant to a QIP shall not be sold for a period of one year from the date of allotment except on the floor of a recognised stock exchange in India. Allotments made to FVCIs, VCFs and AIFs in this Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements.

THE EQUITY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OR REGISTERED, LISTED OR OTHERWISE QUALIFIED IN ANY OTHER JURISDICTION OUTSIDE INDIA AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE EQUITY SHARES ARE BEING OFFERED AND SOLD (A) IN THE UNITED STATES ONLY TO PERSONS WHO ARE U.S. QIBS PURSUANT TO SECTION 4(A)(2) OR ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT, AND (B) OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE UPON REGULATION S OR PURSUANT TO ANOTHER EXEMPTION FROM, OR IN TRANSACTIONS NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT. THE EQUITY SHARES ARE TRANSFERABLE ONLY IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED UNDER "SELLING RESTRICTIONS" AND "TRANSFER RESTRICTIONS".

Issue Procedure

1. The Bank and the Book Running Lead Managers shall circulate serially numbered copies of the Preliminary Placement Document and this Placement Document and the serially numbered Application Form, either in electronic or physical form, to the QIBs and the Application Form will be specifically addressed to such QIBs.

2. The list of QIBs to whom the Application Form is delivered shall be determined by the Bank in consultation with the Book Running Lead Managers.

3. **Unless a serially numbered Preliminary Placement Document along with the serially numbered Application Form is addressed to a particular QIB, no invitation to subscribe shall be deemed to have been made to such QIB.** Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person and any application that does not comply with this requirement shall be treated as invalid.

4. QIBs may submit an Application Form, including any revisions thereof, during the Bid/Issue Period to the Book Running Lead Managers.

5. The Bank shall intimate the Bid/Issue Opening Date to the Stock Exchanges.

6. Bidders will be required to indicate the following in the Application Form:

    - full name of the QIB to whom Equity Shares are to be Allotted;
    - number of Equity Shares Bid for;
    - price at which they are agreeable to subscribe for the Equity Shares, provided that QIBs may also indicate that they are agreeable to submit a Bid at "Cut-off Price"; which shall be any price as may be determined by the Bank in consultation with the Book Running Lead Managers at or above the Floor Price. The Bank may offer a discount of not more than 5% on the Floor Price in terms of Regulation 85 of the SEBI Regulations;
    - details of the depository participant account to which the Equity Shares should be credited; and
    - a representation that it is either (i) outside the United States acquiring the Equity Shares in an offshore transaction in reliance on Regulation S, or (ii) a "qualified institutional buyer" as defined in Rule 144A and it has agreed to the representations, warranties, acknowledgements and agreements set forth in "Representation by Investors" and "Transfer Restrictions" and certain other representations made in the Application Form;
    - it has agreed to all of the other representations set forth in the Application Form.

Note: FPIs are required to indicate the SEBI FPI registration number in the Application Form. The Bids

made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made. Application by various schemes or funds of a Mutual Fund will be treated as one application from the Mutual Fund. Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws.

7. Once a duly completed Application Form is submitted by a QIB, such Application Form constitutes an irrevocable offer and cannot be withdrawn after the Bid/Issue Closing Date. The Bid/Issue Closing Date shall be notified to the Stock Exchanges and the QIBs shall be deemed to have been given notice of such date after receipt of the Application Form.

8. Upon receipt of the Application Form, after the Bid/Issue Closing Date, the Bank shall determine the final terms, including the Issue Price and the number of Equity Shares to be issued pursuant to this Issue and the number of Equity Shares to be allocated and the applicants to whom the same would be allocated in consultation with the Book Running Lead Managers. Upon determination of the final terms of the Equity Shares, the Bank will notify the Stock Exchanges; and the Book Running Lead Managers shall, on behalf of the Bank, send the serially numbered CAN along with this Placement Document to the QIBs who have been Allocated the Equity Shares. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the QIB to pay the entire Issue Price for all the Equity Shares Allocated to such QIB. The CAN shall contain details such as the number of Equity Shares Allocated to the QIB and payment instructions including the details of the amounts payable by the QIB for Allotment of the Equity Shares in its name and the Pay-In Date as applicable to the respective QIB. **Please note that the Allocation will be at the absolute discretion of the Bank and will be based on the recommendation of the Book Running Lead Managers and may not be proportionate to the number of Equity Shares applied for.**

9. Pursuant to receiving a CAN, each QIB shall be required to make the payment of the entire application monies for the Equity Shares indicated in the CAN at the Issue Price, only through electronic transfer to the Bank's Escrow Account by the Pay-In Date as specified in the CAN sent to the respective QIBs. No payment shall be made by QIBs in cash. Please note that any payment of application money for the Equity Shares shall be made from the bank accounts of the relevant QIBs applying for the Equity Shares and the Bank shall keep a record of the bank account from where such payment for subscriptions have been received. Monies payable on Equity Shares to be held by joint holders shall be paid from the bank account of the person whose name appears first in the application. Pending Allotment, all monies received for subscription of the Equity Shares shall be kept by the Bank in a separate bank account with a scheduled bank.

10. Upon receipt of the application monies from the QIBs, the Bank shall Allot Equity Shares as per the details in the CANs sent to the QIBs. The Bank shall intimate to the Stock Exchanges the details of the Allotment.

11. After passing the Board or committee resolution (as the case maybe) for Allotment and prior to crediting the Equity Shares into the Depository Participant accounts of the successful Bidders, the Bank shall apply to the Stock Exchanges for listing approvals. The Bank will intimate to the Stock Exchanges the details of the Allotment and apply for approvals for listing of the Equity Shares on the Stock Exchanges prior to crediting the Equity Shares into the beneficiary account maintained with the Depository Participant by the QIBs.

12. After receipt of the listing approvals of the Stock Exchanges, the Bank shall credit the Equity Shares Allotted pursuant to this Issue into the Depository Participant accounts of the respective Allottees.

13. The Bank will then apply for the final trading approvals from the Stock Exchanges.

14. The Equity Shares that would have been credited to the beneficiary account with the Depository Participant of the QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing approvals from the Stock Exchanges.

15. Upon receipt of intimation of final trading and listing approval from the Stock Exchanges, the Bank shall inform the Allottees of the receipt of such approval. The Bank and the Book Running Lead Managers shall not be responsible for any delay or non-receipt of the communication of the final trading and listing approvals from the Stock Exchanges or any loss arising from such delay or non- receipt of the final listing and trading

approvals granted by the Stock Exchanges which are also placed on their respective websites. QIBs are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or the Bank.

Qualified Institutional Buyers

Only QIBs as defined in Regulation 2(1)(zd) of the SEBI Regulations, and not otherwise excluded pursuant to Regulation 86(1)(b) of the SEBI Regulations are eligible to invest in the Issue.. Currently, the definition of a QIB includes:

- public financial institutions as defined in Section 2(72) of the Companies Act, 2013;
- scheduled commercial banks;
- Mutual Funds;
- alternate investment funds registered with SEBI;
- Eligible FPIs;
- multilateral and bilateral development financial institutions
- insurance companies registered with Insurance Regulatory and Development Authority;
- insurance funds set up and managed by army, navy or air force of the Union of India;
- insurance funds set up and managed by the Department of Posts, India;
- pension funds with minimum corpus of ₹250 million;
- provident funds with minimum corpus of ₹250 million;
- state industrial development corporations;
- National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government published in the Gazette of India;
- venture capital funds registered with SEBI;
- foreign venture capital investors registered with SEBI; and
- systemically important non-banking financial companies.

Eligible FPIs are permitted to participate in this Issue subject to compliance with applicable law and such that the shareholding of the Eligible FPIs does not exceed the specified limits as prescribed under applicable law in this regard.

All non-resident QIBs shall ensure that the investment amount is paid as per RBI's notification no. Notification No. FEMA 20(R)/ 2017-RB dated November 7, 2017, as amended from time to time. Please note that investments by FVCIs should be in accordance with Schedule 1 of the FEMA Regulations 2017.

In terms of the SEBI FPI Regulations, the issue of Equity Shares to a single FPI or an investor group (which means the same set of ultimate beneficial owner(s) investing through multiple entities) is not permitted to be 10% or above of our post-Issue Equity Share capital. Further, in terms of the FEMA 20, the total holding by each FPI shall be below 10% of the total paid-up Equity Share capital of the Bank, the total holdings of all FPIs put together shall not exceed 20% of the paid-up Equity Share capital of the Bank or any lower ceiling limit that may be notified by the GoI under the sub-section 2D of section 3 of the Banking Companies Act.

Eligible FPIs are permitted to participate in this Issue subject to compliance with conditions and restrictions which

may be specified by the Government from time to time.

In terms of the FEMA Regulations 2017, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs shall be included.

Under Regulation 86(1)(b) of the SEBI Regulations, no Allotment shall be made pursuant to this Issue, either directly or indirectly, to any QIB being Promoter or any person related to, the Promoter. QIBs which have all or any of the following rights shall be deemed to be persons related to the Promoter:

- rights under a shareholders' agreement or voting agreement entered into with the Promoter or persons related to the Promoter;
- veto rights; or
- a right to appoint any nominee director on the Board.

Provided, however, that a QIB which does not hold any Equity Shares in the Bank and which has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be related to the Promoter.

The Bank and the Book Running Lead Managers are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Placement Document. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. QIBs are advised to ensure that any single application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in the Preliminary Placement Document and this Placement Document. Further, QIBs are required to satisfy themselves that their Bids would not eventually result in triggering an open offer under the Takeover Regulations and the QIB shall be solely responsible for compliance with the provisions of the Takeover Regulations, SEBI Insider Trading Regulations and other applicable laws, rules, regulations, guidelines and circulars.

A minimum of 10% of the Equity Shares offered in this Issue shall be Allotted to Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion as specified above, such minimum portion or part thereof may be Allotted to other QIBs.

Note: Affiliates or associates of the Book Running Lead Managers who are QIBs may participate in this Issue in compliance with applicable laws.

No shareholder of our Bank, other than GoI shall be entitled to exercise voting rights in respect of any shares held by him in excess of 10% of the total voting rights.

Bid/Issue Programme

Bidding Period / Issue Period:	
BID/ISSUE OPENS ON	December 7, 2017
BID/ISSUE CLOSES ON	December 12, 2017

Application Process

Application Form

Bidders shall only use the serially numbered Application Forms (which are addressed to them) supplied by the Bank and the Book Running Lead Managers in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of the Preliminary Placement Document and this Placement Document.

By making a Bid (including the revision thereof) for Equity Shares through Application Forms and pursuant to the terms of the Preliminary Placement Document and this Placement Document, the Bidder will be deemed to have made the following representations and warranties and the representations, warranties and agreements under "Notice to Investors", "Representations by Investors", "Selling Restrictions" and "Transfer Restrictions":

1. The Bidder confirms that it is a QIB in terms of Regulation 2(1)(zd) of the SEBI Regulations and is not excluded under Regulation 86 of the SEBI Regulations, has a valid and existing registration under the applicable laws in India (as applicable) and is eligible to participate in this Issue;

2. The Bidder confirms that it is not a promoter and is not a person related to the Promoter, either directly or indirectly and its Application Form does not directly or indirectly represent the Promoter or promoter group or persons related to the Promoter;

3. The Bidder confirms that it has no rights under a shareholders' agreement or voting agreement with the Promoter or persons related to the Promoter, no veto rights or right to appoint any nominee director on the Board other than those acquired in the capacity of a lender which shall not be deemed to be a person related to the Promoter as per SEBI Regulations;

4. The Bidder acknowledges that it has no right to withdraw its Bid after the Bid/Issue Closing Date;

5. The Bidder confirms that if Equity Shares are Allotted through this Issue, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than on the Stock Exchanges;

6. The Bidder confirms that it is eligible to Bid and hold Equity Shares so Allotted. The Bidder further confirms that the holding of the Bidder, post Allotment of Equity Shares and together with any Equity Shares held by the QIB prior to the Issue, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the Bidder;

7. The Bidder confirms that its Bids would not eventually result in triggering an open offer under the Takeover Code;

8. The Bidder confirms that the number of Equity Shares Allotted to it pursuant to this Issue, together with other Allottees that belong to the same group or are under common control, shall not exceed 50% of this Issue. For the purposes of this representation:

   (i) the expression 'belong to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act, 1956; and

   (ii) 'control' shall have the same meaning as is assigned to it by Regulation 2(1)(e) of the Takeover Code;

9. The QIB confirms that:

   (i) if it is within the United States, it is a U.S. QIB who is, or are acquiring the Equity Shares for its own account or for the account of an institutional investor who also meets the requirement of a U.S. QIB, for investment purposes only and not with a view to, or for resale in connection with, the distribution (within the meaning of any United States securities laws) thereof, in whole or in part and are not our affiliate or a person acting on behalf of such an affiliate;

   (ii) if it is outside the United States, it is purchasing the Equity Shares in an offshore transaction in reliance upon Regulation S, and is not our affiliate or a person acting on behalf of such an affiliate; and

10. The Bidders shall not undertake any trade in the Equity Shares credited to its beneficiary account maintained with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.

EACH BIDDER MUST PROVIDE ITS DEPOSITORY ACCOUNT DETAILS, PAN, DEPOSITORY PARTICIPANTS' NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER, EMAIL ID AND BENEFICIARY BANK ACCOUNT NUMBER IN THE APPLICATION FORM. QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD.

If so required by the Book Running Lead Managers, the Bidder submitting a Bid along with the Application Form, will also have to submit requisite documents to the Book Running Lead Managers to evidence their status as a QIB. If so required by the Book Running Lead Managers, Escrow Agent or any statutory or regulatory authority

in this regard, including after the Closing Date, the Bidder submitting a Bid and/or being Allotted Equity Shares in this Issue, will also have to submit requisite documents to fulfill the KYC norms.

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details given above.

The submission of an Application Form by a Bidder shall be deemed to be a valid, binding and irrevocable offer for the Bidder to pay the entire Issue Price for the Equity Shares (as indicated by the CAN) and becomes a binding contract on the Bidder upon issuance of the CAN by the Bank in favour of such successful Bidder.

Submission of Application Form

All Application Forms must be duly completed with information including the name of the Bidder, the price and number of Equity Shares applied for. All Application Forms duly completed along with a copy of the PAN card or PAN allotment letter shall be submitted to the Book Running Lead Managers as per the details provided in the respective CAN. The Application Forms may also be submitted to the Book Running Lead Managers either through electronic form or through physical delivery at the following address:

Name of Book Running Lead Managers	**Address**	**Contact person**	**Email**	**Telephone and Fax**
Jefferies India Private Limited	42/43, 2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 Maharashtra, India	Abinand Natarajan	UBI.QIP@jefferies.com	Tel: +91 22 4356 6000 Fax: +91 22 6765 5595
Edelweiss Financial Services Limited	14th floor, Edelweiss House Off C.S.T. Road, Kalina Mumbai – 400 098 Maharashtra, India	Pradeep Tewani	ubi.qip@edelweissfin.com	Tel: +91 22 4009 4400 Fax: +91 22 4086 3610
ICICI Securities Limited	ICICI Centre, H. T. Parekh Marg, Churchgate, Mumbai – 400 020, Maharashtra, India	Rupesh Khant	ubi.qip@icicisecurities.com	Tel: +91 22 2288 2460 Fax: +91 22 2282 6580
Yes Securities (India) Limited	Unit No. 602A, 6th Floor, Indiabulls Finance Centre, Tower 1, Senapati Bapat Marg, Elphinstone Road, Mumbai – 400 013, Maharashtra, India	Mukesh Garg	project.velocity@yessecuritiesltd.in	Tel: +91 22 7100 9829

The Book Running Lead Managers shall not be required to provide any written acknowledgement of the receipt of the Application Form.

Permanent Account Number or PAN

Each Bidder should mention its PAN allotted under the IT Act in the Application Form. Applications without this information will be considered incomplete and are liable to be rejected. Bidders should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Pricing and Allocation

Build-up of the Book

The Bidder shall submit their Bids (including the revision of bids) within the Bidding Period to the Book Running Lead Managers. Such Bids cannot be withdrawn after the Bid/Issue Closing Date. The book shall be maintained by the Book Running Lead Managers.

Price Discovery and Allocation

The Bank, in consultation with the Book Running Lead Managers, shall determine the Issue Price, which shall be at or above the Floor Price. However, the Bank may offer a discount of not more than five percent on the Floor

Price in terms of Regulation 85 of the SEBI Regulations.

After finalisation of the Issue Price, the Bank shall update the Preliminary Placement Document with the Issue details and file this Placement Document with the Stock Exchanges.

Method of Allocation

The Bank shall determine the Allocation, in consultation with the Book Running Lead Managers, on a discretionary basis and in compliance with Chapter VIII of the SEBI Regulations.

Bids received from the Bidders at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such Bidders will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF THE BANK IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL BIDDERS. THE BIDDERS MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF THE BANK IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS AND BIDDERS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AT OR ABOVE THE ISSUE PRICE. NEITHER THE BANK NOR THE BOOK RUNNING LEAD MANAGERS ARE OBLIGED TO ASSIGN ANY REASON FOR ANY NON-ALLOCATION.

CAN

Based on the Application Forms received, the Bank, in consultation with the Book Running Lead Managers, in their sole and absolute discretion, shall decide the Bidders to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares Allocated to them and the details of the amounts payable for Allotment of such Equity Shares in their respective names shall be notified to such Bidders. Additionally, a CAN will include details of the relevant Escrow Bank Account into which such payments would need to be made, address where the application money needs to be sent, Pay-In Date as well as the probable designated date, being the date of credit of the Equity Shares to the respective Bidder's account.

The successful Bidders would also be sent a serially numbered Placement Document either in electronic form or by physical delivery along with the serially numbered CAN.

The dispatch of the serially numbered Placement Document and the serially numbered CAN to the successful Bidders shall be deemed a valid, binding and irrevocable contract for the successful Bidders to furnish all details that may be required by the Book Running Lead Managers and to pay the entire Issue Price for all the Equity Shares Allocated to such successful Bidder.

QIBS ARE ADVISED TO INSTRUCT THEIR DEPOSITORY PARTICIPANT TO ACCEPT THE EQUITY SHARES THAT MAY BE ALLOTTED TO THEM PURSUANT TO THIS ISSUE.

Bank Account for Payment of Application Money

The Bank has opened the Escrow Account titled Union Bank QIP - Escrow Account with Union Bank of India (in its capacity as an escrow agent) in terms of the arrangement among the Bank, the Book Running Lead Managers and Union Bank of India as Escrow Agent. The successful Bidder to whom CAN is sent will be required to deposit the entire amount payable for the Equity Shares Allocated to it by the Pay-In Date as mentioned in, and in accordance with, the respective CAN.

Payments are to be made only through electronic fund transfer.

Note: Payments through cheques are liable to be rejected.

If the payment is not made favouring the Escrow Account within the time stipulated in the CAN, the Application Form and the CAN of the successful Bidder are liable to be cancelled.

The Bank undertakes to utilise the amount deposited in the Escrow Account only for the purposes of (i) adjustment

against Allotment of Equity Shares in this Issue; or (ii) repayment of application money if the Bank is not able to Allot Equity Shares in this Issue.

In case of cancellations or default by the Bidders, the Bank and the Book Running Lead Managers have the right to reallocate the Equity Shares at the Issue Price among existing or new Bidders at their sole and absolute discretion subject to the applicable laws.

Designated Date and Allotment of Equity Shares

The Equity Shares will not be Allotted unless the successful Bidders pay the Issue Price to the Escrow Account as stated above.

Subject to the satisfaction of the terms and conditions of the Placement Agreement, the Bank will ensure that the Allotment of the Equity Shares is completed by the Designated Date provided in the CAN for the QIBs who have paid the aggregate subscription amounts as stipulated in CAN.

The Equity Shares in this Issue will be issued and Allotment shall be made only in dematerialised form to the Allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Depositories Act.

The Bank, at its sole discretion, reserves the right to cancel this Issue at any time up to Allotment without assigning any reason whatsoever.

Post receipt of the listing approval of the Stock Exchanges, the Issuer shall credit the Equity shares into the Depository Participant account of the QIBs.

In the case of successful Bidders who have been Allotted more than five percent of the Equity Shares in this Issue, the Bank shall disclose the name and the number of the Equity Shares Allotted to such successful Bidder to the Stock Exchanges and the Stock Exchanges will make the same available on their website.

The Escrow Bank shall release the monies lying to the credit of the Escrow Bank Account to the Bank after Allotment of Equity Shares to the successful Bidders and receipt of listing and trading approvals from the Stock Exchanges.

Following the Allotment and credit of Equity Shares into the successful Bidders' Depository Participant accounts, the Bank will apply for final trading and listing approvals from the Stock Exchanges.

In the event of any delay in the Allotment or credit of Equity Shares, or receipt of trading or listing approvals or cancellation of this Issue, no interest or penalty would be payable by us. However, in case of delay in making application for listing beyond twenty days from the date of Allotment, the Bank, shall pay penal interest to successful Bidders for each day of delay at the rate of at least 10% per annum from the expiry of thirty days from date of Allotment till the listing of Equity Shares to the successful Bidders.

Further, in the event of non-receipt of listing approval from the Stock Exchange(s), the Equity Shares shall not be eligible for listing and the Bank, shall be liable to refund the subscription monies, if any, to the successful Bidders immediately along with interest at the rate of 10% per annum from the date of Allotment.

Other Instructions

Right to Reject Applications

The Bank, in consultation with the Book Running Lead Managers, may reject Bids, in part or in full, without assigning any reason whatsoever. The decision of the Bank and the Book Running Lead Managers in relation to the rejection of Bids shall be final and binding.

Equity Shares in Dematerialised form with NSDL or CDSL

The Allotment of the Equity Shares in this Issue shall be only in dematerialised form (that is, not in physical certificates but be fungible and be represented by the statement issued through the electronic mode).

A Bidder applying for Equity Shares to be issued pursuant to this Issue must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid. Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of such successful Bidder.

Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges have electronic connectivity with NSDL and CDSL.

The trading of the Equity Shares to be issued pursuant to this Issue would be in dematerialised form only for all Bidders in the demat segment of the respective Stock Exchanges.

The Bank and the Book Running Lead Managers will not be responsible or liable for the delay in the credit of Equity Shares to be issued pursuant to this Issue due to errors in the Application Form or otherwise on part of the Bidders.

Release of funds to the Bank

The Escrow Bank shall not release the monies lying to the credit of the "Union Bank QIP - Escrow Account" till such time, that it receives an instruction in pursuance to the Escrow Agreement, along with the listing and trading approval of the Stock Exchanges for the Equity Shares offered in this Issue.

PLACEMENT

The Book Running Lead Managers have entered into a placement agreement with the Bank dated December 7, 2017 (the "Placement Agreement"), pursuant to which the Book Running Lead Managers have agreed to manage the Issue and procure subscriptions for the Equity Shares on a best efforts basis.

The Placement Agreement contains customary representations, warranties and indemnities from the Bank and the Book Running Lead Managers, and it is subject to termination in accordance with the terms contained therein.

This Placement Document has not been, and will not be, registered as a prospectus with the RoC and, no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than QIBs. No assurance can be given on liquidity or sustainability of trading market for the Equity Shares (including the Equity Shares) post the Issue.

Applications shall be made to list the Equity Shares issued pursuant to the Issue and admit them to trading on BSE and NSE. No assurance can be given as to the liquidity or sustainability of the trading market for such Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

The Equity Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any other applicable state securities laws of the United States and, unless so registered, may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons who are "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act ("**Rule 144A**")) ("**U.S. QIBs**") pursuant to Section 4(a)(2) or another available exemption from registration under the U.S. Securities Act; for avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Placement Document as "QIBs" or "Qualified Institutional Buyers" and (b) outside the United States in offshore transactions in reliance upon Regulation S under the U.S. Securities Act ("**Regulation S**") and the applicable laws of the jurisdiction where those offers and sales are made. For further information, see "Selling Restrictions" and "Transfer Restrictions".

Lock-up

The Bank will not for a period commencing the date hereof and ending 90 days from the date of Allotment, without the prior written consent of the BRLMs, directly or indirectly:

(a) offer, issue, sell, grant any option or contract to purchase, purchase any option or contract to offer, issue, lend, sell, grant any option, right or warrant to purchase, any Equity Shares or any securities convertible into or exercisable for Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares), with respect to any of the foregoing, or

(b) enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences associated with the ownership of any of the Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares (regardless of whether any of the transactions described in Clause (a) or (b) is to be settled by the delivery of Equity Shares or such other securities, in cash or otherwise), or

(c) deposit Equity Shares with any other depositary in connection with a depositary receipt facility, or

(d) enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of an issue, offer, sale or deposit of the Equity Shares in any depository receipt facility; or

(e) publicly announce any intention to enter into any transaction falling within (a) to (d) above or enter into any transaction falling within (a) to (d) above.

Provided, however, that the foregoing restrictions shall not apply to (a) the issuance of any Equity Shares in the Issue, or (b) the issuance of any Equity Shares pursuant to the recapitalisation programme of the Government of India, as notified from time to time.

Further, in accordance with Regulation 88 of the SEBI ICDR Regulations, our Bank shall not make a subsequent QIP until expiry of six months from the date of this Issue.

The Equity Shares held by the Promoter shall not be subject to any lock-up, pursuant to the Placement Agreement.

SELLING RESTRICTIONS

The distribution of this Placement Document and the offer, sale or delivery of the Equity Shares in this Issue is restricted by law in certain jurisdictions. Persons who come into possession of this Placement Document or any offering material are advised to take legal advice with regard to any restrictions that may be applicable to them and to observe such restrictions. This Placement Document may not be used for the purpose of an offer or sale in any circumstances in which such offer or sale is not authorised or permitted.

General

No action has been or will be taken in any jurisdiction by the Bank or the Book Running Lead Managers that would permit a public offering of the Equity Shares or the possession, circulation or distribution of this Placement Document or any other material relating to the Bank or the Equity Shares in this Issue in any jurisdiction where action for such purpose is required. Accordingly, except in India, the Equity Shares in this Issue may not be offered or sold, directly or indirectly and neither the Preliminary Placement Document, this Placement Document nor any other offering material or advertisements in connection with the Equity Shares issued pursuant to this Issue may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Bank or the Book Running Lead Managers. This Issue will be made in compliance with the SEBI ICDR Regulations. Each subscriber of the Equity Shares in this Issue will be required to make, or will be deemed to have made, as applicable, the acknowledgments and agreements as described under "Notice to Investors", "Representations by Investors", "Selling Restrictions" and "Transfer Restrictions".

India

This Placement Document may not be distributed directly or indirectly in India or to residents of India and any Equity Shares may not be offered or sold directly or indirectly in India to, or for the account or benefit of, any resident of India except as permitted by applicable Indian laws and regulations, under which an offer is strictly on a private and confidential basis and is limited to eligible QIBs only and is not an offer to the public. This Placement Document is neither a public issue nor a prospectus under the Companies Act or an advertisement and should not be circulated to any person other than those to whom the offer is made.

This Placement Document has not been and will not be registered as a prospectus with the RoC. The offering of Equity Shares pursuant to the Preliminary Placement Document and this Placement Document by issue of public advertisements or utilisation of any media, marketing or distribution channels or agents to inform the public at large about this Issue is prohibited.

Australia

This Placement Document and the offer of Equity Shares are only made available in Australia to persons to whom a disclosure document is not required to be given under Chapter 6D of the Australian Corporations Act 2001 (the "**Australian Corporations Act**") and has not been and will not be lodged or registered with the Australian Securities & Investments Commission or any other regulatory body or agency in Australia. This Placement Document is not a prospectus, product disclosure statement or any other form of formal "disclosure document" for the purposes of the Australian Corporations Act and is not required to, and does not, contain all the information which would be required in a disclosure document under the Australian Corporations Act. (i) The offer of the Equity Shares under this Placement Document is only made to persons to whom it is lawful to offer the Equity Shares without a disclosure document such as a professional investor or sophisticated investor for the purposes of Chapter 6D of the Australian Corporations Act; (ii) this Placement Document is made available in Australia to persons as set forth in clause (i) above; and (iii) by accepting this offer, the offeree represents that the offeree is such a person as set forth in clause (ii) above and agrees not to sell or offer for sale within Australia any Equity Shares sold to the offeree within 12 months after their transfer to the offeree under this Placement Document.

Belgium

The Equity Shares may not be distributed in Belgium by way of an offer of securities to the public, as defined in Article 3 §1 of the Belgian Law of June 16, 2006 on public offerings of investment W-28 instruments and the admission of investment instruments to trading on regulated markets (the "**Prospectus Law**"), save in those circumstances set out in Article 3 §2 of the Prospectus Law.

This offering is exclusively conducted under applicable private placement exemptions and therefore it has not been and will not be notified to, and this Placement Document or any other offering material relating to the Equity Shares has not been and will not be approved by, the Belgian Banking, Finance and Insurance Commission ("**Commission bancaire, financière et des assurances/Commissie voor het Bank-, Financie- en Assurantiewezen**").

Accordingly, this offering may not be advertised and each of the Book Running Lead Managers has represented, warranted and agreed that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Equity Shares, and that it has not distributed, and will not distribute, any memorandum, information circular, brochure or any similar documents, directly or indirectly, to any individual or legal entity in Belgium other than:

1. qualified investors, as defined in Article 10 of the Prospectus Law;
2. investors required to invest a minimum of €50,000 (per investor and per transaction); and
3. in any other circumstances set out in Article 3 §2 of the Prospectus Law.

This Placement Document has been issued only for the personal use of the above qualified investors and exclusively for the purpose of this offering. Accordingly, the information contained herein may not be used for any other purpose nor disclosed to any other person in Belgium.

Denmark

The Equity Shares have not been offered or sold and will not be offered, sold or delivered directly or indirectly in Denmark by way of a public offering, unless in compliance with the Danish Securities Trading Act, Consolidation Act No. 843 of September 7, 2005, as amended from time to time, and any orders issued thereunder.

Dubai International Financial Centre / United Arab Emirates

The Equity Shares have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates (including the Dubai International Financial Centre) other than in compliance with the laws of the United Arab Emirates (and the Dubai International Financial Centre) governing the issue, offering and sale of securities. Further, this Placement Document does not constitute a public offer of securities in the United Arab Emirates (including the Dubai International Financial Centre) and is not intended to be a public offer. This Placement Document has not been approved by or filed with the Central Bank of the United Arab Emirates, the Securities and Commodities Authority or the Dubai Financial Services Authority.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "**United Arab Emirates**"), each of the Book Running Lead Managers has severally and not jointly, or jointly and severally, represented and warranted that it has not made and will not make an offer to the public of any Equity Shares which are the subject of the issue of Equity Shares contemplated by this Placement Document in that Relevant Member State, except that the Equity Shares may be offered to the public in that Member State at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

1. to any legal entity which is a qualified investor, as defined in the Prospectus Directive (as defined below);
2. to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive or supplement a prospectus pursuant to Article 16 at the Prospectus Directive), subject to obtaining the prior consent of the relevant Book Running Lead Managers nominated by the for any such offer; or
3. at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Equity Shares shall result in a requirement for the publication by the Bank or any Book Running Lead Managers of a prospectus or the initial purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive and each person who initially acquires any Equity Shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed with the Book Running Lead Managers and the Bank that it is a qualified investor within the meaning of the law of the Relevant Member State implementing Article 2(1)I of the Prospectus Directive or any measure implementing the Prospectus Directive in any Relevant Member State.

For the purposes of this provision, the expression "an offer to the public" in relation to any securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any securities to be offered so as to enable an investor to decide to purchase any securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2003/71/EC), and includes any relevant implementing measure in the Relevant Member State.

France

This Placement Document has not been prepared in the context of a public offering of financial securities in France within the meaning of Article L. 411-1 of the French Code *monétaire et financier* and Title I of Book II of the *Règlement Général of the Autorité des Marchés Financiers* (the "AMF") and, therefore, has not been approved by, registered or filed with the AMF and does not require a prospectus to be submitted for approval to the AMF. Consequently, each of the Book Running Lead Managers has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Equity Shares to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Placement Document or any other offering material relating to the Equity Shares and such offers, sales and distributions have been and will be made in France only to (i) persons providing investment services relating to portfolio management for the account of third parties (***personnes fournissant le service d'investissement*** *de gestion de portefeuille pour compte de tiers)* and/or (ii) to qualified investors (*investisseurs qualifiés)* acting on their own account, as defined in, and in accordance with, Articles L.411-2, D.411-1, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French Code monétaire et financier. No re-transfer, directly or indirectly, of the Equity Shares in France, other than in compliance with applicable laws and regulations and in particular those relating to a public offering (which are, in particular, embodied in articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 and seq. of the French Code *monétaire et financier)* shall be made.

Germany

This Placement Document has not been prepared in accordance with the requirements for a sales prospectus under the German Securities Prospectus Act (*Wertpapierprospektgesetz),* the German Sales Prospectus Act (*Verkaufsprospektgesetz),* or the German Investment Act (*Investmentgesetz).* Neither the German Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin)* nor any other German authority has been notified of the intention to distribute the Equity Shares in Germany. The Equity Shares may therefore not be distributed in the Federal Republic of Germany by way of public offering, public advertising or in a similar manner. The Equity Shares are being offered and sold in Germany only to (i) qualified investors in the meaning of Section 3, paragraph 2 no. 1, in connection with Section 2, no. 6, of the German Securities Prospectus Act, or (ii) a limited number of individualised, unqualified investors that are being preselected and specifically addressed. This Placement Document is strictly for use of the person who has received it. It may not be forwarded to other persons or published in Germany.

Hong Kong

This Placement Document has not been approved by the Securities and Futures Commission in Hong Kong and, accordingly, (i) the Equity Shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under that SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32) (the "**CWUMPO**") of Hong Kong or which do not constitute an offer to the public within the meaning of the CWUMPO; and (ii) each of the Book Running Lead Managers has not issued or had in its possession for the purposes of the issue of Equity Shares whether in Hong Kong or elsewhere any advertisement, invitation or document relating to the Equity Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong), other than with respect to Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Ireland

The Equity Shares may be publicly offered and sold in Ireland only in accordance with the European Communities (Transferable Securities and Stock Exchange) Regulations 1992, if applicable, the Investment Intermediaries Act 1995, as amended, the Companies Acts 1963 to 2003 and all other applicable Irish laws and regulations. This

Placement Document does not constitute an offer to the public in Ireland by virtue of the fact that it shall only be made to persons in Ireland whose ordinary business is to buy or sell shares or debentures (whether as principal or agent) and, accordingly, has not been registered with the Registrar for Companies in Ireland. By accepting delivery of this Placement Document, the addressee in Ireland warrants that it is a person whose ordinary business, whether as principal or agent, is to buy and sell shares and debentures. This Placement Document does not and shall not be deemed to constitute an invitation to individuals (*i.e.*, natural persons) in Ireland to purchase Equity Shares. There will be no offering to the public in Ireland of the Equity Shares and this Placement Document does not constitute a prospectus within the meaning of the Irish Companies Acts 1963 to 2003.

Italy

The offering of the Equity Shares has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, each Lead Manager has represented and agreed that it has not offered, sold or distributed, and will not offer, sell or distribute any Equity Shares or any copy of this Placement Document or any other offer document in the Republic of Italy ("**Italy**") except:

1. to qualified investors (*investitori qualificati)*, pursuant to Article 100 of Legislative Decree no. 58 of February 24, 1998 (the "Consolidated Financial Services Act" and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of May 14, 1999 (the "**CONSOB Regulation**"), all as amended; or

2. in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, as provided under Article 100 of the Consolidated Financial Services Act and Article 34-ter of the CONSOB Regulation;

3. moreover, and subject to the foregoing, any offer, sale or delivery of the Equity Shares or distribution of copies of this Placement Document or any other document relating to the Equity Shares in Italy under (1) or (2) above must be:

    (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Consolidated Financial Services Act, Legislative Decree No. 385 of September 1, 1993 (the "Banking Act"), CONSOB Regulation No. 16190 of October 29, 2007, all as amended;
    (b) in compliance with Article 129 of the Banking Act and the implementing guidelines, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy; and
    (c) in compliance with any securities, tax, exchange control and any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time, inter alia, by CONSOB or the Bank of Italy.

Any investor purchasing the Equity Shares in this Issue is solely responsible for ensuring that any offer or resale of the Equity Shares it purchased in this Issue occurs in compliance with applicable laws and regulations. This Placement Document and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third-party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this document may rely on it or its contents.

Japan

The Equity Shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") The Book Running Lead Managers have represented and agreed that they will not offer or sell any Equity Shares, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Kuwait

The issue of Equity Shares has not been approved by the Kuwait Central Bank or the Kuwait Ministry of Commerce and Industry, nor has the Bank received authorization or licensing from the Kuwait Central Bank or the Kuwait Ministry of Commerce and Industry to market or sell the Equity Shares within Kuwait. Therefore, no services relating to the offering, including the receipt of applications and/or the allotment of Equity Shares, may be rendered within Kuwait by the Bank or persons representing the Bank.

Luxembourg

The Equity Shares offered in this Placement Document may not be offered, sold or delivered to the public within the Grand Duchy of Luxembourg. This document is only intended for institutional investors. It is personal to each offeree and does not constitute an offer to any other person or to the public generally in Luxembourg to subscribe for or otherwise acquire the Equity Shares. Distribution of this Placement Document to any person other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorised and any disclosure of any of its contents, without prior written consent of the Bank, is prohibited.

Malaysia

No prospectus or other offering material or document in connection with the offer and sale of the Equity Shares has been or will be registered with the Securities Commission of Malaysia pursuant to the Securities Commission Act, 1993 as the offer for purchase of, or invitation to purchase the Equity Shares is meant to qualify as an "excluded offer or excluded invitation" within the meaning of Section 38 of the Securities Commission Act, 1993. Each Lead Manager has severally represented, warranted or agreed that the Equity Shares will not be offered, sold, transferred or otherwise disposed, directly or indirectly, nor any document or other material in connection therewith distributed, in Malaysia, other than to persons falling within any one of the categories or person specified in Schedule 2 and/or Schedule 3 of the Securities Commission Act, 1993 who are also persons to whom any offer or invitation to purchase or sell would be an excluded offer or invitation within the meaning of Section 38 of the Securities Commission Act, 1993.

Norway

This Placement Document has not been approved by or registered with any Norwegian securities regulators pursuant to the Norwegian Securities Trading Act 1997. Accordingly, neither this Placement Document nor any other offering material relating to the Equity Shares constitutes, or shall be deemed to constitute, an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act 1997 and is only made to qualified professional investors pursuant to the Norwegian Regulation of December 9, 2005 regarding exemption from the obligation to publish a prospectus or otherwise only in circumstances where an exemption from the obligation to publish a prospectus under the Norwegian Securities Trading Act 1997 is available.

Qatar

This document does not, and is not intended to, constitute an invitation or an offer of securities in the State of Qatar (including the Qatar Financial Centre) and accordingly should not be construed as such. The Equity Shares have not been, and shall not be, offered, sold or delivered at any time, directly or indirectly, in the State of Qatar. Any offering of the Equity Shares shall not constitute a public offer of securities in the State of Qatar.

By receiving this document, the person or entity to whom it has been provided to understands, acknowledges and agrees that: (i) neither this Placement Document nor the Equity Shares have been registered, considered, authorised or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other authority or agency in the State of Qatar; (ii) neither the Bank nor persons representing the Bank are authorised or licensed by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, or any other authority or agency in the State of Qatar, to market or sell the Equity Shares within the State of Qatar; (iii) this Placement Document may not be provided to any person other than the original recipient and is not for general circulation in the State of Qatar; and (iv) no agreement relating to the sale of the Equity Shares shall be consummated within the State of Qatar.

No marketing of the Equity Shares has been or will be made from within the State of Qatar and no subscription to the Equity Shares may or will be consummated within the State of Qatar. Any applications to invest in the Equity Shares shall be received from outside of Qatar. This document shall not form the basis of, or be relied on in connection with, any contract in Qatar. Neither the Bank nor persons representing the Bank are, by distributing this document, advising individuals resident in the State of Qatar as to the appropriateness of investing in or purchasing

or selling securities or other financial products. Nothing contained in this document is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the State of Qatar.

Saudi Arabia

Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires Equity Shares pursuant to this Issue should note that the offer of Equity Shares is an offer to "Sophisticated Investors" (as defined in Article 11 of the "Offer of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated October 4, 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated August 18, 2008 (the "**KSA Regulations**")) for the purposes of Article 9 of the KSA Regulations. Each Lead Manager has represented, warranted and agreed that the offer of the Equity Shares will only be directed at Sophisticated Investors.

The offer of Equity Shares shall not therefore constitute a "public offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Equity Shares as a Sophisticated Investor may not offer or sell those Equity Shares to any person unless the offer or sale is made through an authorised person appropriately licensed by the Saudi Arabian Capital Market Authority and (i) the Equity Shares are offered or sold to a Sophisticated Investor; (ii) the price to be paid for the Equity Shares in any one transaction is equal to or exceeds Saudi Arabian Riyal 1 million or an equivalent amount; or (iii) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

Singapore

This Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, the Equity Shares may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Placement This Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, the Equity Shares may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Placement

Each of the following relevant persons specified in Section 275 of the SFA who has subscribed for or purchased shares, namely a person who is:

1. a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
2. a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the shares under Section 275 of the SFA except:

(a) to an institutional investor under Section 274 of the SFA or to a relevant person or to any person pursuant to Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
(b) where no consideration is or will be given for the transfer;
(c) where the transfer is by operation of law;
(d) pursuant to Section 276(7) of the SFA; or
(e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulation 2005 of Singapore.

Spain

This Placement Document has not been registered with the Spanish Securities Market National Commission (*Comision Nacional del Mercado de Valores).* The Equity Shares may not be listed, offered or sold in Spain except in accordance with the requirements of the Spanish Security Market Act (*Ley 24/1988, de 28 de julio, del Mercado de Valores),* as amended, and as supplemented by Royal Decree 1310/2005 *(Real Decreto Ley 24/1988, de 28 de Julio, del Mercado de Valores, en materia de admission a negociación de valores en mercados secundarios oficilaes,*

de ofertas públicas or subscripción y del folleto exigible a tales efectos), (the "Royal Decree 1310/2005"), and any other applicable provisions. The Equity Shares may not be listed, sold, offered or distributed to persons in Spain except in compliance with the above-mentioned provisions and, particularly, pursuant to Sections 26 to 38 to 41 of Royal Decree 1320/2005, as amended.

Switzerland

The Equity Shares may be offered in Switzerland on the basis of a private placement, not as a public offering. The Equity Shares will neither be listed on the six Swiss Exchange nor are they subject to Swiss law. This Placement Document does not constitute a prospectus within the meaning of Art. 1156 of the Swiss Federal Code of Obligations or Arts. 32 *et seq.* of the Listing Rules of the six Swiss Exchange, and does not comply with the Directive for Equity Shares of Foreign Borrowers of the Swiss Bankers Association. We will not apply for a listing of the Equity Shares on any Swiss stock exchange or other Swiss regulated market and this Placement Document may not comply with the information required under the relevant listing rules. The Equity Shares have not and will not be registered with the Swiss Federal Banking Commission or any other Swiss authority for any purpose, whatsoever.

The Netherlands

The Equity Shares are not and may not be offered in the Netherlands other than to persons or entities who or which are qualified investors as defined in Section 1:1 Dutch Financial Supervision Act (*Wet op het financieel toezicht)* (which incorporates the term "qualified investors" as used in the Prospectus Directive).

United Kingdom

Each of the Book Running Lead Managers has represented, warranted and undertaken that:

1. it has only communicated or caused to be communicated and will only communicate or cause to be communicated in the United Kingdom any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("**FSMA**") received by it in connection with the issue or sale of any Equity Shares in circumstances in which section 21(1) of FSMA does not apply to the Bank; and

2. it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom.

United States of America

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities laws. The Equity Shares are being offered and sold only (1) in the United States to persons who are U.S. QIBs, and (2) outside the United States in offshore transactions in reliance upon Regulation S and the applicable laws of each jurisdiction where such offers and sales occur. Each purchaser of the Equity Shares offered by this Placement Document will be deemed to have made the representations, agreements and acknowledgements as described under "Transfer Restrictions" in this Placement Document.

TRANSFER RESTRICTIONS

Pursuant to Chapter VIII of the SEBI ICDR Regulations, any resale of Equity Shares, except on the floor of the Stock Exchanges, is not permitted for a period of one year from the date of Allotment. In addition to the above, allotments made to QIBs, including FVCIs, VCFs and AIFs, in this Issue may be subject to lock-in requirements, if any, under the rules and regulations that are applicable to them. Investors are advised to consult their legal counsel prior to making any resale, pledge or transfer of the Equity Shares.

U.S. Offer Purchaser Representations and Transfer Restrictions

The Equity Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. If you purchase the Equity Shares offered in the United States in reliance upon Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act, by accepting delivery of this Placement Document, submitting a bid to purchase Equity Shares and/or accepting delivery of any Equity Shares, you will be deemed to have represented and agreed to us and the Book Running Lead Managers as follows:

- You (A) are a "qualified institutional buyer" (as defined in Rule 144A), (B) are aware that the sale of the Equity Shares to you is being made in reliance upon Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act and (C) are acquiring such Equity Shares for its own account or for the account of a "qualified institutional buyer";

- You understand and agree (or if you are a broker-dealer acting on behalf of a customer, your customer has confirmed to you that such customer understands and agrees) that the Equity Shares are being offered in a transaction not involving any public offering within the meaning of the U.S. Securities Act, have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be reoffered, resold, pledged or otherwise transferred except (A)(i) in the United States to a person who the seller reasonably believes is a "qualified institutional buyer" in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction in reliance upon Regulation S, as applicable, (iii) pursuant to an exemption from registration under the U.S. Securities Act provided by Rule 144 under the U.S. Securities Act (if available), (iv) pursuant to another available exemption from the registration requirements of the U.S. Securities Act, or (v) pursuant to an effective registration statement under the U.S. Securities Act, and (B) in each case, in accordance with all applicable securities laws of the states of the United States and any other jurisdiction in which such offers or sales are made;

- It agrees (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer agrees) that neither it, nor any of its affiliates, nor any person acting on its behalf, will make any "directed selling efforts" as defined in Regulation S, with respect to the Equity Shares. It acknowledges and agrees that it is not purchasing any Equity Shares as a result of any directed selling efforts;

- The Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for re-sales of any Equity Shares;

- You will not deposit or cause to be deposited such Equity Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act;

- You will base your investment decision on a copy of this Placement Document. You acknowledge that neither the Bank nor any of its affiliates nor any other person (including the Book Running Lead Managers) or any of their respective affiliates has made or will make any representations, express or implied, to you with respect to the Bank, this Issue, the Equity Shares or the accuracy, completeness or adequacy of any financial or other information concerning the Bank, this Issue or the Equity Shares, other than (in the case of the Bank only) the information contained in this Placement Document, as it may be supplemented;

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

- You will notify any transferee to whom you subsequently offer, sell, pledge or otherwise transfer and the executing broker and any other agent involved in any resale of the Equity Shares of the foregoing restrictions applicable to the Equity Shares and instruct such transferee, broker or agent to abide by such restrictions;

- You acknowledge that if at any time its representations cease to be true, you agree to resell the Equity Shares at the Bank's request;

- You have been provided access to this Placement Document which you have read in its entirety; and

- You acknowledge and agree (or if you are a broker-dealer acting on behalf of a customer, your customer has confirmed to you that such customer acknowledges and agrees) that we, the Book Running Lead Managers, their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agree that, if any of such acknowledgements, representations or agreements are no longer accurate you will promptly notify us; and if you are acquiring any of the Equity Shares as a fiduciary or agent for one or more accounts, you represent that you have sole investment discretion with respect to each such account and that you have full power to make, and do make, the foregoing acknowledgements, representations and agreements on behalf of each such account.

Any offer, resale, pledge or other transfer of the Equity Shares made other than in compliance with the above-stated restrictions will not be recognised by us.

Global Offer Purchaser Representations and Transfer Restrictions

By accepting delivery of this Placement Document, submitting a bid to purchase Equity Shares and/or accepting delivery of my Equity Shares, you will be deemed to have represented and agreed as follows:

- You will comply with all laws, regulations and restrictions (including the selling restrictions contained in this Placement Document) which may be applicable in your jurisdiction and you have obtained or will obtain any consent, approval or authorization required for you to purchase and accept delivery of Equity Shares, and you acknowledge and agree that none of us or the Book Running Lead Managers and their respective affiliates shall have any responsibility in this regard;

- You certify that you are, or at the time the Equity Shares are purchased will be, (a) the beneficial owner of the Equity Shares, you are located outside the United States of America (within the meaning of Regulation S), and you have not purchased the Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Equity Shares or an economic interest therein to any person in the United States; or (b) you are a broker-dealer acting on behalf of a customer and you customer has confirmed to you that (i) such customer is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares, (ii) such customer is located outside the United States of America (within the meaning of Regulation S), and (iii) such customer has not purchased the Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Equity Shares or an economic interest therein to any person in the United States;

- You understand and agree (or if you are a broker-dealer acting on behalf of a customer, your customer has confirmed to you that such customer understands and agrees) that the Equity Shares are being offered in a transaction not involving any public offering within the meaning of the U.S. Securities Act, have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be reoffered, resold, pledged or otherwise transferred except (A)(i) in the United States to a person who the seller reasonably believes is a "qualified institutional buyer" in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S, as applicable, (iii) pursuant to an exemption from registration under the U.S. Securities Act provided by Rule 144 under the U.S. Securities Act (if available), (iv) pursuant to another available exemption from the registration requirements of the U.S. Securities Act, or (v) pursuant to an effective registration statement under the U.S. Securities Act, and (B) in each case, in accordance with all applicable securities laws of the states of the United States and any other jurisdiction;

- You agree (or if you are a broker-dealer acting on behalf of a customer, your customer has confirmed to you that such customer agrees) that neither you, nor any of your affiliates, nor any person acting on your behalf, will make any "directed selling efforts" as defined in Regulation S. You acknowledge and agree that you are not purchasing any Equity Shares as a result of any directed selling efforts;

- You will base your investment decision on a copy of this Placement Document. You acknowledge that neither the Bank nor any of its affiliates nor any other person (including the Book Running Lead Managers) or any of their respective affiliates has made or will make any representations, express or implied, to you with respect to the Bank, this Issue, the Equity Shares or the accuracy, completeness or adequacy of any financial or other information concerning the Bank, this Issue or the Equity Shares, other than (in the case of the Bank) the information contained in this Placement Document, as may be supplemented; and

- You acknowledge and agree (or if you're a broker-dealer acting on behalf of a customer, your customer has confirmed to you that such customer acknowledges and agrees) that we, the Book Running Lead Managers, your affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agree that, if any of such acknowledgments, representations or agreements are no longer accurate, you will promptly notify us; and if you are acquiring any of the Equity Shares as a fiduciary or agent for one or more accounts, you represent that you have sole investment discretion with respect to each such account and that you have full power to make, and do make, the foregoing acknowledgments, representations and agreements on behalf of each such account.

Any offer, resale, pledge or other transfer of the Equity Shares made other than in compliance with the above-stated restrictions, will not be recognised by us.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the SEBI and the Stock Exchanges; and has not been prepared or independently verified by the Bank, the Book Running Lead Managers, or any of the Bank or the Book Running Lead Managers' respective affiliates or advisers.

The Indian Securities Market

India has a long history of organised securities trading. In 1875, the first stock exchange was established in Mumbai. BSE and NSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalisation and trading activity.

Indian Stock Exchanges

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the SCRA, the SCRR, the SEBI Act, the Depositories Act, the Companies Act and various rules and regulations framed thereunder.

On June 20, 2012, SEBI, in exercise of its powers under the SCRA and the SEBI Act, notified the SCR (SECC) Rules, which regulate, amongst others, the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum capitalisation requirements for stock exchanges. The SCRA, the SCRR and the SCR (SECC) Rules along with various rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner, in which contracts are entered into, settled and enforced between members of the stock exchanges.

The SEBI Act empowers SEBI to promote, develop and regulate the Indian securities markets, including stock exchanges and intermediaries in the capital markets, to protect the interests of investors, promote and monitor self-regulatory organisations and prohibit fraudulent and unfair trade practices and insider trading and to regulate substantial acquisitions of shares and takeovers of companies. SEBI has also issued regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisitions of shares and takeover of companies, buy-backs of securities, delisting of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors, credit rating agencies and other capital market participants.

The following two Stock Exchanges have nation-wide trading terminals:

BSE

Established in 1875, the BSE was the first stock exchange in Asia. In 1957, it became the first stock exchange in India to obtain permanent recognition from the Government under the SCRA. S&P BSE SENSEX, India's first equity index was launched in 1986. BSE provides a market for trading in equity, debt instruments, derivatives, mutual funds. It also has a platform for trading in equities of small-and-medium enterprises which was launched in 2012. The United Stock Exchange of India has been merged with the BSE from May 2015.

NSE

The NSE was established in 1992 by financial institutions and banks to provide nationwide online, satellite-linked, screen-based trading facilities with market-makers and electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. The NSE was recognised as a stock exchange under the SCRA in April 1993 and commenced operations in the wholesale debt market segment in June 1994. The capital market (equities) segment commenced operations in November 1994 and operations in the derivatives segment commenced in June 2000. NSE launched the NSE 50 Index, now known as S&P CNX NIFTY, on April 22, 1996 and the Mid-cap Index on January 1, 1996. It also established a platform for trading in equities of small and medium enterprises in 2012.

Listing of Securities

The listing of securities on stock exchanges in India is regulated by the applicable Indian laws including the SEBI

Regulations, Companies Act, the SCRA, the SCRR, the Listing Regulations, the SEBI Act and various guidelines and regulations issued by the SEBI. Under the SCRA and the SCRR, the governing body of each stock exchange is empowered to suspend or withdraw admission to trading of or dealing in a listed security for breach by a listed entity of any of the conditions of admission to dealings or for any other reason, subject to such entity receiving prior notice of such intent of the stock exchange and upon granting of a hearing in the matter. SEBI has the power to vary or veto the decision of the stock exchange in this regard. SEBI also has the power to amend the byelaws of the stock exchanges.

Delisting of Securities

SEBI has notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 in relation to the voluntary and compulsory delisting of equity shares from the stock exchanges. In addition, certain amendments to the SCRR have also been notified in relation to delisting.

The Listing Regulations

Listed entities, as defined under the Listing Regulations, are required to make disclosures and abide by their obligations under the Listing Regulations, which include, amongst other things, filing of their audited accounts with the stock exchanges, formulation of a related party transactions policy, corporate governance requirements such as formation of committees, composition of the board of directors, and other continual disclosure requirements.

Minimum Level of Public Shareholding

Pursuant to an amendment of the SCRR, all listed companies (except public sector undertakings) are required to maintain a minimum public shareholding of 25%. We are in compliance with the minimum public shareholding requirement. Where the public shareholding in a listed company falls below 25% at any time, such company is required to bring the public shareholding to 25% within a maximum period of twelve months from the date of such fall in the manner specified by the SEBI.

Index-Based Market-Wide Circuit Breaker System

In order to restrict abnormal price volatility in any particular stock, the SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10%, 15% and 20%. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of BSE or the CNX NIFTY of NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands of 20% movements either up or down. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

Internet-Based Securities Trading and Services

SEBI approved internet trading in January 2000. Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. This permits clients throughout the country to trade using brokers' internet trading systems. Stock brokers interested in providing this service are required to apply for permission to the relevant stock exchange and to comply with certain minimum conditions stipulated by the SEBI and other applicable laws. NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the 'equities' as well as the 'derivatives' segments of the NSE.

Trading Hours

Trading on both the NSE and the BSE occurs from Monday to Friday, between 9:15 a.m. and 3:30 p.m. IST (excluding the 15 minutes pre-open session from 9:00 a.m. to 9:15 a.m. that has been introduced recently). The

NSE and the BSE are closed on public holidays. The recognised stock exchanges have been permitted to set their own trading hours (in the cash and derivatives segments) subject to the condition that (i) the trading hours are between 9.00 a.m. and 5.00 p.m.; and (ii) the stock exchange has in place a risk management system and infrastructure commensurate to the trading hours.

Trading Procedure

In order to facilitate smooth transactions, the BSE replaced its open outcry system with BSE On-line Trading facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work.

NSE has introduced a fully automated trading system called NEAT, which operates on strict time/price priority besides enabling efficient trade. NEAT has provided depth in the market by enabling large number of members all over India to trade simultaneously, narrowing the spreads.

Takeover Regulations

Disclosure and mandatory bid obligations for listed Indian companies are governed by the Takeover Regulations which provide specific regulations in relation to substantial acquisition of shares and takeover. Once the equity shares of a company are listed on a stock exchange in India, the provisions of the Takeover Regulations will apply to any acquisition of the company's shares/voting rights/control. The Takeover Regulations prescribe certain thresholds or trigger points in the shareholding a person or entity has in the listed Indian company, which give rise to certain obligations on part of the acquirer. Acquisitions up to a certain threshold prescribed under the Takeover Regulations mandate specific disclosure requirements, while acquisitions crossing particular thresholds may result in the acquirer having to make an open offer of the shares of the target company. The Takeover Regulations also provide for the possibility of indirect acquisitions, imposing specific obligations on the acquirer in case of such indirect acquisition.

Prohibition of Insider Trading Regulations

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, (the "**Insider Trading Regulations**") have been notified by SEBI to prohibit and penalise insider trading in India. An "insider" is defined to include any person who has received or has access to unpublished price sensitive information ("**UPSI**") or a "Connected Person". A "**Connected Person**" includes, amongst others, any person who is or has directly or indirectly, been associated with the company in any capacity whether contractual, fiduciary or employment or has any professional or business relationship with the company whether permanent or temporary, during the six months prior to the concerned act which would allow or reasonably expect to allow access, directly or indirectly, to UPSI.

An insider is, amongst others, prohibited from trading in securities of a listed or proposed to be listed company when in possession of UPSI and to provide access to any person including other insiders to the above referred UPSI except where such communication is for legitimate purposes, performance of duties or discharge of legal obligations. UPSI shall include any information, relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities. The Insider Trading Regulations also provide disclosure obligations for shareholders holding more than five percent of equity shares or voting rights, and the changes therein. Initial disclosures are required from promoters, key managerial personnel, directors as well as continual disclosures by every promoter, employee or director in case value of trade exceed monetary threshold of ₹1 million over a calendar quarter, within two days of reaching such threshold. The board of directors of all listed companies are required to formulate and publish on the company's website a code of procedure for fair disclosure of UPSI along with a code of conduct for its employees for compliances with the Insider Trading Regulations.

Depositories

The Depositories Act provides a legal framework for the establishment of depositories to record ownership details and effect transfer in book-entry form. Further, SEBI framed regulations in relation to the registration of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivatives contracts were included within the term "securities", as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivatives exchange or derivatives segment of a stock exchange functions as a self-regulatory organisation under the supervision of the SEBI.

DESCRIPTION OF THE EQUITY SHARES

The following is information relating to the Equity Shares including a brief summary of the Bank Regulations. Prospective investors are urged to read the Bank Regulations carefully, and consult with their advisers, as the Bank Regulations and applicable Indian law, and not this summary, govern the rights attached to the Equity Shares.

General

As on the date of this Placement Document, the authorised share capital of the Bank is ₹30,000 million consisting 3,000,000,000 Equity Shares.

The Equity Shares are listed on NSE and BSE. As on the date of this Placement Document, the issued, subscribed and paid-up share capital of our Bank is ₹7,264.29 million divided into 726,429,298 Equity Shares.

Kinds of Share Capital

The Bank may have two types of share capital: preference share capital and equity share capital. Preference share capital means the share capital which fulfills both the following conditions:

(i) As respects dividends, it carries a preferential right to be paid a fixed amount or an amount calculated at fixed rate, which may be either free of or subject to income tax; and
(ii) As respect capital, it carries or will carry, on winding up to repayment of capital, a preferential right to be repaid the amount of the capital paid up or deemed to have been paid up, whether or not there is preferential right to the payment of either or both of the following amounts, namely (a) any money remaining unpaid, in respect of the amounts specified by the Board with the previous consent of the Central Government; and/or (b) any fixed premium or premium on any fixed scale, specified by the Board with the previous consent of the Central Government.

Equity share capital means all share capital which is not preference share capital.

Issue of Shares

The Bank may raise capital by public issue or preferential allotment or private placement of equity shares or preference shares in accordance with the guidelines, rules or regulations of SEBI in this regard. For raising capital by public issue or preferential allotment or private placement of preference shares, the extent of issue of each class of such preference shares (whether perpetual or irredeemable or redeemable) and the terms and conditions subject to which each class of such preference shares that may be issued by the Bank is required to be determined in accordance with the guidelines framed by the RBI pursuant to the provisions contained in the proviso to Section 3(2B)(c) of the Banking Companies Act. The proposal has to be submitted to the RBI to take into account the views of the RBI before finalizing the proposal and the final proposal has to be thereafter submitted to the Central Government for its sanction. The raising of the capital should be in accordance with the sanction granted by the Central Government.

Register of Shareholders

The Bank is required to keep, maintain and update a share register in accordance with the provisions of the Banking Companies Act. In addition to the above, the share register shall also include such particulars as the Board of Directors may specify. In the case of joint holders of any share, their names and other particulars has to be grouped under the name of the first of such joint holders. Unless the register is in such form as in itself to constitute an index, the Bank will keep an index, which may be in form of a card index of the names of the shareholders. Persons who are not competent to contract are not entitled to be registered as shareholders and the decision of the Board in this regard will be conclusive and final. In the case of partnership firms, shares may be registered in the name of individual partners and no firm as such, shall be entitled to be registered as shareholders. Any share which stands in the names of two or more persons, the person first named in the register will, as regards voting, receipt of dividends, service of notices and all or any other matters connected with the Bank except the transfer of shares, be deemed to be the sole holder thereof. After ensuring compliance of the applicable guidelines and after giving not less than seven days previous notice by advertisement in at least two newspapers circulating in India, the Bank can close the register of shareholders for any period or periods not exceeding in the aggregate 45 days in each year, but not exceeding 30 days at any one time as may in the option, be necessary. The register

shall be maintained at the head office of the Bank and shall be under the control of the Board of Directors.

The particulars required to be entered into the share register shall be maintained in accordancewith the relevant provisions of the Banking Companies Act and in the form of data stored in magnetic/ optical/ magneto-optical media in computers, which shall be maintained at the head office of the Bank, and a back-up of the same shall be maintained at such location as may be decided by the Chairman and Managing Director or any other official of the Bank not below the rank of General Manager and who has been designated in this regard by the Chairman and Managing Director.

Share Certificates

Each share certificate in respect of shares of the Bank is required to bear a share certificate number, a distinctive number, the number of shares in respect of which it is issued and the name of the shareholder to whom it is issued and the name of the shareholder to whom it is issued and should be in such form as may be specified by the Board of Directors. Every share certificate should be issued under the common seal of the Bank in pursuance of a resolution of the Board of Directors and it should be signed by two directors and some other officer not below the rank of Scale II or the company secretary for the purpose. The signature of the directors may be printed, engraved, lithographed or impressed by such other mechanical process as the Board of Directors may direct. No share certificate is valid unless and until it is so signed. Share certificate so signed will be valid and binding notwithstanding that, before the issue thereof, any person whose signature appears thereon may have ceased to be a person authorised to sign share certificates on the behalf of the Bank.

Transfer of Shares

The Bank can transfer its shares by an instrument of transfer in the form provided under the Bank Regulations or in such other form as may be approved by the Bank from time to time and the instrument of transfer along with the share certificate should be submitted to the Bank at its head office. Upon receipt by the Bank of an instrument of transfer along with a share certificate with a request to register the transfer, the Board of Directors or the committee designated by the Board of Directors should forward the said instrument of transfer along with share certificate to the registrar or share transfer agent for the purposes of verification. The registrar or share transfer agent is required to return the instrument of transfer along with the share certificate, if any, to the transferee for resubmission unless the instrument of transfer is presented to the Bank, duly, stamped and properly executed for registration and is accompanied by the certificate of the shares to which it relates and such other evidence as the Board of Directors may require to show the title of the transferor to make such transfer.

The Board of Directors or the committee designated by the Board of Directors may refuse to transfer any shares in the name of the transferee on anyone or more of the following grounds, and on no other grounds:-

(i) The transfer of shares, is in contravention of the provisions of the Banking Companies Act or regulations made there under or any other law or that any other requirement under the law relating to registration of such transfer has not been compiled with;
(ii) The transfer of shares, in the opinion of the Board of Directors, is prejudicial to the interests of the Bank or to public interest;
(iii) The transfer of shares is prohibited by an order of any court, tribunal or any other authority under any law for the time being in force; or
(iv) an individual or company resident outside India or any company incorporated under any law not in force in India or any branch of such company whether resident outside India or not will on the transfer being allowed to hold or acquire as a result thereof, shares of the Bank and such investment in the aggregate will exceed the percentage being more than 20% of the paid up capital or as may be specified by the Central Government by notification in the Official Gazette.

The Board of Directors or the committee designated by the Board of Directors should, unless it refuses to register the transfer under the provisions of the Union Bank of India Regulations, cause the transfer to be registered. Unless the transfer of shares is refused registration under the provisions of the Union Bank of India Regulations, the share certificate duly transferred is required to be delivered to the transferee within 60 days from the date of lodging of the instrument of transfer. The Board of Directors or the committee designated by the Board of Directors should not register any transfer during any period in which the register is closed.

Pursuant to the Listing Regulations, in the event we have not effected the transfer of shares within fifteen days or where we have failed to communicate to the transferee any valid objection to the transfer within the stipulated

time period of fifteen days, it is required to compensate the aggrieved party for the opportunity loss caused during the period of the delay. The Equity Shares shall be freely transferable, subject to applicable laws. If the Bank refuses to register the transfer of any share or transmission of any right therein, notice of such refusal must be sent to the transferee within one month from the date on which the instrument of transfer or intimation of transmission was lodged with the Bank.

Calls on Shares

The Board of Directors may, from time to time, make such calls as it thinks fit upon the shareholders in respect of all moneys remaining unpaid on the shares held by them, which are by the conditions of allotment not made payable at fixed times, and each shareholder is required to pay the amount of every call so made on him to the person and at the time and place appointed by the Board. A call may be payable by installments and a notice of not less than 30 days of every call specifying the time of payment has to be given. A call shall be deemed to have been made at the time when the resolution of the Board of Directors authorizing such call was passed and may be made payable by the shareholders on the register on such date or at the discretion of the Board of Directors on such subsequent date as may be fixed by the Board of Directors.

The time fixed for the payment of any call to all or any of the shareholders may be extended at the discretion of the Board of Directors, but no shareholder is entitled to such extension as a matter of right.

No shareholder is entitled to receive any dividend or to exercise any right of a shareholder until he has paid all calls for the time being due and payable on every share held by him, whether singly or jointly with any person, together with interest and expenses, as may be levied or charged.

Forfeiture of Shares

Our Bank can forfeit shares after giving notice, if the calls on shares are unpaid. The notice of forfeiture should name a day not being less than 14 days from the date of the notice and the place or places on and at which such call or instalment or such part or other monies and such interest and expenses as aforesaid are to be paid. Such forfeiture will include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture. Any share so forfeited will be deemed to be the property of the Bank and may be sold, re-allotted or otherwise disposed of to any person upon such terms and in such manner as the Board of Directors may decide.

Lien

The Bank has a first and paramount lien on (i) every share (not being a fully-paid share), for all moneys (whether presently payable or not) called, or payable at a fixed time, in respect of that share; (ii) on all shares (not being fully paid shares) standing registered in the name of a single person, for all moneys presently payable by him or his estate to the Bank; (iii) upon all the shares registered in the name of each person (whether solely or jointly with others) and upon the proceeds of sale thereof for his debts, liabilities, and engagements, solely or jointly with any other person to or with the Bank, whether the period for the payment, fulfillment, or discharge thereof shall have actually arrived or not and no equitable interest in any share should be recognised by the Bank over its lien. However, the Board of Directors may at any time declare any share to be wholly or in part exempt from the said provisions. The Bank's lien, if any, on a share extends to all dividends payable thereon.

The Bank may sell, in such manner as the specified by the Board of Directors, any shares on which the Bank has a lien if a sum in respect of which the lien exists is presently payable and, after the expiration of 14 days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or insolvency to give effect to any such sale, the Board of Directors may authorise some officer to transfer the shares sold to the purchaser thereof.

Meetings of Shareholders

There are two types of general meetings of shareholders: annual general meetings and extraordinary general meetings. For convening an annual general meeting of the shareholders, a notice signed by the Chairman and Managing Director or Executive Director or any other officer not below the rank of scale VII or company secretary of the Bank should be published at least 21 clear days before the meeting in not less than two daily newspapers having wide circulation in India. Every such notice is required to state the time, date and place of such meeting, and also the business that should be transacted at that meeting. The time and date of such meeting should be as

specified by the Board. The meeting should be held at the head office of the Bank.

An extraordinary general meeting of shareholders can be convened by the Chairman and Managing Director or in his absence, the Executive Director of the Bank or in his absence anyone of the directors of the Bank, if so directed by the Board, or on a requisition for such a meeting having been received either from the Central Government or from other shareholders holding shares, carrying, in the aggregate, not less than 10% of the total voting rights of all the shareholders. The requisition should state the purpose for which extraordinary general meeting is required to be convened, but may consist of several documents in like form each signed by one or more of the requisitionists. Where two or more persons hold any shares jointly, the requisition or a notice calling a meeting, signed by one or more of them should, for the purpose of this regulation have the same force and effect as if it had been signed by all of them. The time, date and place of the Extra Ordinary General Meeting shall be decided by the Board. If the Chairman and the Managing Director or in his absence the Executive Director, as the case may be, does not convene a meeting as required by the Union Bank of India Regulations, within the 45 days from the date of receipt of the requisition, the meeting may be called by the requisitionist themselves within three months from the date of the requisition.

No business can be transacted at any meeting of the shareholders unless a quorum of at least five shareholders entitled to vote at such meeting in person are present at the commencement of such business. At any general meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded, be decided on show of hands.

Where a poll is to be taken, the Chairman of the meeting should appoint two scrutineers to scrutinise the votes given on the poll and to report thereon to him. The chairman of the meeting has the power, any time before the result of the poll is declared, to remove scrutineers from the office and to fill the vacancy in the office of the scrutineers arising from such removal or from any other cause. One of the two scrutineers appointed will always be a shareholder (who is not an officer or employee of the Bank).

Election of Directors

A director under clause (i) of sub-section (3) of Section 9 of the Banking Companies Act is to be elected by the shareholders on the register, other than the Central Government, from amongst themselves in the general meeting of the Bank. Where an election of a director is to be held at any general meeting, the notice thereof should be included in the notice convening the meeting. Every such notice should specify the number of directors to be elected and the particulars of vacancies in respect of which the election is to be held.

Voting Rights of Shareholders

Subject to certain provisions of the Banking Companies Act, each shareholder who has been registered as a shareholder on the date of closure of the register prior to the date of a general meeting shall, at such meeting, have one vote on show of hands and in case of a poll shall have one vote for each share held by him. Every shareholder entitled to vote who, not being a company, is present in person or by proxy or who being a company is present by a duly authorised representative, or by proxy shall have one vote on a show of hands and in case of a poll shall have one vote for each share held by him. A shareholder, being the Central Government or a company, may by a resolution, as the case may be, authorise any of its officials or any other person to act as its representative at any general meeting of the shareholders and the person so authorised, shall be entitled to exercise the same powers on behalf of the Central Government or company which he represents, as if he were an individual shareholder of the Bank.

No person is permitted to attend or vote at any meeting of the shareholders of the Bank as the duly authorised representative of a company unless a copy of the resolution appointing him as a duly authorised representative certified to be a true copy by the Chairman of the meeting at which it was passed has been deposited at the head office of the Bank not less loan four days before the date fixed for the meeting. Also, no instrument of proxy is considered valid unless, in the case of an individual shareholder, it is signed by him or by his attorney duly authorised in writing, or in the case of joint holders, it is signed by the shareholder first named in the register or his attorney duly authorised in writing or in the case of the body corporate signed, by its officer or an attorney duly authorised in writing.

Dividends

As per the RBI Dividend Circular and dividend policy of the Bank, from time to time, if any. the Bank is eligible to declare dividends without prior approval of RBI only if the Bank has a (i) CRAR of at least 9% for the preceding

two completed years and the accounting year for which it proposes to declare a dividend; and (ii) net NPA less than 7%. In case the Bank does not meet the said CRAR norm, but has a CRAR of at least 9% for the accounting year for which it proposes to declare dividend, it would be eligible to declare dividend provided its net NPA ratio is less than 5%.

The Bank is required to comply with certain provisions of the Banking Regulation Act and the prevailing regulations/guidelines issued by RBI, including creating adequate provisions for impairment of assets and staff retirement benefits, transfer of profits to statutory reserves.

STATEMENT OF TAX BENEFITS

To,

The Board of Directors
Union Bank of India,
239, Vidhan Bhawan Marg
Nariman Point,
Mumbai 400 021.

Dear Sirs,

Sub: Proposed qualified institutions placement of equity shares of face value ` 10 each ("Equity Shares") of Union Bank of India (the "Bank") under Chapter VIII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended 2014 (the "Issue")

1. We, P A & Associates, Chartered Accountants, (Firm Registration Number 313085E),and S Bhandari & Co, Chartered Accountants, (Firm Registration Number 000560C), the independent statutory auditors of the Bank hereby certify the enclosed **Annexure I**, which states the possible special tax benefits available to the Bank and the shareholders of the Bank under the Income Tax Act, 1961 ("**Act**") presently in force in India. These special tax benefits are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Act. Hence, the ability of the Bank or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Bank or its shareholders may or may not choose to fulfill.

2. We are informed that this statement is only intended to provide general information to the investors and hence, is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences aid the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

3. Capitalized terms used herein, unless otherwise specifically defined, shall have the same meaning as ascribed to them in the preliminary placement document and placement document of the Bank prepared in connection with the Issue to be filed with the stock exchanges on which the Equity Shares of the Bank are listed (the "**Stock Exchanges**") and any other authority (together the "**Placement Documents**").

4. We consent to the inclusion of the above information in the Placement Documents to be filed by the Bank with the Stock Exchanges, the Securities and Exchange Board of India, and the Registrar of Companies, and any other authority and such other documents as may be prepared in connection with the Issue.

5. We hereby confirm that the information in **Annexure I** herein above is true, complete and not misleading. The aforesaid information may be relied upon by the placement agents and legal counsel appointed pursuant to the Issue and may be submitted to the Securities and Exchange Board of India, Stock Exchanges and any other regulatory or statutory authority in respect of the Issue and for the records to be maintained by the placement agents in connection with the Issue. We undertake to immediately inform the placement agents and legal counsel in case of any changes to the above until the date when the Equity Shares pursuant to the Issue commence trading on the Stock Exchanges. In the absence of any such communication, you may assume that there is no change in respect of the matters covered in this certificate.

For P A & Associates
Chartered Accountants
Firm Registration Number: 313085E

For S Bhandari & Co
Chartered Accountants
Firm Registration Number: 000560C

Dillip Agarwalla
(Membership Number: 055420)

P P Pareek
(Membership Number: 071213)

Place: Mumbai
Date: 06.12.2017

Annexure I

Statement of Possible Special Tax Benefits available to Union Bank of India and its Shareholders

Annexure A

The information provided hereunder sets out the possible tax benefits available to the shareholders in a summary manner and is not a complete analysis / listing of all potential tax consequences relating to the subscription, ownership and disposal of the equity shares, under the current tax laws presently in force in India. Several of these benefits are dependent on the shareholder(s) fulfilling the conditions stipulated under the relevant tax laws. Hence, the ability of any shareholder to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives it faces in the future, it may not choose to fulfill. The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultants and advisors with respect to the tax implications of an investment in the Equity Shares, particularly in view of certain recently enacted legislation which may not have a direct legal precedent or may have a different interpretation on the benefits which can be availed. All the tax benefits mentioned in this document are subject to the specific conditions mentioned in the respective section and / or the related rules or guidelines.

The law stated below is as per the Income tax Act, 1961 (hereinafter referred to as "IT Act" or "Act" as amended by the Finance (No. 2) Act, 2017.

The Government has introduced two major reforms in Indian tax laws, namely the Goods and Services Tax (GST), and provisions relating to General Anti-Avoidance Rules (GAAR). With respect to the implementation of the goods and service tax, the Government of India has implemented this from July 1, 2017. The GST would subsume the indirect taxes on goods and services such as central excise duty, service tax, central sales tax, state VAT, cess and surcharge and excise currently being collected by the Central and State Governments. The tax rate applicable for the Bank's services to customers under GST is @ 18% and is higher than the earlier service tax rate of 15%, and such increase is passed on to the customers.

As regards GAAR, the provisions of Chapter X-A (Sections 95 to 102) of the Act are applicable in respect of Assessment Year 2018-19 (Financial Year 2017-18) and onwards. The GAAR provisions intend to declare an arrangement as "impermissible avoidance arrangement", if any arrangement, the main purpose of which is to obtain a tax benefit and which satisfies at least one of the following tests (i) creates rights, or obligations, which are not ordinarily created between persons dealing at arm's length; (ii) results, directly or indirectly, in misuse, or abuse, of the provisions of the Income Tax Act, 1961; (iii) lacks commercial substance or is deemed to lack commercial substance, in whole or in part; or (iv) is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bona fide purposes. If GAAR provisions are invoked, the tax authorities will have wide powers, including denial of tax benefit or a benefit under a tax treaty. However, as the Bank has good systems to ensure that its transactions do not fall into the categories mentioned above, there may not be any significant adverse effect. As the taxation system is expected to undergo significant change, its consequent effects on the banking system cannot be determined at present and there can be no assurance that such effects would not adversely affect the Bank's business, future financial performance and the trading price of the Equity Shares.

LIMITATION

Our views expressed in this section are based on the facts and assumptions. No assurance is given that the revenue authorities/ courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on this statement is on the express understanding that we do not assume responsibility towards the investors who may or may not invest in the Offer relying on the statement. This statement has been prepared solely in connection with the Offer under the Regulations as amended.

I. INCOME TAX

A. TAX BENEFIT TO THE BANK

1. Income by way of interest, premium on redemption or other payment on notified securities, bonds, certificates issued by the Central Government is exempt from tax under Section 10(15) as per conditions specified in the concerned notification subject to fulfillment of stipulated conditions.

2. Dividends earned by the Bank from domestic companies are exempt from tax in accordance with and subject to the provisions of Section 10 (34) read with Section 115-O. However, as per Section 94(7), losses arising from sale/ transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed as exempt.

3. Income earned by the Bank from investment in units of mutual fund specified under Section 10(23D) or income received in respect of units from the administrator of the specified undertaking or income received in respect of units from the specified company is exempt from tax under Section 10(35), subject to conditions. However, as per Section 94(7), losses arising from the sale/ redemption of units purchased within three months prior to the record date (for entitlement to receive income) and sold within nine months from the record date, will be disallowed to the extent such loss does not exceed the amount of income claimed exempt. Under Section 94(8), losses arising from sale/ transfer of units of mutual funds, where such units are purchased within three months prior to the record date, additional units are allotted without payment based on holdings on such date and all or any units initially purchased are sold within nine months from the record date while continuing to hold all or any additional units, will be ignored for computing chargeable income. Such loss ignored will be considered as the cost of acquisition of the additional units held on the date of sale/transfer.

4. Under Section 36(1)(vii), any bad debt or part thereof written off as irrecoverable in the accounts of the Bank is allowable as a deduction, subject to the provisions of section 36(2). The deduction of bad debts is limited to the amount, by which such bad debts or part thereof, exceeds the credit balance in the provision for bad and doubtful debts account made under Section 36(1)(viia).

5. Under Section 36(1)(viia),a deduction is allowable in respect of any provision made for bad and doubtful debts, by an amount not exceeding 8.5% of total income (computed before making any deduction under this Clause and Chapter VIA) and an amount not exceeding 10% of the aggregate average advances made by rural branches of the Bank computed in the prescribed manner.

6. In terms of Section 36(1) (viii) of the Act, the bank is allowed deduction in respect of any special reserve created and maintained by the Bank for an amount not exceeding 20% of the profits derived from the business of long term finance for industrial or agricultural development or development of infrastructure facility in India or development of housing in India.

Further, if the aggregate amount carried to the Special Reserve account from time to time exceeds twice the paid-up capital and general reserves, no deduction shall be allowed on the excess amount under the Section. The amount withdrawn from such a Special Reserve Account would be chargeable to income tax in the year of withdrawal, in accordance with the provisions for Section 41(4A) of the Act.

7. Under Section 36(1)(xv), securities transaction tax paid by a taxpayer in respect of taxable securities transactions entered into in the course of its business, would be allowed as a deduction if the income arising from such taxable securities transactions is included in the income computed under the head "Profits and gains of business or profession".

8. Interest income on certain categories of bad and doubtful debts, as specified in Rule 6EA of the Income tax Rules,1962, is chargeable to tax only in the year of receipt or credit to the Profit & Loss Account of the Bank whichever is earlier, in accordance with the provisions of Section 43D.

9. Under Section 47(xv), no capital gain is chargeable on any transfer in a scheme of lending of any securities under an agreement or arrangement, which the assesse has entered into with the borrower of such securities and which is subjected to the guidelines issued by the Securities and Exchange Board of India or Reserve Bank of India, in this regard.

10. As per provisions of Section 72, the Bank is entitled to carry forward business losses that cannot be set off against permitted sources of income in the relevant assessment year, for a period of 8 consecutive assessment years immediately succeeding the assessment year when the losses were first computed, and set off such losses against income chargeable under the head "Profits and gains from business or profession" in such assessment year.

11. Under Section 74, short-term capital loss suffered during the year is allowed to be carried forward and set-off against short-term as well as long-term capital gains of a subsequent year. Such loss is permitted to be carried forward for upto eight years immediately succeeding the year in which such loss arises, for claiming set-off against subsequent years' short-term as well as long term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for upto eight years for claiming set-off against subsequent years' long-term capital gains.

B. STATEMENT OF GENERAL DIRECT TAX BENEFITS AVAILABLE TO THE RESIDENT SHAREHOLDERS (PUBLIC SECTOR ENTERPRISES, MUTUAL FUNDS AND DOMESTIC INSURANCE COMPANIES IN INDIA) AND FOREIGN INSTITUTIONAL INVESTORS (FIIs)

The information provided below sets out the possible tax benefits available to the shareholders of an Indian company in a summary manner only and is not a comprehensive analysis or listing of all potential tax consequences of the subscription, ownership and disposal of equity shares, under the current tax laws presently in force in India. Several of these benefits are dependent on the shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which, based on business imperatives a shareholder faces, may or may not choose to fulfil. The following over view is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax advisors with respect to the tax implications of an investment in the shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

1. In respect of non-residents, the tax rates and the consequent taxation, mentioned in this section shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile; and

2. The under-mentioned tax benefits will be available only to the sole/first-named holder in case the Equity Shares are held by joint shareholders. The law stated below is as per the Income-tax Act, 1961 as amended by time to time.

3. Attention is invited to the requirements under the Income Computation and Disclosure Standards ("ICDS"), which are applicable from Assessment year 2017-18 to all assesses (other than an individual or an HUF not required to get his/its accounts of the previous year audited under section 44AB of the IT Act) following mercantile system of accounting, and are to be followed for the purposes of computation of income chargeable to income tax under the head "Profits and gains of business or profession" or "Income from other sources".

B.1. RESIDENT SHAREHOLDERS:

1. Bank is required to pay a Dividend Distribution Tax currently at the rate of 20.358% (including applicable surcharge and education cess) on the total amount distributed or declared or paid as dividend. Under Section 10(34) of the IT Act, income by way of dividends referred to in Section 115-O of IT Act received on our shares is exempt from income tax in the hands of shareholders. However, as per Section 115BBDA of the IT Act, in case of an Individual, Hindu Undivided Family ("HUF") or a firm, resident in India, if aggregate of dividend income during the year is in excess of ten lakh rupees, then such dividend shall be chargeable to tax at the rate of 10% (plus applicable surcharge and education cess).However, it is pertinent to note that Section 14A of the IT Act restricts claims for deduction of expenses incurred in relation to exempt income. Thus, any expense incurred to earn the dividend income is not allowable expenditure.

   As per section 94(7) of the IT Act, losses arising from sale/transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.

2. The characterization of gains/losses, arising from sale of shares, as Capital Gains or Business Income would depend on the nature of holding in the hands of the shareholder and various other related factors.

3. Under Section 10(38) of the IT Act, LTCG arising to a shareholder on transfer of equity shares would be exempt from tax where the sale transaction has been entered into on a recognised stock exchange of India and is chargeable to Securities Transaction Tax ("STT").

4. Section 48 of the IT Act, which prescribes the mode of computation of capital gains, provides for deduction

of cost of acquisition/improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of Long Term Capital Gains, ("LTCG") i.e. gains from our shares being transfer of shares of Indian company held for a period exceeding twelve months, the second proviso to Section 48 of the IT Act, permits substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/improvement by a cost inflation index, as prescribed from time to time.

5. Under Section 112 of the IT Act and other relevant provisions of the IT Act, LTCG, (other than those exempt under Section 10(38) of the IT Act) arising on transfer of our shares would be subject to tax at the rate of 20% (plus applicable surcharge and education cess) after indexation. The amount of such tax shall, however, be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder in case the shares are listed.

6. Under Section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under Section 10(38) of the IT Act) arising on the transfer of our shares would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:

i. National Highway Authority of India constituted under Section 3 of The National Highway Authority of India Act, 1988;

ii. Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956/2013. The investment in the long term specified assets is eligible for such deduction to the extent of Rs.5 million whether invested during the financial year in which the asset is transferred or in the subsequent financial year. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount of capital gains so exempted shall be chargeable to tax as LTCG during the year of such transfer or conversion. For this purpose, if any loans or advance is taken as against such specified securities, then such person shall be deemed to have converted such specified securities into money. The cost of the long term specified assets, which has been considered under Section 54EC for calculating capital gain, shall not be allowed as a deduction from the income under Section 80C of the IT Act.

   However in case of companies, such exempt capital gains cannot be reduced from "book profits" under Section 115JB and the company will be required to pay Minimum Alternate Tax at 18.5% (plus applicable surcharge and education cess) on such book profits if 18.5% of 'book profits" is higher than tax liability under normal provisions of the Act.

7. As per Section 111A of the IT Act, Short Term Capital Gains ("STCG"), i.e., gains from shares held for a period not exceeding twelve months) arising on transfer of our equity share would be taxable at a rate of 15% (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognised stock exchange in India and is liable to Security Transaction Tax (STT). STCG arising from transfer of shares, other than those covered by Section 111A of the IT Act, would be subject to tax as calculated under the normal provisions of the IT Act.

8. As per Section 74 of the IT Act, Short Term Capital Loss computed for the given year is allowed to be set off against Short Term as well as Long Term Gains computed for the said year. The balance loss, which is not set off, is allowed to be carried forward for subsequent eight assessment years for being set off against subsequent years' Short Term as well as Long Term Gains.

   However, the Long Term capital Loss computed for a given year is allowed to be set off only against the Long Term Capital Gain (LTCG). The balance loss, which is not set off, is allowed to be carried forward for subsequent eight assessment years for being set off only against subsequent years' LTCG.

9. In terms of Section 36(1)(xv) of the IT Act, the STT paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business of transactions/trading in shares would be eligible for deduction from the amount of income chargeable under the head "Profit and gains of business or profession" if the income arising from taxable securities transaction is included in such income. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains of such amount paid on account of STT.

B.2. To the Resident Mutual Fund

1. Under Section 10(23D), exemption is available in respect of all income (including capital gains arising on transfer of shares of the Bank) earned by a Mutual Fund registered under the Securities and Exchange Board of India Act, 1992 or such other mutual fund set up by a public- sector bank or a public financial institution or authorized by the Reserve Bank of India and subject to the conditions as the Central Government may specify by notification.

B.3. Provident Fund and Pension Fund

Under section 10(25) of the Act, any income received by trustees on behalf of a recognized provident fund (as defined in section 2(38)) and an Approved superannuation fund (as defined in section 2(6)) is exempt from tax.

B.4. Venture Capital Fund or Venture Capital Company (VCF or VCC):

Income of a VCF or VCC from investments in a Venture Capital Undertaking is exempt under section 10(23FB) of the Act. In accordance with section 115-U, any income accruing or received by a person out of investment in venture capital fund or venture capital company shall be chargeable to income tax in the same manner as if it were income accrued or received by such person had he made investment in the venture capital undertaking directly. The income paid by VCF or VCC shall be deemed to be of the same nature and in the same proportion in the hands of the person receiving it as it had been received by or had accrued or arisen to VCF or VCC as the case may be. The income accruing or arising to or received by a VCF or VCC from investments in a Venture Capital Undertaking shall be deemed to have been credited to the account of such person on the last day of the previous year in the same proportion in which such person would have been entitled to receive the Income.

B.5. NON-RESIDENT SHAREHOLDERS – FIIS:

1. Bank is required to pay a Dividend Distribution Tax currently at the rate of 20.358% (including applicable surcharge and education cess) on the total amount distributed or declared or paid as dividend. Under Section 10(34) of the IT Act, income by way of dividends (whether interim or final) referred to in Section 115-O of the IT Act received on our shares is exempt from income tax in the hands of shareholders. Section 14A of the IT Act restricts claims for deduction of expenses incurred in relation to exempt income. Thus, any expense incurred to earn the dividend income is not treated as allowable expenditure. As per section 94(7) of the Income Tax Act, losses arising from transfer / sale of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed as exempt.

2. Section 2(14) of IT Act defining capital asset, specifically includes any securities held by an FII which has invested in such securities in accordance with the SEBI Regulations.

3. Under the first proviso to Section 48 of the IT Act, in case of a non-resident shareholder, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/loss in such a case is computed by converting the cost of acquisition, sale consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilised in the purchase of the shares.

4. Under Section 10(38) of the IT Act, Long Term Capital Gains arising to a shareholder on transfer of equity shares would be exempt from tax where the sale transaction has been entered into on a recognised stock exchange of India and is liable to STT.

5. The provisions of section 115JB of the Act do not apply to a foreign company if it is a resident of a country with which India has entered into a Double Tax Avoidance Agreement u/s 90 of the Act and the assessee does not have a Permanent Establishment in India or such company is a resident of a country with which India does not have such agreement and the assessee is not required to seek registration under any law for the time being in force, relating to companies.

6. Under Section 54EC of the IT Act and subject to the conditions and to the extent specified therein, LTCG (other than those exempt under Section 10(38) of the IT Act) arising on the transfer of our shares would be

exempt from tax if such capital gain is invested within six months after the date of such transfer in the bonds (long term specified assets) issued by:

i. National Highway Authority of India constituted under Section 3 of the National Highway Authority of India Act, 1988;
ii. Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

The investment in the long term specified assets is eligible for such deduction to the extent of Rs. 5 million whether invested during the financial year in which the asset is transferred or subsequent financial year. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount of LTCG so exempted shall be chargeable to tax during the year such transfer or conversion. For this purpose, if any loans or advance is taken as against such specified securities, than such person shall be deemed to have converted such specified securities into money.

7. Under Section 115AD (1)(ii) of the IT Act STCG arising to an FII on transfer of shares shall be chargeable at a rate of 30%, where such transactions are not subjected to STT, and at the rate of 15% if such transaction of sale is entered on a recognised stock exchange in India and is chargeable to STT. The above rates are to be increased by applicable surcharge and education cess. Under Section 115AD (1)(iii) of the IT Act income by way of LTCG arising from the transfer of shares (in cases not covered under Section 10(38) of the IT Act) held in the company will be taxable at the rate of 10% (plus applicable surcharge and education cess). The benefits of indexation of cost and of foreign currency fluctuations are not available to FIIs.

8. As per section 90(2) of the IT Act, the provisions of the IT Act would prevail over the provisions of the DTAA entered between India and the country of fiscal domicile of the non-resident, if any , to the extent they are more beneficial to the nonresident. Thus, a non-resident (including NRIs) can opt to be governed by the provisions of the IT Act or the applicable tax treaty, whichever is more beneficial.

However, the non-resident investor will have to furnish a certificate of his being a resident in a country outside India, to get the benefit of the applicable DTAA and such other document as may be prescribed as per the provision of section 90(4) of IT Act.

With effect from April 1, 2017, the benefit of the DTAA will not be available to a non-resident investor if the Tax department declares any arrangement to be an impermissible avoidance arrangement.

10. As per Section 196D of IT Act, no tax is to be deducted from any income, by way of Capital Gains arising to an FII from the transfer of securities referred to in section 115AD of the IT Act.

B.7. Foreign Venture Capital Investor (FVCI):

1. Income of a FVCI from investments in a Venture Capital Undertaking/ Companies is exempt under section 10(23FB) of the Act.

2. In accordance with section 115-U, any income accruing or received by a person out of investment in venture capital fund or venture capital company shall be chargeable to income tax in the same manner as if it were income accrued or received by such person had he made investment in the venture capital undertaking directly. The income paid by a VCF or VCC shall be deemed to be of the same nature and in the same proportion in the hands of the person receiving it as it had been received by or had accrued or arisen to VCF or VCC as the case may be. The income accruing or arising to or received by a VCF or VCC from investments in a Venture Capital Undertaking shall be deemed to have been credited to the account of such person on the last day of the previous year in the same proportion in which such person would have been entitled to receive the income. The FVCI eligible to avail DTAA benefits shall obtain TRC from the Government of the Country of its residence or specified territory containing the prescribed particulars which has been notified by the CBDT through insertion of Rule 21AB in the Income Tax Rules, 1962 and also submit Form 10F (wherever applicable) to avail of the tax benefit.

Note:

1. The above statement of possible tax benefits sets out the provisions of the direct tax laws in a summary manner only and is not a comprehensive analysis or list of all potential tax consequences of the purchase,

ownership and disposal of shares.

2. The above statement covers only certain relevant direct tax law benefits and does not cover any indirect tax law benefits or benefits under any other law.

3. No assurance is given that the Revenue authorities / Courts will concur with the view expressed herein. Our view is based on the existing provisions of law and its interpretation which is subject to change from time to time. We do not assume responsibility to update our view consequent to such changes.

In our opinion, based on the existing laws, the above are tax benefits available to the Bank & the Investors as detailed therein.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general description of certain material United States federal income tax consequences to U.S. Holders and Non-U.S. Holders under present law of an investment in the Equity Shares. This summary applies only to investors that hold the Equity Shares as capital assets (generally, property held for investment). This discussion is based on the tax laws of the United States as in effect on the date of this Placement Document; U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this Placement Document; judicial and administrative interpretations thereof available on or before such date; and the Convention Between the Government of the United States of America and the Government of the Republic of India for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "US India Treaty"). All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion does not address alternative minimum tax considerations or state, local, non-United States or other tax laws, or the tax consequences to any particular investor or to persons in special tax situations such as:

- banks;
- certain financial institutions;
- insurance companies;
- dealers in stocks, securities, currencies or notional principal contracts;
- U.S. expatriates and former long-term residents of the United States;
- regulated investment companies and real estate investment trusts;
- tax-exempt entities;
- U.S. Holders that have a functional currency other than the U.S. dollar;
- persons holding an Equity Share as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of the Bank's voting stock;
- persons who acquired Equity Shares pursuant to the exercise of any employee share option or otherwise as consideration; or
- persons holding Equity Shares through partnerships or other pass-through entities.

For purposes of this summary, a "**U.S. Holder**" is a beneficial owner of Equity Shares that is for United States federal income tax purposes,

- an individual who is a citizen or resident of the United States;
- a corporation organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to United States federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions of the trust, or (2) has a valid election in effect under the applicable U.S. Treasury regulations to be treated as a U.S. person.

A "**Non-U.S. Holder**" is a beneficial owner of Equity Shares that is not a U.S. Holder. If you are a partner in a partnership, or other entity taxable as a partnership for United States federal income tax purposes, that holds Equity Shares, your tax treatment generally will depend on your status and the activities of the partnership. Prospective purchasers of Equity Shares that are partnerships should consult their tax advisors.

PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE APPLICATION OF THE UNITED STATES FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE AND LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF EQUITY SHARES.

U.S. Holders

Taxation of Distributions on the Equity Shares

Subject to the PFIC rules discussed below, the gross amount of distributions to you with respect to the Equity Shares generally will be included in your gross income in the year received as foreign source ordinary dividend income, but only to the extent that the distribution is paid out of the Bank's current or accumulated earnings and profits (as determined under United States federal income tax principles). To the extent that the amount of the distribution exceeds the Bank's current and accumulated earnings and profits, it will be treated first as a tax-free return of your tax basis in your Equity Shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain. However, the Bank does not intend to calculate its earnings and profits under United States federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will generally be treated as a dividend. The dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

Subject to applicable limitations, with respect to non-corporate U.S. Holders (including individual U.S. Holders), dividends may constitute "qualified dividend income" that is taxed at the lower applicable capital gains rate provided that (1) the Bank is not a PFIC (as discussed below) for either the taxable year in which the dividend is paid or the preceding taxable year, (2) such dividend is paid on Equity Shares that have been held by you for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date, and (3) the Bank is eligible for the benefits of the US India Treaty. The Bank expects to be eligible for the benefits of the US India Treaty. Further, the Bank does not believe it was a PFIC for the taxable year ending March 31, 2017 and does not expect to be a PFIC for the current year or any future years. Non-corporate U.S. Holders are strongly urged to consult their tax advisors regarding the availability of the lower rate for dividends paid with respect to the Equity Shares.

The amount of any distribution paid by the Bank in a currency other than U.S. dollars (a "**foreign currency**") will be equal to the U.S. dollar value of such foreign currency on the date such distribution is received by the U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars at that time. If the foreign currency so received is converted into U.S. dollars on the date of receipt, a U.S. Holder generally will not recognize foreign currency gain or loss on such conversion. If the foreign currency so received is not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Gain or loss, if any, realized on the subsequent sale or other disposition of such foreign currency will generally be U.S. source ordinary income or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

For foreign tax credit purposes, dividends distributed with respect to the Equity Shares will generally constitute "passive category income". A U.S. Holder will not be able to claim a U.S. foreign tax credit for Indian taxes for which the Bank is liable and must pay with respect to distributions on the Equity Shares. The rules relating to the determination of the U.S. foreign tax credit are complex and U.S. Holders should consult their tax advisors to determine whether and to what extent a credit would be available in their particular circumstances.

Taxation of a Disposition of Equity Shares

Subject to the PFIC rules discussed below, you generally will recognize capital gain or loss on any sale or other taxable disposition of an Equity Share equal to the difference between the U.S. dollar value of the amount realized for the Equity Share and your tax basis (in U.S. dollars) in the Equity Share. If you are a non-corporate U.S. Holder (including an individual U.S. Holder) who has held the Equity Share for more than one year, capital gain on a disposition of an Equity Share generally will be eligible for reduced U.S. federal income tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss that you recognize generally will be treated as U.S. source income or loss for foreign tax credit limitation purposes.

Because gains on a disposition of an Equity Share generally will be treated as U.S. source, the use of foreign tax credits relating to any Indian income tax imposed upon gains in respect of Equity Shares may be limited. U.S.

Holders should consult their tax advisors regarding the application of Indian taxes to a disposition of an Equity Share and their ability to credit an Indian tax against their United States federal income tax liability.

A U.S. Holder that receives foreign currency from the sale or disposition of the Equity Shares generally will realize an amount equal to the U.S. dollar value of such foreign currency on the date of sale or disposition or, if such U.S. Holder is a cash basis or electing accrual basis taxpayer and the Equity Shares are treated as being traded on an "established securities market" for this purpose, the settlement date. If the Equity Shares are so treated and the foreign currency received is converted into U.S. dollars on the settlement date, a cash basis or electing accrual basis U.S. Holder will not recognize foreign currency gain or loss on the conversion. If the foreign currency received is not converted into U.S. dollars on the settlement date, the U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the settlement date. Gain or loss, if any, realized on the subsequent conversion or other disposition of such foreign currency will generally be U.S. source ordinary income or loss.

Medicare Tax

Certain U.S. Holders who are individuals, estates, or trusts are required to pay a 3.8% Medicare surtax on all or part of that holder's "net investment income" or "undistributed net investment income" in the case of an estate or trust, which includes, among other items, dividends on, and capital gains from the sale or other taxable disposition of, the Equity Shares, subject to certain limitations and exceptions. The 3.8% Medicare surtax is determine din a different manner than the regular U.S. income tax. Prospective investors should consult their own tax advisors regarding the effect, if any, of this surtax on their ownership and disposition of the Equity Shares.

Information with Respect to Foreign Financial Assets

Individuals and certain entities who are U.S. Holders that own "specified foreign financial assets", including stock of a non-U.S. corporation not held through a financial institution, with an aggregate value in excess of certain dollar thresholds may be required to file an information report with respect to such assets on IRS Form 8938 with their United States federal income tax returns. Penalties apply for failure to properly complete and file IRS Form 8938. U.S. Holders are encouraged to consult their tax advisors regarding the application of this reporting requirement to their ownership of our Equity Shares.

Passive Foreign Investment Company

In general, a non-U.S. corporation is considered to be a passive foreign investment company, or a PFIC, for any taxable year if either:

- at least 75% of its gross income is passive income, or
- at least 50% of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income.

Passive income for these purposes generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions. The Bank will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which it owns, directly or indirectly, 25% or more (by value) of the stock.

Proposed U.S. Treasury regulations provide that income derived in the active conduct of a banking business is not treated as passive income. The determination of whether income is derived in the active conduct of a banking business is based on the regulatory status of the issuer under local laws, the activities of the issuer performed in the ordinary course of a banking business (including lending, accepting deposits and depositing money in other banks) and the proportion of gross income derived from activities that are "bona fide" banking activities for U.S. federal income tax purposes and securities activities performed in the ordinary course of business (including selling debt instruments to clients in a dealer capacity).
Although not free from doubt, the Bank does not believe it was a PFIC for its taxable year ending March 31, 2017, and does not expect to be a PFIC for the current year or any future years. However, the determination of whether the Bank is a PFIC is a factual determination made annually after the end of each taxable year, and there can be no assurance that the Bank will not be considered a PFIC in the current taxable year or any future taxable year because, among other reasons, (i) the composition of the Bank's income and assets will vary over time, (ii) there can be no assurance that the proposed treasury regulations will be finalized in their current form, and (iii) the

manner of the application of the proposed treasury regulations and other relevant rules is uncertain in several respects. Furthermore, the Bank's PFIC status may depend on the market price of its Equity Shares, which may fluctuate considerably. **PROSPECTIVE PURCHASERS ARE URGED TO CONSULT YOUR TAX ADVISORS REGARDING THE BANK'S POSSIBLE STATUS AS A PFIC.**

If the Bank is a PFIC for any taxable year during which you hold Equity Shares, you will be subject to special tax rules with respect to any "excess distribution" that you receive and any gain you realize from a sale or other disposition (including a pledge) of the Equity Shares, unless you make a "mark-to-market" election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the Equity Shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the Equity Shares,
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which the Bank became a PFIC, will be treated as ordinary income, and
- the amount allocated to each other year will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or "excess distribution" cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the Equity Shares cannot be treated as capital, even if you hold the Equity Shares as capital assets.

If the Bank is a PFIC for any year during which you hold Equity Shares, the Bank generally will continue to be treated as a PFIC with respect to you for all succeeding years during which you hold Equity Shares, regardless of whether the Bank in fact continues to meet the income or asset test described above.

In addition, if the Bank is treated as a PFIC, to the extent any of its direct or indirect subsidiaries (if any) are also PFICs, you may be deemed to own shares in such subsidiaries (if any) and you may be subject to the adverse PFIC tax consequences with respect to the shares of such subsidiaries (if any) that you would be deemed to own.

Qualified electing fund election

To mitigate the application of the PFIC rules discussed above, a U.S. Holder may make an election to treat the Bank as a qualified electing fund ("**QEF**") for U.S. federal income tax purposes. To make a QEF election, the Bank must provide U.S. Holders with information compiled according to U.S. federal income tax principles. The Bank does not currently intend to prepare or provide the information that would enable you to make a QEF election.

Mark-to-market election

A U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election with respect to such stock to elect out of the tax treatment discussed above, although it is possible the mark-to-market election may not apply or be available with respect to the shares in the Bank's subsidiaries (if any) to the extent they are PFICs that you may be deemed to own if the Bank is treated as a PFIC, as discussed above. If you make a valid mark-to-market election for the Equity Shares, you will include in income each year an amount equal to the excess, if any, of the fair market value of the Equity Shares as of the close of your taxable year over your adjusted basis in such Equity Shares. You are allowed a deduction for the excess, if any, of the adjusted basis of the Equity Shares over their fair market value as of the close of the taxable year. However, deductions are allowable only to the extent of any net mark-to-market gains on the Equity Shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the Equity Shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to market loss on the Equity Shares, as well as to any loss realized on the actual sale or disposition of the Equity Shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such Equity Shares. Your basis in the Equity Shares will be adjusted to reflect any such income or loss amounts. If you make such an election, the tax rules that apply to distributions by corporations that are not PFICs generally would apply to distributions by the Bank, except that

the lower applicable capital gains rate with respect to qualified dividend income (discussed above) would not apply.

The mark-to-market election is available only for "marketable stock", which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter on a qualified exchange or other market, as defined in the applicable U.S. Treasury regulations. Under applicable U.S. Treasury regulations, a "qualified exchange" includes a foreign exchange that is regulated by a governmental authority in the jurisdiction in which the exchange is located and in respect of which certain other requirements are met. U.S. Holders of Equity Shares should consult their own tax advisors as to whether the Equity Shares would qualify for the mark-to-market election.

PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISOR REGARDING THE APPLICATION OF THE PFIC RULES TO THEIR INVESTMENT IN EQUITY SHARES, AND THE AVAILABILITY AND ADVISABILITY OF ANY ELECTIONS.

Non-U.S. Holders

A Non-U.S. Holder generally should not be subject to U.S. federal income or withholding tax on any distributions made on the Equity Shares or gain from the sale, redemption or other disposition of the Equity Shares unless: (i) that distribution and/or gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the United States; or (ii) in the case of any gain realized on the sale or exchange of an Equity Share by an individual Non-U.S. Holder, that Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met.

Information Reporting and Backup Withholding

Dividend payments with respect to Equity Shares and proceeds from the sale, exchange or redemption of Equity Shares may be subject to information reporting to the Internal Revenue Service and possible U.S. backup withholding under certain circumstances.

Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certifications or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on Internal Revenue Service Form W-9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your United States federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

U.S. Holders that hold Equity Shares in any year in which the Bank is a PFIC, may be required to file Internal Revenue Service Form 8621 with respect to their ownership of the Equity Shares. In addition, U.S. Holders may be required to file additional information with respect to their ownership of the Equity Shares.

LEGAL PROCEEDINGS

Our Bank, and our Subsidiaries are involved in various legal proceedings from time to time, most of which arise in the ordinary course of their business. These proceedings involving our Bank are primarily in the nature of recovery proceedings initiated by us in respect of advances made, pending before civil courts or the debts recovery tribunal(s), as the case may be, criminal cases filed against us, fraud cases involving our employees and borrowers, taxation proceedings, suits filed against our Bank for action taken against borrowers, proceedings initiated under the SARFAESI Act and consumer claims for deficiency in service.

*Except as described below, our Bank is not involved in any legal proceedings and disputes, and no proceedings are threatened, which may have, or have had, a material adverse effect on the business, financial condition, cash flows or operations of our Bank. Our Bank believes that the number of proceedings and disputes in which our Bank is involved is not unusual for a bank of its size in the context of doing business in India and in international markets. Civil cases along with other legal proceedings involving an amount of ₹100 million or more have been disclosed below (individually or collectively referred to as the "**Materiality Threshold**").*

Litigation involving our Bank

Civil proceedings

1. The Bank and Andhra Bank have filed O.A no. 157 of 2012 on August 3, 2012 before the Debt Recovery Tribunal - I, Chennai against Deendayal Medical and Educational Trust, Dr. T. D. Naidu, Mrs. T. D. Prabhavathi and Ms. T. D. Sonia ("**Defendants**") on the alleged ground of failure by the Defendants to (a) repay dues owed by them to the Bank and Andhra Bank in the form of interest; and (b) to comply with terms of sanction letter granted by the Bank and Andhra Bank (in particular opening of escrow account and creation of security). The Bank has sought for payment of ₹1,083.34 million as well as interest towards (a) payment of dues and interest thereon; (b) sale of scheduled immovable and movable property towards amount due; (c) permanent injunction restraining the Defendants from interfering with right/possession of schedule properties; (d) ad-interim injunction restraining alienation/encumbering/disposing of/dealing with movable and immovable schedule property; and (e) ad-interim injunction for deposit of money (as determined by Debt Recovery Tribunal) from income/collections made by the Defendants. The Defendants have filed a counterclaim dated November 17, 2012 for ₹2,265.40 million against the Bank and Andhra Bank on the grounds of (a) belated disbursal of loan from Andhra Bank; (b) failure to adhere to the terms of sanction letter from Andhra Bank; (c) delay that caused loss of opportunity/ escalation of costs from Andhra Bank; and (d) defamation from both banks. The Bank and Andhra Bank have filed a rejoinder dated January31, 2013 to the reply dated November 17, 2012 denying all the statements made by Defendants in their reply statement claiming them to be false and for the counterclaim to be rejected on the grounds of all of the counterclaims being unfounded. The matter is currently pending.

2. The Bank has filed an application (no. 552 of 2012) on April 16, 2013 before the Presiding Officer of Debts Recovery Tribunal at Lucknow against M/s. Rajat Alloys (P) Limited and others ("**Defendants**") on the ground of alleged failure of the Defendants to repay the amounts due to the Bank under the usuance bill discounting facilities granted by the Bank and honour corporate guarantee granted as security for the same. The Bank has sought for (a) passing of a recovery certificate in the sum of ₹372.20 million as due and payable by the Defendants to the Bank in the usuance bills discounting facility inclusive of interest accrued but not debited to the account as on the date of filing of the application against the Defendants and directing them to pay the amount within 30 days of such order; (b) the property mortgaged in favour of the Bank to be sold by the Recovery Officer in realization of dues of the Bank; (c) award of interest pendent lite and future of 17.25%; (d) an ad-interim injunction preventing the Defendants from dealing with the properties given by way of security (i.e movables, and immoveable property) in favour of Bank; and (e) disclosure of personal assets of Defendants on affidavit. The Defendants have filed a counterclaim to the application of the Bank seeking relief of ₹162.00 million and the Debt Recovery Tribunal pass a decree/ direction/ certificate for interest at 17.25% per annum till the actual date of payment. Subsequently, the Bank filed an appeal before the Debt Recovery Appellate Tribunal, Allahabad bearing number R108 of 2015 on October 9, 2015 for setting aside the order dated August 31, 2015. The matter is currently pending.

3. The Bank has filed an application (no. 553 of 2012) on November 23, 2012 before the Presiding Officer of Debt Recovery Tribunal at Lucknow against Rajat Steel Limited and others ("**Defendants**") on the ground of alleged failure of the Defendants to repay the amounts due to the Bank under the usuance bill discounting facilities and cash credit hypothecation facilities granted by the Bank and honour corporate guarantee granted

as security for the same. The Bank has sought for (a) passing of a recovery certificate in the sum of ₹121.40 million as due and payable by the Defendants to the Bank in the usuance bills discounting facility cash credit hypothecation facilities inclusive of interest accrued but not debited to the account as on the date of filing of the application against the Defendants and directing them to pay the amount within 30 days of such order; (b) properties mortgaged in favour of the Bank be sold by Recovery Officer in realization of dues of the Bank; (c) awarding of interest pendent lite and future of 17.25%; (d) an ad-interim injunction preventing the Defendants from dealing with the properties given by way of security (i.e movables, and immoveable property) in favour of the Bank; and (e) disclosure of personal assets of Defendants on affidavit. The Defendants have filed a counterclaim to the application of the Bank on the ground that the Bank had deprived them from continuing their financial limits duly sanctioned and granted and frozen the limits on the erroneous illegal action, due to which the Defendants have suffered in business seeking, *inter alia*, ₹322.50 million with interest at 17.25% per annum till actual date of payment. Subsequently, the Bank filed an appeal before the Debt Recovery Appellate Tribunal, Allahabad bearing number R110 of 2015 on October 12, 2015 for setting aside the order dated August 31, 2015. The matter is currently pending.

4. The Bank has filed an application (no. 521 of 2012) on October 26, 2012 before the Presiding Officer of Debt Recovery Tribunal at Lucknow against Sushila Steels and others ("**Defendants**") on the ground of alleged failure of the Defendants to repay the amounts due to the Bank under the usuance bill discounting facilities and cash credit hypothecation facilities granted by the Bank and honour corporate guarantee granted as security for the same. The Bank has sought for (a) passing of a recovery certificate in the sum of ₹707 million as due and payable by the Defendants to the Bank in the usuance bills discounting facility cash credit hypothecation facilities inclusive of interest accrued but not debited to the account as on the date of filing of the application against the Defendants and directing them to pay the amount within 30 days of such order; (b) properties mortgaged in favour of the Bank be sold by Recovery Officer in realization of dues of the Bank; (c) awarding of interest pendent lite and future of 17.25% per annum; (d) an ad-interim injunction preventing the Defendants from dealing with the properties given by way of security (i.e movables, and immoveable property) in favour of Bank; and (e) disclosure of personal assets of Defendants on affidavit. The Defendants have filed a counterclaim to the application of the Bank seeking, ₹382.50 million with interest at 17.25% per annum till actual date of payment. Subsequently, the Bank filed an appeal before the Debt Recovery Appellate Tribunal, Allahabad bearing number R109 of 2015 on October 12, 2015 for setting aside the order dated August 31, 2015. The matter is currently pending.

5. K. Sudeesh Kumar, Assistant Director, Directorate of Enforcement, ("**Complainant**") filed a complaint (F. No. T-3/18/BZ/2009 (AD-SK)) on September 20, 2011,in relation to a merchandise trade transaction entered amongst STCL Limited and Future Metals (India) Private Limited for nickel and copper scraps, before the Special Director of the Directorate of Enforcement against, *inter alia*, the Bank, alleging contravention of section 10(4) and 10(5) of the Foreign Exchange Management Act, 1999 read with the master circular of RBI issued on July 1, 2008 relating to certain merchandise trade transactions amongst STCL Limited and Future Metals (India) Private Limited. A show cause notice dated December 13, 2011 was issued to, inter alia, the Bank in connection with the above mentioned complaint. The alleged contravention is on the ground of the opening of 16 letters of credit by the Bank in favour of STCL Limited and others to undertake merchandise trade transactions in association with Future Metals (India) Private Limited/ Future Exim India Private Limited which resulted in release of foreign exchange for the import without ensuring receipt of foreign exchange on the export which in turn resulted in the foreign exchange not being used for the purpose for which it was released. The total amount involved in contravention of Section 10(4) read with Section 10(5) of the Foreign Exchange Management Act, 1999 is USD 249.57 million and the amount claimed against the Bank is USD 29.07 million. The Bank by its letter in March 2012 has responded to the show cause notice and denied all charges contained therein. The Bank has requested the Directorate of Enforcement to withdraw the show cause notice and drop all the charges on the grounds that (a) the Bank has complied with the master circular of RBI issued on July 1, 2008 relating to merchandise trade transactions and that the RBI annual report did not mention any non-compliance; (b) the Bank had ensured that STCL Limited had back-to-back contracts for transaction relating to purchase and sale of nickel scrap; (c) the payments received as reflected by inward remittance received in the account of STCL Limited made it appear that export proceeds were received and bills due under import letters of credit were liquidated; and (d) the Bank exercised due diligence to prevent remittance of foreign exchange by obtaining a credit report on STCL Limited. The matter is currently pending.

6. National Agricultural Co-operative Marketing Federation of India Limited ("**Plaintiff**") has filed a suit (no. 2538 of 2009) on July 14, 2009 before the Honourable High Court of Bombay against, *inter alia*, the Bank on the ground that the Bank had allegedly violated the terms of the master circular of the RBI issued on July

1, 2003 relating to merchandise trade transactions by making payments for the import of the goods to foreign sellers without having received payment for the export side of the same transaction. The Plaintiff further alleged that the Bank directed the Plaintiff to remit the funds for payment on account of the letter of credits thereby wrongfully having debited the account of the Plaintiff. The Plaintiff has sought for (a) payment of ₹4,655.49 million; (b) service charges, and interest of 18% per annum from August 18, 2005 to July 6, 2009; and (c) an order of the Honourable High Court of Bombay directing the Bank to reverse the debit entry of USD 53.4 million and pay additional interest which was charged to as well as interest due on, the said amount, from the date of recovery till the amount is credited to the Plaintiff's account. The Plaintiff made a complaint against Earthtech Enterprises Limited to the Central Bureau of Investigation dated August 8, 2006. Earthtech Enterprises Limited filed a suit no. 604 and 605 of 2006 before the Delhi High Court against the Plaintiff and the Bank seeking specific performance of export letters of credit. The Bank filed a written statement having denied all the claims made by the Plaintiff and stating that the suit was barred by limitation and therefore liable to be dismissed. The matter is pending for final hearing.

7. Earthtech Enterprises Limited ("**Plaintiff**") has filed a suit (CS (OS) no. 604 of 2006) on March 25, 2006 before the Honourable High Court of Delhi against Renfrew Security Bank and Trust Offshore Limited, Tradeasia International Limited, National Agricultural Co-operative Marketing Federation of India Limited ("**NAFED**") and the Bank in respect of merchandise trade transactions between NAFED and the Plaintiff on the alleged grounds that (a) Renfrew Security Bank and Trust Offshore Limited has not honoured terms of the letters of credit in spite of performance of the contractual obligations by the Plaintiff and failed to remit proceeds aggregating to USD 27,088,758.50 leading to violation of rights of the Plaintiff under letters of credit issued in favour of it by Renfrew Security Bank and Trust Offshore Limited for the amounts due to the Plaintiff by Tradeasia International Limited; (b) there has been a violation of the duty to follow internationally accepted banking practice in honouring of letters of credit by Renfrew Security Bank and Trust Offshore Limited; (c) no action was taken pursuant to the issuance of legal notice by the Plaintiff on February 4, 2006 to Renfrew Security Bank and Trust Offshore Limited for honouring the obligations under the letters of credit issued by Renfrew Security Bank and Trust Offshore Limited in favour of the Plaintiff and remit to the Plaintiff the amount of ₹117.80 million along with interest of 18% per annum for entire period from maturity date of the letters of credit to the date of payment; and (d) the Bank violated the terms of the master circular issued by the RBI on July 1, 2003 relating to merchandise trade transactions when it remitted the amounts covered under the eight letters of credit, established by it for the purposes of the import side of the transaction. The matter is currently pending.

8. Earthtech Enterprises Limited ("**Plaintiff**") has filed suit no. 605 of 2006 on March 27, 2006 before the Honourable High Court of Delhi against Renfrew Security Bank and Trust Offshore Limited, Rosebery Global FZE, National Agricultural Co-operative Marketing Federation of India Limited ("**NAFED**") and the Bank on the ground, *inter alia*, that the Bank allegedly violated the terms of the master circular on Merchandise Trade Transactions titled "Import Of Goods And Services Into India" dated July 1, 2003 issued by the RBI under the FEMA Act, 1999. It is alleged the Bank violated the aforementioned guidelines when it remitted the amounts covered under the eleven letters of credit, established by it for the purposes of the imports side of the transaction. The Plaintiff has sought (a) direction to honour the eleven letters of credit issued in favour of the Plaintiff; (b) alternatively, payment of ₹1,365.00 million along with further interest at 18% per annum up to the actual payment; (c) a decree of declaration against the Bank that it, at the behest of NAFED, remitted amounts under the 11 import letters of credit in violation of the RBI guidelines; (d) a decree of consequential relief that NAFED and the Bank were responsible for the potential consequences of default of the RBI guidelines; and (e) a decree of consequential relief to the effect that NAFED has waived its right of recourse to the Plaintiff in respect of any losses arising out of the transaction as well as costs of the suit. Amongst the reliefs sought, only (c) and (d) pertain to the Bank. The Bank in its written statement stated that (a) NAFED specifically undertook to indemnify the Bank to the amount of the letters of credit as and when payment was due; (b) in case payment is not received in time for the export side of the transaction it was the responsibility of the trader or its agent (in this case the Plaintiff) to ensure repatriation of foreign exchange to the country; and (c) the Bank had rightfully made the payment under the letters of credit on the due date and thereby discharged its contractual obligation as per international custom and prayed for the suit to be dismissed with exemplary costs in favour of the Bank. The matter is pending for hearing

9. The Bank has filed an appeal (no. 74 of 2013) on February 5, 2013 before the Honourable High Court of Bombay against the Board of Control for Cricket in India ("**BCCI**") against the judgement and order dated December 20, 2012 of the Honourable High Court of Bombay in summons for judgement no. 13 of 2012 in summary suit no. 3133 of 2011 which states that (a) the BCCI is entitled to invoke/ encash the entire amount guaranteed by the Bank under the bank guarantee given by it in favour of the BCCI; (b) the claims of the

Bank, Punjab National Bank and Indian Bank that the amount of ₹3,981.22 million claimed by the BCCI (as amounts guaranteed by the Banks) have been dismissed and granted conditional leave to the Bank to defend such claim on deposit of amount of ₹1,492.96 million with the Prothonotary and Senior Master which will be invested in fixed deposits of the Bank initially for one year and will thereafter be renewed ("**Order**"). The appeal has been filed by the Bank on the grounds that the conditional leave to defend the suit is bad in law and order directing the Bank to deposit ₹1,492.96 million was wrongful and the Bank ought to have been granted unconditional leave to defend the case. BCCI also challenged the said order by filing SLP no. 4832-4834 of 2013 in the Hon'ble Supreme Court of India. By order dated 15 April, 2013, the Hon'ble Supreme Court directed our Bank to deposit ₹1,500 million. Pursuant to the said direction, our Bank has deposited ₹1,500 million before the Bombay High Court on April 18, 2013. The Bank has been granted leave to issue a third party notice on Nimbus Communication Limited ("**Nimbus**") by the order of the Honourable High Court of Bombay dated August 8, 2013. Nimbus has filed an affidavit in reply to such third party notice on September 5, 2013. The Bank has initiated recovery action against Nimbus and has filed a recovery suit before DRT, Mumbai on December 3, 2013 for ₹320.39 million in term loan and for ₹750.00 million on December 3, 2013. The matter is pending for hearing.

10. Samsuddin Taiyabali Chhataria and others ("**Plaintiffs**") have filed a special civil suit (no. 39 of 2010) on March 29, 2010 before the Court of the Principal Senior Civil Judge, Bhavnagar against a consortium of banks (including the Bank) on the alleged ground of the consortium member banks failing to provide necessary finance to the Plaintiffs as promised by them, as well as the negligence and breach of the duty of consortium member banks, which resulted in (a) the liquidation of Volvo Steels Limited (renamed 'Stanrose Steel Limited'), the company incorporated by the Plaintiffs ("**Company**") with whom the consortium of banks (including the Bank) had entered into a consortium financing arrangement; (b) the incurrence of heavy losses by the Plaintiffs which led to the financial crippling of the Plaintiffs; (c) contravention of various RBI guidelines on sanctioning and disbursement of loans; and (d) breach in principles of lender's liability. The Plaintiffs have sought for payment of ₹2,468.90 million with receiving interest at 12% per annum on grounds of (a) actual capital loss incurred by Plaintiffs; (b) probable loss of profit, (c) loss of estimated value of shares held by Plaintiffs, (d) such loss resulting from collapse of Company due to actions of banks; (e) amounts lost as unsecured creditors of the Company; (f) interest on total loss incurred by the Company; and (g) loss of reputation of Plaintiffs and others. The written statement was filed by the consortium of banks (including the Bank) in which all the averments made by Plaintiffs were denied and sought dismissal of all the claims of the Plaintiffs on the grounds of (a) the Plaintiffs have no cause of action or *locus standi* and the agreement was entered into with the Company and not the Plaintiffs, who were directors of the Company and guarantors, in their individual capacity; (b) the suit is time barred by limitation; (c) the Company, to whom the credit facilities were to be given, has been closed since 1998, and is not willing to be rehabilitated by the BIFR and restart business; (d) the consortium member banks (including the Bank) never made promises to furnish funds to the Company for its alleged expansion project, and would only supply the funds on satisfaction of certain terms and conditions which were not satisfied and this resulted in the consortium member banks being compelled to not release the funds; and (e) the court does not have jurisdiction over the matter. The consortium member banks (including the Bank) have also requested the court to award special costs to them. The matter is pending for hearing.

11. Zoom Developers Private Limited ("**Zoom Developers**") and others ("**Plaintiffs**") have filed a suit (no. 2001 of 2011) on July 14, 2011 before the Honourable High Court of Bombay ("**Court**") against a consortium of 29 banks (including the Bank) ("**Defendants**") on the grounds that the alleged wilful negligence, misfeasance, malfeasance and nonfeasance and general misconduct by the Defendants resulted in (a) loss on account of work done but could not be billed; (b) loss of profits on contracts which were under execution; (c) loss incurred on account of exchange rate fluctuation upon execution of bank guarantees; (d) loss on account of payment for personnel; (e) interest on invocation of bank guarantees; (f) loss due to forfeiture of advance paid against purchase of equipments; (g) damages paid due to non-completion of contracts; (h) loss on account of non-realization from sundry debtors; and (i) loss on account of invocation of corporate guarantees of Zoom Developers. The Plaintiffs have sought for, *inter alia*, (a) the Defendants to pay to the Plaintiffs an amount of ₹53,772.10 million as damages together with interest at the rate of 18% per annum from the date of filing of the suit till full payment and/ or realisation; (b) the Defendants to pay to the Plaintiffs an amount of ₹19,470.00 million as damages for loss of profit together with interest at the rate of 18% per annum from the date of filing of the suit till full payment and/ or realisation; (c) the Defendants to pay to the Plaintiffs an amount of ₹35,965.50 million as damages for loss of goodwill together with interest at the rate of 18% per annum from the date of filing of the suit till full payment and/ or realisation; (d) the Defendants, together with their servants, agents or any person acting on their instructions, be restrained by a permanent order and injunction of the Honourable High Court of Bombay from acting upon or in pursuance or executing or

claiming any right or benefit existing under the security documents executed in pursuance of the loan facilities granted by the Defendants; (e) the Defendants, together with their servants, agents or any person acting on their instructions, be restrained by a permanent order and injunction of the Honourable High Court of Bombay from acting upon or in pursuance or executing or claiming any right or benefit existing under the personal guarantees executed in favour of them; (f) the Defendants, together with their servants, agents or any person acting on their instructions, be restrained by a permanent order and injunction of the Honourable High Court of Bombay from taking possession of any movable or immovable property of the Plaintiffs for recovery of amounts granted in form of credit facilities to Zoom Developers; and (g) the Defendants be directed to re-consider the revival packages for Zoom Developers and not take any action which may prejudice or adversely affect the businesses, activities, or operations of the Plaintiffs. The written statement, which was filed by the consortium of banks (including the Bank) on October 9, 2012, in which all the averments made by Plaintiffs were denied on the ground that they were misleading and false, and sought dismissal of all the claims of the Plaintiffs on the grounds of (a) the cause of financial difficulty is diversion of funds and non-disclosure of information by Zoom Developers resulting in fraud on the Defendants who had granted credit facilities to Zoom Developers; (b) the amounts to be recovered by the Defendants are public funds and the same have been fraudulently diverted by Zoom Developers; (c) the right of Mr. Vijay Choudhary to file a suit on behalf of the Plaintiffs; and (d) the Plaintiffs are bound to repay the Defendants the entire outstanding dues and the Defendants have initiated action for recovery of the same. The consortium member banks (including the Bank) have also requested the Court to award costs to them. The matter is pending for final hearing.

12. Haria Exports Limited ("**Plaintiff**") has filed a suit (suit no. 4367 of 1995) on September 26, 1995 before the Honorable High Court of Bombay against the Bank ("**Defendant**") for defamation. The Plaintiff alleged that the instructions of the Bombay office of the Bank to all of its branches sometime in July 1995 calling upon them to not to entertain any financial assistance to the Plaintiffs as the Plaintiffs are exploiting the banks and are a dangerous group of people have been circulated by the Bank resulted in grave and serious injury to the name, fame and credit of the Plaintiff in general, and in the eyes of the trading community which has its dealings with the Plaintiff. The Plaintiffs has sought for, inter alia, (a) the Defendant be ordered to pay to the Plaintiff ₹1,000 million, or such other amount as the Honourable High Court of Bombay may deem fit, together with interest thereon at a rate of 18% per annum from date of filing of the suit till payment or realisation; and (b) the Defendant, together with their servants, agents, employees, etc be restrained by an order of permanent injunction from making any propaganda regarding the business, financial status, reputation or standing of the Plaintiff and/ or their sister concerns or from giving any opinion, suggestion or recommendation to any other bank or business organisation or person in any manner otherwise than by due process of law. The Defendant have filed an notice of motion (notice of motion no. 539 of 1996) on July 30, 1997in response to the suit filed by the Plaintiff in which they have stated that the suit filed by the Plaintiff is liable to be dismissed on the grounds that, *inter alia*, (a) the suit is misconceived, ill-framed and an abuse of the process of law; (b) the suit is barred by Section 54 of the Banking Regulation Act; and (c) the instructions given by the Defendant were based on a report received by it from the Credit Information Department and the State Bank of India (with whom the Plaintiff held a current account) as a result of an enquiry into the credit worthiness of the Defendant. The matter is pending for final hearing.

13. Vishal Exports Overseas Limited ("**Plaintiff**") and others filed a suit (civil suit no. 145 of 2010) on January 20, 2010 before the City Civil Court, Ahmedabad against the consortium of banks (including the Bank) on the grounds of alleged failure of the consortium member banks to provide the bank guarantee and foreign exchange transactions relating to export of the goods etc. The Plaintiff has sought for payment of ₹7,866 million from all 23 banks which includes Bank's liability of ₹333.74 million on grounds of (a) loss on account of sale of windmills under distress value and towards denial/ objections for demerger of wind power division in spite of having issued no-objection certificate for the same; (b) loss of profit for a period of 5 years; (c) prevention of overseas travel of other plaintiffs resulting into overseas book-debts turning bad; (d) revenue loss on account of shut down of 17 wind mills due to non-payment of operation and maintenance charges which were prevented by consortium banks in no-lien account; and (e) loss of value of shares held by Pradip Mehta, Dipak Mehta and Subhashchandra Mehta in the Plaintiff. The consortium of banks (including the Bank) have filed an application to reject the plaint before the City Civil Court, Ahmedabad on April 2, 2010 on the ground that the suit is barred by application of the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 and the Bank has requested the City Civil Court, Ahmedabad, to grant an extension of time to the Bank to file its written statement within 30 days of the date of grant of such extension. The matter is pending for final hearing.

14. PKS Limited and others ("**Plaintiffs**") have filed a civil suit (no. 75 of 2016) on March 2, 2016 before the Honourable High Court of Calcutta against the Bank on the alleged grounds of (a)recovery of excess charges

by the Bank in relation to issuance of letter of credit, issuance of demand draft, issuance of bank guarantee, excess bank charges, excess interest in packing credit account; (b) including the name of the Plaintiff in the list of wilful defaulters published by the RBI; and (c) taking possession of the secured property and selling the same at a lower price than the market value. The Plaintiffs have sought for (a) payment of ₹1,817.06 million with interest at 24% per annum; (b) removal of the name of the Plaintiff from the wilful defaulters list published by the RBI; and (c) mandatory injunction directing the Bank to disclose the amount received on selling of the secured property of the Plaintiffs along with interest at 24% per annum. The matter is currently pending.

15. Iqbal Baig ("**Plaintiff**") has filed a case (no. 105 of 2015) on March 12, 2015 before the National Consumer Disputes Redressal Commission against the Bank. The Plaintiff alleged that although he had instructed the Bank to block a cheque of ₹100 million, the Bank debited the said amount from the Plaintiff's account. The Plaintiff has sought for refund of ₹100 million and ₹5 million for mental stress pain and agony. The Bank on August 12, 2015 denied all the averments made by Plaintiff and sought dismissal of all the claims of the Plaintiff. The matter is currently pending.

16. Jaltarang Motels Limited ("**Jaltarang**") undertook a public issue of equity shares amounting to ₹36 million. The Bank along with Bank of Baroda and Punjab National Bank were bankers to the issue and were responsible for collection of application money. The Bank collected ₹35.33 million as application money. Further, on finalisation of the basis of allotment of the issue, the Ahmedabad Stock Exchange gave its listing approval to Jaltarang, however the Bombay Stock Exchange did not give a listing approval to Jaltarang. Further SEBI, through its order dated January 19, 2000 directed Bank of Baroda and the Bank to refund the application money collected with interest at the rate15% from March 25, 1996. As a response, the Bank and Bank of Baroda filed an appeal against the SEBI order dated January 19, 2000 before the Securities Appellate Tribunal which was dismissed on the ground that Bank was duty bound to wait for the decision on the company's application money from both the stock exchanges mentioned in prospectus. SEBI issued directions to the Bank and Bank of Baroda setting out the procedure for refund of the application money. Subsequently, an appeal was filed before the High Court of Bombay ("Court") dated September 25, 2000 and bearing number SAPPL/1/2000. The matter is currently pending.

Criminal proceedings

Sambhaji Jadhav ("**Complainant**") had filed a criminal complaint ("**Complaint**") bearing number 3701383/SS of 2014 on July 9, 2014 against Girish Kulkarni, Star Union Dai-ichi Life Insurance Company Limited ("**SUD**"), the Bank and others ("**Accused**"), before the Additional Chief Metropolitan Magistrate, Mumbai. Prior to the criminal complaint, the Complainant had filed multiple PIL(s) against the Accused which were dismissed. In reference to the affidavits filed and comments made by the Accused in the PIL matter, the Complainant filed the Complaint under section 200 of the Code of Criminal Procedure and alleged violation under section 500 of the Indian Penal Code ("**IPC**") read with section 34 of IPC. The Magistrate passed an order in favour of the Complainant and issued process under section 204 against the Accused. The Accused preferred a writ appeal (WP/1216/2015) before the Court. The matter is currently pending.

Tax proceedings

a. The Bank is involved in 29 direct tax proceedings with an aggregate amount involved being ₹26,613.41 million, of which there are 24 cases which meet the Materiality Threshold aggregating to ₹26,445.91 million which are currently pending before various income tax authorities and High Courts;

b. The Bank is involved in 11 indirect tax proceedings with an aggregate amount involved being ₹842.04 million, of which there are 3 cases which meet the Materiality Threshold aggregating to ₹762.55 million which are currently pending before various tax authorities and High Courts.

Actions taken by statutory and regulatory authorities

In the past, various branches of the Bank (including our head office) have been subject to penalties imposed by the RBI in relation to matters including discrepancies in remittances, refusal of mutilated notes in FA Constructions' case and Syndicate Bank fraud case. The total amount of penalties imposed by the RBI during F.Y. 2017 was ₹30 million.

Cases filed against the Bank under SARFAESI action taken by our Bank

The borrowers have challenged the Bank's SARFAESI action whose accounts have been declared NPA, under the SARFAESI Act for recovery of dues in 273 cases.

Details of fraud cases filed by our Bank

The Bank has initiated 460 fraud proceedings with the aggregate amount involved being ₹26,234.00 million, of which there are 36 cases which meet the Materiality Threshold aggregating to ₹24,007.00 million which are currently pending for adjudication before various statutory authorities including state police departments and Central Bureau of Investigation.

Debt Recovery Tribunal proceedings

The Bank is involved in 4,539 debt recovery proceedings with the aggregate amount involved being ₹155,870.53 million, of which there are 214 cases which meet the Materiality Threshold aggregating to ₹127,002.36 million which are currently pending before the debt recovery tribunal, state high courts and the Supreme Court of India.

Insolvency proceedings

The Bank is involved in 48 insolvency proceedings with the aggregate amount involved being ₹90,921.40 million, of which there are 42 cases which meet the Materiality Threshold aggregating to ₹87,958.70 million which are currently pending before the National Company Law Tribunal.

Litigation involving our Directors

Nil

Litigation involving our Subsidiaries

The Subsidiaries of the Bank are not involved in any material litigation except regulatory and statutory case as detailed below:

SEBI issued a notice dated April 5, 2017 ("**Notice**") to Union KBC Mutual Fund ("**Noticee No. 1**"), Union KBC Trustee Company Private Limited ("**Noticee No. 2**"), Union KBC Asset Management Company Private Limited ("**Noticee No. 3**") and Mr. G. Pradeepkumar, CEO of Union KBC Asset Management Company Private Limited, ("**Noticee No. 4**" and along with Noticee No. 1, Noticee No. 2 and Noticee No. 3, the "**Noticees**"). SEBI conducted inspection of Noticee No.1 for the period February 1, 2013 to March 31, 2014 and made certain observations from the findings during the inspection in the Notice. The Notice issued alleged, inter alia, that: (i)The size of the assets under management ("**AUM**") in the Union Ultra Short Term Fund during the inspection period was very low including on various occasions the size of AUM was below ₹200 million, the inspection report observed that the scheme had very few investors to make the AUM above the threshold of ₹200 million; (ii)Investment by Union Ultra Short Term Fund in the units of Union Liquid Fund is in deviation and non-alignment from the investment objective of investing in money market and debt securities as is mentioned in the scheme investment document of Union Ultra Short Term Fund and asset allocation pattern of the scheme; It is alleged that the above actions are not in accordance with the code of conduct specified in Schedule V and are in violation of Regulation 18(22), Regulation 25(16), Regulation 68(h) read with clauses 6, 8 and 9 of Schedule V of the SEBI (Mutual Funds) Regulations, 1996 by Noticee No. 1, Noticee No. 2 and Noticee No. 3 and violation of Regulation 25(6A) of the SEBI (Mutual Funds) Regulations, 1996 by Noticee No. 4. The Notice was issued to impose penalty upon Noticee No.1, 2 and 3 under Section 15D (b) and Section 15HB of SEBI Act and upon Noticee No. 4 under Section 15HB of SEBI Act The Noticees have filed a consent application with SEBI on May 31, 2017, and have filed their responses to the allegations mentioned in the Notice with SEBI on July 31, 2017. The matter is pending for hearing.

STATUTORY AUDITORS

As on the date of this Placement Document, M/s. P.A. & Associates, having firm registration number 131085E and M/s. S. Bhandari & Co., having firm registration number 000560C, are the statutory auditors of our Bank.

M/s. G.P. Kapadia & Co., M/s. Ashwani & Associates, M/s. GBCA & Associates, M/s. Sundar Srini & Sridhar, M/s. P.A. Associates and M/s. S. Bhandari & Co. have audited the consolidated financial statements and the standalone financial statements as of and for the Fiscal Year ended March 31, 2017 and the unaudited interim standalone financial information as of and for the six month period ended September 30, 2017 (together with the corresponding unaudited interim standalone financial information for the six months ended September 30, 2016) subjected to a limited review, included in this Placement Document.

J. Gupta & Co., G. P. Kapadia & Co., Ashwani & Associates, GBCA & Associates, Sundar Srini & Sridhar, and P. A & Associates have audited the consolidated financial statements and the standalone financial statements as of and for the Fiscal Year ended March 31, 2016, included in this Placement Document.

V. Rohatgi & Co., J. Gupta & Co., G.P. Kapadia & Co, Ashwani & Associates, GBCA & Associates and Sundar Srini & Sridhar have audited the consolidated financial statements and the standalone financial statements as of and for the Fiscal Year ended March 31, 2015, included in this Placement Document.

See, “Financial Statements”.

GENERAL INFORMATION

1. The Bank was incorporated under the Banking Companies Act on July 19, 1969. Pursuant to the Banking Companies Act, the undertaking of the Union Bank of India Limited (a company incorporated under the Companies Act, 1913) was transferred to, and vested in the Bank with effect from July 19, 1969.

2. The head office of the Bank is located at Union Bank Bhavan, 239, Vidhan Bhavan Marg, Nariman Point, Mumbai – 400 021 Maharashtra, India.

3. The website of the Bank is www.unionbankofindia.co.in.

4. The Company Secretary of the Bank is Mr. Mangesh Mandrekar. His contact details are as follows:

   Mr. Mangesh Mandrekar
   Company Secretary & Compliance Officer
   Union Bank Bhavan, 12th Floor, 239
   Vidhan Bhavan Marg, Nariman Point
   Mumbai – 400 021
   Maharashtra, India
   Telephone: +91 22 2283 1506
   Email: mangesh.mandrekar@unionbankofindia.com

5. The Equity Shares have been listed on BSE and NSE since September 24, 2002.

6. As on the date of this Placement Document, the authorised share capital of the Bank is ₹30,000 million consisting 3,000,000,000 Equity Shares and the issued, subscribed and paid-up share capital of our Bank is ₹7,264.29 million divided into 726,429,298 Equity Shares. The face value of each Equity Share is ₹10.

7. This Issue has been approved by the (i) the Board of Directors has, at its meeting on April 28, 2017 (the relevant intimation under Regulation 29(1) of the Listing Regulations to the Stock Exchanges was made on April 25, 2017); (ii) the Bank's shareholders at the Annual General Meeting of the Bank, pursuant to a special resolution passed on June 23, 2017 (the relevant intimation under the Listing Regulations, to the Stock Exchanges was made on May 29, 2017); and (iii) the Committee of Directors for Raising Capital Funds has, at its meeting on August 9, 2017 (the relevant intimation under Regulation 29(1) of the Listing Regulations to the Stock Exchanges was made on August 4, 2017).

8. The Bank has received in-principle approvals to list the Equity Shares to be issued pursuant to this Issue, on BSE and NSE, each on December 7, 2017.

9. Except as disclosed in this Placement Document, the Bank has obtained all consents, approvals and authorisations required in connection with this Issue including approval from the Ministry of Finance, the Government of India dated October 18, 2017 and approval from RBI dated September 26, 2017.

10. There has been no significant change in our financial or trading position since September 30, 2017, the date of the last published limited reviewed financial statements of the Bank prepared in accordance with Indian GAAP included in this Placement Document, except as disclosed herein.

11. As on the date of this Placement Document, M/s. P.A. Associates and M/s. S. Bhandari & Co. are the statutory auditors of our Bank.

12. M/s. G.P. Kapadia & Co., M/s. Ashwani & Associates, M/s. GBCA & Associates, M/s. Sundar, Srini & Sridhar, M/s. P.A. Associates and M/s. S. Bhandari & Co. have audited the consolidated financial statements and the standalone financial statements of the Bank as of and for the Fiscal Year ended March 31, 2017 and the unaudited interim standalone financial information as of and for the six month period ended September 30, 2017 (together with the corresponding unaudited interim standalone financial information for the six months ended September 30, 2016) subjected to a limited review, included in this Placement Document.

13. J. Gupta & Co., G. P. Kapadia & Co., Ashwani & Associates, GBCA & Associates, Sundar Srini & Sridhar, and P. A & Associates have audited the consolidated financial statements and the standalone financial

statements of the Bank as of and for the Fiscal Year ended March 31, 2016, included in this Placement Document.

14. V. Rohatgi & Co., J. Gupta & Co., G.P. Kapadia & Co, Ashwani & Associates, GBCA & Associates and Sundar Srini & Sridhar have audited the consolidated financial statements and the standalone financial statements of the Bank as of and for the Fiscal Year ended March 31, 2015, included in this Placement Document.

15. The Bank confirms that it is compliance with the minimum public shareholding requirements as specified under the SCRR and required under the provisions of Regulation 38 of the SEBI Listing Regulations.

16. Except as disclosed in this Placement Document, there are no litigation or arbitration proceedings against or affecting us, or our assets or revenues, nor we are aware of any pending or threatened litigation or arbitration proceedings, which are or might be material in the context of this Issue.

17. The Floor Price is ₹162.79 per Equity Share, calculated in accordance with the provisions of Chapter VIII of the SEBI Regulations. Our Bank may offer a discount of not more than five per cent. on the Floor Price of ₹162.79 per Equity Share in terms of Regulation 85 of the SEBI Regulations.

FINANCIAL STATEMENTS

Financial Statements	Page Number
Audited standalone financial statements of the Bank as at and for the year ended March 31, 2015, along with the audit report to such financial statements.	F1 – F38
Audited consolidated financial statements of the Bank as at and for the year ended March 31, 2015, along with the audit report to such financial statements.	F39 – F64
Audited standalone financial statements of the Bank as at and for the year ended March 31, 2016, along with the audit report to such financial statements.	F65 – F102
Audited consolidated financial statements of the Bank as at and for the year ended March 31, 2016, along with the audit report to such financial statements.	F103 – F128
Audited standalone financial statements of the Bank as at and for the year ended March 31, 2017, along with the audit report to such financial statements.	F129 – F170
Audited standalone financial statements of the Bank as at and for the year ended March 31, 2017, along with the audit report to such financial statements.	F171 – F197
Unaudited Interim Financial Information of the Bank as at and for the six months ended September 30, 2017 (together with the corresponding unaudited standalone financial information for the six months ended September 30, 2016), along with the limited review report to such financial statements.	F198 – F204

INDEPENDENT AUDITORS' REPORT

To the Members of Union Bank Of India

Report on the Financial Statements

1. We have audited the accompanying financial statements of Union Bank of India as at 31st March, 2015, which comprise the Balance Sheet as at 31st March, 2015, and Profit and Loss Account and the Cash Flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. Incorporated in these financial statements are the returns of 19 branches, 1 Treasury Branch, 18 Regional offices and 29 offices/centers audited by us and 1738 branches including 3 foreign branches and 47 service branches audited by branch auditors. The branches audited by us and those audited by other auditors have been selected by the Bank in accordance with the guidelines issued to the Bank by the Reserve Bank of India. Also incorporated in the Balance Sheet and the Profit and Loss are the returns from 2324 branches and 72 offices/ centers which have not been subjected to audit. These unaudited branches account for 5.77 per cent of advances, 20.98 per cent of deposits, 4.20 per cent of interest income and 19.60 per cent of interest expenses.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements in accordance with Banking Regulation Act 1949. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by 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, as shown by books of bank, and to the best of our information and according to the explanations given to us:

   (i) the Balance Sheet, read with the notes thereon is a full and fair Balance Sheet containing all the necessary particulars, is properly drawn up so as to exhibit a true and fair view of state of affairs of the Bank as at 31st March 2015 in conformity with accounting principles generally accepted in India;

   (ii) the Profit and Loss Account, read with the notes thereon shows a true balance of profit, in conformity with accounting principles generally accepted in India, for the year covered by the account; and

   (iii) the Cash Flow Statement gives a true and fair view of the cash flows 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 Forms "A" and "B" respectively of the Third Schedule to the Banking Regulation Act, 1949.

8. Subject to the limitations of the audit indicated in paragraph 1 to 5 above and as required by the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980, and subject also to the limitations of disclosure required therein, 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 purposes 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.

   (c) The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

9. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the applicable accounting standards.

FOR V. ROHATGI & CO.	**FOR J. GUPTA & CO.**	**FOR ASHWANI & ASSOCIATES**
CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANTS
FIRM REGN NO. 000980C	FIRM REGN NO. 314010E	FIRM REGN NO. 000497N
(BIPUL RASTOGI)	**(H. K. DATTA)**	**(ARVIND JAIN)**
PARTNER (M. NO. 072318)	PARTNER (M. NO. 012208)	PARTNER (M. NO. 097549)
FOR G. P. KAPADIA & CO.	**FOR GBCA & ASSOCIATES**	**FOR SUNDAR SRINI & SRIDHAR**
CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANTS
FIRM REGN NO.104768W	FIRM REG NO. 103142W	FIRM REGN NO. 004201S
(NIMESH BHIMANI)	**(TANSUKHLAL CHHEDA)**	**(S. SRIDHAR)**
PARTNER (M. NO. 030547)	PARTNER (M. NO. 047157)	PARTNER (M. NO. 025504)

Place: MUMBAI

Date : 12th May, 2015

BALANCE SHEET AS ON 31ST MARCH, 2015

(000' Omitted)

	Schedule	As on 31.3.2015	As on 31.3.2014
Capital And Liabilities			
Capital	1	**6,35,77,88**	7,41,30,63
Reserves And Surplus	2	**1,91,25,10,31**	1,77,34,05,16
Deposits	3	**31,68,69,91,72**	29,76,75,63,97
Borrowings	4	**3,53,59,98,16**	2,93,16,61,77
Other Liabilities And Provisions	5	**96,25,15,00**	83,13,28,70
TOTAL		**38,16,15,93,07**	**35,37,80,90,23**
Assets			
Cash And Balances With Reserve Bank Of India	6	**1,50,63,07,83**	1,84,19,67,74
Balances With Banks And Money At Call And Short Notice	7	**73,14,94,36**	46,53,19,47
Investments	8	**9,40,92,98,35**	9,37,23,18,39
Advances	9	**25,56,54,56,54**	22,91,04,42,66
Fixed Assets	10	**26,81,95,32**	26,08,46,85
Other Assets	11	**68,08,40,67**	52,71,95,12
TOTAL		**38,16,15,93,07**	**35,37,80,90,23**
Contingent Liabilities	12	**34,91,05,32,69**	19,55,24,16,41
Bills For Collection		**1,37,00,54,08**	1,24,75,70,66
Significant Accounting Policies	17		
Notes On Accounts	18		

The Schedules Referred To above form an integral part of the Balance Sheet

(NITESH RANJAN) Dy. General Manager | **(MAYANK MEHTA)** General Manager | **(KISHOR KHARAT)** Executive Director | **(RAKESH SETHI)** Executive Director | **(K. SUBRAHMANYAM)** Executive Director | **(ARUN TIWARI)** Chairman & Managing Director

(MIHIR KUMAR) Director | **(DEEPAK SINGHAL)** Director | **(JAG MOHAN SHARMA)** Director | **(S. K. MISRA)** Director | **(SUSHRI ANUSUIYA SHARMA)** Director

(DR. R. H. DHOLAKIA) Director | **(G. K. LATH)** Director | **(D. CHATTERJI)** Director

AS PER OUR REPORT OF EVEN DATE ATTACHED.

FOR V.ROHATGI & CO.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 000980C
(BIPUL RASTOGI)
PARTNER (M. NO. 072318)

FOR J. GUPTA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 314010E
(H. K. DATTA)
PARTNER (M. NO. 012208)

FOR G P KAPADIA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 104768W
(NIMESH BHIMANI)
PARTNER (M.NO.030547)

FOR ASHWANI & ASSOCIATES.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 000497N
(ARVIND JAIN)
PARTNER (M. NO. 097549)

FOR GBCA & ASSOCIATES.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 103142W
(TANSUKHLAL CHHEDA)
PARTNER (M. NO. 047157)

FOR SUNDAR SRINI & SRIDHAR.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 004201S
(S. SRIDHAR)
PARTNER (M. NO. 025504)

Place : MUMBAI

Date : 12th MAY, 2015.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2015

(000' Omitted)

		Schedule	**Year Ended 31.3.2015**	Year Ended 31.3.2014
I.	**Income**			
	Interest Earned	13	**3,20,83,96,21**	2,93,49,39,42
	Other Income	14	**35,23,00,22**	28,21,54,04
	TOTAL		**3,56,06,96,43**	3,21,70,93,46
II.	**Expenditure**			
	Interest Expended	15	**2,36,40,06,56**	2,14,70,06,91
	Operating Expenses	16	**61,43,42,88**	54,82,76,05
	Provisions And Contingencies		**40,41,83,04**	35,21,90,17
	TOTAL		**3,38,25,32,48**	3,04,74,73,13
III.	**Net Profit For The Year**		**17,81,63,95**	16,96,20,33
	Add : Profit Brought Forward		**41,02**	40,74
	TOTAL		**17,82,04,97**	16,96,61,07
IV.	**Appropriations**			
	Transfer To Statutory Reserve		**5,34,50,00**	5,08,86,10
	Transfer To Capital Reserve		**26,99,74**	17,18,09
	Transfer To Revenue And Other Reserves		**5,55,97,00**	6,85,50,00
	Proposed Dividend		**3,81,46,73**	2,52,12,26
	Provision For Div. on PNCPS		**5,28,35**	9,99,00
	Dividend Tax		**77,41,53**	44,54,60
	Transfer To Special Reserve [Sec36(I)(Viii)]		**2,00,00,00**	1,78,00,00
	Balance In Profit And Loss Account		**41,62**	41,02
	TOTAL		**17,82,04,97**	16,96,61,07
	Earnings Per Share (Basic And Diluted)		**28.05**	27.99

The Schedules referred to above form an Integral part of the Profit and Loss Account

(NITESH RANJAN) Dy. General Manager | **(MAYANK MEHTA)** General Manager | **(KISHOR KHARAT)** Executive Director | **(RAKESH SETHI)** Executive Director | **(K. SUBRAHMANYAM)** Executive Director | **(ARUN TIWARI)** Chairman & Managing Director

(MIHIR KUMAR) Director | **(DEEPAK SINGHAL)** Director | **(JAG MOHAN SHARMA)** Director | **(S. K. MISRA)** Director | **(SUSHRI ANUSUIYA SHARMA)** Director

(DR. R. H. DHOLAKIA) Director | **(G. K. LATH)** Director | **(D. CHATTERJI)** Director

AS PER OUR REPORT OF EVEN DATE ATTACHED.

FOR V.ROHATGI & CO.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 000980C

(BIPUL RASTOGI)
PARTNER (M. NO. 072318)

FOR J. GUPTA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 314010E

(H. K. DATTA)
PARTNER (M. NO. 012208)

FOR G P KAPADIA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 104768W

(NIMESH BHIMANI)
PARTNER (M.NO.030547)

FOR ASHWANI & ASSOCIATES.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 000497N

(ARVIND JAIN)
PARTNER (M. NO. 097549)

FOR GBCA & ASSOCIATES.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 103142W

(TANSUKHLAL CHHEDA)
PARTNER (M. NO. 047157)

FOR SUNDAR SRINI & SRIDHAR.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 004201S

(S. SRIDHAR)
PARTNER (M. NO. 025504)

Place : MUMBAI

Date : 12th MAY, 2015.

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 2015

(000' Omitted)

		As on 31.3.2015	As on 31.3.2014
SCHEDULE 1 - CAPITAL :			
I.	**Authorised :**		
	300,00,00,000 Equity Shares of ₹10 each	**30,00,00,00**	30,00,00,00
II.	**Issued, Subscribed & Paid up :**		
	i. 38,44,44,316 Equity Shares of ₹10 each, held by Central Government (Prev.Year 37,89,71,753 Equity Shares)	**3,84,44,43**	3,78,97,18
	ii. 25,13,34,520 Equity Shares of ₹10 each, held by Public	**2,51,33,45**	2,51,33,45
III.	**Perpetual No-Cumulative Pref. Shares**	**-**	1,11,00,00
	TOTAL	**6,35,77,88**	7,41,30,63

SCHEDULE 2 - RESERVES & SURPLUS :					
I.	Statutory Reserve :				
	As per last Balance Sheet	**55,91,86,10**		50,83,00,00	
	Addition during the year	**5,34,50,00**	**61,26,36,10**	5,08,86,10	55,91,86,10
II.	Capital Reserve :				
	As per last Balance Sheet	**7,76,25,39**		7,59,07,31	
	Addition during the year	**26,99,74**	**8,03,25,13**	17,18,09	7,76,25,40
III.	Share Premium :				
	As per last Balance Sheet	**33,51,70,50**		28,85,86,87	
	Addition during the year	**1,05,41,64**	**34,57,12,14**	4,65,83,63	33,51,70,50
IV.	Revaluation Reserve :				
	As per last Balance Sheet	**14,59,33,73**		14,95,75,77	
	Deduction during the year	**34,63,22**	**14,24,70,51**	36,42,04	14,59,33,73
V.	Revenue and other Reserves :				
	i) Revenue and other Reserves :				
	As per last Balance Sheet	**42,08,91,00**		42,44,00,00	
	Addition during the year	**5,55,97,00**		6,85,50,00	
	Deduction during the year	**0**		7,20,59,00	
	Total	**47,64,88,00**		42,08,91,00	
	ii) Special Reserve Sec 36(1)(viii)				
	As per last Balance Sheet	**22,98,00,00**		21,20,00,00	
	Addition during the year	**2,00,00,00**		1,78,00,00	
		24,98,00,00		22,98,00,00	
	iii) Foreign Currency Translation Reserve				
	As per last Balance Sheet	**47,57,41**		28,77	
	Addition during the year	**2,79,40**		47,28,64	
	Total	**50,36,81**	**73,13,24,81**	47,57,41	65,54,48,41
VI.	Balance in Profit and Loss Account				
	Balance in Profit and Loss Account		**41,62**		41,02
	TOTAL		**1,91,25,10,31**		1,77,34,05,16

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 2015

(000' Omitted)

			As on 31.3.2015		As on 31.3.2014
SCHEDULE 3 - DEPOSITS :					
I. Demand Deposits					
i) From Banks	**6,10,07,08**		7,89,93,59		
ii) From Others	**2,04,82,41,46**	**2,10,92,48,54**	2,19,12,90,72		2,27,02,84,31
II. Savings Bank Deposits		**7,15,58,05,17**			6,50,97,70,53
III. Term Deposits					
i) From Banks	**1,30,22,83,78**		1,12,40,93,11		
ii) From Others	**21,11,96,54,23**	**22,42,19,38,01**	19,86,34,16,02		20,98,75,09,13
TOTAL		**31,68,69,91,72**			29,76,75,63,97
Deposits of branches in India		**31,22,30,23,90**			29,28,11,73,73
Deposits of branches outside India		**46,39,67,82**			48,63,90,24
TOTAL		**31,68,69,91,72**			29,76,75,63,97
SCHEDULE 4 - BORROWINGS :					
A) Borrowings : Capital Instruments					
I. Perpetual Bonds		**10,40,00,00**			10,40,00,00
II. Upper Tier II Capital		**22,50,00,00**			22,50,00,00
III. Lower Tier II Capital		**52,50,00,00**			52,50,00,00
B) Borrowings in India					
I. Reserve Bank of India		**0**			15,25,00,00
II. Other Banks	**7,00,00,00**		0		
III. Other Institutions and agencies	**44,95,07,39**	**51,95,07,39**	12,92,91,41		12,92,91,41
C) Borrowings Outside India		**2,16,24,90,77**			1,79,58,70,36
TOTAL		**3,53,59,98,16**			2,93,16,61,77
Secured Borrowings		**33,72,28,20**			1,33,66,22
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS :					
I. Bills payable		**11,67,92,29**			13,56,01,38
II. Interest Accrued		**9,21,03,19**			8,84,53,91
III. Deferred Tax Liability		**4,52,23,52**			6,79,33,51
IV. Others(including provisions)		**70,83,96,00**			53,93,39,90
TOTAL		**96,25,15,00**			83,13,28,70
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA:					
I. Cash in hand (including foreign currency notes)		**10,06,93,07**			7,84,65,44
II. Balances with Reserve Bank of India In current Account		**1,40,56,14,76**			1,76,35,02,30
TOTAL		**1,50,63,07,83**			1,84,19,67,74
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE :					
I. Balances with banks in India					
i) a) In Current Accounts	**2,08,30,05**		44,15,82		
b) In Other Deposit Accounts	**16,66,60,98**		8,82,94,51		
ii) Money at Call and short notice -with Banks	**0**	**18,74,91,03**	0		9,27,10,33
II. Outside India					
i) In Current Accounts	**2,68,92,55**		6,87,47,89		
ii) In other Deposit Accounts	**51,71,10,78**	**54,40,03,33**	30,38,61,25		37,26,09,14
TOTAL		**73,14,94,36**			46,53,19,47

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 2015

(000' Omitted)

					As on 31.3.2015		As on 31.3.2014
SCHEDULE 8 - INVESTMENTS :							
I.	Investments in India						
	i)	Government Securities			**7,26,85,31,29**		6,97,47,18,65
	ii)	Shares			**9,58,05,08**		9,75,35,04
	iii)	Debentures and Bonds			**82,40,46,48**		1,15,65,47,76
	iv)	Subsidiaries and joint ventures			**1,29,43,76**		3,74,71,26
	v)	Others					
		- Commercial Paper	**0**			2,07,57,28	
		- Certificates of Deposits	**0**			4,15,08,98	
		- Mutual Funds	**9,22,10,38**			9,83,20,77	
		- R I D F	**96,31,25,45**			90,99,40,86	
		- Security Receipt by ARCIL	**5,98,22,60**	**1,11,51,58,43**		1,49,71,73	1,08,54,99,61
		TOTAL		**9,31,64,85,04**			**9,35,17,72,33**
II.	Investments outside India						
	i)	Govt. Securities (Incl. Local Auth.)			**3,06,81,23**		0
	ii)	Shares			**40,32**		40,32
	iii)	Other investments (Bonds)			**3,75,64,26**		2,05,05,74
	iv)	Subsidiaries and joint ventures			**2,45,27,50**		0
		TOTAL			**9,28,13,31**		2,05,46,06
		TOTAL			**9,40,92,98,35**		9,37,23,18,39
III.	i)	Investments in India					
		Gross Value			**9,35,69,37,23**		9,39,63,70,76
		Provision for Depreciation			**4,04,52,19**		4,45,98,43
		Net Value			**9,31,64,85,04**		9,35,17,72,33
	ii)	Investments outside India					
		Gross Value/Net Value			**9,28,13,31**		2,05,46,06
		TOTAL			**9,40,92,98,35**		9,37,23,18,39
SCHEDULE 9 - ADVANCES							
I.	i)	Bills purchased and discounted			**78,16,22,46**		53,24,84,83
	ii)	Cash Credits, Overdrafts and Loans					
		repayable on demand			**12,08,00,09,60**		11,08,32,52,73
	iii)	Term Loans			**12,70,38,24,48**		11,29,47,05,10
		TOTAL			**25,56,54,56,54**		22,91,04,42,66
II.	i)	Secured by tangible assets					
		(includes Advance against Book Debts)			**20,77,13,22,99**		19,21,66,12,17
	ii)	Covered by Bank/Government Guarantees			**1,56,40,53,05**		1,14,99,70,46
	iii)	Unsecured			**3,23,00,80,50**		2,54,38,60,03
		TOTAL			**25,56,54,56,54**		22,91,04,42,66
A.	Advances in India						
	i)	Priority Sector			**8,58,55,17,72**		6,96,54,20,70
	ii)	Public Sector			**1,35,00,91,37**		1,52,83,77,83
	iii)	Banks			**44,54,32,26**		54,96,29,30
	iv)	Others			**13,05,37,50,49**		12,12,95,44,14
		TOTAL			**23,43,47,91,84**		21,17,29,71,97

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 2015

(000' Omitted)

		As on 31.3.2015	As on 31.3.2014
B.	Advances Outside India		
	i) Due From Banks	**51,33,78,55**	52,81,53,83
	ii) Due from Others		
	a) Bills Purchased and Discounted	**34,07,80,03**	6,04,55,84
	b) Syndicated loans	**8,32,98,36**	90,69,87,64
	c) Others	**1,19,32,07,76**	24,18,63,38
		2,13,06,64,70	1,73,74,70,69
	TOTAL	**25,56,54,56,54**	22,91,04,42,66

SCHEDULE 10 - FIXED ASSETS

A.	TANGIBLE ASSETS				
I.	Premises				
	At cost/valuation as per last Balance Sheet	**23,65,21,96**		23,22,51,75	
	Additions during the year	**52,60,50**		42,70,21	
		24,17,82,46		23,65,21,96	
	Less: Depreciation to date	**5,99,72,44**	**18,18,10,02**	5,45,64,01	18,19,57,95
II.	Capital Work in Progress				
	At cost as per last Balance Sheet	**85,06**		11,53,81	
	Additions during the year	**46,57,56**		50,63,21	
	Deductions during the year	**43,29,00**	**4,13,62**	61,31,96	85,06
III.	Land				
	At cost as per last Balance Sheet	**49,82,97**		13,40,97	
	Additions during the year	**11,83,87**		36,42,00	
		61,66,84		49,82,97	
	Less : Depreciation to date	**3,04,84**	**58,62,00**	2,45,32	47,37,65
IV.	Other Fixed Assets (including Furniture and Fixtures)				
	a) Assets given on lease				
	At cost as per last Balance Sheet	**26,53,52**		26,53,52	
		26,53,52		26,53,52	
	Less: Depreciation to date	**26,53,52**		26,53,52	
		0		0	
	b) Others				
	At cost/valuation as per last Balance Sheet	**18,60,96,29**		16,26,23,28	
	Additions during the year	**2,64,25,78**		2,60,09,46	
		21,25,22,07		18,86,32,74	
	Deductions during the year	**50,66,37**		25,36,44	
		20,74,55,70		18,60,96,30	
	Less: Depreciation to date	**12,97,88,34**		11,57,81,44	
		7,76,67,36	**7,76,67,36**	7,03,14,86	7,03,14,86
B.	INTANGIBLE ASSETS				
	Computer Software				
	At cost as per last Balance Sheet	**1,64,04,60**		1,24,15,63	
	Additions during the year	**11,30,62**		39,88,97	
		1,75,35,22		1,64,04,60	
	Amortisation till date	**1,50,92,90**	**24,42,32**	1,26,53,27	37,51,33
	TOTAL		**26,81,95,32**		26,08,46,85

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 2015

(000' Omitted)

						As on 31.3.2015	As on 31.3.2014
SCHEDULE 11 - OTHER ASSETS :							
I.	Inter-office adjustments (net)					**15,73,74,40**	11,31,85,79
II.	Interest accrued					**23,82,34,96**	23,76,24,82
III.	Tax paid/Tax deducted at source (net of provision)					**0**	0
IV.	Stationery and stamps					**1,85,77**	2,61,32
V.	Non-Banking assets acquired in satisfaction of claims					**3,90**	3,89
VI.	Others					**28,50,41,64**	17,61,19,30
		TOTAL				**68,08,40,67**	52,71,95,12
SCHEDULE 12 - CONTINGENT LIABILITIES :							
I.	Claims against the bank not acknowledged as debts					**35,92,85,82**	35,99,15,76
II.	Liability for partly paid investments					**59,20**	59,20
III.	Liability on account of outstanding forward exchange contracts					**29,61,70,42,69**	14,82,33,21,11
IV.	Guarantees given on behalf of Constituents						
	i)	In India	**2,27,16,05,69**			2,26,25,73,05	
	ii)	Outside India	**3,63,18,51**	**2,30,79,24,20**		1,38,06,25	2,27,63,79,30
V.	Acceptances, endorsements and other obligations					**2,50,41,15,21**	2,03,60,00,04
VI.	Other items for which the bank is contingently liable						
	i)	Disputed Tax demands under appeals	**6,10,70,00**			5,67,41,00	
	ii)	Amt. Trfd. to DEAF Scheme 2014	**6,10,35,57**	**12,21,05,57**		0	5,67,41,00
		TOTAL				**34,91,05,32,69**	19,55,24,16,41

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2015

(000' Omitted)

		Year Ended 31.3.2015	Year Ended 31.3.2014
SCHEDULE 13 - INTEREST EARNED :			
I.	Interest/discount on advances/bills	**2,39,77,25,12**	2,17,40,35,58
II.	Income on investments	**76,68,86,96**	72,70,45,32
III.	Interest on balances with RBI & other inter bank funds	**1,90,04,77**	1,78,53,25
IV.	Others	**2,47,79,36**	1,60,05,27
	TOTAL	**3,20,83,96,21**	2,93,49,39,42
SCHEDULE 14 - OTHER INCOME :			
I.	Commission, Exchange and Brokerage	**3,90,87,31**	4,46,99,42
II.	Profit on sale of investments - net	**7,08,73,96**	4,85,72,00
III.	Profit on sale of land, buildings & other assets - net	**-39,45**	2,57,53
IV.	Profit on exchange transactions - net	**9,71,34,04**	7,43,60,62
V.	Miscellaneous Income	**14,52,44,36**	11,42,64,47
	TOTAL	**35,23,00,22**	28,21,54,04
SCHEDULE 15 - INTEREST EXPENDED :			
I.	Interest on deposits	**2,16,24,86,49**	1,98,39,25,14
II.	Interest on Reserve Bank of India/Inter-bank borrowing	**6,06,33,17**	5,31,32,90
III.	Others	**14,08,86,90**	10,99,48,87
	TOTAL	**2,36,40,06,56**	2,14,70,06,91
SCHEDULE 16 - OPERATING EXPENSES :			
I.	Payments to and provisions for employees	**37,85,51,55**	33,07,76,76
II.	Rent, taxes and lighting	**4,27,23,54**	3,81,38,03
III.	Printing and stationery	**51,98,69**	45,26,84
IV.	Advertisement and publicity	**63,18,63**	55,29,08
V.	Depreciation on Bank's property	**2,20,81,18**	1,93,77,95
VI.	Directors' fees, allowances and expenses	**1,48,13**	1,51,34
VII.	Remuneration to Managing/Executive Director	**59,23**	56,71
VIII.	Auditors' fees and expenses(including branch auditors)	**34,34,84**	32,91,96
IX.	Law Charges	**18,55,90**	16,08,87
X.	Postage, Telegrams, Telephones, etc.	**65,40,78**	70,91,43
XI.	Repairs and maintenance	**1,04,27,43**	94,46,02
XII.	Insurance	**3,07,92,36**	2,83,45,07
XIII.	Other expenditure	**10,62,10,62**	9,99,35,99
	TOTAL	**61,43,42,88**	54,82,76,05

SCHEDULES FORMING PART OF THE ACCOUNTS FOR 2014-2015

SCHEDULE 17- SIGNIFICANT ACCOUNTING POLICIES

1 Accounting Convention

The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by Reserve Bank of India (RBI) from time to time and the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) to the extent applicable and practices generally prevalent in the banking industry in India.

2 Use of Estimates

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of Assets and Liabilities (including Contingent Liabilities) as of the date of the financial statements and the reported Income and the Expenses during the reporting period. Management believes that the estimates wherever used in the preparation of the financial statements are prudent and reasonable. Difference between the actual results and estimates is recognized in the period in which the results are known / materialized.

3 Revenue Recognition

i) Income and Expenditure have generally been accounted for on accrual basis unless otherwise stated.

ii) Income on Non-Performing Assets (NPAs) is recognized to the extent realized as per the prudential norms prescribed by the Reserve Bank of India (RBI). Income accounted for in the preceding year and remaining unrealized is derecognized in respect of assets classified as NPAs during the year.

iii) Bank commission, exchange and brokerage earned, rent on Safe Deposit Lockers, commission on biometric cards, income from Aadhar cards etc. are accounted for on realization basis.

iv) Income (Other than interest) on investments in "Held to Maturity" (HTM) category acquired at discount to the face value is recognized as follows:

a) On interest bearing securities, it is recognized only at the time of sale/ redemption.

b) On Zero- coupon securities, it is accounted for over the balance tenor of the securities on a constant yield basis.

v) Dividend is accounted on an accrual basis where the right to receive the dividend is established.

4 Cash Flow Statements

Cash and Cash equivalents include Cash in hand, Balances with RBI, Balances with other Banks and Money at call and short notice.

5 Investments

i) In conformity of the requirements in form A of the Third Schedule to the Banking Regulations Act, 1949, Investments are classified as under:

a) Government Securities

b) Other Approved Securities

c) Shares

d) Debentures & Bonds

e) Investments in Subsidiaries & Joint Ventures and

f) Other Investments

The Investment portfolio of the Bank is further classified in accordance with the RBI guidelines into three categories viz.,

a) Held to Maturity (HTM)

b) Available for Sale (AFS)

c) Held for Trading (HFT)

ii) As per RBI guidelines, the following principles have been adopted for the purpose of valuation

a) i) Securities held in "HTM" – at acquisition cost.

The excess of acquisition cost over the face value is amortized over the remaining period of maturity and in case of discount; it is not recognized as income.

ii) Investments in Regional Rural Banks are valued at carrying cost.

iii) Investments in Subsidiaries and Joint Ventures are valued at carrying cost.

Diminution other than temporary, if any, in valuation of such investments is provided for.

b) i) Securities held in "AFS" and "HFT" categories are valued classification wise and scrip-wise and net depreciation, if any, in each classification is charged to Profit & Loss account while net appreciation, if any, is ignored.

ii) Valuation of securities is arrived at as follows:

i	Govt. of India Securities	As per quotations put out by Fixed Income Money Market and Derivatives Association (FIMMDA)
ii	State Development Loans, Securities guaranteed by Central / State Government, PSU Bonds	On appropriate yield to maturity basis as per FIMMDA guidelines

iii	Equity Shares	As per market rates, if quoted, otherwise at Book value, as per latest Audited Balance Sheet (not more than 1 year old). In the absence of both, at ₹ 1/- per Company.
iv	Preference Shares	As per market rates, if quoted, or on appropriate yield to maturity basis not exceeding redemption value as per FIMMDA guidelines
v	Debentures/Bonds	As per market rates, if quoted, otherwise on appropriate yield to maturity basis as per FIMMDA guidelines.
vi	Mutual Funds(MF)	As per stock exchange quotations, if quoted. In case of unquoted units, as per latest Repurchase price declared by concerned MF. In cases where latest repurchase price is not available, as per Net Asset Value (NAV)
vii	Treasury Bills / Certificate of Deposits / Commercial Papers	At carrying cost
viii	Venture Capital Funds (VCF)	At declared NAV or Break-up NAV as per audited Balance Sheet which is not more than 18 months old. If NAV / audited financial statements are not available for more than 18 months continuously, at ₹ 1/- per VCF
ix	Security Receipts	At NAV as declared by Securitization Companies

iii) Interbank Repo/ Reverse Repo transactions are accounted for in accordance with extant RBI guidelines.

iv) As per the extant RBI guidelines, the shifting of securities from one category to another is accounted for as follows:

- From AFS/HFT categories to HTM category, at lower of book value or market value as on the date of shifting. Depreciation, if any, is fully provided for.
- From HTM category to AFS/HFT category,
  - ➢ If the security is originally placed at discount in HTM category, at acquisition cost / book value
  - ➢ If the security is originally placed at a premium, at amortized cost.

    The securities so shifted are revalued immediately and resultant depreciation is fully provided for.
- From AFS to HFT category and vice versa, at book value.

v) The non-performing investments are identified and depreciation / provision is made as per the extant RBI guidelines.

vi) Profit / Loss on sale of investments in any category is taken to the Profit & Loss account. However, in case of profit on sale of investments in "HTM" category, an equivalent amount (net of taxes and net of transfer to Statutory Reserves) is appropriated to the Capital Reserve account.

vii) Commission, brokerage, broken period interest etc on securities is debited / credited to Profit & Loss Account.

viii) As per the extant RBI guidelines, the Bank follows 'Settlement Date' for accounting of investments transactions.

Derivative Contracts

i) The Interest Rate Swap which hedges interest bearing Asset or Liability are accounted for in the financial statements on accrual basis except the swap designated with an Asset or Liability that is carried at market value or lower of cost or market value. Gains or losses on the termination of swaps are recognized over the shorter of the remaining contractual life of the swap or the remaining life of the Asset / Liability.

ii) Trading swap transactions are marked to market with changes recorded in the financial statements.

iii) In the case of option contracts, guidelines issued by Foreign Exchange Dealers Association of India (FEDAI) from time to time for recognition of income, premium and discount are being followed.

6 Advances

i) All advances are classified under four categories, i.e. (a) Standard, (b) Sub-standard, (c) Doubtful and (d) Loss assets. Provisions required on such advances are made as per the extant prudential norms issued by the RBI.

ii) Advances are stated net of specific loan loss provisions, Counter cyclical provisioning buffer, Provision for diminution in fair value of restructured advances and unrecovered interest held in Sundry / claims received from Credit Guarantee Trust Fund (CGTF) / Export Credit Guarantee Corporation (ECGC) relating to non-performing assets.

iii) The general provision on Standard Advances is held in "Other Liabilities and Provisions" reflected in Schedule 5 of the Balance Sheet and is not considered for arriving at both net NPAs and net advances.

7 Fixed Assets and Depreciation

i) Premises and Other Fixed Assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises of purchase price less trade discounts and rebates, eligible borrowing costs and directly attributable costs of bringing the Asset to its working condition for the intended use. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future benefits from such assets or their functional capability. Land and Buildings, if revalued are stated at revalued amount. The appreciation on revaluation is credited to Revaluation Reserve and the depreciation provided thereon is deducted there from.

ii) Application Software is capitalized and clubbed under Intangible assets. Depreciation on Computers and Software forming an integral part of Computer hardware and on ATM is provided on Straight line method at the rate of 33.33% as per the guidelines of RBI.

iii) Depreciation on Fixed Assets is provided for on the written down value method at the rates considered appropriate by the management as under:

	Type of Asset	Rate of Depreciation
I.	Premises	5 %
II.	Other Fixed Assets	
	- Furniture and Fittings	10 %
	- Electric Fittings and Equipment, Office Appliances and SDV Lockers/ Strong rooms etc.	15 %
	- Transport Vehicles	20 %
	- Uninterrupted Power Supply Equipments(UPS)	33.33 %
III.	Amount added consequent upon revaluation of the assets	Applicable rate for the asset type, over the residual economic life of the respective assets

iv) Depreciation on additions to assets made upto 30th September of the year is provided at full rate and on additions made thereafter, at half the rate.

v) Depreciation on premises is provided on composite cost, wherever the value of Land and Buildings is not separately identifiable.

vi) No depreciation is provided on assets sold / disposed off during the year.

vii) Depreciation on Leased assets and Leasehold improvements is recognized on a straight-line basis using rates determined with reference to the primary period of lease.

8 Impairment of Assets

The carrying costs of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying cost of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. After impairment, depreciation is provided on the revised carrying cost of the asset over its remaining useful life. A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

9 Counter Cyclical Provisioning Buffer

The Bank has policy for creation and utilization of Counter Cyclical Provisioning Buffer separately for Advances and Investments. The quantum of provision to be created is assessed at the end of each financial year. The counter cyclical provisions are utilized only for contingencies under extra ordinary circumstances specified in the policy with prior permission of the Reserve Bank of India.

10 Transactions involving Foreign Exchange

Revaluation of Foreign Currency position and booking Profits / Losses:

i) Monetary and Non Monetary Assets and Liabilities are revalued at the exchange rates notified by FEDAI at the close of the year and resultant gain / loss is recognized in the Profit & Loss Account.

ii) Income & Expenditure items are recognized at the exchange rates prevailing on the date of the transaction.

iii) Forward exchange contracts are recorded at the exchange rate prevailing on the date of commitment. Outstanding forward exchange contracts are revalued at the exchange rates notified by FEDAI for specified maturities and at interpolated rates for contracts of 'in-between' maturities. The resultant gains or losses are recognized in the Profit & Loss account.

iv) Contingent liabilities on account of guarantees, acceptances, endorsements and other obligations are stated at the exchange rates notified by FEDAI at the close of the year.

v) Representative Offices of the Bank outside India are treated as Integral Operation Unit as per RBI guidelines.

11 Accounting for Non–Integral Foreign operations

Foreign branches are classified as non-integral foreign operations by:

i) Revenue Recognition

Income and Expenditure are recognized / accounted for as per the local laws of the respective countries.

ii) Asset Classification and Loan Loss Provisioning

Asset classification and loan loss provisioning are made as per the local laws of the respective countries or as per RBI guidelines whichever is higher.

iii) Fixed Assets and Depreciation

a) Fixed Assets are accounted for at historical cost.

b) Depreciation on Fixed Assets is provided as per the applicable laws of the respective countries.

iv) Assets and Liabilities (monetary and non-monetary as well as Contingent Liabilities) are translated at the closing rates notified by FEDAI at the close of the year.

v) Income & Expenditure are translated at the quarterly average closing rates notified by FEDAI at the end of respective quarters.

vi) All resulting exchange differences are accumulated in 'Foreign Currency Translation Reserve'.

12 Employee Benefits

Retirement benefit in the form of Provident Fund is a defined contribution scheme. The contributions to the Provident Fund are charged to the Profit & Loss account for the year when the contributions are due. The Bank has no obligation other than the contribution payable to the Provident Fund.

Gratuity liability, Pension Fund and provision towards Leave are defined benefit obligations, and are provided for on the basis of an actuarial valuation as per AS 15 (Revised) made at the end of each financial year, based on the projected unit credit method. Actuarial gains/losses are immediately taken to the Profit & Loss account.

New Pension Scheme is applicable to employees who joined the Bank on or after 01.04.2010 is a defined contribution scheme. Bank pays fixed contribution at predetermined rate and the obligation of the Bank is limited to such fixed contribution. The contribution is charged to Profit & Loss account.

Employee benefits relating to employees employed at foreign offices are valued and accounted for as per the local laws/regulations of the respective countries.

13 Segment Reporting

The Bank recognizes the Business segment as the Primary reporting segment and Geographical segment as the Secondary reporting segment, in accordance with the RBI guidelines and in the compliances with the Accounting Standard 17 issued by ICAI.

Business segments are classified into

(a) Treasury Operation,

(b) Corporate and Wholesale Banking,

(c) Retail Banking Operation and

(d) Other Banking Operations.

14 Lease Transactions

Lease payments for Assets taken on operating lease are amortized over the lease term. The properties taken on lease/rental basis are renewable / cancellable at the option of the Bank. The Bank's liabilities in respect of disputes pertaining to additional rent / lease rent are recognized on settlement or on renewal.

15 Earning per Share

Earnings per Share is calculated by dividing the net Profit or Loss (after tax) for the year attributable to the Equity share holders by the weighted average number of Equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if contracts to issue Equity shares were exercised or converted during the year. Diluted earnings per Equity share is calculated by using the weighted average number of Equity shares and dilutive potential Equity shares outstanding as at the year end.

16 Taxation

Provision for Tax is made for both current and deferred taxes. Current tax is provided on the taxable income using applicable tax rate and tax laws. Deferred Tax Assets and Deferred Tax Liabilities arising on account of timing differences and which are capable of reversal in subsequent periods are recognized using the tax rates and the tax laws that have been enacted or substantively enacted till the date of the Balance Sheet. Deferred Tax Assets are not recognized unless there is 'reasonable certainty' that sufficient future taxable income will be available against which such Deferred Tax Assets will be realized. In case of carry forward of unabsorbed depreciation and tax losses, Deferred Tax Assets are recognized only if there is "virtual certainty".

17 Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources and a reliable estimate can be made of the amount of the obligation. Contingent Assets are neither recognized nor disclosed in the financial statements. Contingent Liabilities are not provided for and are disclosed by way of notes.

18 Share Issue Expenses:

Share Issue expenses are charged to the Share Premium account.

SCHEDULES FORMING PART OF THE ACCOUNTS FOR 2014-2015

SCHEDULE 18 – NOTES ON ACCOUNTS:

1. BALANCING OF BOOKS, RECONCILIATION OF INTER BRANCH / BANK TRANSACTIONS

Adjustment of outstanding entries in Suspense Accounts, Sundry Deposits, Clearing Adjustments, Bank Reconciliation Statements and various inter-branch/office accounts is in progress on an ongoing basis.

Pending final clearance of the same, the overall impact, if any, on the accounts, in the opinion of the management will not be significant.

2. INVESTMENTS

i) Profit of ₹ 58.43 crore (previous year ₹ 37.18 crore) on sale of "Held to Maturity" category securities have been taken to the Profit and Loss account initially and thereafter an amount of ₹ 27.00 crores (previous year ₹ 17.18 crore) has been appropriated to Capital Reserve net of taxes.

ii) In respect of "Held to Maturity" category, as stated in Significant Accounting Policy No.5 (ii)(a), the excess of acquisition cost over face value of the securities amortized during the year amounted to ₹ 124.07 crore (previous year ₹ 115.68 crore).

iii) Total investments made in shares, convertible debentures and units of equity linked mutual funds / venture capital funds and also advances against shares aggregate to ₹ 1,200.93 crore (previous year ₹ 1,251.84 crore).

3. DISCLOSURES IN TERMS OF THE RESERVE BANK OF INDIA GUIDELINES

3.1 A. CAPITAL

The Bank is subjected to Basel III capital adequacy guidelines stipulated by RBI with effect from April 1, 2013. The guidelines provide a transition schedule for Basel III implementation till March 31, 2019. As per guidelines, the Tier I capital is made up of Common Equity Tier I (CET I) and Additional Tier I.

Basel III guidelines require the Bank to maintain minimum capital to Risk Weighted Assets ratio (CRAR) of 9% with minimum CET I of 5.5% and minimum Tier I CRAR OF 7% as at March 31, 2015.

The computation of Capital Adequacy as per the framework is indicated below:

Sr. No	Particulars	31.03.2015	31.03.2014
i)	Common Equity Tier 1 Capital ratio (CET 1) (%) Basel II Basel III	 Nil 7.24	 Nil 7.18
ii)	Tier I Capital ratio (%) Basel II Basel III	 7.60 7.50	 8.13 7.54
iii)	Tier II Capital ratio (%) Basel II Basel III	 3.14 2.72	 3.76 3.26
iv)	Total Capital ratio (CRAR) (%) Basel II Basel III	 10.74 10.22	 11.89 10.80
v)	Percentage of the shareholding of the Government of India (%)	60.47	60.13
vi)	Amount of Equity Capital raised : **(₹ in crore)**	5.47	33.51
vii)	Amount of Additional Tier I capital raised : **(₹ in crore)**	--	--
Viii	Amount of Tier II Capital raised : **(₹ in crore)**	--	2000
	of which Debt capital instruments : **(₹ in crore)**	--	2000

During the year, the Bank has allotted 54, 72,563 equity shares of ₹10/- each at a conversion price of ₹202.83 per equity share (including premium of ₹192.83 per equity share) to Government of India as approved by shareholders in Annual General Meeting dated 27th June, 2014, by conversion of entire Perpetual Non-Cumulative Preference Shares (PNCPS) amounting to ₹111 crore held by the Government of India. Consequently the Government share holding has increased from 60.13% to 60.47%.

3.2 B. INVESTMENTS

The detail of Investments and the Movement of provision held towards depreciation on investments of the Bank is given below:

(₹ in crore)

	Particulars		31.03.2015	31.03.2014
1	**Value of Investments**			
	i)	Gross Value of Investments	94497.50	94169.09
		(a) In India	93569.37	93963.63
		(b) Outside India	928.13	205.46
	ii)	Provisions for Depreciation	404.52	446.58
		(a) In India	404.52	445.98
		(b) Outside India	-	0.60
	iii)	Net Value of Investments	94092.98	93722.11
		(a) In India	93164.85	93517.25
		(b) Outside India	928.13	204.86
2	**Movement of provisions held towards depreciation on investments**			
	i)	Opening balance	446.58	358.13

(₹ in crore)

	Particulars		31.03.2015	31.03.2014
	ii)	Add: Provisions made during the year	291.52	437.56
	iii)	Less: Write-off/ write-back of excess provisions during the year	333.58	349.11
	iv)	**Closing balance**	**404.52**	**446.58**

During the FY 2014-15, as an one time measure, the Bank had transferred Statutory Liquidity Ratio (SLR) securities from AFS category to HTM category for ₹ 2256 crore (previous year ₹ 10378.02 crores).The Bank has booked a loss of ₹ 38.82 crore (previous year ₹ 109.97 crores)on the transfer of such securities.

3.2.1 REPO Transactions (In face value terms)

The details of securities sold and purchased under repo and reverse repo transactions respectively is given below:

(₹ in crore)

		Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31.03.2015
A	**Securities sold under Repo**				
i)	Government securities	5.00 (5.00)	9848.80 (2330.76)	3096.93 (46.33)	9848.80 (0.00)
ii)	Corporate debt securities	-	-	-	-
B	**Securities purchased under Reverse Repo**				
i)	Government securities	5.00 (5.00)	5824.78 (4127.43)	1190.23 (356.34)	-
ii)	Corporate debt securities	-	-	-	-

3.2.2 Non-SLR Investment Portfolio

i. **Issuer composition of Non SLR Investments**

The issuer composition of investments in securities, other than government and other approved securities is given below:

(₹ in crore)

No.	Issuer	Amount	Extent of Private Placement	Extent of Below Investment Grade Securities	Extent of Unrated Securities	Extent of Unlisted Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
i)	PSUs	3744.38 (3915.17)	2918.22 (2681.08)	-	0.58 (0.58)	0.58 (0.58)
ii)	FIs	11387.54 (12622.42)	9962.04 (10133.17)	-	-	-
iii)	Banks	455.62 (1178.93)	421.62 (653.75)	-	-	- (2.00)

(₹ in crore)

No.	Issuer	Amount	Extent of Private Placement	Extent of Below Investment Grade Securities	Extent of Unrated Securities	Extent of Unlisted Securities
iv)	Private Corporate	3646.75 (4798.79)	2184.17 (2468.42)	165.04 (229.02)	15.65 (1.13)	153.49 (24.85)
v)	Subsidiaries/ Joint Ventures*	358.75 (358.75)	358.75 (358.75)	-	-	-
vi)	Others	1520.74 (1264.72)	946.85 (616.84)	-	- (14.52)	- (14.52)
vii)	Provision held towards depreciation	-404.52 (-383.79)	-	-	-	-
	Total	**20709.26 (23754.99)**	**16791.65 (16912.01)**	**165.04 (229.02)**	**16.23 (16.23)**	**154.07 (41.95)**

Particulars	31.03.2015	31.03.2014
Shares	958.05	975.35
Debentures and Bonds	8240.47	11565.48
Subsidiaries and Joint Ventures	358.75	358.75
Others	11151.99	10855.40
TOTAL	**20709.26**	**23754.98**

* Investment of ₹ 15.96 crores in Subsidiaries and Joint Ventures in Schedule 8 to Balance Sheet includes Banks investment in shares of Regional Rural Banks which are classified under SLR investments.

ii. **Non performing Non-SLR investments**

The movement in gross non performing investments in securities other than government and other approved securities is given below:

(₹ in crore)

Particulars	31.03.2015	31.03.2014
Opening balance	218.86	47.63
Additions during the year	50.93	179.47
Reductions during the year	66.77	8.24
Closing balance	203.02	218.86
Total provisions held	**115.04**	**74.04**

3.2.3 Sale and transfers to/from HTM Category

The Bank has not made sale and transfer to/from HTM category during the financial year 2014-15 exceeding 5 per cent of the book value of investments held in HTM category at the beginning of the year. During the year 2014-15, the Bank had carried out one time transfer of securities to/ from HTM category with the approval of Board of Directors aggregating ₹ 4,980.29 crore (previous year ₹ 6226.45 crore) and ₹ 4,804.15 crore (previous year ₹ 6244.78 crore),

being face value and book value respectively. In order to comply to the Reserve Bank of India Circular no. RBI/2014-15/254 BDOD.No.BP.BC.42/21.04.141/2014-15 dated October 7, 2014 directing banks to reduce its total SLR securities held in the HTM category to below 23.50 per cent with effect from January 10, 2015, 23.00 per cent with effect from April 4, 2015, 22.50 per cent with effect from July 11, 2015 and 22.00 per cent with effect from September 19, 2015 of their NDTL as on the last Friday of the second preceding fortnight, the Bank on January 6, 2015, transferred securities from HTM to AFS Category aggregating ₹ 3,074.75 crore (previous year ₹ 5297.00 crore) and ₹ 3,010.07 crore (previous year ₹ 5338.26 crore), being face value and book value respectively. The Bank has not sold any securities to Reserve Bank of India under pre announced OMO auctions during the FY 2014-15, (previous year ₹ 1447.26 crore) (book value).

Hong Kong branch has transferred an amount of ₹ 61.57 crores from HTM category to AFS category (previous year ₹ 11.98 crore)

3.3 Derivatives

3.3.1 Forward Rate Agreement/Interest Rate Swap

(₹ in crore)

Sr. No.	Particulars	31.03.2015	31.03.2014
i)	The notional principal of swap agreements	13150.07	10514.54
ii)	Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	4.10	7.89
iii)	Collateral required by the Bank upon entering into swaps	Nil	Nil
iv)	Concentration of credit risk arising from the Swaps	Banking Industry	Banking Industry
v)	The fair value of the swap book	-3.66	-11.62

Note:

I. Interest rate swaps in Indian Rupees were undertaken for hedging Tier II Bonds.

II. The Bank has entered into Floating to Fixed or Fixed to Floating Interest Rate Swap transactions for trading during the year.

III. All underlying for hedge transactions are on accrual basis.

IV. Interest rate swap for USD was taken on MTN raised by the bank in four tranches.

V. Cross Currency Swap Payables and Receivables for MTN raised by the Bank.

3.3.2 Exchange Traded Interest Rate Derivatives

(₹ in crore)

Sr. No	Particulars	31.03.2015	31.03.2014
i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise) A) Interest Rate Futures Buy Sell	 7030.52 6987.92	 3105.06 2205.50
ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2015 (instrument-wise)	Nil	Nil
iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Nil	Nil
iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Nil	Nil

MTM of IRS deals plus interest accrued on hedging deals.

3.3.3 Disclosures on risk exposures in derivatives

A. **QUALITATIVE DISCLOSURE**

a) The Bank deals in two groups of derivative transactions within the framework of RBI guidelines.

i) Over the Counter Derivatives

ii) Exchange Traded Derivatives

The Bank deals in Forward Rate Agreement, Interest Rate Swaps, Cross Currency Swap and Currency Options in Over the Counter Derivatives Group.

In Exchange Traded Derivatives Group, the Bank trades in Currency Futures and Interest Rate Futures. The Bank is trading & clearing member with four Exchanges viz. National Stock Exchange (NSE), United Stock Exchange (USE), Bombay Stock exchange (BSE) & MCX Stock Exchange (MCX-SX), on their Currency Derivative segment as permitted by Reserve Bank of India. The Bank carries out proprietary trading as well as trading on behalf of its customers in currency futures on these exchanges. The Bank has set up the necessary infrastructure for Front, Mid and Back office operations. Daily Mark to Market (MTM) and Margin obligations are settled with the exchanges as per guidelines issued by the Regulators. The Bank trades in Interest Rate Futures on National Stock Exchange.

The Bank undertakes derivative transactions for proprietary trading/market making, hedging own

balance sheet and for offering to customers, who use them for hedging their risks within the prevalent regulations. Proprietary trading/market making positions are taken in Rupee Interest Rate Swap, Currency Futures and Interest Rate Futures. While derivative instruments present immense opportunity for making a quantum leap in non-interest income and also for hedging market risk, it exposes the Bank to various risks. The Bank has adopted the following mechanism for managing different risks arising out of derivative transactions.

In terms of the structure, operations in the Treasury Branch are segregated into following three functional areas, which are provided with trained officers with necessary systems support and their responsibilities are clearly defined.

I) Front Office - Dealing Room. Ensures Compliance with trade origination requirements as per the Bank's policy and RBI guidelines.

II) Mid-Office - Risk Management, Accounting Policies and Management

III) Back Office - Settlement, Reconciliation, Accounting.

Mid Office monitors transactions in the trading book and excesses, if any, are reported to Risk Management Department for necessary action. Mid Office also measures the financial risk for transactions in the trading book on a daily basis, by way of Mark to Market. Daily Mark to Market position is reported to Risk Management Department, for onward reporting of the risk profile to the Directors' Committee on the Assets and Liability Management.

a) In case of corporate clients, transactions are concluded only after the inherent credit exposures are quantified and approved in terms of approval process laid down in the Treasury Policy for customer appropriateness and suitability. The necessary documents like ISDA agreements are duly executed. The Bank has adopted Current Exposure Method for monitoring credit exposures.

b) Treasury Policy of the Bank lays down the types of financial derivative instruments, scope of usages, and approval process as also the limits like the open position limits, deal size limits, stop loss limits and counterparty exposure limit for trading in approved instruments.

Various Risk Limits are set up and actual exposures are monitored vis-à-vis the limits. These limits are set up taking in to account market volatility, business strategy and management experience. Risk limits are in place for risk parameters viz. PV01, stop loss, counterparty credit exposure. Actual positions are measured against these limits periodically and breaches if any are reported promptly. The Bank ensures that the Gross PV01 position arising out of all non option derivative contracts is within the 0.25% of net worth of the Bank.

c) The Bank also uses financial derivative transactions for hedging its own Balance Sheet Exposures. Treasury Policy of the Bank spells out approval process for hedging the exposures. The hedge transactions are monitored on a regular basis. The notional profit or loss calculated on Mark to Market basis, PV01 and VaR on these deals are reported to the Assets Liability Committee (ALCO) every month. Hedge effectiveness is the degree to which changes in the fair value or cash flows of the hedged items that are attributed to a hedged risk are offset by changes in the fair value or cash flows of the hedging instruments. This exercise is carried out periodically to ensure hedge effectiveness.

d) The hedged/un-hedged transactions are recorded separately. The hedged transactions are accounted for on accrual basis. All trading contracts are Mark to Market and resultant gross gain or loss is recorded in income statement.

In case of Option contracts, guidelines issued by FEDAI from time to time for recognition of income, premium, and discount are being followed.

To mitigate the credit risk, the Bank has policy in place to sanction limits to Counterparty banks and Counterparty clients. The Bank adopts Current Exposure method for monitoring counterparty exposure periodically. While sanctioning derivative limit, the competent authority may stipulate condition of obtaining collaterals/margin as deemed appropriate. The derivative limit is reviewed periodically along with other credit limits.

The customer related derivative transactions are covered with counterparty Banks, on back-to-back basis for identical amount and tenure and the Bank does not carry any market risk.

B. QUANTITATIVE DISCLOSURES (₹ in crore)

		31.03.2015	
Sr. No	**Particulars**	**Currency Derivatives**	**Interest Rate Derivatives**
i)	Derivatives (Notional Principal Amount)		
a	For hedging	2062.50 (2074.73)	9162.57 (6689.80)
b	For trading	634.62 (148.56)	1925.00 (1750.00)
ii)	Marked to Market Positions (1)		
a	Asset (+)	Nil (131.07)	4.10 (8.72)
b	Liability (-)	-1.26 (-3.05)	-8.30 (-21.55)
iii)	Credit Exposure (2)	12.69 (4.53)	19.60 (19.90)
iv)	Likely impact of one percentage change in interest rate (100*PV01)		
a	On hedging derivatives	Nil (Nil)	0.37 (2.47)
b	On trading derivatives	Nil (Nil)	7.92 (3.63)
v)	Maximum and Minimum of 100*PV01 observed during the year		
A	Maximum		
	a. On hedging	Nil (Nil)	2.78 (7.03)
	b. On trading	Nil (Nil)	24.78 (5.47)
B	Minimum		
	a. On hedging	Nil (Nil)	0.17 (1.73)
	b. On trading	Nil (Nil)	0.01 (0.06)

*Credit exposure of interest rate derivative also includes the exposure on Hedging deals.

3.4 Asset Quality

3.4.1 Non Performing Assets

The details of movement of gross non performing assets (NPAs), net NPAs and provisions are given below:

(₹ in crore)

Sr. No.	Particulars	31.03.2015	31.03.2014
i)	Net NPAs to Net Advances (%)	**2.71**	2.33
ii)	Movement of NPAs (Gross)		
	(a) Opening balance	9563.74	6313.83
	(b) Additions (Fresh NPAs) during the year	5666.26	5459.44
	(c) Increase in balance of existing NPA	-	19.49
	Sub-total (A)	**15230.00**	**11792.76**
	(d) Less:-		
	(i) Up-gradations	138.11	551.01
	(ii) Recoveries (excluding recoveries made from upgraded accounts)	1130.31	765.44
	(iii) Technical/Prudential Write-offs	861.06	841.72
	(iv) Write-offs other than (iii) above	69.65	70.85
	Sub-total (B)	**2199.13**	**2229.02**
	(e) **Closing balance (A-B)**	**13030.87**	**9563.74**
iii)	Movement of NPAs (Net)		
	(a) Opening Balance	5340.25	3353.37
	(b) Additions during the year	2910.10	3273.26
	(c) Reduction during the year	1331.38	1286.38
	(d) **Closing Balance**	**6918.97**	**5340.25**
iv)	Movement of provisions for NPAs		
	(a) Opening balance	4223.49	2960.46
	(b) Provisions made during the year	2756.16	2205.67
	(c) Write-off/write-back of excess Provisions	867.75	942.64
	(d) **Closing balance**	**6111.90**	**4223.49**

Provision includes provision in lieu of diminution in fair value of restructured advances classified as NPAs.

Opening and closing balances of provision for NPAs also include ECGC claims received/recoveries in suit filed accounts and held pending adjustment of ₹ 59.28 crore (Previous Year ₹ 65.58 crore) and ₹ 1.14crore (Previous Year ₹33.09 crore) respectively.

3.4.2 Particulars of Accounts Restructured

(₹ in crore)

Sr. No.	Type of Restucturing		Under CDR Mechanism					Under SME Debt Restructuring Mechanism				
	Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
	Details											
1	Restructructured Accounts as on April 1 of the FY 2014 -15 (Opening Figures)	No.of Borrowers	22 (44)	7 (3)	2 (7)	0 (0)	**31** **(54)**	88 (1203)	103 (301)	8838 (9760)	340 (396)	**9369** **(11660)**
		Amount Outstanding	2631.49 (3146.25)	635.01 (51.06)	39.79 (298.07)	0.00 (0.00)	**3306.29** **(3495.38)**	908.23 (2025.67)	222.82 (283.28)	393.04 (220.93)	40.64 (6.71)	**1564.73** **(2536.59)**
		Provision there on	353.74 (585.34)	94.42 (10.78)	9.72 (39.63)	0.00 (0.00)	**457.88** **(635.75)**	41.70 (62.79)	9.57 (9.14)	13.27 (6.68)	1.98 (0.50)	**66.52** **(79.11)**
2	Fresh Restructuring during the year 2014-15	No.of Borrowers	16 (15)	0 (0)	0 (0)	0 (0)	**16** **(15)**	668 (25)	6 (0)	3 (0)	0 (0)	**677** **(25)**
		Amount Outstanding	1723.19 (2564.44)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	**1723.19** **(2564.44)**	453.14 (296.50)	0.05 (0.00)	0.02 (0.00)	0.00 (0.00)	**453.21** **(296.5)**
		Provision there on	195.80 (288.15)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	**195.80** **(288.15)**	21.67 (3.99)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	**21.67** **(3.99)**
3	Upgradations to restructured standard category during the year 2014-15	No. of Borrowers	1 (2)				**1** **(2)**	5 (51)				**5** **(51)**
		Amount Outstanding	76.76 (105.69)				**76.76** **(105.69)**	13.35 (29.62)				**13.35** **(29.62)**
		Provision there on	0 .00 (14.13)				**0 .00** **(14.13)**	2.00 (0.29)				**2.00** **(0.29)**
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 2014-15 and hence need not be shown as restrucutred standard advances at the beginning of the next FY 2015-16	No.of Borrowers	12 (16)				**12** **(16)**	52 (55)				**52** **(55)**
		Amount Outstanding	959.41 (1544.16)				**959.41** **(1544.16)**	217.54 (459.02)				**217.54** **(459.02)**
		Provision there on	61.34 (357.21)				**61.34** **(357.21)**	15.29 (6.69)				**15.29** **(6.69)**
5	Downgradations of restructured accounts during the FY 2014-2015	No.of Borrowers		6 (8)	0 (2)	0 (0)	**6** **(7)**		66 (93)	0 (113)	0 (3)	**66** **(209)**
		Amount Outstanding		646.26 (708.59)	0 .00 (175.15)	0.00 (0.00)	**646.26** **(679.78)**		413.79 (171.07)	0.00 (79.00)	0.00 (0.01)	**413.79** **(250.08)**
		Provision there on		93.88 (76.46)	0.00 (0.00)	0.00 (0.00)	**93.88** **(76.46)**		19.42 (5.43)	0 .00 (1.02)	0 .00 (0.00)	**19.42** **(6.45)**
6	Write-offs of restructured accounts during the FY 2014-2015	No.of Borrowers	0 (0)	0 (0)	1 (3)	0 (0)	**1 (3)**	0 (0)	0 (0)	8 (1)	0 (0)	**8** **(1)**
		Amount Outstanding	0.00 (0.00)	0.00 (0.00)	103.75 (81.36)	0.00 (0.00)	**103.75** **(81.36)**	0 .00 (0.00)	0.00 (0.00)	163.97 (18.27)	0.00 (0.00)	**163.97** **(18.27)**
7	Restructured Accounts as on March 31 of FY 2014-15 (Closing Figures)	No.of Borrowers	27 (22)	13 (7)	3 (2)	0 (0)	**43** **(31)**	571 (88)	118 (103)	7517 (8838)	318 (340)	**8524** **(9369)**
		Amount Outstanding	3859.57 (2631.49)	1435.14 (635.01)	204.20 (39.79)	0 .00 (0.00)	**5498.91** **(3306.29)**	788.73 (908.23)	517.23 (222.82)	236.17 (393.04)	40.32 (40.64)	**1582.45** **(1564.73)**
		Provision there on	361.73 (353.74)	171.13 (94.42)	43.83 (9.72)	0 .00 (0.00)	**576.69** **(457.88)**	32.97 (41.70)	26.50 (9.57)	14.38 (13.27)	2.17 (1.98)	**76.02** **(66.52)**

3.4.2 Particulars of Accounts Restructured

(₹ in crore)

Sr. No.	Type of Restucturing		Others					Total				
	Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
	Details											
1	Restructured Accounts as on April 1 of the FY 2014 -15 (Opening Figures)	No.of Borrowers	575 (16474)	757 (2031)	28292 (31236)	1341 (1393)	**30965 (51134)**	681 (17721)	867 (2335)	37132 (41003)	1681 (1789)	**40361 (62848)**
		Amount Outstanding	8813.13 (4575.07)	1071.16 (425.78)	651.63 (564.91)	25.76 (27.98)	**10561.68 (5593.74)**	12352.85 (9746.99)	1928.99 (760.12)	1084.46 (1083.91)	66.40 (34.69)	**15432.70 (11625.71)**
		Provision there on	238.59 (174.67)	17.43 (5.96)	28.73 (29.43)	1.65 (0.79)	**286.4 (210.85)**	634.03 (822.80)	121.42 (25.88)	51.72 (75.74)	3.63 (1.29)	**810.80 (925.71)**
2	Fresh Restructuring during the year 2014-15	No.of Borrowers	10766 (58)	35 (2)	14 (0)	0 (0)	**10815 (60)**	11450 (94)	41 (4)	17 (0)	0 (0)	**11508 (98)**
		Amount Outstanding	2825.23 (1931.40)	1.08 (345.02)	0.08 (0.00)	0 .00 (0.00)	**2826.39 (2276.42)**	5001.56 (4688.54)	1.13 (448.82)	0.10 (0.00)	0.00 (0.00)	**5002.79 (5137.36)**
		Provision there on	180.43 (88.71)	0.03 (7.25)	0.00 (0.00)	0.00 (0.00)	**180.46 (95.96)**	397.90 (380.85)	0.03 (7.25)	0.00 (0.00)	0.00 (0.00)	**397.93 (388.10)**
3	Upgradations to restructured standard category during the year 2014-15	No.of Borrowers	176 (609)				**176 (609)**	182 (662)				**182 (662)**
		Amount Outstanding	7.24 (165.20)				**7.24 (165.20)**	97.35 (300.51)				**97.35 (300.51)**
		Provision there on	0.33 (3.71)				**0.33 (3.71)**	2.33 (18.13)				**2.33 (18.13)**
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 2014-15 and hence need not be shown as restructured standard advances at the beginning of the next FY 2015-16	No.of Borrowers	372 (239)				**372 (239)**	436 (310)				**436 (310)**
		Amount Outstanding	1797.59 (896.95)				**1797.59 (896.95)**	2974.54 (2878.20)				**2974.54 (2878.20)**
		Provision there on	43.15 (20.79)				**43.15 (20.79)**	119.78 (384.69)				**119.78 (384.69)**
5	Downgradations of restructured accounts during the FY 2014-2015	No.of Borrowers		519 (1002)	0 (5)	0 (1)	**519 (1007)**		591 (1103)	0 (120)	0 (4)	**591 (1227)**
		Amount Outstanding		299.48 (1147.24)	0.00 (0.24)	0.00 (0.01)	**299.48 (1108.30)**		1359.53 (2026.90)	0 .00 (254.39)	0.00 (0.02)	**1359.53 (2281.31)**
		Provision there on		14.10 (25.68)	0.00 (0.02)	0.00 (0.00)	**14.10 (25.70)**		127.40 (107.57)	0.00 (1.04)	0.00 (0.00)	**127.40 (108.61)**
6	Write-offs of restructured accounts during the FY 2014-2015	No.of Borrowers	0 (0)	0 (0)	2 (3)	0 (0)	**2 (3)**	0 (0)	0 (0)	11 (7)	0 (0)	**11 (7)**
		Amount Outstanding	0.00 (0.00)	0.00 (0.00)	64.46 (42.87)	0 .00 (0.00)	**64.46 (42.87)**	0.00 (0.00)	0.00 (0.00)	332.18 (142.50)	0.00 (0.00)	**332.18 (142.50)**
7	Restructured Accounts as on March 31 of FY 2014-15 (Closing Figures)	No.of Borrowers	9428 (575)	926 (757)	23785 (28292)	1215 (1341)	**35354 (30965)**	10026 (681)	1057 (867)	31305 (37132)	1533 (1681)	**43921 (40361)**
		Amount Outstanding	9009.95 (8813.13)	1453.56 (1071.16)	557.19 (651.63)	25.64 (25.76)	**11046.34 (10561.68)**	13658.25 (12352.85)	3405.93 (1928.99)	997.56 (1084.46)	65.96 (66.40)	**18127.70 (15432.70)**
		Provision there on	205.43 (238.59)	33.3 (17.43)	23.72 (28.73)	1.67 (1.65)	**264.12 (286.40)**	600.13 (634.03)	230.93 (121.42)	81.93 (51.72)	3.84 (3.63)	**916.83 (810.80)**

3.4.3 Details of financial assets sold to Securitization/ Reconstruction Company for Asset Reconstruction

(₹ in crore)

Sr. No.	Particulars	31.03.2015	31.03.2014
i)	No. of accounts	9	21
ii)	Aggregate value (net of provisions) of accounts sold to SC/RC		
	a) NPA Accounts	40.69	107.08
	b) Written-off accounts	Nil	Nil
	c) SMA accounts	326.52	Nil
iii)	Aggregate consideration		
	a) NPA Accounts	81.20	133.50
	b) Written-off accounts	234.23	82.00
	c) SMA accounts	326.52	Nil
iv)	Additional consideration realized in respect of accounts transferred in earlier year.	Nil	Nil
v)	Aggregate gain / (loss) over net book value.		
	a) NPA Accounts	40.51	26.42
	b) Written-off accounts	234.23	82.00
	c) SMA accounts	Nil	Nil

3.4.4 Details of non performing financial assets purchased / sold

A. Details of non performing financial assets purchased

(₹ in crore)

Sr. No.	Particulars	31.03.2015	31.03.2014
1	a. No. of accounts purchased during the year	Nil	Nil
	b. Aggregate outstanding	Nil	Nil
2	a. Of these, number of accounts restructured during the year	Nil	Nil
	b. Aggregate outstanding	Nil	Nil

B. Details of non performing financial assets sold

(₹ in crore)

Sr. No.	Particulars	31.03.2015	31.03.2014
1	No. of accounts sold	Nil	Nil
2	Aggregate outstanding	Nil	Nil
3	Aggregate consideration received	Nil	Nil

C. Book Value of Investments in Security Receipts

(₹ in crore)

Particulars	Backed by NPAs sold by the bank as underlying		Backed by NPAs sold by other banks/ financial institutions/ non banking		Total	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Book Value of Investments in Security Receipts	196.54	117.94	--	--	196.54	117.94

Particulars	Backed by SMA sold by the bank as underlying		Backed by SMA sold by other banks/ financial institutions/ non banking		Total	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Book Value of Investments in Security Receipts	257.82	--	--	--	257.82	--

3.4.5 Provision on Standard Assets

(₹ in crore)

Particulars	31.03.2015	31.3.2014
Provision towards Standard Assets	239.81	309.92

The provision on Standard Assets held by the Bank as on 31st March, 2015 is ₹ 1613.36 crore (previous year ₹ 1325.20)

3.5 Business Ratios

Sr. No.	Particulars	31.03.2015	31.03.2014
i)	Interest Income as a percentage to Working Funds	8.88	8.95
ii)	Non-interest income as a percentage to Working Funds	0.97	0.86
iii)	Operating Profit as a percentage to Working Funds	1.61	1.59
iv)	Return on Assets	0.49	0.52
v)	Business (Deposits plus advances) per employee **(₹ in crore)**	14.46	13.76
vi)	Profit per employee **(₹ in crore)**	0.05	0.05

3.6 Asset Liability Management

The maturity pattern of Deposits, Borrowings, Advances and Investment as of 31st March 2015 is based on the following:

- RBI Guidelines on ALM
- Behavioral studies of Assets & Liabilities which do not have definite maturity and for embedded optionality.
- Foreign Currency On-balance sheet Assets & Liabilities.

(₹ in crore)

	Deposits	Advances	Investments	Borrowings	Foreign Currency assets	Foreign Currency liabilities
Day 1	1090.96	2032.03	3219.48	705.05	1932.81	2330.95
	(4422.70)	(3574.93)	(575.88)	(1518.61)	(2214.45)	(2859.23)
2-7 days	3698.22	2786.50	650.33	2253.62	271.88	1137.13
	(12511.58)	(2174.00)	(671.12)	(1012.75)	(430.51)	(1138.54)
8-14 days	4455.91	3362.06	0.00	1466.68	1184.23	1155.27
	(3554.37)	(2427.83)	(325.04)	(3183.47)	(384.37)	(3386.21)
15 to 28 days	4890.86	7549.93	0.00	1174.29	976.63	1393.55
	(4853.29)	(9606.22)	(644.74)	(2557.37)	(2952.45)	(3110.56)
29 days to 3 months	27002.47	23736.91	2615.00	3297.34	8571.45	4171.40
	(28471.88)	(25077.87)	(1188.88)	(2529.14)	(9425.43)	(3975.83)
Over 3 months & up to 6 months	21174.15	16766.13	2605.63	6169.52	6281.27	5052.41
	(18630.60)	(13965.30)	(530.26)	(6114.87)	(8821.84)	(7465.00)
Over 6 months & up to 1 year	50651.85	28994.80	2823.40	3757.49	4117.85	7468.37
	(34476.62)	(43415.89)	(4816.82)	(2238.85)	(2306.56)	(4671.26)
Over 1 year & up to 3 years	52004.79	119855.99	8346.60	3489.88	5099.95	8514.91
	(60539.79)	(82746.74)	(16971.24)	(2577.84)	(3853.48)	(5289.63)
Over 3 years & up to 5 years	27572.41	26783.47	27061.17	6816.12	5874.32	5954.59
	(21755.62)	(26127.42)	(22269.23)	(1463.73)	(468.47)	(924.45)
Over 5 years	124328.30	23786.75	46771.37	6229.99	2090.73	730.85
	(108459.18)	(19988.22)	(45729.97)	(6090.00)	(92.27)	(446.63)
Total	**316869.92**	**255654.57**	**94092.98**	**35359.98**	**36401.12**	**37909.44**
	(297675.63)	**229104.43)**	**(93723.19)**	**(29316.62)**	**(30949.83)**	**(33267.33)**

NOTE: Previous year figures have been mentioned in brackets

3.7 Exposures

3.7.1 Exposure to Real Estate Sector

(₹ in crore)

Sr. No.	Category	31.03.2015	31.03.2014
a)	Direct exposure		
i)	Residential Mortgages -	25879.22	20492.14
	Of which individual housing loans eligible for inclusion in priority sector.	11290.15	11689.98
ii)	Commercial Real Estate -	4980.33	5370.03
iii)	Investments in Mortgage Backed Securities (MBS) and other securitized exposures -		
	a. Residential,	--	--
	b. Commercial Real Estate.	--	--
b)	Indirect Exposure		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	8666.32	7565.63
	Total Exposure to Real Estate Sector	**39525.87**	**33427.80**

3.7.2 Exposure to Capital Market

(₹ in crore)

Sr. No.	Particulars	31.03.2015	31.03.2014
i)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity – oriented mutual funds the corpus of which is not exclusively invested in corporate debt.	683.91	772.49
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	1.55	9.42
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	1.88	1.98
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	71.34	60.11
v)	Secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers	491.70	580.01
vi)	Loans sanctioned to corporate against the security of shares /bonds/debentures or other securities or on clean basis for meeting promoter contribution to the equity of new companies in anticipation of raising resources	313.00	6.62
vii)	Bridge loans to companies against expected equity flows /issues.	-	-
viii)	Underwriting commitments taken up by the Banks in respect of primary issue of shares or convertible bonds or convertible debentures and units of equity oriented mutual funds	-	-
ix)	Financing to stock brokers for margin trading	11.97	-
x)	All exposures to venture capital funds (both registered and unregistered) will be deemed to be on par with equity and hence will reckon for compliance with the capital market exposure.**	517.02	479.35
	Total exposure to Capital Market	**2092.37**	**1909.98**

** **Including undrawn capital commitments of venture capital amounting ₹168.79 crore for 2014-15 (**Previous year ₹ 144.02 crore**).**

3.7.3 Risk Category wise Country Exposure

(₹ in crore)

Risk Category	Net Exposure 31.03.2015	Net Exposure 31.03.2014	Provision held 31.03.2015	Provision held 31.03.2014
Insignificant	12909.19	5264.53	Nil	Nil
Low	3837.78	2259.37	Nil	Nil
Moderate	672.70	546.82	Nil	Nil
High	0.20	7.31	Nil	Nil
Very High	264.92	203.14	Nil	Nil
Restricted	Nil	Nil	Nil	Nil
Off-credit	Nil	Nil	Nil	Nil
Total	**17684.79**	**8281.17**	Nil	Nil

The Bank had used ECGC Country Risk classification for the Trade Exposure in India and S&P rating for Hong Kong and Dubai Branch & other than Trade Exposure in India, as per Country Risk Policy 2013-14. The Bank has used ECGC Country Risk classification for the Trade Exposure and other than Trade exposure in India, Hong Kong, Dubai and Antwerp branch, as per Country Risk Policy 2014-15.The latest country risk classification published by ECGC will be the base for the purpose of limit allocation for the year 2014-15. However, sub limits will be fixed within the same for non trade and foreign branches related transaction which will be 20% of the total limit.

The exposures taken on various countries are well within the limits allocated to them based on Bank's capital funds. Hence, the provisioning for country-risk is not required as per prevailing guidelines of 1% of total assets.

3.7.4 Details of Single Borrower Limit (SBL), Group Borrower Limit (GBL) exceeded by the Bank.

(₹ in crore)

Sr. No	Name of the Borrower	Exposure Ceiling (₹)	Total Exposure (₹)	Exposure as % of Capital Fund	Position as on 31.03.15	Position as % of Capital Fund
1.	Single Borrower	Nil	Nil	Nil	Nil	Nil
2.	Group Borrower	Nil	Nil	Nil	Nil	Nil

3.7.5 Unsecured Advances:

Particulars	31.03.2015	31.03.2014
Total amount of advances outstanding against charge over intangible securities such as the rights, licenses, authority etc.	Nil	Nil
Estimated value of such intangible collateral securities	Nil	Nil

3.8 Disclosure of Penalties imposed by RBI. : ₹ 3.53 lacs, (previous year ₹ 13.25 lacs**)**

4 Disclosure Requirements as per Accounting Standards where RBI has issued guidelines in respect of disclosure items for Notes to Account.

4.1 Revenue Recognition (AS 9)

Certain items of income are recognized on realization basis as per Accounting Policy no.3 (iii) of Schedule 17 of Significant Accounting Policies. However, the said income is not considered to be material.

4.2 Employee Benefits (AS 15)

4.2.1 Defined Benefit Plans – Employee's Pension Plan and Gratuity Plan:

The movement of the present value of the defined benefit obligation, fair value of plan assets and other details for Pension / Gratuity benefits is given below:

(₹ in crore)

	Particulars	31.03.2015		31.03.2014	
		Gratuity	Pension	Gratuity	Pension
i)	**Table showing change in Defined Benefit Obligation** :				
	Liability at the beginning of the year	1060.13	6683.81	1000.86	5991.02
	Interest Cost	95.66	616.32	82.64	509.62
	Current Service Cost	45.13	190.73	44.92	194.81
	Past Service Cost (Vested Benefit Amortized)	Nil	Nil	Nil	Nil
	Past Service Cost (Vested Benefit)	Nil	Nil	Nil	Nil
	Liability Transfer in	Nil	Nil	Nil	Nil
	Liability Transfer out	Nil	Nil	Nil	Nil
	Benefit paid	-160	-452	-147.18	-380.68
	Actuarial (gain) / loss on obligations	47.24	1179.57	78.89	369.04
	Liability at the end of the year	1088.16	8218.43	1060.13	6683.81
ii)	**Table of Fair value of Plan Assets:**				
	Fair value of Plan Assets at the beginning of the year	1081.23	6104.73	1037.22	4774.08
	Expected return on Plan Assets	96.74	630.38	87.02	522.50
	Contributions	208.00	1367.00	124.17	1422.06
	Transfer from Other Company	Nil	Nil	Nil	Nil
	Transfer to Other Company	Nil	Nil	Nil	Nil
	Benefit paid	-160.00	-452.00	-147.18	-380.68
	Actuarial Gain/(loss) on Plan Assets	38.03	210.89	-20.00	-233.23
	Fair Value of Plan Assets at the end of the year	1264.00	7861.00	1081.23	6104.73
	Total Actuarial Gain/(loss) to be recognized	-9.21	-968.68	-98.90	-602.28

(₹ in crore)

	Particulars	31.03.2015		31.03.2014	
		Gratuity	Pension	Gratuity	Pension
iii)	**Recognition of Transitional Liability :**				
	Transitional Liability at start	Nil	Nil	Nil	Nil
	Transitional Liability recognized during the year	Nil	Nil	Nil	Nil
	Transitional Liability at end	Nil	Nil	Nil	Nil
iv)	**Actual return on Plan Assets :**				
	Expected Return on Plan Assets	96.74	630.38	87.02	522.50
	Actuarial gain/(loss) on Plan Assets	38.03	210.89	-20.00	-233.23
	Actual return on Plan Assets	134.77	841.27	67.02	289.27
v)	**Expenses recognized in the Income Statement:**				
	Current Service Cost	45.13	90.73	44.92	194.81
	Interest Cost	95.66	616.32	82.64	509.62
	Expected Return on Plan Assets	-96.74	-630.38	-87.02	-522.50
	Past Service Cost (Vested Benefit Amortized) recognized	65.00	338.00	65.00	338.00
	Past Service Cost (Vested Benefit) recognized	Nil	Nil	Nil	Nil
	Recognition of Transition Liability	Nil	Nil	Nil	Nil
	Actuarial Gain or Loss	9.21	968.68	98.90	602.28
	Expenses Recognized in P & L	118.26	1483.35	204.43	1122.20
vi)	**Balance Sheet Reconciliation:**				
	Opening Net Liability (Last year net amount recognized in the balance sheet)	-86.10	241.08	-166.36	540.94
	Expenses as above	118.26	1483.35	204.43	1122.20
	Transfer from other Company (Net)	Nil	Nil	Nil	Nil
	Transfer to other Company (Net)	Nil	Nil	Nil	Nil
	Employer Contribution	-208.00	-1367.00	-124.17	-1422.06
	Amount recognized in Balance Sheet	-175.84	357.43	-86.10	241.08
vii)	**Other Details :**				
	Gratuity is payable at the rate of 15 days salary for each year of service subject to maximum of ₹10, 00,000 or as per the Bank scheme.				
	Actuarial gain / loss is accounted for in the year of occurrence.				
	Salary escalation is considered as advised by the company which is in line with the industry practice considering promotion and demand and supply of the employees.				
	No. of Members	35646	21337	33945	23163
	Salary Per Month	135.34	97.37	126.03	98.59
	Contribution for next year	Nil	315.48	Nil	319.43
viii)	**Category of assets:**				
	Government of India Assets	146.02	473.14	151.48	473.15
	Corporate Bonds	385.01	1879.80	337.99	1584.16
	Special Deposits Scheme	Nil	Nil	Nil	Nil
	State Govt.	434.50	2390.20	357.44	2011.48
	Property	Nil	Nil	Nil	Nil
	Other	40.47	214.74	24.96	28.60
	Insurer Managed Funds	258.00	2903.12	209.36	2007.33
	Total	**1264.00**	**7861.00**	**1081.23**	**6104.73**

(₹ in crore)

	Particulars	31.03.2015		31.03.2014	
		Gratuity	Pension	Gratuity	Pension
ix)	**Principal actuarial assumption used (%)**				
	Discount Rate Prev.	9.33	9.27	8.50	8.50
	Rate of return on Plan Assets Prev.	8.00	8.70	8.00	8.70
	Salary Escalation Prev.	5.00	5.00	4.00	4.00
	Attrition Rate Prev.	2.00	2.00	2.00	2.00
	Discount Rate Current	7.99	7.95	9.33	9.27
	Rate of Return on Plan Assets Current	8.70	8.70	8.00	8.70
	Salary Escalation Current	5.00	5.00	5.00	5.00
	Attrition Rate Current	2.00	2.00	2.00	2.00

Surplus/Deficit in the Plan:	**Gratuity Plan**				
Amount recognized in the Balance-Sheet	**31.03.15**	**31.03.14**	**31.03.13**	**31.03.12**	**31.03.11**
Liability at the end of the year	1088.16	1060.13	1000.86	990.55	894.93
Fair value of Plan Assets at the end of the year	1264.00	1081.23	1037.22	861.28	873.05
Difference	175.84	21.10	36.36	-129.27	-21.88
Unrecognized Past Service Cost	-	65.00	130.00	195.00	260.00
Unrecognized Transition Liability	-	Nil	Nil	Nil	Nil
Amount Recognized in the Balance Sheet	175.84	86.10	166.36	65.73	238.12

Amount recognized in the Balance-Sheet	**Gratuity Plan**				
Experience Adjustment	**31.03.15**	**31.03.14**	**31.03.13**	**31.03.12**	**31.03.11**
On plan liability (Gain) / Loss	-21.18	123.74	21.60	95.09	145.69
On plan Assets (Loss) / Gain	38.03	-20.00	-24.43	-0.80	-4.15

Surplus/Deficit in the Plan:	**Pension**				
Amount recognized in the Balance-Sheet	**31.03.15**	**31.03.14**	**31.03.13**	**31.03.12**	**31.03.11**
Liability at the end of the year	8218.43	6683.81	5991.02	5259.03	4771.82
Fair value of Plan Assets at the end of the year	7861.00	6104.73	4774.08	4020.00	2513.69
Difference	-357.43	-579.08	-1216.94	-1239.03	-2258.13
Unrecognized Past Service Cost	-	338.00	761.00	1014.17	1352.17
Unrecognized Transition Liability… Closing Balance	Nil	Nil	Nil	Nil	Nil
Amount Recognized in the Balance Sheet	-357.43	-241.08	-455.94	-224.86	-905.96

Amount recognized in the Balance-Sheet	**Pension**				
Experience Adjustment	**31.03.15**	**31.03.14**	**31.03.13**	**31.03.12**	**31.03.11**
On plan liability (Gain) / Loss	731.44	661.38	251.18	511.13	367.19
On plan Assets (Loss) / Gain	210.89	-233.23	-103.10	-145.15	-15.87

4.2.2 Defined Contribution Plan:

The Bank has Defined Contribution Pension Scheme (DCPS) applicable to all categories of officers and employees joining the Bank on or after August 1, 2010. The scheme is managed by National Pension Scheme (NPS) Trust under the aegis of the Pension Fund Regulatory and Development Authority. National Securities Depository Limited has been appointed as the Central Record Keeping Agency for the NPS. During F.Y. 2014-15, the Bank has contributed ₹ 42.44 crore (Previous Year ₹ 28.55 crore).

4.2.3 Other Long Term Employee Benefits:

4.2.3.1 Details of Provisions made for various Long Term Employees Benefits during the year are as follows:

(₹ in crore)

Sr. No.	Other Long Term Benefits	31.03.15	31.03.14
1.	Pension	1483	1122
2.	Leave Encashment	68	43
3.	Leave Travel Concession	9	Nil
4.	Sick Leave	Nil	Nil

4.3 SEGMENT REPORTING (AS-17)

4.3.1 Business Segments: (₹ in Crore)

Business Segment		Standalone				
		Quarter ended			Year ended	
		(Audited)	(Reviewed)	(Audited)	(Audited)	
		31.03.2015	31.12.2014	31.03.2014	31.03.2015	31.03.2014
(a)	**Segment Revenue**					
1	Treasury Operations	2624.40	2401.08	2105.58	9457.35	8515.80
2	Retail Banking Operations	2550.30	2895.85	2708.39	10096.56	9034.75
3	Corporate /Wholesale Banking	4121.28	3547.65	3538.74	15733.95	14301.05
4	Other Banking Operations	98.76	85.18	94.24	342.36	331.29
5	Unallocated	0.00	0.00	0.00	0.00	0.00
	Total	**9394.74**	**8929.76**	**8446.95**	**35630.22**	**32182.89**
	Less Inter-segment Revenue	**11.03**	**8.76**	**2.00**	**23.26**	**11.96**
	Total Revenue	**9383.71**	**8921.00**	**8444.95**	**35606.96**	**32170.93**
(b)	**Segment Results**					
1	Treasury Operations	641.87	557.80	325.65	1902.99	1145.60
2	Retail Banking Operations	575.20	323.04	220.81	1216.99	845.64
3	Corporate /Wholesale Banking	-624.56	-309.02	-192.98	-503.19	-85.49
4	Other Banking Operations	49.84	41.60	45.77	166.59	163.14
5	Unallocated	0.00	0.00	0.00	0.00	0.00
	Total Profit Before Tax	**642.35**	**613.42**	**399.25**	**2783.38**	**2068.89**
(c)	**Income Tax**	**198.58**	**311.00**	**-179.66**	**1001.74**	**372.69**
(d)	**Net Profit**	**443.77**	**302.42**	**578.91**	**1781.64**	**1696.20**
(e)	**Segment Assets**					
1	Treasury Operations	113440.55	120613.24	118208.15	113440.55	118208.15
2	Retail Banking Operations	107285.95	102894.66	87088.32	107285.95	87088.32
3	Corporate/Wholesale Banking	156474.27	145815.77	147776.85	156474.27	147776.85
4	Other Banking Operations	0.00	0.00	0.00	0.00	0.00
5	Unallocated Assets	4415.16	2456.00	707.58	4415.16	707.58
	Total	**381615.93**	**371779.67**	**353780.90**	**381615.93**	**353780.90**
(f)	**Segment Liabilities**					
1	Treasury Operations	107654.06	113784.75	111101.08	107654.06	111101.08
2	Retail Banking Operations	102760.57	97955.25	82315.90	102760.57	82315.90
3	Corporate /Wholesale Banking	149874.09	138815.95	139678.71	149874.09	139678.71
4	Other Banking Operations	0.00	0.00	0.00	0.00	0.00
5	Unallocated Liabilities	1565.18	1431.85	2209.85	1565.18	2209.85
6	Capital, Reserves & Surplus	19762.03	19791.87	18475.36	19762.03	18475.36
	Total	**381615.93**	**371779.67**	**353780.90**	**381615.93**	**353780.90**

Notes:

1. *The Bank operates in four segments viz., Treasury, Retail, Corporate / Wholesale and Other Banking Operations. These segments have been identified in line with segment reporting AS-17, after considering the nature and risk profile of the products and services, the target customer profiles, the organizational structure and the internal reporting system of the bank. The bank has disclosed the business segment as primary segment. The revenue and other parameters prescribed in AS-17 of foreign branch for the period are within the threshold limits. Hence, the bank has only one reportable geographical segment.*

2. *Segment wise income, expenditure, assets and liabilities which are not directly allocable have been allocated to the reportable segments based on assumptions considered appropriate.*

4.4 Related Party Disclosures (AS-18)

A. **List of Related Parties**

a) **Subsidiaries**

- Union KBC AMC Pvt. Ltd.
- Union KBC Trustee Company Private Ltd.
- Union Bank of India (UK) Ltd.

b) **Joint Venture**

- Star Union Dai-ichi Life Insurance Co.

c) **Associate**

- Regional Rural Bank sponsored by the Parent Bank viz. Kashi Gomti Samyut Gramin Bank

d) **Key Management Personnel**

Name	Designation	Joining/Cessation during the year 2014-15
Shri Arun Tiwari	Chairman & Managing Director	NA
Shri K. Subrahmanyam	Executive Director	NA
Shri S. K. Jain	Executive Director	Cessation on 31.05.2014
Shri Rakesh Sethi	Executive Director	NA
Shri Kishor Kharat	Executive Director	Joined on 10.03.2015

Parties with whom transactions were entered into during the year

No disclosure is required in respect of related parties, which are "State controlled Enterprises" as per paragraph 9 of Accounting Standard (AS) 18. Further, in terms of paragraph 5 of AS 18, transactions in the nature of Banker – Customer relationship have not been disclosed including those with Key Management Personnel and relatives of Key Management Personnel.

4.4.1 Key Management Personnel – Remuneration paid.

(₹ in crore)

Particulars	31.03.2015	31.03.2014
Chairman and Managing Director	0.20	#0.23
Executive Directors	0.39	#0.50
Total	0.59	0.73

includes performance linked incentives of ₹ 0.06 crore and ₹ 0.08 crore paid to the Chairman & Managing Director and Executive Directors of the Bank respectively.

4.5 Earnings per Share (AS-20)

Basic earnings per equity share are computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year. The diluted earnings per equity share is computed using the weighted average number of equity shares and weighted average number of diluted potential equity shares outstanding during the year.

The computation of earnings per share is given below:

Sr. No.	Particulars	31.03.2015	31.03.2014
i	Basic and Diluted EPS (₹)	28.05	27.99
ii	Net Profit after Tax available for equity shareholders (₹ in crore)	1776.36	1696.20
iii	Weighted Average number of equity shares (No. in crore)	63.33	60.59
iv	Nominal value per share (₹)	10.00	10.00

4.6 Deferred Tax (AS-22)

(₹ in crore)

Sr. No.	Particulars	31.03.2015	31.03.2014
	Deferred Tax Assets		
1	Amortization of Premium on Investments	234.25	276.42
2	Employee Benefits	328.89	325.83
3	Depreciation on investments claimed in earlier years sold during the year	15.73	3.83
4	Leave Encashment	57.93	34.82
5	On account of other provisions	477.18	212.65
	Total	**1113.98**	**853.55**
	Deferred Tax Liabilities		
1	Provision for diminution in value of Investments	66.15	52.06
2	Depreciation on Fixed Assets	35.68	32.28
3	Accrued interest on securities	641.15	667.46
4	Special Reserves u/s 36(i)(viii)	823.24	781.09
	Total	**1566.22**	**1532.89**
	Net Deferred Tax Asset	**Nil**	**Nil**
	Net Deferred Tax Liability	**452.24**	**679.34**

4.6.1 Provisions for Direct Tax

(₹ in crore)

Particulars	31.03.2015	31.03.2014
Provision for Income Tax (Including Deferred tax and Wealth tax liability)	1001.74	623.76

4.7 Impairment of Asset (AS-28)

In the opinion of the Management, there is no indication for Impairment during the year with regard to the asset to which Accounting Standards 28 applies.

4.8 Contingent liabilities referred to in Schedule-12 at S. No.(i) to (vi) are dependent upon the outcome of court/arbitration/out of court settlement, the amount being called up, terms of contractual obligations, devolvement and raising of demand by parties concerned, disposal of appeals respectively.

5 Additional Disclosures

5.1 Provisions and Contingencies

(₹ In crore)

Break up of Provision & Contingencies. shown under the head in Profit & Loss	31.03.2015	31.03.2014
Provision / (Reversal) for Depreciation on Investment	-37.62	87.85
Provision towards NPA	2536.67	2106.17
Provision towards Standard Assets	239.81	308.87
Net Provision made towards Income Tax (IT)/Wealth Tax/ Deferred tax liability (DTL)	1001.74	370.79
Other Provision and Contingencies:		
- Shifting Loss	38.82	109.97
- Restructured Advances	127.11	254.69
- Others	135.30	283.56
TOTAL	**4041.83**	**3521.90**

Towards the proposed wage revision effective from 1st November, 2012 pending settlement, an adhoc provision of ₹ 464 crore is held as on 31st March, 2015, which includes ₹ 209 crore provided during the current year.

5.2 Counter Cyclical Provisioning Buffer / Floating Provision

(₹ In crore)

Sr. No.	Particulars	31.03.2015	31.03.2014
i)	Opening Balance as on 01.04.2014	511.21	763.00
ii)	Additional provisions made during the accounting year	75.18	Nil
iii)	Amount of drawdown made during the accounting year	293.19	251.79
iv)	**Closing balance**	**293.20**	**511.21**

Pursuant to RBI circular DBR.No.BP.BC.79/21.04.048/2014-15 dated 30th March 2015; Bank has utilized 50% of its floating provision held as at 31st December 2014. Accordingly, an amount of ₹ 293.195 crore out of floating provision of ₹ 511.21 crore held has been utilized towards specific provisions for non performing assets.

5.3 Draw Down from Reserves

Bank has not made any draw down during the year 2014-15 (previous year ₹ 0.03 crore).

5.4 Disclosure of complaints

A Customer Complaints

Sr. No	Particulars	31.03.2015	31.03.2014
(a)	No. of complaints pending at the beginning of the year	778	1478
(b)	No. of complaints received during the year	121000	121546
(c)	No. of complaints redressed during the year	121442	122246
(d)	**No. of complaints pending at the end of the year**	**336**	**778**

B Complaints pertaining to ATM card issued by the Bank

Sr. No	Particulars	31.03.2015	31.03.2014
(a)	No. of complaints pending at the beginning of the year	553	560
(b)	No. of complaints received during the year	90898	93163
(c)	No. of complaints redressed during the year	91248	93170
(d)	**No. of complaints pending at the end of the year**	**203**	**553**

Out of the above, details of complaints specifically attributable to acquiring bank:

Sr. No	Particulars	31.03.2015	31.03.2014
(a)	No. of complaints pending at the beginning of the year	334	389
(b)	No. of complaints received during the year	40448	62839
(c)	No. of complaints redressed during the year	40584	62894
(d)	**No. of complaints pending at the end of the year**	**198**	**334**

C Awards passed by the Banking Ombudsman

Sr. No	Particulars	31.03.2015	31.03.2014
(a)	No. of unimplemented Awards at the beginning of the year	-	1
(b)	No. of Awards passed by the Banking Ombudsmen during the year	15	9
(c)	No. of Awards implemented during the year	12	10
(d)	**No. of unimplemented Awards at the end of the year**	**3***	**Nil**

*1) Appeal with Dy. Governor, RBI for payment proceeds of Term Deposits.

2) Two awards pertaining to ATM transactions of our customers with other banks are pending to be implemented.

5.5 Disclosure of Letter of Comfort (LoCs) issued

(₹ in crore)

Particulars	31.03.2015	31.03.2014
Letter of Comfort outstanding at beginning of the year	4078.00	3815.51
Add : Issued during the year	11381.00	12890.41
Less : Expired during the year.	11757.09	12627.92
Outstanding at the end of the year	**3701.91**	**4078.00**

5.6 Provision Coverage Ratio (PCR)

Particulars	31.03.2015	31.03.2014
Provision Coverage ratio (%)	59.23	59.98

5.7 Disclosure of – Bancassurance Business

The breakup of income derived from bancassurance business is given here below:

(₹ in crore)

Sr. No.	Nature of Income	31.03.2015	31.03.2014
1.	Life Insurance Policies	30.68	29.37
2.	Non Life Insurance Policies	6.97	7.29
3.	Others (specify)	Nil	Nil

5.8 Concentration of Deposits, Advances, Exposures and NPAs

5.8.1 Concentration of Deposits

(₹ in crore)

Particulars	31.03.2015	31.03.2014
Total Deposits of twenty largest depositors	35722.00	40722.39
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank.	11.27%	13.68%

5.8.2 Concentration of Advances

(₹ in crore)

Particulars	31.03.2015	31.03.2014
Total Advances of twenty largest borrowers	27825.86	20379.68
Percentage of Advances of twenty largest borrowers to Total Advances of the Bank.	8.35%	8.69%

5.8.3 Concentration of Exposures

(₹ in crore)

Particulars	31.03.2015	31.03.2014
Total Exposures of twenty largest borrowers/customers	57375.79	56738.15
Percentage of Exposures of twenty largest borrowers/customers to Total Exposures of the Bank on borrowers / customers.	13.29%	24.19

5.8.4 Concentration of NPAs

(₹ in crore)

Particulars	31.03.2015	31.03.2014
Total Exposures to top four NPA accounts	1482.44	1159.49

5.9 Sector-wise Advances

(₹ in crore)

Sr. No.	Sector	Current Year (FY 2014-15)			Previous Year (FY 2013-14)		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**						
1	Agriculture and allied activites	30297	1374	4.54	25614	1550	6.05
2	Advances to industries sector eligible as priority sector lending	15998	1250	7.81	13402	753	5.62
3	Services	16837	916	5.44	19220	881	4.58
4	Personal loans	14392	466	3.24	13603	305	2.25
	Sub-total (A)	**77524**	**4006**	**5.17**	**71840**	**3490**	**4.86**
B	**Non Priority Sector**						
1	Agriculture and allied activites	3665	156	0.00	0.00	0.00	0.00
2	Industry	81575	5458	6.69	88389	3915	4.43
3	Services	85212	3207	3.76	62661	1812	2.89
4	Personal loans	14781	204	1.38	11442	347	3.03
	Sub-total (B)	**185233**	**9025**	**4.87**	**162492**	**6074**	**3.74**
	Total (A+B)	**262757**	**13031**	**4.96**	**234332**	**9564**	**4.08**

Sub sectors where the outstanding advance exceeds 10% of the outstanding total advances to that sector for the FY 2014-15 are as under:

Sr. No.	Sub sector	Sector	Outstanding	% to Total advance in sector
1	Growing of cereals	Agriculture	6392	18.82
2	Storage & market yards	Agriculture	4213	12.4
3	Collection & distribution of electricity	Industry	8220	10.8
4	Generation of electricity	Industry	13659	17.94
5	NBFC - General Purpose loan	Service	13920	13.64
6	All other loan NEC	Personal	3450	11.85
7	Housing loan other than staff	Personal	18069	62.04

5.10 Movement of NPA

(₹ in crore)

Particulars	31.03.2015	31.03.2014
Gross NPA as on 1st April 2014 (Opening Balance)	9563.74	6313.83
Additions (Fresh NPAs) during the year	5666.26	5459.44
Increase in balance of existing NPA	--	19.49
Sub-total (A)	**15230.00**	**11792.76**
Less:-		
(i) Up-gradations	138.11	551.01
(ii) Recoveries (excluding recoveries made from upgraded accounts)	1130.31	765.44
(iii) Write-Offs	930.71	912.57
Sub-total (B)	**2199.13**	**2229.02**
Gross NPA as on 31st March 2015 (closing balance) (A-B)	**13030.87**	**9563.74**

Stock of Technical Write-offs

(₹ in crore)

Sr. No.	Particulars	31.03.2015	31.03.2014
i)	Opening balance of Technical/ Prudential written-off accounts	3664.81	3,325.68
ii)	Add: Technical/ Prudential write-offs during the year	861.06	841.72
iii)	**Sub-total (A)**	**4525.87**	**4167.40**
iv)	Less: Recoveries made from previously technical/ prudential written-off accounts during the year (B)	585.67	502.59
v)	**Closing balance (A-B)**	**3940.20**	**3664.81**

5.11 Overseas Assets, NPAs and Revenue

(₹ in crore)

Particulars	31.03.2015	31.03.2014
Total Assets	27195.96	22005.13
Total NPAs	469.63	421.68
Total Revenue	919.99	724.91

5.12 No Off – balance Sheet SPVs sponsored.

5.13 Unamortized Pension and Gratuity Liabilities

(₹ in crore)

Particulars	31.03.2015	31.03.2014
Pension		
a) Charged to Profit & Loss account	338.00	**338.00**
b) Carried forward	-	**338.00**
Gratuity		
a) Charged to Profit & Loss account	65.00	**65.00**
b) Carried forward	-	**65.00**

5.14 Credit Default Swaps:

The Bank had not entered into any Credit Default Swap transactions during the financial year 2014-15.

5.15 Intra Group Exposures

(₹ in crore)

Particulars	31.03.2015
Total amount of Intra group exposure	121885.55
Total amount of Top 20 Intra group exposure	45217.42
Percentage of Intra group exposure to Total exposure of the Bank on borrowers/customers	28.23%
Details of breach of limits on Intra group exposure and regulatory action thereon	Nil

5.16 Transfers to Depositor Education and Awareness Fund (DEAF)

(₹ in crore)

Particulars	31.03.2015	31.03.2014
Opening balance amounts transferred to DEAF	Nil	Nil
Add: Amount transferred to DEAF during the Year	620.58	Nil
Less: Amount reimbursed by DEAF towards claims	10.22	Nil
Closing balance of Amount transferred to DEAF	610.36	Nil

5.17 Un-hedged Foreign Currency Exposure

Bank has an approved Policy on Un-hedged Foreign Currency Exposure for 2014-15. The Bank has taken into consideration the exchange risks arising out of volatility in the forex market while framing the policy and accordingly, has made suitable provisions to reduce the risks. Bank has also taken into consideration credit risks arising out of un-hedged foreign currency exposure and accordingly has put in place risk mitigation measures by incorporating additional loan pricing framework. Incremental provision made for exposures to entities with UFCE for March, 2015 quarter is ₹ 24.98 crores.

6 Liquidity Coverage Ratios (LCR)

Qualitative Disclosure

LCR aims to ensure that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario specified by RBI.

LCR is the ratio of HQLA to Net Cash Outflow.

LCR = HQLA/Net Cash Outflows over 30 days

Minimum requirement of LCR as stipulated by RBI is 60% for the calendar year 2015. LCR is applicable to Bank's domestic operations as well as overseas operations.

HQLA:

Liquid assets comprise of high quality assets that can be readily sold or used as collateral to obtain funds in a range of stress scenarios. They should be unencumbered i.e. without legal, regulatory or operational impediments. Assets are considered to be high quality liquid assets if they can be easily and immediately converted into cash at little or no loss of value.

HQLA is categorized into two a) Level 1 Assets, and b) Level 2 Assets. Level 2 Assets are also sub divided into Level 2A Assets & Level 2B Assets based on Liquidity & Price Volatility.

Level 1

Levels 1 Asset mainly comprise Cash including excess CRR, Excess SLR, MSF (2% of NDTL) & FALLCR (5% of NDTL.

Level 2A Assets

15% haircut is applied on current market value of Level 2A asset. Level 2A assets mainly comprise Securities with 20% risk weight not issued by a bank/financial institution/ NBFC, Corporate bonds, not issued by bank/financial institution/NBFC, rated AA- or above and Commercial Papers with rating AA- or above.

Level 2B Assets

50% haircut is applied on current market value of Level 2B asset. Level 2B assets comprise not more than 15% of the total stock of HQLA. Level 2B assets mainly comprise Securities with risk weights higher than 20% but not higher than 50%, i.e., with credit rating not lower than BBB- and Equity Shares not issued by bank/financial institution/ NBFC and index component.

Brief about LCR of the Bank:

For all three months, i.e., January to March'15, Bank's LCR has been more than the minimum 60% regulatory requirement for 2015 Calendar year. Based on the general liquidity in the market as well as Bank's internal liquidity status the LCR of the Bank varied during the quarter.

HQLA:

Bank is having sufficient High Quality Liquid Assets so as to maintain LCR above regulatory prescription. Level 1 asset is the main driver of HQLA, contributing around 89% in the Total HQLA of the Bank.

Outflows & Inflows:

Deposits are the main source of funds for the Bank comprising around 83% of total liabilities. Bank's exposure is mainly in Indian rupee.

6.1 Disclosure format

(₹ in Crore)

LCR Disclosure as of 31st March 2015			
		Total Unweighted Value (Average)	**Total Weighted Value (Average)**
HIGH QUALITY LIQUID ASSETS			
1	Total High Quality Liquid Assets (HQLA)	40632.79	39740.55
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	162121.38	14462.12
(i)	Stable deposits	35000.26	1750.01
(ii)	Less stable deposits	127121.11	12712.11
3	Unsecured wholesale funding, of which:	46017.22	24170.10
(i)	Operational deposits (all counterparties)	7431.32	1857.83
(ii)	Non-operational deposits (all counterparties)	27122.72	10849.09
(iii)	Unsecured debt	11463.18	11463.18
4	Secured wholesale funding	8398.86	3822.07
5	Additional requirements, of which	13605.29	3003.57
(i)	Outflows related to derivative exposures and other collateral requirements	7.15	7.15
(ii)	Outflows related to loss of funding on debt products	0.00	0.00
(iii)	Credit and liquidity facilities	13598.14	2996.42

(₹ in Crore)

LCR Disclosure as of 31st March 2015			
		Total Unweighted Value (Average)	**Total Weighted Value (Average)**
6	Other contractual funding obligations	734.18	734.18
7	Other contingent funding obligations	34152.40	1707.62
8	**TOTAL CASH OUTFLOWS**	265029.33	47899.67
CASH INFLOWS			
9	Secured lending (e.g. reverse repos)	294.42	0.00
10	Inflows from fully performing exposures	1955.01	1955.01
11	Other cash inflows	17754.21	10351.12
12	**TOTAL CASH INFLOWS**	20003.63	12306.13
			Total Adjusted Value
21	**TOTAL HQLA**		**39740.55**
22	**TOTAL NET CASH OUTFLOWS**		**35593.54**
23	**LIQUIDITY COVERAGE RATIO (%)**		**111.65%**

Liquidity Coverage ratio as of 31st March 2015 is 111.65%

7 FIXED ASSETS

a) Documentation formalities are yet to be completed in respect of five (P.Y. nine) immovable properties held by the Bank at written down value of ₹ 11.17 crores (P.Y. ₹ 49.35 crores.) in respect of which steps have already been initiated.

b) Land and Buildings revalued as on 31.3.1995 at fair market value as determined by an approved valuer, have further been revalued as on 30.11.2007 at fair market value by approved valuer. The resultant increase in value thereof on such revaluation amounting to ₹ 456.59 crores as on 31.3.1995 and ₹ 1290.68 crores as on 30.11.2007 have been credited to Revaluation Reserve and depreciation amounting to ₹ 34.62 crores (Previous year ₹ 10.22 crores) attributable thereto has been deducted there from.

8 During the current year, there is no prior period item and change in accounting policy (as per AS 5) and no discontinued operations (as per AS 24).

9 The figures of the previous year have been regrouped / rearranged wherever considered necessary.

SIGNATORIES TO SCHEDULES 1 TO 18

(NITESH RANJAN) Dy. General Manager
(MAYANK MEHTA) General Manager
(KISHOR KHARAT) Executive Director
(RAKESH SETHI) Executive Director
(K. SUBRAHMANYAM) Executive Director
(ARUN TIWARI) Chairman & Managing Director

(MIHIR KUMAR) Director
(DEEPAK SINGHAL) Director
(JAG MOHAN SHARMA) Director
(S. K. MISRA) Director
(SUSHRI ANUSUIYA SHARMA) Director

(DR. R. H. DHOLAKIA) Director
(G. K. LATH) Director
(D. CHATTERJI) Director

AS PER OUR REPORT OF EVEN DATE ATTACHED.

FOR V.ROHATGI & CO.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 000980C
(BIPUL RASTOGI)
PARTNER (M. NO. 072318)

FOR J. GUPTA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 314010E
(H. K. DATTA)
PARTNER (M. NO. 012208)

FOR G P KAPADIA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 104768W
(NIMESH BHIMANI)
PARTNER (M.NO.030547)

FOR ASHWANI & ASSOCIATES.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 000497N
(ARVIND JAIN)
PARTNER (M. NO. 097549)

FOR GBCA & ASSOCIATES.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 103142W
(TANSUKHLAL CHHEDA)
PARTNER (M. NO. 047157)

FOR SUNDAR SRINI & SRIDHAR.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 004201S
(S. SRIDHAR)
PARTNER (M. NO. 025504)

Place : MUMBAI

Date : 12th MAY, 2015.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2015

(₹ in Lacs)

S.NO.	Particulars	Year ended 31.03.2015	Year ended 31.03.2014
A	**CASH FLOW FROM OPERATING ACTIVITIES:**		
	Net Profit / (Loss) before Tax	278,338	206,889
	Adjustments for:		
	Depreciation on Fixed Assets	22,081	19,378
	Depreciation on investments	120	19,783
	Provision for Non performing assets	266,378	236,086
	Provision for standard asset	33,386	58,114
	Other provisions	4,125	939
	Profit / (Loss) on sale or disposal of Fixed Assets	39	(258)
	Provision for Staff related expenditures	28,518	23,587
	Sub Total	**632,985**	**564,518**
	Adjustments for:		
	Increase / (Decrease) in Deposits	1,919,428	3,391,407
	Increase / (Decrease) in Borrowings	237,716	34,650
	Increase / (Decrease) in Other Liabilities and Provisions	1,332	38,053
	(Increase) / Decrease in Investments	(37,100)	(1,309,057)
	(Increase) / Decrease in Advances	(2,921,392)	(2,336,311)
	(Increase) / Decrease in Other Assets	(153,894)	(76,019)
	Direct taxes paid (net of refund)	(59,023)	(75,483)
	NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**(379,948)**	**231,757**
B	**CASH FLOW FROM INVESTING ACTIVITIES :**		
	Purchase of Fixed Assets	(25,897)	(36,869)
	Sale of Fixed Assets	416	1,126
	NET CASH FLOW FROM INVESTING ACTIVITIES (B)	**(25,481)**	**(35,743)**
C	**CASH FLOW FROM FINANCING ACTIVITIES :**		
	Conversion of perpetual Non-Cumulative Perference Shares	(11,100)	0
	Issue of Equity Shares against conversion of PNCPS	547	3,352
	Security Premium received (net of Share Issue Expenses)	10,542	46,583
	Proceeds from issue of IPDI, Subordinated Bonds & Upper Tier II Bonds / PNCPS	366,621	517,283
	Payment of Dividend (Interim & Final Including dividend tax)	(30,666)	(76,984)
	NET CASH FLOW FROM FINANCING ACTIVITIES (C)	**335,944**	**490,234**
	Net Increase (decrease) in Cash & Cash Equivalent (A)+(B)+(C)	**(69,485)**	**686,248**
	Cash and Cash Equivalents as at the beginning of the year	**2,307,287**	**1,621,039**
	Cash and Cash Equivalents as at the end of the year	**2,237,802**	**2,307,287**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2015

(₹ in Lacs)

S.NO.	Particulars	Year ended 31.03.2015	Year ended 31.03.2014
D	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR**		
	Cash and Balances with RBI (including FC notes)	1,841,968	1,076,292
	Balances with banks and Money at call	465,319	544,747
	Net cash and cash equivalents at the beginning of the year	**2,307,287**	**1,621,039**
E	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**		
	Cash and Balance with RBI (including FC notes)	1,506,308	1,841,968
	Balances with banks and Money at call	731,494	465,319
	Net cash and cash equivalents at the end of the year	**2,237,802**	**2,307,287**

(KISHOR KHARAT)	**(RAKESH SETHI)**	**(K.SUBRAHMANYAM)**	**(ARUN TIWARI)**
Executive Director	Executive Director	Executive Director	Chairman & Managing Director

Auditors Certificate :

We, the undersigned Statutory Auditors of the Union Bank of India, have verified the above Cash Flow Statement of the Bank for the year ended 31.03.2015. The statement has been prepared in accordance with the requirements of the clause 32 of the listing agreement with the Stock Exchange and is based on and in agreement with the corresponding Profit & Loss Account and the Balance Sheet of the Bank covered by our report of the 12th May, 2015 to the members.

FOR V. ROHATGI & CO.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 000980C

(BIPUL RASTOGI)
PARTNER (M. NO. 072318)

FOR ASHWANI & ASSOCIATES.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 000497N

(ARVIND JAIN)
PARTNER (M. NO. 097549)

FOR J. GUPTA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 314010E

(H. K. DATTA)
PARTNER (M. NO. 012208)

FOR GBCA & ASSOCIATES.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 103142W

(TANSUKHLAL CHHEDA)
PARTNER (M. NO. 047157)

FOR G P KAPADIA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 104768W

(NIMESH BHIMANI)
PARTNER (M.NO.030547)

FOR SUNDAR SRINI & SRIDHAR.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 004201S

(S. SRIDHAR)
PARTNER (M. NO. 025504)

Place: MUMBAI

Date : 12th May, 2015

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Union Bank Of India

1. We have audited the accompanying consolidated financial statements (CFS) of Union Bank of India (the 'Bank'), its subsidiaries, associates and joint ventures (the 'Group'), which comprise the consolidated Balance Sheet as at 31st March, 2015, and the consolidated Profit and Loss Account and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information in which are incorporated the:

   (i) Accounts of the Bank audited by 6 (six) Joint Auditors,

   (ii) Accounts of the three subsidiaries, one associate and one joint venture audited by other auditors.

Management's responsibility for the Consolidated Financial Statements

2. Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Bank in accordance with the accounting principles generally accepted in India and the requirements of Reserve Bank of India (RBI). This includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing 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 consolidated financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated 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 consolidated 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 and based on the consideration of reports of the other auditor on the financial statements of the Group as noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   a. In the case of the consolidated Balance Sheet, of the state of affairs of the Bank as at 31st March, 2015

   b. In the case of the consolidated Profit and Loss Account, of the profit for the year ended on that date, and

   c. In the case of the consolidated Cash Flow Statements, of the cash flows for the year ended on that date.

Other Matter

7. We have not audited the financial statements of:

   (i) two domestic subsidiaries, whose financial statements reflect total assets of ₹22.35 crore as at March 31, 2015, total revenues of ₹13.10 crore on that date and net cash outflows amounting to ₹8.21 crore for the year then ended; and

   (ii) a joint venture, whose financial statements reflect total assets of ₹5,739.55 crore as at March 31, 2015, total revenues of ₹2,052.32 crore on that date and net cash outflows amounting to ₹20.59 crore for the year then ended; and

   (iii) an associate, whose financial statements reflect total assets of ₹8,647.28 crore as at March 31, 2015, total revenues of ₹689.17 crore on that date and net cash inflows amounting to ₹26.01 crore for the year then ended; and

(iv) an international subsidiary, whose financial statements reflect total assets of ₹842.83 crore as on 31st March, 2015 and total revenue of ₹12.01 crore and cash outflows amounting to ₹18.80 crore for the year then ended. The financial statements and other financial information of said subsidiary has been audited by other auditors as per the requirement of respective local Generally Accepted Accounting Principles (GAAP). These financial statements have been converted as per the requirements of Indian GAAP by the management.

These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the other auditors. Our opinion is not qualified in respect of this matter.

FOR V.ROHATGI & CO.
CHARTERED ACCOUNTANTS
FIRM REGNO.NO.000980C

(BIPUL RASTOGI)
PARTNER (M.NO.072318)

FOR J. GUPTA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN NO.314010E

(H. K. DATTA)
PARTNER (M.NO. 012208)

FOR G. P. KAPADIA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO.104768W

(NIMESH BHIMANI)
PARTNER (M.NO.030547)

FOR ASHWANI & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.000497N

(SANJEEVA NARAYAN)
PARTNER (M.NO.084205)

FOR GBCA & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGNO.NO.103142W

(TANSUKHLAL CHHEDA)
PARTNER (M.NO.047157)

FOR SUNDAR SRINI & SRIDHAR
CHARTERED ACCOUNTANTS
FIRM REGN NO.004201S

(S. SRIDHAR)
PARTNER (M.NO.025504)

Place: MUMBAI
Date : 21st May, 2015

CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2015

(000' Omitted)

	Schedule	As on 31.3.2015	As on 31.3.2014
Capital and Liabilities			
Capital	1	**6,357,788**	7,413,063
Reserves and Surplus	2	**192,633,863**	180,040,107
Minority Interest	2A	**88,081**	191,687
Deposits	3	**3,174,503,424**	2,976,510,614
Borrowings	4	**351,679,979**	293,162,277
Other Liabilities and Provisions	5	**110,426,365**	92,826,851
Total		**3,835,689,500**	**3,550,144,600**
Assets			
Cash and Balances with Reserve Bank of India	6	**150,638,683**	184,199,793
Balances with Banks and Money at Call and Short Notice	7	**75,391,395**	49,006,588
Investments	8	**954,494,080**	946,363,538
Advances	9	**2,559,211,167**	2,291,046,698
Fixed Assets	10	**26,944,294**	26,233,935
Other Assets	11	**69,009,881**	53,294,048
Total		**3,835,689,500**	**3,550,144,600**
Contingent Liabilities	12	**3,491,053,269**	1,955,241,641
Bills for Collection		**137,005,408**	124,757,066
Significant Accounting Policies	17		
Notes on Accounts	18		

The Schedules Referred to above form an integral part of the Balance Sheet

(VIVEK KAMATH) Dy. General Manager | **(MAYANK MEHTA)** General Manager | **(KISHOR KHARAT)** Executive Director | **(RAKESH SETHI)** Executive Director | **(K. SUBRAHMANYAM)** Executive Director | **(ARUN TIWARI)** Chairman & Managing Director

(MIHIR KUMAR) Director | **(DEEPAK SINGHAL)** Director | **(JAG MOHAN SHARMA)** Director | **(S. K. MISRA)** Director | **(SUSHRI ANUSUIYA SHARMA)** Director

(DR. R. H. DHOLAKIA) Director | **(G. K. LATH)** Director | **(D. CHATTERJI)** Director

AS PER OUR REPORT OF EVEN DATE ATTACHED.

FOR V.ROHATGI & CO.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 000980C

(BIPUL RASTOGI)
PARTNER (M. NO. 072318)

FOR J. GUPTA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 314010E

(H. K. DATTA)
PARTNER (M. NO. 012208)

FOR G P KAPADIA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 104768W

(NIMESH BHIMANI)
PARTNER (M.NO.030547)

FOR ASHWANI & ASSOCIATES.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 000497N

(SANJEEVA NARAYAN)
PARTNER (M. NO. 084205)

FOR GBCA & ASSOCIATES.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 103142W

(TANSUKHLAL CHHEDA)
PARTNER (M. NO. 047157)

FOR SUNDAR SRINI & SRIDHAR.
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 004201S

(S. SRIDHAR)
PARTNER (M. NO. 025504)

Place : MUMBAI
Date : 21st MAY, 2015.

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2015

(000' Omitted)

		Schedule	Year Ended 31.3.2015	Year Ended 31.3.2014
I.	**Income**			
	Interest Earned	13	**321,642,796**	293,935,340
	Other Income	14	**39,571,167**	31,407,328
	Total		**361,213,963**	325,342,668
II.	**Expenditure**			
	Interest Expended	15	**236,395,474**	214,667,236
	Operating Expenses	16	**66,832,739**	58,760,832
	Provisions and Contingencies		**40,411,169**	35,219,017
	Total		**343,639,382**	308,647,085
III.	**Net Profit For The Year**		**17,574,581**	16,695,583
	Add : Profit Brought Forward		**4,102**	4,074
	Total		**17,578,683**	16,699,657
	Share of Earning/Loss in Associates		**134,173**	171,703
	Consolidated Net Profit/Loss for the year before deducting minorities interest		**17,712,856**	16,871,360
	Less Minorities Interest		**(103,606)**	(106,196)
	Consolidated Net Profit/Loss for the year attributable to the group		**17,609,250**	16,765,164
IV.	**Appropriations**			
	Transfer to Statutory Reserve		**5,345,000**	5,088,610
	Transfer to Capital Reserve		**269,974**	171,809
	Transfer to Revenue And Other Reserves/Adjustments		**5,348,453**	6,654,058
	Proposed Dividend		**3,814,673**	2,521,225
	Dividend Tax		**774,153**	445,460
	Dividend Tax of Previous Year Written Back		**0**	0
	Transfer to Special Reserve [Sec36(I)(Viii)]		**2,000,000**	1,780,000
	Transfer to Foreign Currency Translation Reserve			0
	Provision for Div. on PNCPS		**52,835**	99,900
	Balance in Profit and Loss Account		**4,162**	4,102
	Total		**17,609,250**	16,765,164
	Earnings Per Share (Basic and Diluted)		**27.67**	27.56

The Schedules referred to above form an integral part of the Profit & Loss A/c

(VIVEK KAMATH)	(MAYANK MEHTA)	(KISHOR KHARAT)	(RAKESH SETHI)	(K. SUBRAHMANYAM)	(ARUN TIWARI)
Dy. General Manager	General Manager	Executive Director	Executive Director	Executive Director	Chairman & Managing Director

(MIHIR KUMAR)	(DEEPAK SINGHAL)	(JAG MOHAN SHARMA)	(S. K. MISRA)	(SUSHRI ANUSUIYA SHARMA)
Director	Director	Director	Director	Director

(DR. R. H. DHOLAKIA)	(G. K. LATH)	(D. CHATTERJI)
Director	Director	Director

AS PER OUR REPORT OF EVEN DATE ATTACHED.

FOR V.ROHATGI & CO.	**FOR J. GUPTA & CO.**	**FOR G P KAPADIA & CO.**
CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANTS
FIRM REGN. NO. 000980C	FIRM REGN. NO. 314010E	FIRM REGN. NO. 104768W
(BIPUL RASTOGI)	**(H. K. DATTA)**	**(NIMESH BHIMANI)**
PARTNER (M. NO. 072318)	PARTNER (M. NO. 012208)	PARTNER (M.NO.030547)
FOR ASHWANI & ASSOCIATES.	**FOR GBCA & ASSOCIATES.**	**FOR SUNDAR SRINI & SRIDHAR.**
CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANTS
FIRM REGN. NO. 000497N	FIRM REGN. NO. 103142W	FIRM REGN. NO. 004201S
(SANJEEVA NARAYAN)	**(TANSUKHLAL CHHEDA)**	**(S. SRIDHAR)**
PARTNER (M. NO. 084205)	PARTNER (M. NO. 047157)	PARTNER (M. NO. 025504)

Place : MUMBAI
Date : 21st MAY, 2015.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2015

(000' Omitted)

	As on 31.3.2015	As on 31.3.2014
SCHEDULE 1 - CAPITAL :		
I. Authorised :		
i. 300,00,00,000 Equity Shares of ₹10 each	**30,000,000**	30,000,000
II. Issued, Subscribed & Paid up :		
i. 384,444,316 Equity Shares of ₹10/- each, held by Central Government (P.Y. 378,971,753 Equity Shares)	**3,844,443**	3,789,718
ii. 251,334,520 Equity Shares of ₹10/- each, held by Public (P.Y. 251,334,520 Equity Shares)	**2,513,345**	2,513,345
III. Perpetual No-Cumulative Pref. Shares	**-**	1,110,000
TOTAL	**6,357,788**	7,413,063

SCHEDULE 2 - RESERVES & SURPLUS :					
I. Statutory Reserve :					
As per last Balance Sheet	**55,918,610**		50,830,000		
Addition during the year	**5,345,000**	**61,263,610**	5,088,610	55,918,610	
II. A) Capital Reserve :					
As per last Balance Sheet	**7,762,539**		7,590,730		
Addition during the year	**269,974**	**8,032,513**	171,809	7,762,539	
II. B) Capital Reserve on Consolidation	**569,500**		2,130,058		
III. Share Premium :					
As per last Balance Sheet	**33,517,050**		28,858,687		
Addition during the year	**1,054,164**	**34,571,214**	4,658,363	33,517,050	
IV. Revaluation Reserve :					
As per last Balance Sheet	**14,593,373**		14,957,577		
Addition during the year	**-**		-		
Deduction during the year	**346,322**	**14,247,051**	364,204	14,593,373	
V. Revenue and other Reserves :					
i) Revenue and other Reserves :					
As per last Balance Sheet	**41,140,348**		43,210,476		
Addition during the year	**7,274,533**		5,135,772		
Deduction during the year	**-**		7,205,900		
	48,414,882		41,140,348		
ii) Special Reserve Sec 36(1)(viii)					
As per last Balance Sheet	**22,980,000**		21,200,000		
Addition during the year	**2,000,000**		1,780,000		
	24,980,000		22,980,000		
iii) Foreign Currency Translation Reserve					
As per last Balance Sheet	**475,741**		2,877		
Addition during the year	**75,190**		472,864		
Deduction during the year	**-**				
Total	**550,931**	**73,945,813**	475,741	64,596,089	
VI. Balance in Profit and Loss Account					
Balance in Profit and Loss Account		**4,162**		4,102	
TOTAL		**192,633,863**		180,040,107	

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2015

(000' Omitted)

					As on 31.3.2015		As on 31.3.2014
SCHEDULE 2 A Minority Interest							
Minority Interest at the date on which the present subsidiary relationship came into existence					**588,245**		588,245
Subsequent increase/decrease					**(500,164)**		(396,558)
Minority Interest on the date of Balance Sheet					**88,081**		191,687
SCHEDULE 3 - DEPOSITS :							
Deposits of Branches in India							
I)	Demand Deposits						
	i)	From Banks		**6,100,708**		7,899,358	
	ii)	From Others		**204,955,728**	**211,056,436**	219,072,883	226,972,241
II)	Savings Bank Deposits				**715,652,242**		650,977,053
III)	Term Deposits						
	i)	From Banks		**133,037,078**		112,409,311	
	ii)	From Others		**2,114,757,668**	**2,247,794,746**	1,986,152,009	2,098,561,320
		TOTAL			**3,174,503,424**		2,976,510,614
Deposits of branches in India					**3,122,122,534**		2,927,871,590
Deposits of branches outside India					**52,380,890**		48,639,024
		TOTAL			**3,174,503,424**		2,976,510,614
SCHEDULE 4 - BORROWINGS :							
A.	Borrowings: Capital Instruments						
	i.	Perpetual Bonds		**10,396,100**		10,396,100	
	ii.	Upper Tier II Bonds		**22,500,000**		22,500,000	
	iii.	Tier II Bonds		**52,500,000**	**85,396,100**	52,500,000	85,396,100
B.	Borrowings in India						
	i.	Reserve Bank of India		**-**		15,250,000	
	ii.	Other Banks		**7,000,000**		-	
	iii.	Other Institutions and agencies		**44,950,739**	**51,950,739**	12,929,141	28,179,141
C.	Borrowings Outside India				**214,333,140**		179,587,036
		TOTAL			**351,679,979**		293,162,277
Secured Borrowings					**33,722,820**		**1,339,121**
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS :							
I.	Bills payable				**11,679,229**		13,560,138
II.	Interest Accrued				**9,201,276**		8,841,308
III.	Deferred Tax Liability				**4,522,352**		6,796,082
IV.	Others(including provisions)				**85,023,508**		63,629,323
		TOTAL			**110,426,365**		92,826,851

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2015

(000' Omitted)

		As on 31.3.2015	As on 31.3.2014
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA :			
I.	Cash in hand	**10,077,207**	7,849,563
	(including foreign currency notes)		
II.	Balances with Reserve Bank of India In Current Account	**140,561,476**	176,350,230
	TOTAL	**150,638,683**	184,199,793
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE :			
I.	Balances with banks in India		
	i) a) In Current Accounts	**2,168,137**	668,272
	b) In Other Deposit Accounts	**16,666,098**	8,829,451
	ii) Money at call & short notice	**0**	0
		18,834,235	9,497,723
II.	Outside India		
	i) In Current Accounts	**2,908,581**	6,874,789
	ii) In other Deposit Accounts	**53,648,578**	32,634,076
		56,557,159	39,508,865
	TOTAL	**75,391,395**	49,006,588
SCHEDULE 8 - INVESTMENTS :			
I.	Investments in India		
	i) Government Securities	**730,659,115**	699,319,716
	ii) Other approved securities	**1,615,851**	528,253
	iii) Shares	**14,310,398**	13,559,518
	iv) Debentures and Bonds	**83,941,182**	116,990,507
	v) Subsidiaries and joint ventures	**1,996,942**	1,356,364
	vi) Others		
	- Commercial Paper	**-**	3,910,991
	- Others	**2,068,785**	5,924,293
	- Mutual Funds	**9,237,688**	10,228,032
	- R I D F	**96,312,545**	90,994,086
	- Security Receipt by ARCIL	**5,982,260**	1,497,172
		946,124,766	944,308,932
II.	Investments outside India		
	i) Govt Securities (incl Local Authorities)	**3,693,134**	0
	ii) Shares	**4,032**	4,032
	iii) Other Investments (Bonds)	**4,672,148**	2,050,574
		8,369,314	2,054,606
	TOTAL	**954,494,080**	946,363,538
III.	i) Investments in India		
	Gross Value	**947,717,235**	948,768,776
	Provision for Depreciation	**4,045,219**	4,459,844
	Net Value	**943,672,016**	944,308,932
	ii) Investments outside India		
	Gross Value	**10,822,064**	2,054,606
	Provision for Depreciation	**0**	0
	Net Value	**10,822,064**	2,054,606
	TOTAL	**954,494,080**	946,363,538

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2015

(000' Omitted)

			As on 31.3.2015	As on 31.3.2014
SCHEDULE 9 - ADVANCES				
I.	i)	Bills purchased and discounted	**78,162,246**	53,248,483
	ii)	Cash Credits, Overdrafts and Loans repayable on demand	**1,210,474,383**	1,108,325,273
	iii)	Term Loans	**1,270,574,538**	1,129,472,941
		TOTAL	**2,559,211,167**	2,291,046,697
II	i)	Secured by tangible assets (includes Advance against Book Debts)	**2,077,324,389**	1,921,663,649
	ii)	Covered by Bank/Government Guarantees	**156,405,305**	114,997,046
	iii)	Unsecured	**325,481,473**	254,386,003
		TOTAL	**2,559,211,167**	2,291,046,698
A.	Advances in India			
	i)	Priority Sector	**858,551,772**	650,858,380
	ii)	Public Sector	**135,009,137**	168,922,543
	iii)	Banks	**42,627,289**	38,923,363
	iv)	Others	**1,305,394,050**	1,261,376,025
		TOTAL	**2,341,582,248**	2,120,080,311
B.	Advances outside India			
	i)	Due From Banks	**55,858,266**	51,202,064
	ii)	Due from others		
		a) Bills Purchased and Discounted	**34,078,003**	-
		b) Syndicated loans	**8,329,836**	-
		c) Others	**119,362,814**	119,764,323
			217,628,920	170,966,387
		TOTAL	**2,559,211,167**	2,291,046,698

SCHEDULE 10 - FIXED ASSETS							
A.	TANGIBLE ASSETS						
	I.	Premises					
		At cost/valuation as per last Balance Sheet	**23,690,115**		23,225,175		
		Additions during the year	**526,050**		464,940		
			24,216,165		23,690,115		
		Deductions during the year	**-**		-		
		Less: Depreciation to date	**6,005,220**	**18,210,945**	5,456,401		18,233,714
	II.	Capital Work in Progress					
		At cost as per last Balance Sheet	**10,792**		128,716		
		Additions during the year	**467,144**		505,433		
		Deductions during the year	**435,044**	**42,892**	623,357		10,792
	III.	Land					
		At cost as per last Balance Sheet	**498,297**		134,097		
		Additions during the year	**118,387**		364,200		
		Deductions during the year	**-**		-		
			616,684		498,297		
		Less : Depreciation to date	**30,484**	**586,200**	24,532		473,765

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2015

(000' Omitted)

			As on 31.3.2015		As on 31.3.2014
IV.	Other Fixed Assets (including Furniture and Fixtures)				
	a) Assets given on lease				
	At cost as per last Balance Sheet	**265,352**		265,352	
	Addition during the year	**-**		-	
	Deductions during the year	**-**		-	
		265,352		265,352	
	Less: Depreciation to date	**265,352**	**-**	265,352	-
	b) Others				
	At cost/valuation as per last Balance Sheet	**18,786,943**		16,401,818	
	Additions during the year	**2,652,049**		2,698,282	
		21,438,992		19,100,100	
	Deductions during the year	**508,366**		313,157	
		20,930,626		18,786,943	
	Less: Depreciation to date	**13,103,742**	**7,826,884**	11,658,624	7,128,319
B.	INTANGIBLE ASSETS				
	Computer Software				
	At cost as per last Balance Sheet	**1,773,971**		1,348,053	
	Additions during the year	**132,321**		425,918	
		1,906,292		1,773,971	
	Amortisation till date	**1,628,919**	**277,373**	1,352,599	421,372
	TOTAL		**26,944,294**		26,233,935

SCHEDULE 11 - OTHER ASSETS :			
I.	Inter-office adjustments (net)	**15,737,440**	11,318,579
II.	Interest accrued	**23,974,899**	23,857,768
III.	Tax paid/Tax deducted at source	**1,525**	1,567
IV.	Stationery and stamps	**18,577**	26,133
V.	Non-Banking assets acquired in satisfaction of claims	**390**	390
VI.	Deffered Tax Assets	**30,548**	14,739
VII.	Others	**29,246,502**	18,074,872
	TOTAL	**69,009,881**	53,294,048
SCHEDULE 12 - CONTINGENT LIABILITIES :			
I.	Claims against the bank not acknowledged as debts	**35,928,582**	35,991,576
II.	Liability for partly paid investments	**5,920**	5,920
III.	Liability on account of outstanding forward exchange contracts	**2,961,704,269**	1,482,332,111
IV.	Guarantees given on behalf of Constituents		
	i) In India	**227,160,569**	226,257,305
	ii) Outside India	**3,631,851**	1,380,625
V.	Acceptances, endorsements and other obligations	**250,411,521**	203,600,004
VI.	Other items for which the bank is contigently liable	**-**	-
	i) Disputed Tax demands under appeals	**6,107,000**	5,674,100
	ii) Amount transfered to DEAF scheme 2014	**6,103,557**	-
	TOTAL	**3,491,053,269**	1,955,241,641

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2015

(000' Omitted)

		Year Ended 31.3.2015	Year Ended 31.3.2014
SCHEDULE 13 - INTEREST EARNED :			
I.	Interest/discount on advances/bills	**239,825,748**	217,403,558
II.	Income on investments	**77,427,928**	73,145,930
III.	Interest on balances with RBI & other inter bank funds	**1,911,185**	1,785,325
IV.	Others	**2,477,936**	1,600,527
TOTAL		**321,642,796**	293,935,340
SCHEDULE 14 - OTHER INCOME :			
I.	Commission, Exchange and Brokerage	**3,815,068**	4,386,965
II.	Profit on sale of investments - net	**8,617,440**	5,166,623
III.	Profit on sale of land, buildings & other assets -net	**-3,945**	25,104
IV.	Profit on exchange transactions - net	**9,716,749**	7,436,062
V.	Miscellaneous Income	**17,425,856**	14,392,574
	TOTAL	**39,571,167**	31,407,328
SCHEDULE 15 - INTEREST EXPENDED :			
I.	Interest on deposits	**216,239,949**	198,359,404
II.	Interest on Reserve Bank of India/Inter Bank borrowing Inter-bank borrowing	**6,067,181**	5,313,290
III.	Others	**14,088,345**	10,994,542
	TOTAL	**236,395,474**	214,667,236
SCHEDULE 16 - OPERATING EXPENSES :			
I.	Payments to and provisions for employees	**38,446,334**	33,476,519
II.	Rent, taxes and lighting	**4,382,198**	3,881,200
III.	Printing and stationery	**526,666**	458,937
IV.	Advertisement and publicity	**712,013**	624,418
V.	Depreciation on Bank's property	**2,251,171**	1,978,831
VI.	Directors' fees, allowances and expenses	**37,769**	16,304
VII.	Remuneration to Managing / Executive Director	**5,923**	5,671
VIII.	Auditors' fees and expenses (including branch auditors)	**349,003**	330,403
IX.	Law Charges	**224,426**	177,855
X.	Postage, Telegrams, Telephones, etc.	**669,206**	723,818
XI.	Repairs and maintenance	**1,066,229**	953,854
XII.	Insurance	**2,767,377**	2,775,528
XIII.	Other Expenditure	**15,394,423**	13,357,394
	TOTAL	**66,832,739**	58,760,732

SCHEDULES FORMING PART OF THE ACCOUNTS FOR 2014-2015 (CONSOLIDATED)

SCHEDULE 17 - SIGNIFICANT ACCOUNTING POLICIES :

1 Accounting Convention

The consolidated financial statements have been prepared in accordance with requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by Reserve Bank of India (RBI) from time to time and the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) to the extent applicable and practices generally prevalent in the banking industry in India.

2 Use of Estimates

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and the expenses during the reporting period. Management believes that the estimates wherever used in the preparation of the financial statements are prudent and reasonable. Difference between the actual results and estimates is recognized in the period in which the results are known / materialized.

3 Basis of consolidation

3.1 CFS of the Group (comprising of 3 Subsidiaries, 1 Associate and 1 Joint Venture) have been prepared on the basis of:

i) Audited Financial Statement of Union Bank of India (Parent).

ii) Line by line aggregation of each item of asset, liabilities, income and expenditure of subsidiaries with the respective items of the parent after eliminating intra group balances/ transactions, unrealized profit/losses based on the data received from the subsidiaries duly audited by their respective auditors as per Accounting Standard – 21 "Consolidated Financial Statements" issued by ICAI.

iii) Accounting for Investments in 'Associate' under the 'Equity Method' as per Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial Statements" issued by ICAI.

iv) Consolidation of Joint Venture – 'Proportionate Consolidation' as per Accounting Standard 27 "Financial Reporting of Interest in Joint Ventures" by ICAI.

3.2 Necessary adjustments have not been made in the CFS where uniform accounting policies have not been followed by Subsidiaries and Joint Venture as in the view of the management; the said adjustments are not material in nature.

3.3 The difference between cost to the Group of its investment in the subsidiaries and the Group's portion of the equity of the subsidiaries is recognized in the CFS as Goodwill / Capital Reserve.

3.4 Minority interest in the net assets of the consolidated subsidiaries consists of:

i) The amount of equity attributable to the minority at the date on which investment in a subsidiary is made and

ii) The minority share of movements in revenue reserves / loss and equity since the date the parent subsidiary relationship came into existence.

4 Revenue Recognition

4.1 Banking entities

i) Income and Expenditure have generally been accounted for on accrual basis unless otherwise stated.

ii) Income from Non-Performing Assets (NPAs) is recognized to the extent realized as per the prudential norms prescribed by RBI. Income accounted for in the preceding year and remaining unrealized is derecognized in respect of assets classified as NPAs during the year.

iii) Bank commission, exchange and brokerage earned, rent on Safe Deposit Lockers (SDV), commission on biometric cards, income from Aadhar cards etc. are accounted for on realization basis.

iv) Income (other than interest) on investments in "Held to Maturity" (HTM) category acquired at discount to the face value is recognized as follows:

a) On interest bearing securities, it is recognized only at the time of sale / redemption.

b) On zero coupon securities, it is accounted for over the balance tenor of the securities on a constant yield basis.

v) Dividend is accounted on an accrual basis where the right to receive the same is established.

4.2 Non Banking entities

Life Insurance

i) **Premium Income**

Premium (net of service tax) is recognized as income when due. For linked business, premium is recognized when the associated units are created. Top up premiums are considered as single premium. Premium on lapsed policies is recognized as income when such policies are reinstated. Commission received on reinsurance ceded is recognized as income in the period in which reinsurance premium is ceded.

ii) **Income from linked funds**

Income from linked funds which includes premium allocation charges, policy administrative charges, mortality charges, fund management charges etc. are recovered from the linked funds in accordance with the terms and conditions of policies issued.

iii) **Reinsurance Premium**

Cost of reinsurance ceded is accounted for at the time of recognition of premium income in accordance with the treaty or in principle arrangement with the reinsurer. Profit commission on reinsurance ceded is netted off against premium ceded on reinsurance.

iv) **Benefits paid (including claims)**

Benefits paid comprise of policy benefits & claim settlement costs, if any. Death, rider & surrender claims are accounted for on receipt of intimation. Survival benefit claims and maturity claims are accounted for when due. Withdrawals & surrenders under linked policies are accounted for in the respective schemes when the associated units are cancelled. Reinsurance recoveries on claims are accounted for in the same period as the related claims.

v) **Acquisition Costs**

Acquisition costs are costs that vary with and are primarily related to acquisition of insurance contracts and are expensed in the period in which they are incurred.

vi) **Liability for life policies**

Actuarial liability for life policies in force and for policies in respect of which premium has been discontinued but a liability exists, is determined by the Appointed Actuary using the gross premium method and in case of group business, unearned premium reserve method, in accordance with accepted actuarial practice, requirements of Insurance Act, 1938, IRDA regulations and the stipulations of Institute of Actuaries of India.

Asset Management

i) Investment management fees are recognized net of service tax on an accrual basis as a percentage of the average daily net assets of the mutual fund schemes (excluding the investments made by the company in the schemes) such that it does not exceed the limit prescribed by the SEBI (Mutual Funds) Regulations, 1996 and any further amendments.

ii) Investment advisory fees are recognized on accrual basis in accordance with the terms of contract with the customers.

iii) Interest income is recognized using the time proportion method, based on the rates implicit in the transaction.

iv) Dividend income is recognized when right to receive is established.

5 Investments

i) In conformity of the requirements in form A of the Third Schedule to the Banking Regulations Act, 1949, Investments are classified as under:

a) Government Securities

b) Other Approved Securities

c) Shares

d) Debentures & Bonds

e) Investments in Subsidiaries & Joint Ventures, and

f) Other Investments

The Investment portfolio of the Bank is further classified in accordance with the RBI guidelines into three categories viz.

a) Held to Maturity (HTM)

b) Available for Sale (AFS)

c) Held for Trading (HFT)

ii) As per RBI guidelines, the following principles have been adopted for the purpose of valuation

a) i) Securities held in "HTM" – at acquisition cost.

The excess of acquisition cost over the face value is amortized over the remaining period of maturity and in case of discount; it is not recognized as income.

ii) Investments in Regional Rural Banks are valued at carrying cost.

iii) Investments in Subsidiaries and Joint Ventures are valued at carrying cost.

Diminution other than temporary, if any, in valuation of such investments is provided for.

b) i) Securities held in "AFS" and "HFT" categories are valued classification wise and scrip-wise and net depreciation, if any, in each classification, is charged to Profit and Loss account while net appreciation, if any, is ignored.

ii) Valuation of securities is arrived at as follows

i	Govt. of India Securities	As per quotations put out by Fixed Income Money Market and Derivatives Association (FIMMDA)
ii	State Development Loans, Securities guaranteed by Central / State Government, PSU Bonds	On appropriate yield to maturity basis as per FIMMDA guidelines
iii	Equity Shares	As per market rates, if quoted, otherwise at Book value as per latest Audited Balance Sheet (not more than 1 year old). In the absence of both at ₹ 1/- per company.
iv	Preference Shares	As per market rates, if quoted, or on appropriate yield to maturity basis, not exceeding redemption value as per FIMMDA guidelines.
v	Debentures/Bonds	As per market rates, if quoted, otherwise on appropriate yield to maturity basis as per FIMMDA guidelines.

vi	Mutual Funds(MF)	As per stock exchange quotations, if quoted. In case of unquoted units, as per latest Repurchase price declared by concerned MF. In cases where latest repurchase price is not available, as per Net Asset Value (NAV).
vii	Treasury Bills / Certificate of Deposits / Commercial Papers	At carrying cost.
viii	Venture Capital Funds (VCF)	At declared NAV or Break-up NAV as per audited Balance Sheet which is not more than 18 months old. If NAV / audited financial statements are not available for more than 18 months continuously, at ₹ 1/- per VCF.
ix	Security Receipts	At NAV as declared by Securitization Companies.

iii) Interbank REPO / Reverse REPO transactions are accounted for in accordance with extant RBI guidelines.

iv) As per the extant RBI guidelines, the shifting of securities from one category to another is accounted for as follows:

- From AFS / HFT categories to HTM category, at lower of book value or market value as on the date of shifting. Depreciation, if any, is fully provided for.
- From HTM category to AFS / HFT category,
- If the security is originally placed at discount in HTM category, at acquisition cost/ book value
- If the security is originally placed at a premium, at amortized cost.

The securities so shifted are revalued immediately and resultant depreciation is fully provided for.

- From AFS to HFT category and vice versa, at book value.

v) The non-performing investments are identified and depreciation / provision are made as per the extant RBI guidelines.

vi) Profit / Loss on sale of investments in any category is taken to the Profit and Loss Account. However, in case of profit on sale of investments in "HTM" category, an equivalent amount (net of taxes and net of transfer to Statutory Reserves) is appropriated to the Capital Reserve Account.

vii) Commission, brokerage, broken period interest etc on securities is debited / credited to Profit & Loss Account.

viii) As per the extant RBI guidelines, the Bank follows 'Settlement Date' for accounting of investments transactions.

c) Derivative Contracts

The Interest Rate Swap which hedges interest bearing asset or liability are accounted for in the financial statements on accrual basis except the swap designated with an asset or liability that is carried at market value or lower of cost or market value. Gains or losses on the termination of swaps are recognized over the shorter of the remaining contractual life of the swap or the remaining life of the asset / liability.

i) Trading swap transactions are marked to market with changes recorded in the financial statements.

ii) In the case of option contracts, guidelines issued by Foreign Exchange Dealers Association of India (FEDAI) from time to time for recognition of income, premium and discount are being followed.

6 Advances

i) All advances are classified under four categories, i.e. (a) Standard, (b) Sub-standard, (c) Doubtful and (d) Loss assets. Provisions required on such advances are made as per the extant prudential norms issued by the RBI.

ii) Advances are stated net of specific loan loss provisions, counter cyclical provisioning buffer, and provision for diminution in fair value of restructured advances and unrecovered interest held in sundry / claims received from Credit Guarantee Fund Trust (CGFT) / Export Credit Guarantee Corporation (ECGC) relating to non-performing assets.

iii) The general provision on standard advances is held in "Other Liabilities and Provisions" reflected in Schedule 5 of the balance sheet and is not considered for arriving at both net NPAs and net advances.

7 Fixed Assets and Depreciation

i) Premises and other Fixed Assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises of purchase price less trade discounts and rebates, eligible borrowing costs and directly attributable cost of bringing the asset to its working condition for the intended use. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future benefits from such assets or their functional capability. Land and Buildings, if revalued are stated at revalued amount. The appreciation on revaluation is credited to Revaluation Reserve and the depreciation provided thereon is deducted there from.

ii) Depreciation on Fixed Assets is provided for on the written down value method at the rates considered appropriate by the anagement asunder

	Type of Asset	Rate of Depreciation
I.	Premises	5 %
II.	Other Fixed Assets	
	- Furniture and Fittings	10 %
	- Electric Fittings and Equipments, Office Appliances and SDV/ Strong rooms etc.	15 %
	- Transport Vehicles	20 %
	- Uninterrupted Power Supply Equipments	33.33 %
III.	Amount added consequent upon revaluation of the assets	Applicable rate for the asset type, over the residual economic life of the respective assets

iii) Application Software is capitalized and clubbed under intangible assets. Depreciation on computers and software forming an integral part of Computer Hardware and on ATM is provided on Straight Line Method at the rate of 33.33%, as per the guidelines of RBI.

iv) Depreciation on additions to assets made up to 30th September of the year is provided at full rate and on additions made thereafter, at half the rate.

v) Depreciation on premises is provided on composite cost, wherever the value of land and buildings is not separately identifiable.

vi) No depreciation is provided on assets sold / disposed off during the year.

vii) Depreciation on leased assets and leasehold improvements is recognized on a straight-line basis using rates determined with reference to the primary period of lease.

viii) Depreciation on fixed assets outside India and fixed assets of subsidiaries / associates is provided as per regulatory requirements / or prevailing practices of respective country / industry.

8 Impairment of Assets

The carrying costs of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying cost of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. After impairment, depreciation is provided on the revised carrying cost of the asset over its remaining useful life. A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

9 Counter Cyclical Provisioning Buffer

The Bank has policy for creation and utilization of Counter Cyclical Provisioning Buffer separately for advances and investments. The quantum of provision to be created is assessed at the end of each financial year. The counter cyclical provisions are utilized only for contingencies under extra ordinary circumstances specified in the policy with prior permission of the Reserve Bank of India.

10 Transactions Involving Foreign Exchange

Revaluation of Foreign Currency Position and booking Profits / Losses:

i) Monetary and Non Monetary assets and liabilities are revalued at the exchange rates notified by FEDAI at the close of the year and resultant gain / loss is recognized in the Profit and Loss account.

ii) Income and Expenditure items are recognized at the exchange rates prevailing on the date of the transaction.

iii) Forward exchange contracts are recorded at the exchange rate prevailing on the date of commitment. Outstanding forward exchange contracts are revalued at the exchange rates notified by FEDAI for specified maturities and at interpolated rates for contracts of 'in-between' maturities. The resultant gains or losses are recognized in the Profit and Loss account.

iv) Contingent liabilities on account of guarantees, acceptances, endorsements and other obligations are stated at the exchange rates notified by FEDAI at the close of the year.

v) Representative offices of the Bank outside India are treated as Integral Operation Units as per RBI guidelines.

11 Accounting for Non–Integral Foreign Operations

Foreign branches are classified as non-integral foreign operations.

i) Revenue Recognition

Income and Expenditure are recognized / accounted for as per the local laws of the respective countries.

ii) Asset Classification and Loan Loss Provisioning

Asset classification and loan loss provisioning are made as per the local laws of the respective countries or as per RBI guidelines, whichever is higher.

iii) Fixed Assets and Depreciation

a) Fixed Assets are accounted for at historical cost.

b) Depreciation on fixed assets is provided as per the applicable laws of the respective countries.

iv) Assets and Liabilities (monetary and non-monetary as well as contingent liabilities) are translated at the

closing rates notified by FEDAI at the close of the year.

v) Income and Expenditure are translated at the quarterly average closing rates notified by FEDAI at the end of respective quarters.

vi) All resulting exchange differences are accumulated in 'Foreign Currency Translation Reserve'.

12 Employee Benefits

Retirement benefits in the form of provident fund are a defined contribution scheme. The contributions to the provident fund are charged to the Profit and Loss account for the year when the contributions are due. The Bank has no obligation, other than the contribution payable to the provident fund.

Gratuity liability, Pension fund and provision towards leave are defined benefit obligations, and are provided for on the basis of an actuarial valuation as per AS 15 (Revised) made at the end of each financial year, based on the projected unit credit method. Actuarial gains/losses are immediately taken to the Profit and Loss account.

New Pension Scheme is applicable to employees who joined the Bank on or after 01.04.2010, is a defined contribution scheme. Bank pays fixed contribution at predetermined rate and the obligation of the Bank is limited to such fixed contribution. The contribution is charged to Profit and Loss account.

Employee benefits relating to employees employed at foreign offices are valued and accounted for as per the local laws/regulation of the respective countries.

13 Segment Reporting

The Bank recognizes the Business Segment as the Primary Reporting Segment and Geographical Segment as the Secondary Reporting Segment, in accordance with the RBI guidelines and in the compliances with the Accounting Standard 17 issued by ICAI.

Business Segments are classified into (a) Treasury operations, (b) Corporate and Wholesale Banking, (c) Retail Banking operations and (d) Other Banking operations.

14 Lease Transactions

Lease payments for assets taken on operating lease are amortized over the lease term. The properties taken on lease/rental basis are renewable / cancellable at the option of the Bank. The Bank's liabilities in respect of disputes pertaining to additional rent/lease rent are recognized on settlement or on renewal.

15 Earnings Per Share

Earnings per share are calculated by dividing the net profit or loss (after tax) for the year attributable to the equity share holders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if contracts to issue equity shares were exercised or converted during the year. Diluted earnings per equity share are calculated by using the weighted average number of equity shares and dilutive potential equity shares outstanding as at the year-end.

16 Taxation

Provision for Tax is made for both current and deferred taxes. Current tax is provided on the taxable income using applicable tax rate and tax laws. Deferred Tax Assets and Deferred Tax Liabilities arising on account of timing differences and which are capable of reversal in subsequent periods are recognized using the tax rates and the tax laws that have been enacted or substantively enacted till the date of the Balance Sheet. Deferred Tax Assets are not recognized unless there is 'reasonable certainty' that sufficient future taxable income will be available against which such deferred tax assets will be realized. In case of carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognized only if there is "virtual certainty".

17 Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized, when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources and a reliable estimate can be made of the amount of the obligation. Contingent Assets are neither recognized nor disclosed in the financial statements. Contingent Liabilities are not provided for and are disclosed by way of notes.

18 Share Issue Expenses:

Share Issue expenses are charged to the Share Premium account.

SCHEDULES FORMING PART OF THE ACCOUNTS FOR 2014-2015 (CONSOLIDATED)

SCHEDULE 18 – NOTES ON ACCOUNTS

1 The particulars of the subsidiaries whose financial statements are consolidated with the standalone financial statement of the Bank (the Parent) are as under:

Names of Subsidiaries	Country of Incorporation	Proportion of Ownership by the parent as on 31.03.2015
Union KBC Asset Management Company Private Ltd.	India	51%
Union KBC Trustee Company Private Ltd.	India	51%
Union Bank of India UK Ltd.	United Kingdom	100%

2 The particulars of Joint Venture considered in the Consolidated Financial Statements are as under :

Names of Joint Venture	Country of Incorporation	Proportion of Ownership
Star Union Dai–Ichi Life Insurance Company Ltd. (Non- Banking)	India	26%

3 The particulars of Associate considered in the Consolidated Financial Statements are as under:

Names of Associates	Country of Incorporation	Proportion of Ownership
Regional Rural Bank Kashi Gomti Samyut Gramin Bank	India	35%

4 The financial statements of the subsidiaries, joint venture and associate which are used in the consolidation have been drawn up to the same reporting date as that of the Parent i.e. 31st March 2015.

5 In case of Domestic Associate/Subsidiaries, accounting adjustments arising due to different accounting policies followed by parent bank and associate/subsidiaries have not been carried out on the basis of data provided by associates/ subsidiaries as the amounts being not material.

6 The Consolidated Financial Statements have been prepared on the basis of audited financial statements of Star Union Dai-ichi Life Insurance Company Ltd., Union KBC Asset Management Co. Pvt. Ltd., Union KBC Trustee Co. Pvt. Ltd., Union Bank of India UK Ltd. and Kashi Gomti Samyut Gramin Bank (Regional Rural Bank) for the financial year ended 31.03.2015.

7 Adjustment of outstanding entries in Suspense Accounts, Sundry Deposits, Clearing Adjustments, Bank Reconciliation Statements and various inter-branch/office accounts is in progress on an ongoing basis. Pending final clearance of the same, the overall impact, if any, on the accounts, in the opinion of the management will not be significant.

8 INCOME TAX

The Parent Bank considers that provision for Income tax held in its accounts is adequate.

9 DISCLOSURES IN TERMS OF THE RESERVE BANK OF INDIA GUIDELINES

9.1 A. Capital

The Bank is subjected to Basel III capital adequacy guidelines stipulated by RBI with effect from April 1, 2013. The guidelines provide a transition schedule for Basel III implementation till March 31, 2019. As per guidelines, the Tier I capital is made up of Common Equity Tier I (CET I) and Additional Tier I.

Basel III guidelines require the Bank to maintain minimum capital to Risk Weighted Assets ratio (CRAR) of 9% with minimum CET I of 5.5% and minimum Tier I CRAR OF 7% as at March 31, 2015.

The computation of Capital Adequacy as per the framework is indicated below:

Sr. No	Particulars	31.03.2015	31.03.2014
i)	Common Equity Tier 1 Capital ratio (CET 1) (%)		
	Basel II	Nil	Nil
	Basel III	7.26	7.28
ii)	Tier I Capital ratio (%)		
	Basel II	7.66	8.18
	Basel III	7.53	7.64
iii)	Tier II Capital ratio (%)		
	Basel II	3.18	3.74
	Basel III	2.71	3.25
iv)	Total Capital ratio (CRAR) (%)		
	Basel II	10.83	11.92
	Basel III	10.24	10.89
v)	Percentage of the shareholding of the Government of India (%)	60.47	60.13
vi)	Amount of Equity Capital raised : (₹ in crore)	5.47	33.51
vii)	Amount of Additional Tier I capital raised : (₹ in crore)	--	--
Viii	Amount of Tier II Capital raised : (₹ in crore)	--	2000
	of which Debt capital instruments : (₹ in crore)	--	2000

9.2 Provisions & Contingencies

(₹ in crore)

Break up of Provision & Contingencies. shown under the head in Profit & Loss	31.03.2015	31.03.2014
Provision / (Reversal) for Depreciation on Investment	-37.62	87.85
Provision towards NPA	2536.67	2106.17
Provision towards Standard Assets	239.81	308.87
Provision made towards Income Tax (IT)/ Deferred tax liability (DTL)	1001.74	370.79
Other Provision and Contingencies:		
- Shifting Loss	38.82	109.97
- Restructured Advances	127.11	254.69
- Others	135.30	283.56
TOTAL	**4041.83**	**3521.90**

Towards the proposed wage revision effective from 1st November, 2012 pending settlement, an adhoc provision of ₹ 464 crore is held as on 31st March, 2015, which includes ₹ 209 crore provided during the current year.

9.3 Counter Cyclical Provisioning Buffer / Floating Provision (Parent Bank)

(₹ in crore)

Particulars	2014-15	2013-14
Opening Balance as on 01.04.2014	511.21	763.00
Additional provisions made during the accounting year	75.18	Nil
Amount of drawdown made during the accounting year	293.19	251.79
Closing balance as on 31.03.2015	293.20	511.21

Pursuant to RBI circular DBR.No.BP.BC.79/21.04.048/2014-15 dated 30th March 2015; Bank has utilized 50% of its floating provision held as at 31st December 2014. Accordingly, an amount of ₹ 293.19 crore out of floating provision of ₹ 511.21 crore held has been utilized towards specific provisions for non performing assets.

10 Employee Benefits (Parent Bank) (AS 15)

(₹ in crore)

Particulars		31.03.2015		31.03.2014	
		Gratuity	Pension	Gratuity	Pension
i)	**Table showing change in Defined Benefit Obligation:**				
	Liability at the beginning of the year	1060.13	6683.81	1000.86	5991.02
	Interest Cost	95.66	616.32	82.64	509.62
	Current Service Cost	45.13	190.73	44.92	194.81
	Past Service Cost (Vested Benefit Amortized)	Nil	Nil	Nil	Nil
	Past Service Cost (Vested Benefit)	Nil	Nil	Nil	Nil
	Liability Transfer in	Nil	Nil	Nil	Nil
	Liability Transfer out	Nil	Nil	Nil	Nil
	Benefit paid	-160.00	-452.00	-147.18	-380.68
	Actuarial (gain) / loss on obligations	47.24	1179.57	78.89	369.04
	Liability at the end of the year	1088.16	8218.43	1060.13	6683.81

Particulars		31.03.2015		31.03.2014	
		Gratuity	Pension	Gratuity	Pension
ii)	**Table of Fair value of Plan Assets:**				
	Fair value of Plan Assets at the beginning of the year	1081.23	6104.73	1037.22	4774.08
	Expected return on Plan Assets	96.74	630.38	87.02	522.50
	Contributions	208.00	1367.00	124.17	1422.06
	Transfer from Other Company	Nil	Nil	Nil	Nil
	Transfer to Other Company	Nil	Nil	Nil	Nil
	Benefit paid	-160.00	-452.00	-147.18	-380.68
	Actuarial Gain/(loss) on Plan Assets	38.03	210.89	-20.00	-233.23
	Fair Value of Plan Assets at the end of the year	1264.00	7861.00	1081.23	6104.73
	Total Actuarial Gain/(loss) to be recognized	-9.21	-968.68	-98.90	-602.28
iii)	**Recognition of Transitional Liability :**				
	Transitional Liability at start	Nil	Nil	Nil	Nil
	Transitional Liability recognized during the year	Nil	Nil	Nil	Nil
	Transitional Liability at end	Nil	Nil	Nil	Nil
iv)	**Actual return on Plan Assets :**				
	Expected Return on Plan Assets	96.74	630.38	87.02	522.50
	Actuarial gain/(loss) on Plan Assets	38.03	210.89	-20.00	-233.23
	Actual return on Plan Assets	134.77	841.27	67.02	289.27
v)	**Expenses recognized in the Income Statement:**				
	Current Service Cost	45.13	190.73	44.92	194.81
	Interest Cost	95.66	616.32	82.64	509.62
	Expected Return on Plan Assets	-96.74	-630.38	-87.02	-522.50
	Past Service Cost (Vested Benefit Amortized) recognized	65.00	338.00	65.00	338.00
	Past Service Cost (Vested Benefit) recognized	Nil	Nil	Nil	Nil
	Recognition of Transition Liability	Nil	Nil	Nil	Nil
	Actuarial Gain or Loss	9.21	968.68	98.90	602.28
	Expenses Recognized in P & L	118.26	1483.35	204.43	1122.20
vi)	**Balance Sheet Reconciliation:**				
	Opening Net Liability (Last year net amount recognized in the balance sheet)	-86.10	241.08	-166.36	540.94
	Expenses as above	118.26	1483.35	204.43	1122.20
	Transfer from other Company (Net)	Nil	Nil	Nil	Nil
	Transfer to other Company (Net)	Nil	Nil	Nil	Nil
	Employer Contribution	-208.00	-1367.00	-124.17	-1,422.06
	Amount recognized in Balance Sheet	-175.84	357.43	-86.10	241.08

Particulars		31.03.2015		31.03.2014	
		Gratuity	Pension	Gratuity	Pension
vii)	Other Details :				
	Gratuity is payable at the rate of 15 days salary for each year of service subject to maximum of ₹10,00,000 or as per the Bank scheme.				
	Actuarial gain / loss is accounted for in the year of occurrence.				
	Salary escalation is considered as advised by the company which is in line with the industry practice considering promotion and demand and supply of the employees.				
	No. of Members	35646	21337	33945	23163
	Salary Per Month	135.34	97.37	126.03	98.59
	Contribution for next year	Nil	315.48	Nil	319.43
viii)	Category of assets:				
	Government of India Assets	146.02	473.14	151.48	473.15
	Corporate Bonds	385.01	1879.80	337.99	1584.16
	Special Deposits Scheme	Nil	Nil	Nil	Nil
	State Govt.	434.50	2390.20	357.44	2011.48
	Property	Nil	Nil	Nil	Nil
	Other	40.47	214.74	24.96	28.60
	Insurer Managed Funds	258.00	2903.12	209.36	2007.33
	Total	1264.00	7861.00	1081.23	6104.73
ix)	Principal actuarial assumption used (%)				
	Discount Rate Prev.	9.33	9.27	8.50	8.50
	Rate of return on Plan Assets Prev.	8.00	8.70	8.00	8.70
	Salary Escalation Prev.	5.00	5.00	4.00	4.00
	Attrition Rate Prev.	2.00	2.00	2.00	2.00
	Discount Rate Current	7.99	7.95	9.33	9.27
	Rate of Return on Plan Assets Current	8.70	8.70	8.00	8.70
	Salary Escalation Current	5.00	5.00	5.00	5.00
	Attrition Rate Current	2.00	2.00	2.00	2.00

Surplus/Deficit in the Plan:	Gratuity Plan				
Amount recognized in the Balance-Sheet	**31.03.15**	**31.03.14**	**31.03.13**	**31.03.12**	**31.03.11**
Liability at the end of the year	1088.16	1060.13	1000.86	990.55	894.93
Fair value of Plan Assets at the end of the year	1264.00	1081.23	1037.22	861.28	873.05
Difference	175.84	21.10	36.36	-129.27	-21.88
Unrecognized Past Service Cost	Nil	65.00	130.00	195.00	260.00
Unrecognized Transition Liability	Nil	Nil	Nil	Nil	Nil
Amount Recognized in the Balance Sheet	175.84	86.10	166.36	65.73	238.12

Amount recognized in the Balance-Sheet	Gratuity Plan				
	31.03.15	31.03.14	31.03.13	31.03.12	31.03.11
Experience Adjustment					
On plan liability (Gain) / Loss	-21.18	123.74	21.60	95.09	145.69
On plan Assets (Loss) / Gain	38.03	-20.00	-24.43	-0.80	-4.15

Surplus/Deficit in the Plan:	Pension				
Amount recognized in the Balance-Sheet	**31.03.15**	**31.03.14**	**31.03.13**	**31.03.12**	**31.03.11**
Liability at the end of the year	8218.43	6683.81	5991.02	5259.03	4771.82
Fair value of Plan Assets at the end of the year	7861.00	6104.73	4774.08	4020.00	2513.69
Difference	-357.43	-579.08	-1216.94	-1239.03	-2258.13
Unrecognized Past Service Cost	Nil	338.00	761.00	1014.17	1352.17
Unrecognized Transition Liability	Nil	Nil	Nil	Nil	Nil
Amount Recognized in the Balance Sheet	-357.43	-241.08	-455.94	-224.86	-905.96

Amount recognized in the Balance-Sheet	Pension				
	31.03.15	31.03.14	31.03.13	31.03.12	31.03.11
Experience Adjustment					
On plan liability (Gain) / Loss	731.44	661.38	251.18	511.13	367.19
On plan Assets (Loss) / Gain	210.89	-233.23	-103.10	-145.15	-15.87

10.1 Details of Provisions made for various Long Term Employees Benefits for the year ended are as follows

(₹ in crore)

Sr. No.	Other Long Term Benefits	31.03.2015	31.03.2014
1.	Pension	1483	1122
2.	Leave Encashment	68	43
3.	Leave Travel Concession	9	Nil
4.	Sick Leave	Nil	Nil

Unamortized Pension and Gratuity Liabilities (Parent Bank)

(₹ in crore)

Particulars	31.03.2015	31.03.2014
Pension		
a) Charged to Profit & Loss account	338.00	338.00
b) Carried forward	-	338.00
Gratuity		
a) Charged to Profit & Loss account	65.00	65.00
b) Carried forward	-	65.00

11 SEGMENT REPORTING (AS 17)

11.1 Business Segments:

(₹ in crores)

Business Segment		Standalone					Consolidated	
		Quarter ended			Year ended		Year ended	
		(Audited)	(Reviewed)	(Audited)	(Audited)		(Audited)	
		31.03.15	31.12.14	31.03.14	31.03.15	31.03.14	31.03.15	31.03.14
(a)	**Segment Revenue**							
1	Treasury Operations	2624.40	2401.08	2105.58	9457.35	8515.80	9457.35	8515.80
2	Retail Banking Operations	2550.30	2895.85	2708.39	10096.56	9034.75	10096.56	9034.75
3	Corporate / Wholesale Banking	4121.28	3547.65	3538.74	15733.95	14301.05	15733.95	14301.05
4	Other Banking Operations	98.76	85.18	94.24	342.36	331.29	342.36	331.29
5	Unallocated	0.00	0.00	0.00	0.00	0.00	514.44	363.33
	Total	**9394.74**	**8929.76**	**8446.95**	**35630.22**	**32182.89**	**36144.66**	**32546.22**
	Less Inter-segment Revenue	11.03	8.76	2.00	23.26	11.96	23.26	11.96
	Total Revenue	**9383.71**	**8921.00**	**8444.95**	**35606.96**	**32170.93**	**36121.40**	**32534.26**
(b)	**Segment Results**							
1	Treasury Operations	641.87	557.80	325.65	1902.99	1145.60	1902.99	1145.60
2	Retail Banking Operations	575.20	323.04	220.81	1216.99	845.64	1216.99	845.64
3	Corporate / Wholesale Banking	-624.56	-309.02	-192.98	-503.19	-85.49	-503.19	-85.49
4	Other Banking Operations	49.84	41.60	45.77	166.59	163.14	166.59	163.14
5	Unallocated	0.00	0.00	0.00	0.00	0.00	-25.92	-26.64
	Total Profit before Tax	**642.35**	**613.42**	**399.25**	**2783.38**	**2068.89**	**2757.46**	**2042.25**
(c)	Income Tax	198.58	311.00	-179.66	1001.74	372.69	1000.00	372.69
(d)	**Net Profit**	**443.77**	**302.42**	**578.91**	**1781.64**	**1696.20**	**1757.46**	**1669.56**
(e)	**Segment Assets**							
1	Treasury Operations	113440.55	120613.24	118208.15	113440.55	118208.15	113440.55	118208.15
2	Retail Banking Operations	107285.95	102894.66	87088.32	107285.95	87088.32	107285.95	87088.32
3	Corporate / Wholesale Banking	156474.27	145815.77	147776.85	156474.27	147776.85	156474.27	147776.85
4	Other Banking Operations	0.00	0.00	0.00	0.00	0.00	0	0
5	Unallocated Assets	4415.16	2456.00	707.58	4415.16	707.58	6368.18	1941.14
	Total	**381615.93**	**371779.67**	**353780.90**	**381615.93**	**353780.90**	**383568.95**	**355014.46**
(f)	**Segment Liabilities**							
1	Treasury Operations	107654.06	113784.75	111101.08	107654.06	111101.08	107654.06	111101.08
2	Retail Banking Operations	102760.57	97955.25	82315.90	102760.57	82315.90	102760.57	82315.90

Business Segment		Standalone					Consolidated	
		Quarter ended			Year ended		Year ended	
		(Audited)	(Reviewed)	(Audited)	(Audited)		(Audited)	
		31.03.15	31.12.14	31.03.14	31.03.15	31.03.14	31.03.15	31.03.14
3	Corporate / Wholesale Banking	149874.09	138815.95	139678.71	149874.09	139678.71	149874.09	139678.71
4	Other Banking Operations	0.00	0.00	0.00	0.00	0.00	0	0
5	Unallocated Liabilities	1565.18	1431.85	2209.85	1565.18	2209.85	3381.06	3173.45
6	Capital, Reserves & Surplus	19762.03	19791.87	18475.36	19762.03	18475.36	19899.17	18745.32
	Total	**381615.93**	**371779.67**	**353780.90**	**381615.93**	**353780.90**	**383568.95**	**355014.46**

Notes :

i) The Bank operates in four segments viz., Treasury, Retail, Corporate / Wholesale and Other Banking Operations. These segments have been identified in line with segment reporting AS-17 after considering the nature and risk profile of the products and services, the target customer profiles, the organizational structure and the internal reporting system of the Bank. The Bank has disclosed the business segment as primary segment. The revenue and other parameters prescribed in AS-17 of foreign branch for the period are within the threshold limits. Hence, the Bank has only one reportable geographical segment.

ii) Segment wise income, expenditure, assets and liabilities which are not directly allocable have been allocated to the reportable segments based on assumptions considered appropriate.

12 Related Party Disclosures (Parent Bank) (AS 18)

12.1 List of Related Parties

a) Joint Venture

- Star Union Dai-ichi Life Insurance Co.

b) Associate

- Kashi Gomti Samyut Gramin Bank

c) Key Management Personnel

Name	Designation	Joining/Cessation during the year 2014-15
Shri Arun Tiwari	Chairman & Managing Director	NA
Shri K. Subrahmanyam	Executive Director	NA
Shri S. K. Jain	Executive Director	Cessation on 31.05.2014
Shri Rakesh Sethi	Executive Director	NA
Shri Kishor Kharat	Executive Director	Joined on 10.03.2015

Parties with whom transactions were entered into during the year

No disclosure is required in respect of related parties, which are "State controlled Enterprises" as per paragraph 9 of Accounting Standard (AS) 18. Further, in terms of paragraph 5 of AS 18, transactions in the nature of Banker – Customer relationship have not been disclosed including those with Key Management Personnel and relatives of Key Management Personnel.

12.2 Key Management Personnel - Remuneration paid

(₹ in crore)

Particulars	31.03.2015	31.03.2014
Chairman and Managing Director	**0.20**	#0.23
Executive Directors	**0.39**	#0.50
Total	**0.59**	0.73

 # includes performance linked incentives of ₹0.06 crore and ₹0.08 crore paid to the Chairman & Managing Director and Executive Directors of the Bank respectively during the previous year.

13 Earnings per Share (AS 20)

The Bank reports basic earnings per equity share in accordance with Accounting Standard 20 on "Earning per Share". Basic Earnings per Share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year.

Sr No	Particulars	31.03.2015	31.03.2014
i	Basic and Diluted EPS (₹)	27.67	27.56
ii	Net Profit after Tax available for equity shareholders **(₹ In crore)**	1752.18	1669.56
iii	Weighted Average number of equity shares **(No. in crore)**	63.33	60.59
iv	Nominal value per share (₹)	10.00	10.00

14 Deferred Tax (AS 22)

(₹ in crore)

Sr. No.	Particulars	31.03.2015	31.03.2014
	Deferred Tax Assets		
1	Amortization of Premium on Investments	234.25	276.42
2	Employee Benefits	328.89	325.83
3	Depreciation on investments claimed in earlier years sold during the year	15.73	3.83
4	Leave Encashment	57.93	34.82
5	On account of other provisions	477.18	212.65
6	On account of unused losses & Tax Credits	3.05	1.98
	Total	**1117.03**	**855.53**
	Deferred Tax Liabilities		
1	Provision for diminution in value of Investments	66.15	52.06
2	Depreciation on Fixed Assets	35.68	33.05
3	Accrued interest on securities	641.15	667.46
4	Special Reserves u/s 36(i)(viii)	823.24	781.09
	Total	**1566.22**	**1533.66**
	Net Deferred Tax Asset	-	-
	Net Deferred Tax Liability	**449.19**	**678.13**

14.1 Provisions for Direct Tax:

(₹ in crore)

Particulars	31.03.2015	31.03.2014
Provision for Income Tax (Including Deferred tax and Wealth tax liability)	1001.74	623.76

15 The figures of the previous year have been regrouped / rearranged wherever considered necessary.

Signatories to Schedules 1 to 18

(VIVEK KAMATH)	**(MAYANK MEHTA)**	**(KISHOR KHARAT)**	**(RAKESH SETHI)**	**(K. SUBRAHMANYAM)**	**(ARUN TIWARI)**
Dy. General Manager	General Manager	Executive Director	Executive Director	Executive Director	Chairman & Managing Director

(MIHIR KUMAR)	**(DEEPAK SINGHAL)**	**(JAG MOHAN SHARMA)**	**(S. K. MISRA)**	**(SUSHRI ANUSUIYA SHARMA)**
Director	Director	Director	Director	Director

(DR. R. H. DHOLAKIA)	**(G. K. LATH)**	**(D. CHATTERJI)**
Director	Director	Director

AS PER OUR REPORT OF EVEN DATE ATTACHED.

FOR V.ROHATGI & CO.	**FOR J. GUPTA & CO.**	**FOR G P KAPADIA & CO.**
CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANTS
FIRM REGN. NO. 000980C	FIRM REGN. NO. 314010E	FIRM REGN. NO. 104768W
(BIPUL RASTOGI)	**(H. K. DATTA)**	**(NIMESH BHIMANI)**
PARTNER (M. NO. 072318)	PARTNER (M. NO. 012208)	PARTNER (M.NO.030547)
FOR ASHWANI & ASSOCIATES.	**FOR GBCA & ASSOCIATES.**	**FOR SUNDAR SRINI & SRIDHAR.**
CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANTS
FIRM REGN. NO. 000497N	FIRM REGN. NO. 103142W	FIRM REGN. NO. 004201S
(SANJEEVA NARAYAN)	**(TANSUKHLAL CHHEDA)**	**(S. SRIDHAR)**
PARTNER (M. NO. 084205)	PARTNER (M. NO. 047157)	PARTNER (M. NO. 025504)

Place : MUMBAI
Date : 21st MAY, 2015.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2015

(₹ in Lacs)

Sr. No.	Particulars	Year ended 31.03.2015	Year ended 31.03.2014
A	**CASH FLOW FROM OPERATING ACTIVITIES:**		
	Net Profit / (Loss) before Tax	275,746	204,064
	Adjustments for:		
	Depreciation on Fixed Assets	22,512	19,788
	Depreciation on investments	120	19,783
	Provision for Non performing assets	266,378	236,086
	Provision for standard asset	33,490	58,114
	Other provisions	4,125	939
	Profit / (Loss) on sale or disposal of Fixed Assets	39	(251)
	Provision for Staff related expenditures	28,518	23,587
	Sub Total	**630,928**	562,109
	Adjustments for:		
	Increase / (Decrease) in Deposits	1,979,928	3,396,951
	Increase / (Decrease) in Borrowings	237,716	34,650
	Increase / (Decrease) in Other Liabilities and Provisions	46,142	41,370
	(Increase) / Decrease in Investments	(81,426)	(1,302,587)
	(Increase) / Decrease in Advances	(2,948,023)	(2,336,310)
	(Increase) / Decrease in Other Assets	(160,612)	(63,675)
	Direct taxes paid (net of refund)	(59,023)	(75,499)
	NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**(354,370)**	257,009
B	**CASH FLOW FROM INVESTING ACTIVITIES :**		
	Purchase of Fixed Assets	(34,610)	(38,014)
	Sale of Fixed Assets	433	1,715
	NET CASH FLOW FROM INVESTING ACTIVITIES (B)	**(34,177)**	(36,299)
C	**CASH FLOW FROM FINANCING ACTIVITIES :**		
	Conversion of perpetual Non-Cumulative Perference Shares	(11,100)	0
	Issue of Equity Shares against conversion of PNCPS	547	3,352
	Security Premium received (net of Share Issue Expenses)	10,542	46,583
	Proceeds from issue of IPDI, Subordinated Bonds & Upper Tier II Bonds / PNCPS	347,461	517,283
	Payment of Dividend (Interim & Final Including dividend tax)	(30,666)	(76984)
	NET CASH FLOW FROM FINANCING ACTIVITIES (C)	**316,784**	490,235
	Net Increase (decrease) in Cash & Cash Equivalent (A)+(B)+(C)	**(71,763)**	710,944
	Cash and Cash Equivalents as at the beginning of the year	**2,332,064**	1,621,120
	Cash and Cash Equivalents as at the end of the year	**2,260,301**	2,332,064

(₹ in Lacs)

Sr. No.	Particulars	Year ended 31.03.2015	Year ended 31.03.2014
D	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR**		
	Cash and Balances with RBI (including FC notes)	**1,841,998**	**1,076,322**
	Balances with banks and Money at call	**490,066**	**544,798**
	Net cash and cash equivalents at the beginning of the year	**2,332,064**	**1,621,120**
E	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**		
	Cash and Balance with RBI (including FC notes)	**1,506,387**	**1,841,998**
	Balances with banks and Money at call	**753,914**	**490,066**
	Net cash and cash equivalents at the end of the year	**2,260,301**	**2,332,064**

(KISHOR KHARAT)	(RAKESH SETHI)	(K.SUBRAHMANYAM)	(ARUN TIWARI)
Executive Director	Executive Director	Executive Director	Chairman & Managing Director

Auditors Certificate :

We, the undersigned Statutory Auditors of the Union Bank of India, have verified the above Consolidated Cash Flow Statement of the Bank for the year ended 31.03.2015. The statement has been prepared in accordance with the requirements of the clause 32 of the listing agreement with the Stock Exchange and is based on and in agreement with the corresponding Profit & Loss Account and the Balance Sheet of the Bank covered by our report of the 21st May, 2015 to the members.

For V.ROHATGI & CO.	**For J.GUPTA & CO.**	**For G. P. KAPADIA & CO.**
CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANTS
FIRM REGN NO. 000980C	FIRM REGN NO. 314010E	FIRM REGN NO. 104768W
(BIPUL RASTOGI)	**(H.K. DATTA)**	**(NIMESH BHIMANI)**
PARTNER (M. No.072318)	PARTNER (M.No.012208)	PARTNER (M.No.030547)
For ASHWANI & ASSOCIATES	**For GBCA & ASSOCIATES**	**For SUNDAR SRINI & SRIDHAR**
CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANTS
FIRM REGN NO. 000497N	FIRM REGN NO. 103142W	FIRM REGN NO. 004201S
(SANJEEVA NARAYAN)	**(TANSUKHLAL CHHEDA)**	**(S. SRIDHAR)**
PARTNER (M. No. 084205)	PARTNER (M.No.047157)	PARTNER (M.No.025504)

Place : MUMBAI
Date : 21st May 2015

INDEPENDENT AUDITORS' REPORT

To The Members of Union Bank of India

Report on the Financial Statements

1. We have audited the accompanying financial statements of Union Bank of India as at 31st March, 2016, which comprises the Balance Sheet as at 31st March, 2016, Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information. Incorporated in these financial statements are returns of 20 branches including 1 treasury branch, 18regional offices, 26 offices/centres audited by us, 2079 branches audited by Statutory Branch Auditors and 4 foreign branches audited by local auditors. The branches audited by us and those audited by other auditors have been selected by the Bank in accordance with the guidelines issued to the Bank by the Reserve Bank of India. Also incorporated in the Balance Sheet and the Profit and Loss are the returns from 2101branches, 44 regional offices and 58 offices/centres which have not been subjected to audit. These unaudited branches account for 6.73 per cent of advances, 23.26 per cent of deposits, 6.56 per cent of interest income and 21.60 per cent of interest expenses.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements in accordance with Banking Regulation Act 1949, accounting principles generally accepted in India along with recognition and measurement principles laid down in the Accounting Standards specified by the Institute of Chartered Accountants of India so far as they are applicable to the Bank and the guidelines and circulars 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 of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material 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 Company'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 effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of the accounting estimates made by management, and 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, as shown by books of the Bank, and to the best of our information and according to the explanations given to us:
   a. the Balance Sheet, read with the notes thereon, is a full and fair Balance Sheet containing all the necessary particulars and is properly drawn up so as to exhibit a true and fair view of state of affairs of the Bank as at 31st March 2016 in conformity with accounting principles generally accepted in India;
   b. the Profit and Loss Account, read with the notes thereon shows a true balance of profit, in conformity with accounting principles generally accepted in India, for the year covered by the account; and
   c. the Cash Flow Statement gives a true and fair view of the cash flows 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 Section 29 of the Banking Regulation Act, 1949.
8. Subject to the limitations of the audit indicated in paragraph 1 to 5 above and as required by the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980, and subject also to the limitations of disclosure required therein, 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 purposes of our audit and have found them to be satisfactory.
   b. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank, and
   c. The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.
9. We further report that
   a. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account and returns;
   b. the reports on the accounts of the branch offices audited by statutory branch auditors of the Bank under Section 29 of the Banking Regulation Act, 1949 have been sent to us and have been properly dealt with by us in preparing this report;
   c. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the applicable accounting standards.

FOR J GUPTA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO. 314010E

(H. K. DATTA)
PARTNER
(M.NO. 012208)

FOR G P KAPADIA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO.104768W

(NIMESH BHIMANI)
PARTNER
(M.NO.030547)

FOR ASHWANI & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.000497N

(ADITYA KUMAR)
PARTNER
(M.NO.506955)

FOR GBCA & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.103142W

(TANSUKH CHHEDA)
PARTNER
(M.NO.047157)

FOR SUNDAR SRINI & SRIDHAR
CHARTERED ACCOUNTANTS
FIRM REGN.NO.004201S

(S. SRIDHAR)
PARTNER
(M.NO.025504)

FOR P A & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.313085E

(PRASHANT PANDA)
PARTNER
(M.NO.051092)

Place : MUMBAI
Date : 13th MAY, 2016.

BALANCE SHEET AS ON 31ST MARCH, 2016

(₹ in 000's)

	Schedule	As on 31.3.2016	As on 31.3.2015
Capital And Liabilities			
Capital	1	**6,87,44,11**	6,35,77,88
Reserves And Surplus	2	**2,22,03,76,58**	1,91,25,10,31
Deposits	3	**34,27,20,00,92**	31,68,69,91,72
Borrowings	4	**3,09,57,35,18**	3,53,59,98,16
Other Liabilities And Provisions	5	**81,27,33,45**	96,25,15,00
TOTAL		**40,46,95,90,24**	**38,16,15,93,07**
Assets			
Cash And Balances With Reserve Bank Of India	6	**1,56,04,72,09**	1,50,63,07,83
Balances With Banks And Money At Call And Short Notice	7	**1,36,71,49,95**	73,14,94,36
Investments	8	**8,92,08,34,61**	8,44,61,72,90
Advances	9	**26,73,54,00,19**	25,56,54,56,54
Fixed Assets	10	**39,39,87,28**	26,81,95,32
Other Assets	11	**1,49,17,46,12**	1,64,39,66,12
TOTAL		**40,46,95,90,24**	**38,16,15,93,07**
Contingent Liabilities	12	**39,37,16,40,14**	34,91,05,32,69
Bills For Collection		**1,50,30,34,09**	1,37,00,54,08
Significant Accounting Policies	17		
Notes To Accounts	18		

The Schedules referred to above form an integral part of the Balance Sheet

(NITESH RANJAN) Dy. General Manager
(VIVEK KAMATH) General Manager
(VINOD KATHURIA) Executive Director
(RAKESH SETHI) Executive Director
(ARUN TIWARI) Chairman & Managing Director

(MIHIR KUMAR) Director
(ANIL KUMAR MISRA) Director
(JAG MOHAN SHARMA) Director
(DR. K. RAMESHA) Director

(DR. R. H. DHOLAKIA) Director
(G. K. LATH) Director
(DR. UTTAM KUMAR SARKAR) Director

AS PER OUR REPORT OF EVEN DATE ATTACHED.

FOR J GUPTA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO. 314010E
(H. K. DATTA)
PARTNER
(M.NO. 012208)

FOR G P KAPADIA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO.104768W
(NIMESH BHIMANI)
PARTNER
(M.NO.030547)

FOR ASHWANI & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.000497N
(ADITYA KUMAR)
PARTNER
(M.NO.506955)

FOR GBCA & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.103142W
(TANSUKH CHHEDA)
PARTNER
(M.NO.047157)

FOR SUNDAR SRINI & SRIDHAR
CHARTERED ACCOUNTANTS
FIRM REGN.NO.004201S
(S. SRIDHAR)
PARTNER
(M.NO.025504)

FOR P A & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.313085E
(PRASHANT PANDA)
PARTNER
(M.NO.051092)

Place : MUMBAI
Date : 13th MAY, 2016.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2016

(₹ in 000's)

		Schedule	Year Ended 31.3.2016	Year Ended 31.3.2015
I.	**Income**			
	Interest Earned	13	**3,21,98,80,08**	3,20,83,96,21
	Other Income	14	**36,31,73,54**	35,23,00,22
	TOTAL		**3,58,30,53,62**	3,56,06,96,43
II.	**Expenditure**			
	Interest Expended	15	**2,38,85,70,21**	2,36,40,06,56
	Operating Expenses	16	**63,02,21,57**	61,43,42,88
	Provisions and Contingencies		**42,91,01,61**	40,41,83,04
	TOTAL		**3,44,78,93,39**	3,38,25,32,48
III.	**Net Profit for the year**		**13,51,60,23**	17,81,63,95
	Add : Profit Brought Forward		**41,62**	41,02
	TOTAL		**13,52,01,85**	17,82,04,97
IV.	**Appropriations**			
	Transfer to Statutory Reserve		**4,05,50,00**	5,34,50,00
	Transfer to Capital Reserve		**44,84,70**	26,99,74
	Transfer to Revenue and Other Reserves		**5,48,17,00**	5,55,97,00
	Proposed Dividend		**1,34,05,10**	3,81,46,73
	Provision for Div. on Pncps		**0**	5,28,35
	Dividend Tax		**27,44,69**	77,41,53
	Transfer To Special Reserve [Sec36(I)(viii)]		**1,92,00,00**	2,00,00,00
	Balance in Profit and Loss Account		**36**	41,62
	TOTAL		**13,52,01,85**	17,82,04,97
	Earnings Per Share (Basic And Diluted) (In ₹)	18	**20.42**	28.05
	Significant Accounting Policies	17		
	Notes To Accounts	18		

The Schedules referred to above form an integral part of the Profit and Loss Account

(NITESH RANJAN)	(VIVEK KAMATH)	(VINOD KATHURIA)	(RAKESH SETHI)	(ARUN TIWARI)
Dy. General Manager	General Manager	Executive Director	Executive Director	Chairman & Managing Director

(MIHIR KUMAR)	(ANIL KUMAR MISRA)	(JAG MOHAN SHARMA)	(DR. K. RAMESHA)
Director	Director	Director	Director

(DR. R. H. DHOLAKIA)	(G. K. LATH)	(DR. UTTAM KUMAR SARKAR)
Director	Director	Director

AS PER OUR REPORT OF EVEN DATE ATTACHED.

FOR J GUPTA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO. 314010E

(H. K. DATTA)
PARTNER
(M.NO. 012208)

FOR G P KAPADIA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO.104768W

(NIMESH BHIMANI)
PARTNER
(M.NO.030547)

FOR ASHWANI & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.000497N

(ADITYA KUMAR)
PARTNER
(M.NO.506955)

FOR GBCA & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.103142W

(TANSUKH CHHEDA)
PARTNER
(M.NO.047157)

FOR SUNDAR SRINI & SRIDHAR
CHARTERED ACCOUNTANTS
FIRM REGN.NO.004201S

(S. SRIDHAR)
PARTNER
(M.NO.025504)

FOR P A & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.313085E

(PRASHANT PANDA)
PARTNER
(M.NO.051092)

Place : MUMBAI
Date : 13th MAY, 2016.

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 2016

(₹ in 000's)

		As on 31.3.2016	As on 31.3.2015
SCHEDULE 1 - CAPITAL :			
I.	**Authorised :**		
	300,00,00,000 Equity Shares of ₹10 each	**30,00,00,00**	30,00,00,00
II.	**Issued, Subscribed & Paid up :**		
	i. 43,61,06,597 Equity Shares of ₹10 each, held by Central Government (Prev.Year 38,44,44,316 Equity Shares)	**4,36,10,66**	3,84,44,43
	ii. 25,13,34,520 Equity Shares of ₹10 each, held by Public (Prev.Year 25,13,34,520 Equity Shares)	**2,51,33,45**	2,51,33,45
	TOTAL	**6,87,44,11**	6,35,77,88

SCHEDULE 2 - RESERVES & SURPLUS :					
I.	Statutory Reserve :				
	As per last Balance Sheet	**61,26,36,10**		55,91,86,10	
	Addition during the year	**4,05,50,00**	**65,31,86,10**	5,34,50,00	61,26,36,10
II.	Capital Reserve :				
	As per last Balance Sheet	**8,03,25,13**		7,76,25,39	
	Addition during the year	**44,84,70**	**8,48,09,83**	26,99,74	8,03,25,13
III.	Share Premium :				
	As per last Balance Sheet	**34,57,12,14**		33,51,70,50	
	Addition during the year	**10,27,25,77**	**44,84,37,91**	1,05,41,64	34,57,12,14
IV.	Revaluation Reserve :				
	As per last Balance Sheet	**14,24,70,51**		14,59,33,73	
	Addition during the year	**12,13,09,62**		0	
	Deduction during the year	**56,56,41**	**25,81,23,72**	34,63,22	14,24,70,51
V.	Revenue and other Reserves :				
	i) Revenue and other Reserves :				
	As per last Balance Sheet	**47,64,88,00**		42,08,91,00	
	Addition during the year	**5,48,17,00**		5,55,97,00	
	Deduction during the year	**3,52,62,25**		0	
	Total	**49,60,42,75**		47,64,88,00	
	ii) Special Reserve Sec 36(1)(viii)				
	As per last Balance Sheet	**24,98,00,00**		22,98,00,00	
	Addition during the year	**1,92,00,00**		2,00,00,00	
	Total	**26,90,00,00**		24,98,00,00	
	iii) Foreign Currency Translation Reserve				
	As per last Balance Sheet	**50,36,81**		47,57,41	
	Addition during the year	**57,39,10**		2,79,40	
	Total	**1,07,75,91**	**77,58,18,66**	50,36,81	73,13,24,81
VI.	Balance in Profit and Loss Account		**36**		41,62
	TOTAL		**2,22,03,76,58**		1,91,25,10,31

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 2016

(₹ in 000's)

			As,on,31.3.2016		As,on,31.3.2015
SCHEDULE 3 - DEPOSITS :					
I.	Demand Deposits				
	i) From Banks	**5,54,54,65**		6,10,07,08	
	ii) From Others	**2,91,88,59,95**	**2,97,43,14,60**	2,04,82,41,46	2,10,92,48,54
II.	Savings Bank Deposits		**8,11,32,61,70**		7,15,58,05,17
III.	Term Deposits				
	i) From Banks	**1,03,27,18,56**		1,30,22,83,78	
	ii) From Others	**22,15,17,06,06**	**23,18,44,24,62**	21,11,96,54,23	22,42,19,38,01
	TOTAL		**34,27,20,00,92**		31,68,69,91,72
	Deposits of branches in India		**33,60,86,39,68**		31,22,30,23,90
	Deposits of branches outside India		**66,33,61,24**		46,39,67,82
	TOTAL		**34,27,20,00,92**		31,68,69,91,72
SCHEDULE 4 - BORROWINGS :					
A)	Borrowings : Capital Instruments				
	I. Perpetual Bonds		**10,40,00,00**		10,40,00,00
	II. Upper Tier II Capital		**22,50,00,00**		22,50,00,00
	III. Lower Tier II Capital		**52,00,00,00**		52,50,00,00
B)	Borrowings in India				
	I. Other Banks	**4,14,15,39**		7,00,00,00	
	II. Other Institutions and Agencies	**12,52,60,08**	**16,66,75,47**	44,95,07,39	51,95,07,39
C)	Borrowings Outside India		**2,08,00,59,71**		2,16,24,90,77
	TOTAL		**3,09,57,35,18**		3,53,59,98,16
Secured Borrowings included in (B)I & (B)II above			**9,56,19,34**		33,72,28,20
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS :					
	I. Bills payable		**17,45,34,68**		11,67,92,29
	II. Interest Accrued		**10,40,14,36**		9,21,03,19
	III. Deferred Tax Liability		**0**		4,52,23,52
	IV. Others(including provisions)		**53,41,84,41**		70,83,96,00
	TOTAL		**81,27,33,45**		96,25,15,00
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA:					
	I. Cash in hand				
	(including foreign currency notes)		**11,24,81,40**		10,06,93,07
	II. Balances with Reserve Bank of India				
	In current Account		**1,44,79,90,69**		1,40,56,14,76
	TOTAL		**1,56,04,72,09**		1,50,63,07,83
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE :					
I.	Balances with banks in India				
	i) a) In Current Accounts	**51,95,54**		2,08,30,05	
	b) In Other Deposit Accounts	**35,44,79,43**		16,66,60,98	
	ii) Money at Call and short notice				
	-with Banks	**3,00,00,00**		0	
	-with Other Institutions	**20,45,91**	**39,17,20,88**	0	18,74,91,03
II.	Outside India				
	i) In Current Accounts	**25,20,95,90**		2,68,92,55	
	ii) In other Deposit Accounts	**71,91,81,48**		51,71,10,78	
	iii) Money at call & Short Notice	**41,51,69**	**97,54,29,07**	0	54,40,03,33
	TOTAL		**1,36,71,49,95**		73,14,94,36

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 2016

(₹ in 000's)

					As on 31.3.2016		As on 31.3.2015
SCHEDULE 8 - INVESTMENTS :							
I.	Investments in India						
	i)	Government Securities			**7,14,68,97,51**		7,26,85,31,29
	ii)	Shares			**12,37,04,82**		9,58,05,08
	iii)	Debentures and Bonds			**1,33,53,37,71**		82,40,46,48
	iv)	Subsidiaries and joint ventures			**1,29,43,76**		1,29,43,76
	v)	Others					
		- Commercial Paper	**1,43,30,28**			0	
		- Mutual Funds	**8,60,05,50**			9,22,10,38	
		- Security Receipt by ARCIL	**5,80,61,08**	**15,83,96,86**		5,98,22,60	15,20,32,98
		TOTAL		**8,77,72,80,66**			**8,35,33,59,59**
II.	Investments outside India						
	i)	Govt. Securities (Incl. Local Auth.)			**5,91,34,80**		3,06,81,23
	ii)	Shares			**40,32**		40,32
	iii)	Other investments (Bonds)			**5,30,44,33**		3,75,64,26
	iv)	Subsidiaries and joint ventures			**3,13,34,50**		2,45,27,50
		TOTAL			**14,35,53,95**		9,28,13,31
		TOTAL			**8,92,08,34,61**		8,44,61,72,90
III.	i)	Investments in India					
		Gross Value			**8,83,26,60,78**		8,39,38,11,78
		Provision for Depreciation			**5,53,80,12**		4,04,52,19
		Net Value			**8,77,72,80,66**		8,35,33,59,59
	ii)	Investments outside India					
		Gross Value/Net Value			**14,35,53,95**		9,28,13,31
		TOTAL			**8,92,08,34,61**		8,44,61,72,90
SCHEDULE 9 - ADVANCES							
I.	i)	Bills purchased and discounted			**82,30,60,56**		78,16,22,46
	ii)	Cash Credits, Overdrafts and Loans repayable on demand			**13,17,79,77,73**		12,08,00,09,60
	iii)	Term Loans			**12,73,43,61,90**		12,70,38,24,48
		TOTAL			**26,73,54,00,19**		25,56,54,56,54
II.	i)	Secured by tangible assets (includes Advance against Book Debts)			**21,90,80,04,87**		20,77,13,22,99
	ii)	Covered by Bank/Government Guarantees			**1,29,10,52,85**		1,56,40,53,05
	iii)	Unsecured			**3,53,63,42,47**		3,23,00,80,50
		TOTAL			**26,73,54,00,19**		25,56,54,56,54
A.	Advances in India						
	i)	Priority Sector			**9,50,48,45,13**		8,58,55,17,72
	ii)	Public Sector			**1,33,12,66,33**		1,35,00,91,37
	iii)	Banks			**8,57,98,91**		44,54,32,26
	iv)	Others			**13,23,20,65,86**		13,05,37,50,49
		TOTAL			**24,15,39,76,23**		23,43,47,91,84

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 2016

(₹ in 000's)

		As on 31.3.2016	As on 31.3.2015
B.	Advances Outside India		
	i) Due From Banks	**75,74,20,51**	51,33,78,55
	ii) Due from Others		
	a) Bills Purchased and Discounted	**44,99,00,97**	34,07,80,03
	b) Syndicated loans	**8,53,21,66**	8,32,98,36
	c) Others	**1,28,87,80,82**	1,19,32,07,76
		2,58,14,23,96	2,13,06,64,70
	TOTAL	**26,73,54,00,19**	25,56,54,56,54

SCHEDULE 10 - FIXED ASSETS

A.	TANGIBLE ASSETS				
I.	Premises				
	At cost/valuation as per last Balance Sheet	**24,17,82,46**		23,65,21,96	
	Additions during the year	**13,04,69,48**		52,60,50	
		37,22,51,94		24,17,82,46	
	Less: Depreciation to date	**6,79,08,37**	**30,43,43,57**	5,99,72,44	18,18,10,02
II.	Capital Work in Progress				
	At cost as per last Balance Sheet	**4,13,62**		85,06	
	Additions during the year	**9,22,27**		46,57,56	
	Deductions during the year	**1,57,56**	**11,78,33**	43,29,00	4,13,62
III.	Land				
	At cost as per last Balance Sheet	**61,66,84**		49,82,97	
	Additions during the year	**11,01,21**		11,83,87	
		72,68,05		61,66,84	
	Less : Depreciation to date	**3,80,37**	**68,87,68**	3,04,84	58,62,00
IV.	Other Fixed Assets (including Furniture and Fixtures)				
	a) Assets given on lease				
	At cost as per last Balance Sheet	**26,53,52**		26,53,52	
		26,53,52		26,53,52	
	Less: Depreciation to date	**26,53,52**		26,53,52	
		0		0	
	b) Others				
	At cost/valuation as per last Balance Sheet	**20,74,55,70**		18,60,96,29	
	Additions during the year	**2,38,26,53**		2,64,25,78	
		23,12,82,23		21,25,22,07	
	Deductions during the year	**64,87,51**		50,66,37	
		22,47,94,72		20,74,55,70	
	Less: Depreciation to date	**14,54,42,17**		12,97,88,34	
		7,93,52,55	**7,93,52,55**	7,76,67,36	7,76,67,36
B.	INTANGIBLE ASSETS				
	Computer Software				
	At cost as per last Balance Sheet	**1,75,35,22**		1,64,04,60	
	Additions during the year	**21,51,80**		11,30,62	
		1,96,87,02		1,75,35,22	
	Amortisation till date	**1,74,61,87**	**22,25,15**	1,50,92,90	24,42,32
	TOTAL		**39,39,87,28**		26,81,95,32

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 2016

(₹ in 000's)

			As,on,31.3.2016		As on 31.3.2015
SCHEDULE 11 - OTHER ASSETS :					
I.	Inter-office adjustments (net)		**19,67,49,20**		15,73,74,40
II.	Interest accrued		**22,94,92,65**		23,82,34,96
III.	Deferred Tax Assets		**4,15,55,00**		0
IV.	Stationery and stamps		**3,74,87**		1,85,77
V.	Non-Banking assets acquired in satisfaction of claims		**3,90**		3,90
VI.	Others		**1,02,35,70,50**		1,24,81,67,09
	TOTAL		**1,49,17,46,12**		1,64,39,66,12
SCHEDULE 12 - CONTINGENT LIABILITIES :					
I.	Claims against the bank not acknowledged as debts		**38,57,15,36**		35,92,85,82
II.	Liability for partly paid investments		**59,20**		59,20
III.	Liability on account of outstanding forward exchange contracts		**34,74,37,04,38**		29,61,70,42,69
IV.	Guarantees given on behalf of Constituents				
	i) In India	**1,36,49,82,25**		2,27,16,05,69	
	ii) Outside India	**3,22,71,60**	**1,39,72,53,85**	3,63,18,51	2,30,79,24,20
V.	Acceptances, endorsements and other obligations		**2,74,60,11,35**		2,50,41,15,21
VI.	Other items for which the bank is contingently liable				
	i) Disputed Tax demands under appeals	**2,84,06,00**		6,10,70,00	
	ii) Amt. Trfd. to DEAF Scheme 2014	**7,04,90,00**	**9,88,96,00**	6,10,35,57	12,21,05,57
	TOTAL		**39,37,16,40,14**		34,91,05,32,69

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2016

(₹ in 000's)

		Year Ended 31.3.2016	Year Ended 31.3.2015
SCHEDULE 13 - INTEREST EARNED :			
I.	Interest/discount on advances/bills	**2,36,58,06,09**	2,39,77,25,12
II.	Income on investments	**75,35,14,54**	71,82,96,30
III.	Interest on balances with RBI & other inter bank funds	**8,16,13,85**	6,75,95,43
IV.	Others	**1,89,45,60**	2,47,79,36
	TOTAL	**3,21,98,80,08**	3,20,83,96,21
SCHEDULE 14 - OTHER INCOME :			
I.	Commission, Exchange and Brokerage	**4,09,76,74**	3,90,87,31
II.	Profit on sale of investments - net	**9,16,36,59**	7,08,73,96
III.	Profit on sale of land, buildings & other assets - net	**-1,79,14**	-39,45
IV.	Profit on exchange transactions - net	**9,77,60,93**	9,71,34,04
V.	Miscellaneous Income	**13,29,78,42**	14,52,44,36
	TOTAL	**36,31,73,54**	35,23,00,22
SCHEDULE 15 - INTEREST EXPENDED :			
I.	Interest on deposits	**2,20,77,44,46**	2,16,24,86,49
II.	Interest on Reserve Bank of India/Inter-bank borrowing	**5,40,83,38**	6,06,33,17
III.	Others	**12,67,42,37**	14,08,86,90
	TOTAL	**2,38,85,70,21**	2,36,40,06,56
SCHEDULE 16 - OPERATING EXPENSES :			
I.	Payments to and provisions for employees	**36,99,29,03**	37,85,51,55
II.	Rent, taxes and lighting	**4,70,04,83**	4,27,23,54
III.	Printing and stationery	**51,75,64**	51,98,69
IV.	Advertisement and publicity	**69,25,01**	63,18,63
V.	Depreciation on Bank's property	**2,44,11,42**	2,20,81,18
VI.	Directors' fees, allowances and expenses	**1,19,35**	1,48,13
VII.	Remuneration to Managing/Executive Director	**71,83**	59,23
VIII.	Auditors' fees and expenses(including branch auditors)	**35,04,69**	34,34,84
IX.	Law Charges	**21,41,97**	18,55,90
X.	Postage, Telegrams, Telephones, etc.	**75,70,80**	65,40,78
XI.	Repairs and maintenance	**1,13,29,13**	1,04,27,43
XII.	Insurance	**3,26,85,59**	3,07,92,36
XIII.	Other expenditure	**11,93,52,28**	10,62,10,62
	TOTAL	**63,02,21,57**	61,43,42,88

SCHEDULES FORMING PART OF THE ACCOUNTS FOR 2015-2016

SCHEDULE 17- SIGNIFICANT ACCOUNTING POLICIES

1 Accounting Convention

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting on going concern basis, unless otherwise stated and conform in all material aspects to Generally Accepted Accounting Principles (GAAP) in India, which comprise applicable statutory provisions, regulatory norms/guidelines prescribed by the Reserve Bank of India (RBI), Banking Regulation Act 1949, Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI), and the practices prevalent in the banking industry in India. In respect of foreign offices, statutory provisions of practices prevailing in respective foreign countries are complied with.

2 Use of Estimates

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and the expenses during the reporting period. Management believes that the estimates wherever used in the preparation of the financial statements are prudent and reasonable. Difference between the actual results and estimates is recognized in the period in which the results are known/ materialized.

3 Revenue Recognition

3.1 Income and Expenditure is generally accounted for on accrual basis unless otherwise stated.

3.2 Income from Non-Performing Assets (NPAs) is recognized to the extent realized as per the prudential norms prescribed by RBI.

3.3 Bank commission, exchange and brokerage earned, rent on Safe Deposit Lockers (SDV), commission on biometric cards, income from Aadhaar cards etc. are accounted for on realization basis.

3.4 Income (other than interest) on investments in "Held to Maturity" (HTM) category acquired at discount to the face value is recognized as follows:

a) On interest bearing securities, it is recognized only at the time of sale / redemption.

b) On zero coupon securities, it is accounted for over the balance tenor of the securities on a constant yield basis.

3.5 Dividend is accounted on an accrual basis where the right to receive the same is established.

4 Cash Flow Statements

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

5 Investments

5.1 Classification

i) In conformity of the requirements in form A of the Third Schedule to the Banking Regulations Act, 1949, Investments are classified as under:

a) Government Securities

b) Other Approved Securities

c) Shares

d) Debentures & Bonds

e) Investments in Subsidiaries & Joint Ventures, and

f) Other Investments

The Investment portfolio of the Bank is further categorized in accordance with the RBI guidelines into:

a) Held to Maturity (HTM)

b) Available for Sale (AFS)

c) Held for Trading (HFT)

5.2 Basis of Valuation

As per RBI guidelines, the following principles have been adopted for the purpose of valuation:

i) Securities held in "HTM" – at acquisition cost.: The excess of acquisition cost over the face value is amortized over the remaining period of maturity and in case of discount; it is not recognized as income.

ii) Investment in Regional Rural Banks are valued at carrying cost.

iii) Investments in Subsidiaries and Joint Ventures are valued at carrying cost

iv) Diminution other than temporary, if any, in valuation of such investments is provided for.

v) Securities held in "AFS" and "HFT" categories are valued classification wise and scrip wise and net depreciation, if any, in each classification is charged to Profit and Loss account while net appreciation, if any, is ignored.

vi) Valuation of other securities is arrived at as follows:

i	Govt. of India Securities	As per quotations put out by Fixed Income Money Market and Derivatives Association (FIMMDA).
ii	State Development Loans, Securities guaranteed by Central / State Government, PSU Bonds	On appropriate yield to maturity basis as per FIMMDA guidelines.

iii	Equity Shares	As per market rates, if quoted, otherwise at book value as per latest Audited Balance Sheet (not more than 1 year old). In the absence of both at ₹1/- per company.
iv	Preference Shares	As per market rates, if quoted or on appropriate yield to maturity basis not exceeding redemption value as per FIMMDA guidelines.
v	Debentures/Bonds	As per market rates, if quoted, otherwise on appropriate yield to maturity basis as per FIMMDA guidelines.
vi	Mutual Funds(MF)	As per stock exchange quotations, if quoted. In case of unquoted units, as per latest Repurchase price declared by concerned MF. In cases where latest repurchase price is not available, as per Net Asset Value (NAV)
vii	Treasury Bills / Certificate of Deposits / Commercial Papers	At carrying cost
viii	Venture Capital Funds (VCF)	At declared NAV or Break-up NAV as per audited Balance Sheet which is not more than 18 months old. If NAV / audited financial statements are not available for more than 18 months continuously, at ₹1/- per VCF
ix	Security Receipts	At NAV as declared by Securitization Companies

5.3 Interbank REPO / Reverse REPO transactions are accounted for in accordance with extant RBI guidelines.

5.4 As per the extant RBI guidelines, the shifting of securities from one category to another is accounted for as follows:

5.4.1 From AFS / HFT categories to HTM category, at lower of book value or market value as on the date of shifting. Depreciation, if any, is fully provided for.

5.4.2 From HTM category to AFS / HFT category,

- If the security is originally placed at discount in HTM category, at acquisition cost/ book value
- If the security is originally placed at a premium, at an amortized cost.

5.4.3 From AFS to HFT category and vice versa, at book value.

5.4.4 The securities so shifted are revalued immediately and resultant depreciation is fully provided for.

5.5 The non-performing investments are identified and depreciation/ provision is made as per the extant RBI guidelines.

5.6 Profit / Loss on sale of investments in any category is taken to the Profit and Loss account. However, in case of profit on sale of investments in "HTM" category, an equivalent amount (net of taxes and net of transfer to Statutory Reserves) is appropriated to the Capital Reserve account.

5.7 Commission, brokerage, broken period interest etc. on securities is debited / credited to Profit & Loss account.

5.8 As per the extant RBI guidelines, the Bank follows 'Settlement Date' for accounting of investments transactions.

6 Derivative Contracts

The Interest Rate Swap (IRS) which hedges interest bearing asset or liability are accounted for in the financial statements on accrual basis except the swap designated with an asset or liability that is carried at market value or lower of cost or market value. Gains or losses on the termination of swaps are recognized over the shorter of the remaining contractual life of the swap or the remaining life of the asset / liability.

i) Trading swap transactions are marked to market with changes recorded in the financial statements.

ii) In the case of option contracts, guidelines issued by Foreign Exchange Dealers Association of India (FEDAI) from time to time for recognition of income, premium and discount are being followed.

7 Advances

7.1 Advances in India, are classified under four categories, i.e. (a) Standard, (b) Sub-standard, (c) Doubtful and (d) Loss assets. Provisions required on such advances are made as per the extant prudential norms issued by the RBI. In respect of Advances made in overseas branches, Advances are classified in accordance with Prudential Norms prescribed by the RBI or local laws of the host country in which advances are made, whichever is more stringent.

7.2 Advances are stated net of specific loan loss provisions, counter cyclical provisioning buffer and provision for diminution in fair value of restructured advances and unrecovered interest held in sundry / claims received from Credit Guarantee Trust for Micro & Small Enterprises (CGTMSE)/Export Credit Guarantee Corporation (ECGC) relating to non-performing assets.

7.3 The general provision on standard advances is held in "Other Liabilities and Provisions" reflected in Schedule 5 of the balance sheet and is not considered for arriving at both net NPAs and net advances.

8 Fixed Assets and Depreciation

8.1 Premises and Other Fixed Assets are stated a cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises of purchase price less trade discounts and rebates, eligible borrowing costs and directly attributable costs of bringing the asset to its working condition for its intended use. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future benefits from such assets or their functional capability. Land and Buildings, if revalued are stated at revalued amount. The appreciation on revaluation is credited to Revaluation Reserve and the depreciation provided thereon is deducted there from.

8.2 Depreciation on Fixed Assets is provided for on the written down value method at the rates considered appropriate by the management as under

	Type of Asset	Rate of Depreciation
I.	Premises	5 %
II.	Other Fixed Assets	
	- Furniture and Fittings	10 %
	- Electric Fittings and Equipments, Office Appliances and SDV/ Strong rooms etc.	15 %
	- Transport Vehicles	20 %
	- Uninterrupted Power Supply Equipments	33.33 %
III.	Amount added consequent upon revaluation of the assets	Applicable rate for the asset type, over the residual economic life of the respective assets

8.3 Application Software is capitalized and clubbed under intangible assets. Depreciation on computers and software forming an integral part of Computer Hardware and on ATM is provided on Straight Line Method at the rate of 33.33% as per the guidelines of RBI.

8.4 Depreciation on additions to assets made up to 30th September of the year is provided at full rate and on additions made thereafter, at half the rate.

8.5 Depreciation on premises is provided on composite cost, wherever the value of land and buildings is not separately identifiable.

8.6 No depreciation is provided on assets sold / disposed off during the year.

8.7 Depreciation on leased assets and leasehold improvements is recognized on a straight-line basis using rates determined with reference to the primary period of lease.

9 Impairment of Assets

The carrying costs of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognized wherever the carrying cost of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. After impairment, depreciation is provided on the revised carrying cost of the asset over its remaining useful life. A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation, if there was no impairment.

10 Counter Cyclical Provisioning Buffer

The Bank has a policy for creation and utilization of Counter Cyclical Provisioning Buffer separately for advances and investments. The quantum of provision to be created is assessed at the end of each financial year. The counter cyclical provisions are utilized only for contingencies under extra ordinary circumstances specified in the policy with prior permission of the RBI.

11 Transactions involving Foreign Exchange

11.1 Accounting for transactions involving foreign exchange is done in accordance with AS 11, (The Effects of Changes in Foreign Exchange Rates), issued by the ICAI. As stipulated in AS 11, the foreign currency operations of the Bank are classified as

a) Integral Operations and

b) Non Integral Operations.

All Overseas Branches, Offshore Banking Units, Overseas Subsidiaries are treated as Non Integral Operations and domestic operations in foreign exchange and Representative Offices are treated as Integral Operations.

11.2 Translation in respect of Integral Operations

11.2.1 Income and Expenditure items are recognized at the exchange rates prevailing on the date of the transaction.

11.2.2 Foreign Currency Monetary and Non-Monetary Assets and Liabilities are translated at the closing spot rates notified by FEDAI at the end of each quarter.

11.2.3 Contingent liabilities on account of guarantees, acceptances, endorsements and other obligations are stated at the exchange rates notified by FEDAI at the close of the year.

11.2.4 The resulting exchange differences are recognized as income or expenses and are accounted through Profit and Loss Account.

11.2.5 Forward exchange contracts are recorded at the exchange rate prevailing on the date of commitment. Outstanding forward exchange contracts are revalued at the exchange rates notified by FEDAI for specified maturities and at interpolated rates for contracts of 'in-between' maturities. The resultant gains or losses are recognized in the Profit and Loss account.

11.3 Translation in respect of Non Integral Operations

11.3.1 Assets and Liabilities (including contingent liabilities) are translated at the closing spot rates notified by FEDAI at the end of each quarter

11.3.2 Foreign Exchange Spot and Forwards contingent liabilities outstanding as at the balance sheet date are translated at the closing spot and forward rates respectively notified by FEDAI and at interpolated rates for contracts of interim maturities.

11.3.3 Income and Expense are translated at quarterly average rate notified by FEDAI at the end of each quarter.

11.3.4 The resulting exchange differences are not recognized as income or expense for the period but accumulated in a separate account "Foreign Currency Translation Reserve" till the disposal of the net investment.

12 Employee Benefits

Retirement benefits in the form of provident fund are a defined contribution scheme. The contributions to the provident fund are charged to the Profit and Loss account for the year when the contributions are due. The Bank has no obligation, other than the contribution payable to the provident fund.

Gratuity liability, Pension fund and provision towards leave are defined benefit obligations, and are provided for on the basis of an actuarial valuation as per AS 15 (Revised) made at the end of each financial year, based on the projected unit credit method. Actuarial gains/losses are immediately taken to the Profit and Loss account.

The New Pension Scheme is applicable to employees who joined the Bank on or after 01.04.2010 is a defined contribution scheme. Bank pays fixed contribution at predetermined rate and the obligation of the Bank is limited to such fixed contribution. The contribution is charged to Profit and Loss Account.

Employee benefits relating to employees employed at foreign offices are valued and accounted for as per the local laws/regulation of the respective countries.

13 Segment Reporting

The Bank recognizes the Business Segment as the Primary Reporting Segment and Geographical Segment as the Secondary Reporting Segment, in accordance with the RBI guidelines and in the compliances with the Accounting Standard 17 issued by ICAI.

Business Segments are classified into (a) Treasury operations, (b) Corporate and Wholesale Banking, (c) Retail Banking operations and (d) Other Banking operations.

14 Lease Transactions

Lease payments for assets taken on operating lease are amortized over the lease term. The properties taken on lease / rental basis are renewable / cancellable at the option of the Bank. The Bank's liabilities in respect of disputes pertaining to additional rent / lease rent are recognized on settlement or on renewal.

15 Earnings per Share

Earnings per share are calculated by dividing the net profit or loss (after tax) for the year attributable to the equity share holders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if contracts to issue equity shares were exercised or converted during the year. Diluted earnings per equity share are calculated by using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

16 Taxation

Provision for tax is made for both current and deferred taxes. Current tax is provided on the taxable income using applicable tax rates and tax laws. Deferred Tax Assets and Deferred Tax Liabilities arising on account of timing differences and which are capable of reversal in subsequent periods are recognized using the tax rates and the tax laws that have been enacted or substantively enacted till the date of the Balance Sheet.

Deferred tax assets are recognized only if there is virtual certainty of realization of such assets in future. Deferred tax assets/ liabilities are reviewed at each Balance Sheet date based on developments during the year.

17 Provisions, Contingent Liabilities and Contingent Assets

As per AS 29 (Provisions, Contingent Liabilities and Contingent Assets) issued by the ICAI, the Bank recognizes provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

18 Share Issue Expenses:

Share Issue expenses are charged to the Share Premium account.

SCHEDULES FORMING PART OF THE ACCOUNTS FOR 2015-2016

SCHEDULE 18 – NOTES ON ACCOUNTS:

A. DISCLOSURES IN TERMS OF THE RESERVE BANK OF INDIA GUIDELINES

1.1 CAPITAL

The Bank is subjected to Basel III capital adequacy guidelines stipulated by RBI with effect from April 1, 2013. The guidelines provide a transition schedule for Basel III implementation till March 31, 2019. As per guidelines, the Tier I capital is made up of Common Equity Tier I (CET I) and Additional Tier I.

Basel III guidelines require the Bank to maintain minimum capital to Risk Weighted Assets ratio (CRAR) of 9% with minimum CET I of 5.5% and minimum Tier I CRAR OF 7% as at March 31, 2016.

The computation of Capital Adequacy as per the framework is indicated below:

Sr. No	Particulars	31.03.2016	31.03.2015
i)	Common Equity Tier 1 Capital ratio (CET 1) (%) Basel II Basel III	 Nil 7.95	 Nil 7.24
ii)	Tier I Capital ratio (%) Basel II Basel III	 8.23 8.14	 7.60 7.50
iii)	Tier II Capital ratio (%) Basel II Basel III	 2.91 2.42	 3.14 2.72
iv)	Total Capital ratio (CRAR) (%) Basel II Basel III	 11.14 10.56	 10.74 10.22
v)	Percentage of the shareholding of the Government of India (%)	63.44	60.47
vi)	Amount of Equity Capital raised : **(₹ in crore)**	51.66	5.47
vii)	Amount of Additional Tier I capital raised : **(₹ in crore)**	--	--
Viii	Amount of Tier II Capital raised : **(₹ in crore)**	1000.00	--
	of which Debt capital instruments : **(₹ in crore)**	1000.00	--

During the Financial Year 2015-16, the Bank has allotted 5,16,62,281 equity shares of ₹ 10/- each at price of ₹ 209.05 per equity share (including a premium of ₹ 199.05 per equity share), to the Government of India. Consequently, the share holding of Government of India has increased from 60.47% to 63.44%.

1.2 INVESTMENTS

The detail of Investments and the Movement of provision held towards depreciation on investments of the Bank is given below:

(₹ in crore)

	Particulars		31.03.2016	31.03.2015
1	**Value of Investments**			
	i)	Gross Value of Investments	88640.36	93815.05
		(a) In India	88326.61	93569.37
		(b) Outside India	313.75	245.68
	ii)	Provisions for Depreciation	553.80	404.52
		(a) In India	553.80	404.52
		(b) Outside India	0.00	0.00
	iii)	Net Value of Investments	88086.57	93410.53
		(a) In India	87772.82	93164.85
		(b) Outside India	313.75	245.68
2	**Movement of provisions held towards depreciation on investments**			
	i)	Opening balance	404.52	445.98
	ii)	Add: Provisions made during the year	480.77	291.52
	iii)	Less: Write-off/ write-back of excess provisions during the year	331.49	332.98
	iv)	**Closing balance**	**553.80**	**404.52**

1.2.1REPO Transactions (In face value terms)

The details of securities sold and purchased under repo and reverse repo transactions respectively is given below:

(₹ in crore)

		Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31.03.2016
A	**Securities sold under Repo**				
i)	Government securities	5.00	13472.00	2515.24	12289.50
ii)	Corporate debt securities	-	-	-	-
B	**Securities purchased under Reverse Repo**				
i)	Government securities	5.00	4738.96	1116.23	20.46
ii)	Corporate debt securities	-	-	-	-

1.2.2 Non-SLR Investment Portfolio

i. **Issuer composition of Non SLR Investments**

The issuer composition of investments in securities, other than government and other approved securities is given below:

(₹ in crore)

No.	Issuer	Amount	Extent of Private Placement	Extent of Below Investment Grade Securities	Extent of Unrated Securities **	Extent of Unlisted Securities **
(1)	(2)	(3)	(4)	(5)	(6)	(7)
i)	PSUs	7,131.80	6,265.29	-	0.58	0.58
ii)	FIs	2,022.57	662.16	-	-	-
iii)	Banks	348.40	294.00	-	-	-
iv)	Private Corporate	5,691.63	3,874.58	155.04	14.85	437.29
v)	Subsidiaries/ Joint Ventures*	410.86	426.82	-	-	-
vi)	Others	1,533.95	1,060.08	-	-	-
vii)	Provision held towards depreciation	(553.56)	-	-	-	-
	Total	**16585.65**	**12,582.93**	**155.04**	**15.43**	**437.87**

Particulars	31.03.2016	31.03.2015
Shares	1237.45	958.05
Debentures and Bonds	13353.37	8240.47
Subsidiaries and Joint Ventures	410.86	358.75
Others	1583.97	11151.99
TOTAL	**16585.65**	**20709.26**

* Investment of ₹ 15.96 crores in Subsidiaries and Joint Ventures in Schedule 8 to Balance Sheet includes Banks investment in shares of Regional Rural Banks which are classified under SLR investments.

** Unrated & unlisted securities disclosed includes only Ratings & Listing of securities required as per Master Circular dated 01.07.2015 issued by RBI.

RBI vide the Circular RBI/2015-16/127 DBR.BP.BC. NO.31/21.04.018/2015-16 dated July 16, 2015 advised that commencing April 1, 2015, deposit placed with NABARD/ SIDBI/NHB on account of shortfall in priority sector targets should be included under schedule 11- Other Assets under the subheads 'Others' of the Balance Sheet. The exposure to RIDF of NABARD/SIDBI/NHB as of 31/03/2016 aggregating to Rs. 8076.88 crore (Previous year Rs.9631.25 crore) is included under other assets.

ii. **Non performing Non-SLR investments**

The movement in gross non performing investments in securities other than government and other approved securities is given below:

(₹ in crore)

Particulars	31.03.2016	31.03.2015
Opening balance	203.02	218.86
Additions during the year	51.38	50.93
Reductions during the year	10.21	66.77
Closing balance	244.19	203.02
Total provisions held	**132.60**	**115.04**

1.2.3 Sale and transfers to/from HTM Category

The Bank has not made sales and transfers to/from HTM category during the financial year 2015-16 exceeding 5 per cent of the book value of investments held in HTM category at the beginning of the year. During the year 2015-16, the Bank had carried out one time transfer of securities to/from HTM category with the approval of Board of Directors aggregating Rs. 5765.48 crore and Rs. 5640.96 crore being face value and book value respectively. Bank in order to comply to the Reserve Bank of India circular no. RBI/2014-15/254 BDOD. No.BP.BC.42/21.04.141/2014-15 dated October 7, 2014 directing banks to reduce its total SLR securities held in the HTM category to below 22.00 per cent with effect from September 19, 2015 of the NDTL as on the last Friday of the second preceding fortnight, the Bank on September 5, 2015, transferred securities from HTM to AFS Category aggregating Rs. 3,323.95 crore (face value) and Rs. 3,155.62 crore (book value). The Bank during the FY 2015-16 sold securities worth Rs. 1,677.45 crore to Reserve Bank of India under pre announced OMO auctions.

1.3 Derivatives

1.3.1 Forward Rate Agreement/Interest Rate Swap

(₹ in crore)

Sr. No.	Particulars	31.03.2016	31.03.2015
i)	The notional principal of swap agreements	18456.77	13150.07
ii)	Losses which would be incurred if counter parties failed to ulfill their obligations under the agreements	49.80	4.10
iii)	Collateral required by the Bank upon entering into swaps	Nil	Nil
iv)	Concentration of credit risk arising from the Swaps	Banking Industry	Banking Industry
v)	The fair value of the swap book*	-13.56	-3.66

*MTM of IRS deals plus interest accrued on hedging deals.

Note:

I. Interest rate swaps in Indian Rupees were undertaken for hedging Tier II Bonds.

II. The Bank has entered into Floating to Fixed or Fixed to Floating Interest Rate Swap transactions for trading during the year.

III. All underlying for hedge transactions are on accrual basis.

1.3.2 Exchange Traded Interest Rate Derivatives

(₹ in crore)

Sr. No	Particulars	31.03.2016	31.03.2015
i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise) A) Interest Rate Futures Buy Sell	 7440.02 8195.32	 7030.52 6987.92
ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2016 (instrument-wise)	Instrument O/S 759GS2026 10.00 772GS2025 10.00 788GS2030 5.00	Nil
iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Instrument O/S 759GS2026 10.00 772GS2025 10.00 788GS2030 5.00	Nil
iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Instrument MTM 759GS2026 0.03 772GS2025 0.02 788GS2030 (0.001)	Nil

1.3.3 Disclosures on risk exposures in derivatives

A. QUALITATIVE DISCLOSURE

a) The Bank deals in two groups of derivative transactions within the framework of RBI guidelines.

i) Over the Counter Derivatives

ii) Exchange Traded Derivatives

The Bank deals in Forward Rate Agreement, Interest Rate Swaps, Cross Currency Swap and Currency Options in Over the Counter Derivatives group.

In Exchange Traded Derivatives Group, the Bank trades in Currency Futures and Interest Rate Futures. The Bank is Trading & clearing member with three Exchanges viz. National Stock Exchange (NSE), Bombay Stock Exchange (BSE) & Metropolitan Stock Exchange (MSEIL), on their Currency Derivative segment, as permitted by Reserve Bank of India. The Bank carries out proprietary trading in currency futures on these exchanges. The Bank has set up the necessary infrastructure for Front, Mid and Back office operations. Daily Mark to Market (MTM) and Margin obligations are settled with the exchanges as per guidelines issued by the Regulators.

The Bank trades in Interest Rate Futures on National Stock Exchange. The bank has necessary infrastructure for Front, Mid and Back office operations in place. Daily Mark to Market (MTM) and Margin obligations are settled with the exchanges as per guidelines issued by the Regulators.

The Bank undertakes derivative transactions for proprietary trading/market making, hedging own balance sheet and for offering to customers, who use them for hedging their risks within the prevalent regulations. Proprietary trading/market making positions are taken in Rupee Interest Rate Swap, Currency Futures and Interest Rate Futures. While derivative instruments present immense opportunity for making a quantum leap in non-interest income and also for hedging market risk, it exposes the Bank to various risks. The Bank has adopted the following mechanism for managing different risks arising out of derivative transactions.

In terms of the structure, operations in the Treasury Branch are segregated into following three functional areas, which are provided with trained officers with necessary systems support and their responsibilities are clearly defined.

I) Front Office — Dealing Room. Ensures Compliance with trade origination requirements as per Bank's policy and RBI guidelines.

II) Mid-Office --- Risk Management, Accounting Policies and Management

III) Back Office- Settlement, Reconciliation, Accounting.

Mid Office monitors transactions in the trading book and excesses, if any, are reported to Risk management Department for necessary action. Mid Office also measures the financial risk for transactions in the trading book on a daily basis, by way of Mark to Market. Daily Mark to Market position is reported to Risk Management Department, for onward reporting of the risk profile to the Directors' Committee on the Assets and Liability Management.

In case of corporate clients transactions are concluded only after the inherent credit exposures are quantified and approved in terms of approval process laid down in the Treasury Policy for customer appropriateness and suitability. The necessary documents like ISDA agreements are duly executed. The bank has adopted Current Exposure Method for monitoring credit exposures.

b) Treasury Policy of the Bank lays down the types of financial derivative instruments, scope of usages, and approval process as also the limits like the open position limits, deal size limits, stop loss limits and counterpart exposure limit for trading in approved instruments.

Various Risk Limits are set up and actual exposures are monitored vis-à-vis the limits.

These limits are set up taking in to account market volatility, business strategy and management experience. Risk limits are in place for risk parameters viz. PV01, stop loss, counterparty credit exposure. Actual positions are measured against these limits periodically and breaches if any are reported promptly. The Bank ensures that the Gross PV01 position arising out of all non option derivative contracts is within the 0.25% of net worth of the Bank.

c) The Bank also uses financial derivative transactions for hedging its own Balance Sheet Exposures. Treasury Policy of the Bank spells out approval process for hedging the exposures. The hedge transactions are monitored on a regular basis. The notional profit or loss calculated on Mark to Market basis, PV01 and VaR on these deals are reported to the Assets Liability Committee (ALCO) every month. Hedge effectiveness is the degree to which changes in the fair value or cash flows of the hedged items that are attributed to a hedged risk are offset by changes in the fair value or cash flows of the hedging instruments. This exercise is carried out periodically to ensure hedge effectiveness.

d) The hedged/un-hedged transactions are recorded separately. The hedged transactions are accounted for on accrual basis. All trading contracts are mark-to-market and resultant gross gain or loss is recorded in income statement.

In case of Option contracts, guidelines issued by FEDAI from time to time for recognition of income, premium, and discount are being followed.

To mitigate the credit risk, the Bank has policy in place to sanction limits to counterparty the Banks and Counterparty clients. The Bank adopts Current Exposure method for monitoring counterparty exposure periodically. While sanctioning derivative limit, the competent authority may stipulate condition of obtaining collaterals/margin as deemed appropriate. The derivative limit is reviewed periodically along with other credit limits.

The customer related derivative transactions are covered with counterparty banks, on back-to-back basis for identical amount and tenure and the bank does not carry any market risk.

B. QUANTITATIVE DISCLOSURES (₹ in crore)

		31.03.2016	
Sr. No	**Particulars**	**Currency Derivatives**	**Interest Rate Derivatives**
i)	Derivatives (Notional Principal Amount)		
a	For hedging	0.00	7956.77
b	For trading	1289.61	7825.15
ii)	Marked to Market Positions (1)		
a	Asset (+)	16.54	30.00
b	Liability (-)	(-)10.43	(-)43.75
iii)	Credit Exposure (2)	105.37	119.00
iv)	Likely impact of one percentage change in interest rate (100*PV01)		
a	On hedging derivatives	0.00	33.66
b	On trading derivatives	2.82	30.23
v)	Maximum and Minimum of 100*PV01 observed during the year		
A	Maximum		
	a. On hedging	0.00	39.60
	b. On trading	3.47	61.03
B	Minimum		
	a. On hedging	0.00	0.27
	b. On trading	0.43	0.42

*Credit exposure of interest rate derivative also includes the exposure on Hedging deals.

1.4 Asset Quality

1.4.1 Non Performing Assets

The details of movement of gross non performing assets (NPAs), net NPAs and provisions are given below:

(₹ in crore)

Sr. No.	Particulars	31.03.2016	31.03.2015
i)	Net NPAs to Net Advances (%)	**5.25**	**2.71**
ii)	Movement of NPAs (Gross)		
	(a) Opening balance	13030.87	9563.74
	(b) Additions (Fresh NPAs) during the year	12952.87	5666.26
	(c) Increase in balance of existing NPA	-	-
	Sub-total (A)	**25983.74**	**15230.00**
	(d) Less:-		
	(i) Up-gradations	177.73	138.11
	(ii) Recoveries (excluding recoveries made from upgraded accounts)	843.54	1130.31
	(iii) Technical/Prudential Write-offs	645.68	861.06
	(iv) Write-offs other than (iii) above	145.90	69.65
	Sub-total (B)	**1812.85**	**2199.13**
	(e) **Closing balance (A-B)**	**24170.89**	**13030.87**
iii)	Movement of NPAs (Net)		
	(a) Opening Balance	6918.97	5340.25
	(b) Additions during the year	8297.83	2910.10
	(c) Reduction during the year	1190.86	1331.38
	(d) **Closing Balance**	**14025.94**	**6918.97**
iv)	Movement of provisions for NPAs		
	(a) Opening balance	6111.90	4223.49
	(b) Provisions made during the year	4655.03	2756.16
	(c) Write-off/write-back of excess Provisions	621.98	867.75
	(d) **Closing balance**	**10144.95**	**6111.90**

Provision includes provision in lieu of diminution in fair value of restructured advances classified as NPAs.

Opening and Closing balances of provision for NPAs also include ECGC claims received/recoveries in suit filed accounts and held pending adjustment of Rs 52.12 crore (Previous year Rs. 59.28 crore) and Rs. 0.67 crore (Previous year Rs 1.14 crore) respectively.

1.4.2 Particulars of Accounts Restructured

(₹ in crore)

Sr. No.	Type of Restucturing		Under CDR Mechanism					Under SME Debt Restructuring Mechanism				
	Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
	Details											
1	Restructured Accounts as on April 1 of the FY 2015 -16 (Opening Figures)	No.of Borrowers	27 (22)	13 (7)	3 (2)	0 (0)	**43 (31)**	571 (88)	118 (103)	7517 (8838	318 (340)	**8524 (9369)**
		Amount Outstanding	3859.57 (2631.49)	1435.14 (635.01)	204.20 (39.79)	0.00 (0.00)	**5498.91 (3306.29)**	788.73 (908.23)	517.23 (222.82)	236.17 (393.04)	40.32 (40.64)	**1582.45 (1564.73)**
		Provision there on	361.73 (353.74)	171.13 (94.42)	43.83 (9.72)	0.00 (0.00)	**576.69 (457.88)**	32.97 (41.70)	26.50 (9.57)	14.38 (13.27)	2.17 (1.98)	**76.02 (66.52)**
2	Fresh Restructuring during the year 2015 -16	No.of Borrowers	0 (16)	0 (0)	0 (0)	0 (0)	**0 (16)**	23 (668)	1 (6)	0 (3)	0 (0)	**24 (677)**
		Amount Outstanding	0.00 (1723.19)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	**0.00 (1723.19)**	0.67 (453.14)	36.12 (0.05)	0.00 (0.02)	0.00 (0.00)	**36.79 (453.21)**
		Provision there on	0.00 (195.8)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	**0.00 (195.8)**	0.04 (21.67)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	**0.04 (21.67)**
3	Upgradations to restructured standard category during the year 2015 -16	No. of Borrowers	2 (1)				**2 (1)**	12 (5)				**12 (5)**
		Amount Outstanding	330.99 (76.76)				**330.99 (76.76)**	29.85 (13.35)				**29.85 (13.35)**
		Provision there on	2.84 (0 .00)				**2.84 (0 .00)**	0.07 (2)				**0.07 (2)**
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 2015 -16 and hence need not be shown as restructured standard advances at the beginning of the next FY 2016 -17	No.of Borrowers	0 (12)				**0 (12)**	2 (52)				**2 (52)**
		Amount Outstanding	0.00 (959.41)				**0.00 (959.41)**	4.29 (217.54)				**4.29 (217.54)**
		Provision there on	0.00 (61.34)				**0.00 (61.34)**	0.00 (15.29)				**0.00 (15.29)**
5	Downgradations of restructured accounts during the FY 2015-2016	No.of Borrowers		14 (6)	8 0	0 (0)	**22 (6)**		133 (66)	25 0	0 (0)	**158 (66)**
		Amount Outstanding		880.72 (646.26)	1879.5 (0 .00)	0.00 (0.00)	**2760.22 (646.26)**		142.37 (413.79)	51.64 (0.00)	0.00 (0.00)	**194.01 (413.79)**
		Provision there on		25.89 (93.88)	87.59 (0.00)	0.00 (0.00)	**113.48 (93.88)**		0.11 (19.42)	0.6 (0 .00)	0.00 (0.00)	**0.71 (19.42)**
6	Write-offs of restructured accounts during the FY 2015-2016	No.of Borrowers	0 (0)	0 (0)	2 (1)	0 (0)	**2 (1)**	0 (0)	0 (0)	1 (8)	0 (0)	**1 (8)**
		Amount Outstanding	0.00 (0.00)	0.00 (0.00)	48.84 (103.75)	0.00 (0.00)	**48.84 (103.75)**	0.00 (0.00)	0.00 (0.00)	33.8 (163.97)	0.00 (0.00)	**33.8 (163.97)**
7	Restructured Accounts as on March 31 of FY 2015-16 (Closing Figures)	No.of Borrowers	15 (27)	16 (13)	21 (3)	0 (0)	**52 (43)**	413 (571)	121 (118)	6547 (7517)	282 (318)	**7363 (8524)**
		Amount Outstanding	2092.16 (3859.57)	1133.24 (1435.14)	3770.86 (204.2)	0.00 (0.00)	**6996.26 (5498.91)**	761.47 (788.73)	166.03 (517.23)	540.81 (236.17)	5.03 (40.32)	**1473.34 (1582.45)**
		Provision there on	10.25 (361.73)	92.86 (171.13)	265.82 (43.83)	0.00 (0.00)	**368.93 (576.69)**	7.15 (32.97)	0.87 (26.5)	31.36 (14.38)	0.33 (2.17)	**39.71 (76.02)**

1.4.2 Particulars of Accounts Restructured

(₹ in crore)

Sr. No.	Type of Restucturing		Others					Total				
	Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
	Details											
1	Restructured Accounts as on April 1 of the FY 2015 -16 (Opening Figures)	No.of Borrowers	9428 (575)	926 (757)	23785 (28292)	1215 (1341)	**35354 (30965)**	10026 (681)	1057 (867)	31305 (37132)	1533 (1681)	**43921 (40361)**
		Amount Outstanding	9009.95 (8813.13)	1453.56 (1071.16)	557.19 (651.63)	25.64 (25.76)	**11046.34 (10561.68)**	13658.25 (12352.85)	3405.93 (1928.99)	997.56 (1084.46)	65.96 (66.4)	**18127.7 (15432.7)**
		Provision there on	205.43 (238.59)	33.3 (17.43)	23.72 (28.73)	1.67 (1.65)	**264.12 -286.4**	600.13 (634.03)	230.93 (121.42)	81.93 (51.72)	3.84 (3.63)	**916.83 (810.8)**
2	Fresh Restructuring during the year 2015-16	No.of Borrowers	1008 (10766)	2 (35)	1 (14)	0 (0)	**1011 (10815)**	1031 (11450)	3 (41)	1 (17)	0 0	**1035 (11508)**
		Amount Outstanding	1295.69 (2825.23	66.26 (1.08)	572.12 (0.08)	0.00 (0.00)	**1934.07 (2826.39)**	1296.36 (5001.56)	102.38 (1.13)	572.12 (0.1)	0.00 (0.00)	**1970.86 (5002.79)**
		Provision there on	28.36 (180.43)	2.81 (0.03)	0.00 (0.00)	0.00 (0.00)	**31.17 (180.46)**	28.4 (397.9)	2.81 (0.03)	0.00 (0.00)	0.00 (0.00)	**31.21 (397.93)**
3	Upgradations to restructured standard category during the year 2015-16	No.of Borrowers	330 (176)				**330 (176)**	344 (182)				**344 (182)**
		Amount Outstanding	17.27 (7.24)				**17.27 (7.24)**	378.11 (97.35)				**378.11 (97.35)**
		Provision there on	0.59 (0.33)				**0.59 (0.33)**	3.5 (2.33)				**3.5 -2.33**
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 2015-16 and hence need not be shown as restructured standard advances at the beginning of the next FY 2016-17	No.of Borrowers	9 (372)				**9 (372)**	11 (436)				**11 (436)**
		Amount Outstanding	45.39 (1797.59)				**45.39 (1797.59)**	49.68 (2974.54)				**49.68 (2974.54)**
		Provision there on	0.67 (43.15)				**0.67 (43.15)**	0.67 (119.78)				**0.67 (119.78)**
5	Down gradations of restructured accounts during the FY 2015-2016	No.of Borrowers		1623 (519)	89 (0)	9 (0)	**1721 (519)**		1770 (591)	122 (0)	9 (0)	**1901 (591)**
		Amount Outstanding		662.06 (299.48)	820.2 (0.00)	84.56 (0.00)	**1566.82 (299.48)**		1685.15 (1359.53)	2751.34 (0 .00)	84.56 (0.00)	**4521.05 (1359.53)**
		Provision there on		12.75 (14.1)	1.23 (0.00)	0.35 (0.00)	**14.33 (14.1)**		38.75 (127.4)	89.42 (0.00)	0.35 (0.00)	**128.52 (127.4)**
6	Write-offs of restructured accounts during the FY 2015-2016	No.of Borrowers	0 (0)	0 (0)	9 (2)	0 (0)	**9 (2)**	0 (0)	0 (0)	12 (11)	0 (0)	**12 (11)**
		Amount Outstanding	0.00 (0.00)	0.00 (0.00)	200.46 (64.46)	0.00 (0.00)	**200.46 (64.46)**	0.00 (0.00)	0.00 (0.00)	283.1 (332.18)	0.00 (0.00)	**283.1 (332.18)**
7	Restructured Accounts as on March 31 of FY 2015-16 (Closing Figures)	No.of Borrowers	9751 (9428)	1375 (926)	21371 (23785)	1187 (1215)	**33684 (35354)**	10179 (10026)	1512 (1057)	27939 (31305)	1469 (1533)	**41099 (43921)**
		Amount Outstanding	5718.81 (9009.95)	1013.59 (1453.56)	1999.81 (557.19)	426.03 (25.64)	**9158.24 (11046.34)**	8572.44 (13658.25)	2312.86 (3405.93)	6311.48 (997.56)	431.06 (65.96)	**17627.84 (18127.7)**
		Provision there on	112.15 (205.43)	22.67 (33.3)	41.46 (23.72)	1.23 (1.67)	**177.51 (264.12)**	129.55 (600.13)	116.4 (230.93)	338.64 (81.93)	1.56 (3.84)	**586.15 (916.83)**

1.4.3Details of financial assets sold to Securitization/ Reconstruction Company for Asset Reconstruction

(₹ in crore)

Sr. No.	Particulars	31.03.2016	31.03.2015
i)	No. of accounts	3	9
ii)	Aggregate value (net of provisions) of accounts sold to SC/RC		
	a) NPA Accounts	132.05	40.69
	b) Written-off accounts	Nil	Nil
	c) SMA accounts	Nil	326.52
iii)	Aggregate consideration		
	a) NPA Accounts	101.50	81.20
	b) Written-off accounts	Nil	234.23
	c) SMA accounts	Nil	326.52
iv)	Additional consideration realized in respect of accounts transferred in earlier year.	2.25	Nil
v)	Aggregate gain / (loss) over net book value.		
	a) NPA Accounts	(31.00)	40.51
	b) Written-off accounts	Nil	234.23
	c) SMA accounts	Nil	Nil

1.4.4 Details of non performing financial assets purchased / sold

A. Details of non performing financial assets purchased

(₹ in crore)

Sr. No.	Particulars	31.03.2016	31.03.2015
1	a. No. of accounts purchased during the year	Nil	Nil
	b. Aggregate outstanding	Nil	Nil
2	a. Of these, number of accounts restructured during the year	Nil	Nil
	b. Aggregate outstanding	Nil	Nil

B. Details of non performing financial assets sold (other then ARCs)

(₹ in crore)

Sr. No.	Particulars	31.03.2016	31.03.2015
1	No. of accounts sold	Nil	Nil
2	Aggregate outstanding	Nil	Nil
3	Aggregate consideration received	Nil	Nil

C. Book Value of Investments in Security Receipts

(₹ in crore)

Particulars	Backed by NPAs sold by the bank as underlying		Backed by NPAs sold by other banks/ financial institutions/ non banking financial companies as underlying		Total	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Book Value of Investments in Security Receipts	658.19	572.30	15.30	25.93	673.49	598.23

Particulars	Backed by SMA sold by the bank as underlying		Backed by SMA sold by other banks/ financial institutions/ non banking financial companies as underlying		Total	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Book Value of Investments in Security Receipts	257.82	257.82	--	--	257.82	257.82

1.4.5 Provision on Standard Assets

(₹ in crore)

Particulars	31.03.2016	31.3.2015
Provision towards Standard Assets	(107.47)	239.81

The provision on Standard Assets held by the Bank as on 31st March, 2016 is ₹ 1522.32 crore (previous year ₹ 1613.36)

1.5 Business Ratios

Sr. No.	Particulars	31.03.2016	31.03.2015
i)	Interest Income as a percentage to Working Funds	8.37	8.88
ii)	Non-interest income as a percentage to Working Funds	0.94	0.97
iii)	Operating Profit as a percentage to Working Funds	1.49	1.61
iv)	Return on Assets	0.35	0.49
v)	**Business (Deposits plus advances) per employee** (₹ in crore)	15.51	14.46
vi)	**Profit per employee (₹ in crore)**	0.04	0.05

1.6 Asset Liability Management

The maturity pattern of Deposits, Borrowings, Advances and Investment as of 31st March 2016 is based on the following:

- RBI Guidelines on ALM
- Behavioral studies of Assets & Liabilities which do not have definite maturity and for embedded optionality
- Foreign Currency On-balance sheet Assets & Liabilities

(₹ in crore)

	Deposits	Advances	Investments	Borrowings	Foreign Currency assets	Foreign Currency liabilities
Day 1	1220.68 (1090.96)	3978.72 (2032.03)	6817.12 (3219.48)	1,227.63 (705.05)	6825.01 (1932.81)	2604.47 (2330.95)
2-7 days	7385.37 (3698.22)	4770.81 (2786.50)	1153.63 (650.33)	654.71 (2253.62)	1017.00 (271.88)	1365.55 (1137.13)
8-14 days	7235.66 (4455.91)	6314.82 (3362.06)	131.66 (0.00)	325.64 (1466.68)	1444.37 (1184.23)	816.09 (1155.27)
15 to 28 days	4776.79 (4890.86)	6650.64 (7549.93)	0.00 (0.00)	303.45 (1174.29)	1395.44 (976.63)	647.63 (1393.55)
29 days to 3 months	36350.54 (27002.47)	21311.22 (23736.91)	727.80 (2615.00)	4,834.99 (3297.34)	12472.69 (8571.45)	8255.91 (4171.40)
Over 3 months & up to 6 months	23574.92 (21174.15)	17248.37 (16766.13)	277.74 (2605.63)	1,836.94 (6169.52)	6158.27 (6281.27)	2747.80 (5052.41)
Over 6 months & up to 1 year	42236.32 (50651.85)	27775.19 (28994.80)	2104.31 (2823.40)	3,417.37 (3757.49)	8416.45 (4117.85)	12053.84 (7468.37)
Over 1 year & up to 3 years	48676.63 (52004.79)	126078.2 (119855.99)	18509.39 (8346.60)	9,376.78 (3489.88)	3920.46 (5099.95)	8793.42 (8514.91)
Over 3 years & up to 5 years	33290.07 (27572.41)	27828.39 (26783.47)	14485.27 (27061.17)	1,843.33 (6816.12)	5113.25 (5874.32)	3507.90 (5954.59)
Over 5 years	137973.03 (124328.30)	25397.64 (23786.75)	45001.43 (46771.37)	7,136.51 (6229.99)	1402.06 (2090.73)	1069.52 (730.85)
Total	**342720.01 (316869.92)**	**267354.00 (255654.57)**	**89208.35 (94092.98)**	**30957.35 (35359.98)**	**48165.00 (36401.12)**	**41862.13 (37909.44)**

NOTE: Previous year figures have been mentioned in brackets

1.7 Exposures

1.7.1 Exposure to Real Estate Sector

(₹ in crore)

Sr. No.	Category	31.03.2016	31.03.2015
a)	Direct exposure		
i)	Residential Mortgages -	26,991.39	25879.22
	Lendings fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;		
	- Of which individual housing loans up to ₹20 lakh eligible for inclusion in priority sector.		
	Of which individual housing loans eligible for inclusion in priority sector.	12259.11	11290.15
ii)	Commercial Real Estate –	3754.42	4980.33
	Lendings secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.) Exposure includes non-fund based (NFB) limits:		
iii)	Investments in Mortgage Backed Securities (MBS) and other securitized exposures -		
	a. Residential,	0.00	0.00
	b. Commercial Real Estate.	0.00	0.00
b)	Indirect Exposure		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	11595.96	8666.32
	Total Exposure to Real Estate Sector	**42341.77**	**39525.87**

1.7.2 Exposure to Capital Market

(₹ in crore)

Sr. No.	Particulars	31.03.2016	31.03.2015
i)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity – oriented mutual funds the corpus of which is not exclusively invested in corporate debt.	902.31	683.91
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	4.12	1.55
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	2.05	1.88
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	1.20	71.34
v)	Secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers	551.41	491.70
vi)	Loans sanctioned to corporate against the security of shares /bonds/debentures or other securities or on clean basis for meeting promoter contribution to the equity of new companies in anticipation of raising resources	240.05	313.00
vii)	Bridge loans to companies against expected equity flows /issues.	-	-
viii)	Underwriting commitments taken up by the Banks in respect of primary issue of shares or convertible bonds or convertible debentures and units of equity oriented mutual funds	-	-
ix)	Financing to stock brokers for margin trading	0.00	11.97
x)	All exposures to venture capital funds (both registered and unregistered) will be deemed to be on par with equity and hence will reckoned for compliance with the capital market exposure.**	530.30	517.02
	Total exposure to Capital Market	**2,231.44**	**2092.37**

**** Including undrawn capital commitments of venture capital amounting ₹142 crore for 2015-16 (Previous year ₹ 168.79 crore).**

1.7.3Risk Category wise Country Exposure

(₹ in crore)

Risk Category	Net Exposure 31.03.2016	Net Exposure 31.03.2015	Provision held 31.03.2016	Provision held 31.03.2015
Insignificant	13376.83	12909.19	Nil	Nil
Low	4731.32	3837.78	Nil	Nil
Moderate	398.71	672.70	Nil	Nil
High	2.16	0.20	Nil	Nil
Very High	-	264.92	Nil	Nil
Restricted	-	Nil	Nil	Nil
Off-credit	-	Nil	Nil	Nil
Total	**18509.02**	**17684.79**	Nil	Nil

As per Country Risk Policy 2015-16 & 2016-17, Bank has used ECGC country risk classification for the Trade Exposure and other than Trade exposure in India both for branches in India and for Overseas branches.

Bank will make provision for country risk exposure only in respect of a country where the net funded exposure is 1% or more of its total assets.

1.7.4Details of Single Borrower Limit (SBL), Group Borrower Limit (GBL) exceeded by the Bank.

(₹ in crore)

Sr. No		Name of the Borrower	Exposure Ceiling (₹)	Total Exposure (₹)	Exposure as % of Capital Fund	Position as on 31.03.16	Position as % of Capital Fund
1.	Single Borrower	Food Corporation of India	5177.05	5000.00	19.32	0.00	0.00
2.	Group Borrower	Nil	Nil	Nil	Nil	Nil	Nil

- Individual borrower exposure limit is 15% of Capital Fund. However, 5% additional exposure taken with the approval of the Board as permitted by Reserve Bank of India.
- Individuals with additional 5% for Infrastructure Projects (20% of Capital Funds)
- Individuals for Oil Companies which have been issued Oil Bonds (which do not have SLR status) by Government of India is 25% of Capital funds.
- Group Exposure Limit – 40%

  For Infrastructure, Group Exposure ceiling is 50%
- additional exposures can be taken with the permission of the Board

1.7.5 Unsecured Advances:

Particulars	31.03.2016	31.03.2015
Total amount of advances outstanding against charge over intangible securities such as the rights, licenses, authority etc.	Nil	Nil
Estimated value of such intangible collateral securities	Nil	Nil

Advances backed by Annuity under Build Operate Transfer (BOT) model in respect of Road/Highway Projects and toll collection rights have been considered secured as per RBI circular No. OD. BP. BC. No. 83 / 08 . 12 . 014 / 2012-13 dated 18 March 2013.

1.8 Disclosure of Penalties imposed by RBI: ₹ 6.26 lacs, (previous year ₹ 3.53 lacs)

B. DISCLOSURE REQUIREMENTS AS PER ACCOUNTING STANDARDS WHERE RBI HAS ISSUED GUIDELINES IN RESPECT OF DISCLOSURE ITEMS FOR NOTES TO ACCOUNT.

2 Revenue Recognition (AS 9)

Certain items of income are recognized on realization basis as per Accounting Policy no.3.3 of Schedule 17 of Significant Accounting Policies. However, the said income is not considered to be material.

3 Employee Benefits (AS 15 - R)

3.1 Defined Benefit Plans – Employee's Pension Plan and Gratuity Plan:

The Bank has Accounted for employee benefits as per Accounting Standards issued should by the Institute of Chartered Accounts of India, as per actuarial valuation report for the year ended March 31, 2016. The disclosure is as under:

(₹ in crore)

	Particulars	31.03.2016		31.03.2015	
		Gratuity	Pension	Gratuity	Pension
i)	**Table showing change in Defined Benefit Obligation :**				
	Liability at the beginning of the year	1,088.16	8,218.43	1060.13	6683.81
	Interest Cost	83.52	638.22	95.66	616.32
	Current Service Cost	50.12	150.00	45.13	190.73
	Past Service Cost (Vested Benefit Amortized)	Nil	Nil	Nil	Nil
	Past Service Cost (Vested Benefit)	Nil	Nil	Nil	Nil
	Liability Transfer in	Nil	Nil	Nil	Nil
	Liability Transfer out	Nil	Nil	Nil	Nil
	Benefit paid	(186.00)	(681.00)	-160.00	-452.00
	Actuarial (gain) / loss on obligations	74.53	1,293.35	47.24	1179.57
	Liability at the end of the year	1,110.33	9,619.00	1088.16	8218.43

(₹ in crore)

	Particulars	31.03.2016		31.03.2015	
		Gratuity	Pension	Gratuity	Pension
ii)	**Table of Fair value of Plan Assets:**				
	Fair value of Plan Assets at the beginning of the year	1,264.00	7,861.00	1081.23	6104.73
	Expected return on Plan Assets	105.21	777.24	96.74	630.38
	Contributions	38.26	1,413.35	208.00	1367.00
	Transfer from Other Company	Nil	Nil	Nil	Nil
	Transfer to Other Company	Nil	Nil	Nil	Nil
	Benefit paid	(186.00)	(681.00)	-160.00	-452.00
	Actuarial Gain/(loss) on Plan Assets	29.80	155.11	38.03	210.89
	Fair Value of Plan Assets at the end of the year	1,251.27	9,525.70	1264.00	7861.00
	Total Actuarial Gain/(loss) to be recognized	(44.73)	(1,138.24)	-9.21	-968.68
iii)	**Recognition of Transitional Liability :**				
	Transitional Liability at start	Nil	Nil	Nil	Nil
	Transitional Liability recognized during the year	Nil	Nil	Nil	Nil
	Transitional Liability at end	Nil	Nil	Nil	Nil
iv)	**Actual return on Plan Assets :**				
	Expected Return on Plan Assets	105.21	777.24	96.74	630.38
	Actuarial gain/(loss) on Plan Assets	29.80	155.11	38.03	210.89
	Actual return on Plan Assets	135.01	932.35	134.77	841.27
v)	**Expenses recognized in the Income Statement:**				
	Current Service Cost	50.12	150.00	45.13	90.73
	Interest Cost	83.52	638.22	95.66	616.32
	Expected Return on Plan Assets	(105.21)	(777.24)	-96.74	-630.38
	Past Service Cost (Vested Benefit Amortized) recognized	Nil	Nil	65.00	338.00
	Past Service Cost (Vested Benefit) recognized	Nil	Nil	Nil	Nil
	Recognition of Transition Liability	Nil	Nil	Nil	Nil
	Actuarial Gain or Loss	44.73	1,138.24	9.21	968.68
	Expenses Recognized in P & L	73.16	1,149.22	118.26	1483.35
vi)	**Balance Sheet Reconciliation:**				
	Opening Net Liability (Last year net amount recognized in the balance sheet)	(175.84)	357.43	-86.10	241.08
	Expenses as above	73.16	1,149.22	118.26	1483.35
	Transfer from other Company (Net)	Nil	Nil	Nil	Nil
	Transfer to other Company (Net)	Nil	Nil	Nil	Nil
	Employer Contribution	(38.26)	(1,413.35)	-208.00	-1367.00
	Amount recognized in Balance Sheet	(140.94)	93.30	-175.84	357.43
vii)	**Other Details :**				
	Pension is payable at the rate of 1/66 Salary for Each Year of Service Subject to Maximum of 50% .				
	Gratuity is payable at the rate of 15 days salary for each year of service subject to maximum of ₹10, 00,000 or as per the Bank scheme.				
	Actuarial gain / loss is accounted for in the year of occurrence.				
	Salary escalation is considered as advised by the company which is in line with the industry practice considering promotion and demand and supply of the employees.				
	No. of Members	35,716.00	19,670.00	35646	21337
	Salary Per Month	148.54	107.98	135.34	97.37
	Contribution for next year	Nil	349.86	Nil	315.48

(₹ in crore)

	Particulars	31.03.2016		31.03.2015	
		Gratuity	Pension	Gratuity	Pension
viii)	**Category of assets:**				
	Government of India Assets	146.02	473.14	146.02	473.14
	Corporate Bonds	267.72	1532.83	385.01	1879.80
	Special Deposits Scheme	Nil	Nil	Nil	Nil
	State Govt.	443.41	2442.38	434.50	2390.20
	Property	Nil	Nil	Nil	Nil
	Other	90.39	974.77	40.47	214.74
	Insurer Managed Funds	303.73	4102.58	258.00	2903.12
	Total	**1,251.27**	**9,525.70**	**1264.00**	**7861.00**
ix)	**Principal actuarial assumption used (%)**				
	Discount Rate Prev.	7.99	7.95	9.33	9.27
	Rate of return on Plan Assets Prev.	8.70	8.70	8.00	8.70
	Salary Escalation Prev.	5.00	5.00	5.00	5.00
	Attrition Rate Prev.	2.00	2.00	2.00	2.00
	Discount Rate Current	8.04	8.06	7.99	7.95
	Rate of Return on Plan Assets Current	8.04	8.06	8.70	8.70
	Salary Escalation Current	5.00	5.00	5.00	5.00
	Attrition Rate Current	2.00	2.00	2.00	2.00

(₹ in crore)

Surplus/Deficit in the Plan:	**Gratuity Plan**				
Amount recognized in the Balance-Sheet	**31.03.16**	**31.03.15**	**31.03.14**	**31.03.13**	**31.03.12**
Liability at the end of the year	1,110.33	1088.16	1060.13	1000.86	990.55
Fair value of Plan Assets at the end of the year	1,251.27	1264.00	1081.23	1037.22	861.28
Difference	140.94	175.84	21.10	36.36	-129.27
Unrecognized Past Service Cost	Nil	Nil	65.00	130.00	195.00
Unrecognized Transition Liability	Nil	Nil	Nil	Nil	Nil
Amount Recognized in the Balance Sheet	140.94	175.84	86.10	166.36	65.73

Amount recognized in the Balance-Sheet	**Gratuity Plan**				
Experience Adjustment	**31.03.16**	**31.03.15**	**31.03.14**	**31.03.13**	**31.03.12**
On plan liability (Gain) / Loss	Nil	(21.18)	123.74	21.60	95.09
On plan Assets (Loss) / Gain	29.80	38.03	(20.00)	(24.43)	(0.80)

Surplus/Deficit in the Plan:	**Pension**				
Amount recognized in the Balance-Sheet	**31.03.16**	**31.03.15**	**31.03.14**	**31.03.13**	**31.03.12**
Liability at the end of the year	9,619.00	8218.43	6683.81	5991.02	5259.03
Fair value of Plan Assets at the end of the year	9,525.70	7861.00	6104.73	4774.08	4020.00
Difference	(93.30)	(357.43)	(579.08)	(1216.94)	(1239.03)
Unrecognized Past Service Cost	Nil	Nil	338.00	761.00	1014.17
Unrecognized Transition Liability… Closing Balance	Nil	Nil	Nil	Nil	Nil
Amount Recognized in the Balance Sheet	(93.30)	(357.43)	(241.08)	(455.94)	(224.86)

Amount recognized in the Balance-Sheet	Pension				
Experience Adjustment	**31.03.2016**	**31.03.2015**	**31.03.14**	**31.03.13**	**31.03.12**
On plan liability (Gain) / Loss	1399.16	731.44	661.38	251.18	511.13
On plan Assets (Loss) / Gain	155.11	210.89	-233.23	-103.10	-145.15

3.2 Defined Contribution Plan:

The Bank has Defined Contribution Pension Scheme (DCPS) applicable to all categories of officers and employees joining the Bank on or after April 1, 2010. The scheme is managed by National Pension Scheme (NPS) Trust under the aegis of the Pension Fund Regulatory and Development Authority. National Securities Depository Limited has been appointed as the Central Record Keeping Agency for the NPS. During F.Y. 2015-16, the Bank has contributed ₹ 58.52 crore (Previous Year ₹ 42.44 crore) to NPS.

3.3 Other Long Term Employee Benefits:

3.3.1 Details of Provisions made for various Long Term Employees Benefits during the year are as follows:

(₹ in crore)

Sr. No.	Other Long Term Benefits	31.03.16	31.03.15
1.	Pension	1149	1483
2.	Leave Encashment	75	68
3.	Leave Travel Concession	10	9
4.	Sick Leave	Nil	Nil

3.4 During the year the bank has made a payment of ₹ 79 Crores as an exceptional item which relates to wage arrears for earlier years, on final implementation of the Xth bipartite wage settlement.

4 SEGMENT REPORTING (AS-17)

4.1.1Business Segments: (₹ in Crore)

Business Segment		Standalone				
		Quarter ended			Year ended	
		(Audited)	(Reviewed)	(Audited)	(Audited)	
		31.03.2016	31.12.2015	31.03.2015	31.03.2016	31.03.2015
(a)	**Segment Revenue**					
1	Treasury Operations	2503.37	2567.08	2624.40	10177.19	9457.35
2	Retail Banking Operations	3309.08	2363.45	2550.30	10221.26	10096.56
3	Corporate /Wholesale Banking	3016.78	3824.94	4121.28	15236.62	15733.95
4	Other Banking Operations	78.98	63.56	98.76	264.76	342.36
5	Unallocated	0.00	0.00	0.00	0.00	0.00
	Total	**8908.21**	**8819.03**	**9394.74**	**35899.83**	**35630.22**
	Less Inter-segment Revenue	**23.80**	**16.97**	**11.03**	**69.29**	**23.26**
	Total Revenue	**8884.41**	**8802.06**	**9383.71**	**35830.54**	**35606.96**
(b)	**Segment Results**					
1	Treasury Operations	619.96	646.88	641.87	2146.01	1902.99
2	Retail Banking Operations	205.23	161.73	575.20	667.62	1216.99
3	Corporate /Wholesale Banking	-1014.94	-741.56	-624.56	-1173.31	-503.19
4	Other Banking Operations	34.70	29.45	49.84	125.07	166.59
5	Unallocated	0.00	0.00	0.00	0.00	0.00
	Total Profit Before Tax	**(155.05)**	**96.50**	**642.35**	**1765.39**	**2783.38**
(c)	**Income Tax**	**(251.18)**	**17.96**	**198.58**	**413.77**	**1001.74**
(d)	**Net Profit**	**96.13**	**78.54**	**443.77**	**1351.60**	**1781.64**
(e)	**Segment Assets**					
1	Treasury Operations	124187.02	125032.19	113440.55	124187.02	113440.55
2	Retail Banking Operations	93320.72	118148.19	107285.95	93320.72	107285.95

3	Corporate/Wholesale Banking	183281.67	144431.52	156474.27	183281.67	156474.27
4	Other Banking Operations	0.00	0.00	0.00	0.00	0.00
5	Unallocated Assets	3906.49	3208.08	4415.16	3906.49	4415.16
	Total	**404695.90**	**390819.97**	**381615.93**	**404695.90**	**381615.93**
(f)	**Segment Liabilities**					
1	Treasury Operations	117469.24	117914.52	107654.06	117469.24	107654.06
2	Retail Banking Operations	88934.90	112434.00	102760.57	88934.90	102760.57
3	Corporate /Wholesale Banking	174667.92	137446.14	149874.09	174667.92	149874.09
4	Other Banking Operations	0.00	0.00	0.00	0.00	0.00
5	Unallocated Liabilities	732.63	950.89	1565.18	732.63	1565.18
6	Capital, Reserves & Surplus	22891.21	22074.43	19762.03	22891.21	19762.03
	Total	**404695.90**	**390819.97**	**381615.93**	**404695.90**	**381615.93**

Notes:

1. The Bank operates in four segments viz., Treasury, Retail, Corporate / Wholesale and Other Banking Operations. These segments have been identified in line with AS-17 on segment reporting after considering the nature and risk profile of the products and services, the target customer profiles, the organizational structure and the internal reporting system of the bank. The bank has disclosed the business segment as primary segment. The revenue and other parameters prescribed in AS-17 of foreign branch for the period are within the threshold limits as stipulated under AS-17 and hence the bank has only one reportable geographical segment.
2. Segment wise income, expenditure, Capital employed which are not directly allocable have been allocated to the reportable segments based on assumptions as considered appropriate by the management.
3. Previous year's/Twelve Month's/Quarter's figures have been regrouped/recasted wherever considered necessary to correspond with the current Twelve Month's/Quarter's classification/ presentation.

5 Related Party Disclosures (AS-18)

5.1 List of Related Parties

a) Subsidiaries

- Union KBC Asset Management Co. Pvt. Ltd.
- Union KBC Trustee Company Private Ltd.
- Union Bank of India (UK) Ltd.

b) Joint Venture

- Star Union Dai-ichi Life Insurance Co.

c) Associate

- Regional Rural Bank sponsored by the Parent Bank viz. Kashi Gomti Samyut Gramin Bank

d) Key Management Personnel

Name	Designation	Joining/Cessation during the year 2015-16
Shri Arun Tiwari	Chairman and Managing Director	N.A
Shri K. Subrahmanyam	Executive Director	Cessation on 31 July, 2015
Shri Rakesh Sethi	Executive Director	N.A.
Shri Kishor Kharat	Executive Director	Cessation on 14 August, 2015
Shri Vinod Kathuria	Executive Director	Joined on 22 January, 2016

Parties with whom transactions were entered into during the year

No disclosure is required in respect of related parties, which are "State controlled Enterprises" as per paragraph 9 of Accounting Standard (AS) 18. Further, in terms of paragraph 5 of AS 18, transactions in the nature of Banker – Customer relationship have not been disclosed including those with Key Management Personnel and relatives of Key Management Personnel.

5.2 Key Management Personnel – Remuneration paid.

(₹ in crore)

Particulars	31.03.2016	31.03.2015
Chairman and Managing Director	#0.28	0.20
Executive Directors	#0.44	0.39
Total	0.72	0.59

includes performance linked incentives of ₹ 0.06 crore and ₹ 0.09 crore paid to the Chairman & Managing Director and Executive Directors of the Bank respectively during the year.

6 Earnings per Share (AS-20)

Basic earnings per equity share are computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year. The diluted earnings per equity share is computed using the weighted average number of equity shares and weighted average number of diluted potential equity shares outstanding during the year.

The computation of earnings per share is given below:

Sr. No.	Particulars	31.03.2016	31.03.2015
i	Basic and Diluted EPS (₹)	20.42	28.05
ii	Net Profit after Tax available for equity shareholders (₹ in crore)	1351.60	1776.36
iii	Weighted Average number of equity shares (No. in crore)	66.18	63.33
iv	Nominal value per share (₹)	10	10.00

7 Deferred Tax (AS-22)

(₹ in crore)

Sr. No.	Particulars	31.03.2016	31.03.2015
	Deferred Tax Assets		
1	Amortization of Premium on Investments	187.71	234.25
2	Employee Benefits	266.59	328.89
3	Depreciation on investments claimed in earlier years sold during the year	60.35	15.73
4	Leave Encashment	83.89	57.93
5	On account of other provisions	1435.06	477.18
	Total	**2033.60**	**1113.98**
	Deferred Tax Liabilities		
1	Provision for diminution in value of Investments	91.23	66.15
2	Depreciation on Fixed Assets	29.24	35.68
3	Accrued interest on securities	607.89	641.15
4	Special Reserves u/s 36(i)(viii)	889.69	823.24
	Total	**1618.05**	**1566.22**
	Net Deferred Tax Asset	**415.55**	**Nil**
	Net Deferred Tax Liability	**Nil**	**452.24**

7.1 Provisions for Direct Tax

(₹ in crore)

Particulars	31.03.2016	31.03.2015
Provision for Income Tax (Including Deferred tax and Wealth tax liability)	413.78	1001.74

8 Investment in Joint Ventures (AS – 27)

- Investments include Rs.65 Crores (Previous year Rs. 65 Crores) representing Bank's interest in Star Union Dai-ichi Life Insurance Co.it's jointly controlled entity.

9 Impairment of Asset (AS-28)

In the opinion of the Management, there is no indication for Impairment during the year with regard to the asset to which Accounting Standards 28 applies.

10 Contingent Liabilities (AS – 29)

Contingent liabilities referred to in Schedule-12 at S. No.(I) & (VI)(i) are dependent upon the outcome of court/arbitration/out of court settlement, the amount being called up, terms of contractual obligations, devolvement and raising of demand by parties concerned, disposal of appeals respectively.

11 Additional Disclosures

11.1 Provisions and Contingencies

(₹ In crore)

Break up of Provision & Contingencies. shown under the head in Profit & Loss	31.03.2016	31.03.2015
Provision / (Reversal) for Depreciation on Investment	149.28	(37.62)
Provision towards NPA	4655.03	2536.67
Provision towards Standard Assets	(107.47)	239.81
Net Provision made towards Income Tax (IT)/Wealth Tax/ Deferred tax liability (DTL)	413.78	1001.74
Other Provision and Contingencies:		
- Shifting Loss	5.74	38.82
- Restructured Advances	(623.25)	127.11
- Others	(202.09)	135.30
TOTAL	**4291.02**	**4041.83**

11.2 Counter Cyclical Provisioning Buffer / Floating Provision

(₹ In crore)

Sr. No.	Particulars	31.03.2016	31.03.2015
i)	Opening Balance as on 01.04.2015	293.20	511.21
ii)	Additional provisions made during the accounting year	0.00	75.18
iii)	Amount of drawdown made during the accounting year	0.00	293.19
iv)	**Closing balance**	**293.20**	**293.20**

11.3 Draw Down from Reserves

Bank has made draw down ₹ 0.02 crore during the year 2015-16 (previous year NIL).

11.4 Disclosure of complaints

A Customer Complaints

Sr. No	Particulars	31.03.2016	31.03.2015
(a)	No. of complaints pending at the beginning of the year	336	778
(b)	No. of complaints received during the year	171128	121000
(c)	No. of complaints redressed during the year	171018	121442
(d)	**No. of complaints pending at the end of the year**	**446**	**336**

B Complaints pertaining to ATM card issued by the Bank

Sr. No	Particulars	31.03.2016	31.03.2015
(a)	No. of complaints pending at the beginning of the year	203	553
(b)	No. of complaints received during the year	85810	90898
(c)	No. of complaints redressed during the year	85858	91248
(d)	**No. of complaints pending at the end of the year**	**155**	**203**

Out of the above, details of complaints specifically attributable to acquiring bank:

Sr. No	Particulars	31.03.2016	31.03.2015
(a)	No. of complaints pending at the beginning of the year	198	334
(b)	No. of complaints received during the year	69338	40448
(c)	No. of complaints redressed during the year	69481	40584
(d)	**No. of complaints pending at the end of the year**	**55**	**198**

C Awards passed by the Banking Ombudsman

Sr. No	Particulars	31.03.2016	31.03.2015
(a)	No. of unimplemented Awards at the beginning of the year	3	-
(b)	No. of Awards passed by the Banking Ombudsmen during the year	3	15
(c)	No. of Awards implemented during the year	6	12
(d)	**No. of unimplemented Awards at the end of the year**	**0**	**3**

11.5Disclosure of Letter of Comfort (LoCs) issued

(₹ in crore)

Particulars	31.03.2016	31.03.2015
Letter of Comfort outstanding at beginning of the year	3701.91	4078.00
Add : Issued during the year	10722.18	11381.00
Less : Expired during the year.	10949.65	11757.09
Outstanding at the end of the year	**3474.45**	**3701.91**

11.6Provision Coverage Ratio (PCR)

Particulars	31.03.2016	31.03.2015
Provision Coverage ratio (%)	50.98	59.23

11.7Disclosure of – Bancassurance Business

The breakup of income derived from bancassurance business is given here below:

(₹ in crore)

Sr. No.	Nature of Income	31.03.2016	31.03.2015
1.	Life Insurance Policies	42.07	30.68
2.	Non Life Insurance Policies	7.33	6.97
3.	Others (specify)	Nil	Nil

11.8Concentration of Deposits, Advances, Exposures and NPAs

11.8.1 Concentration of Deposits

(₹ in crore)

Particulars	31.03.2016	31.03.2015
Total Deposits of twenty largest depositors	34760.99	35722.00
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank.	10.14%	11.27%

11.8.2 Concentration of Advances

(₹ in crore)

Particulars	31.03.2016	31.03.2015
Total Advances of twenty largest borrowers/customers	24608.97	27825.86
Percentage of Advances of twenty largest borrowers to Total Advances of the Bank.	7.02%	8.35%

11.8.3 Concentration of Exposures

(₹ in crore)

Particulars	31.03.2016	31.03.2015
Total Exposures of twenty largest borrowers/customers	58509.47	57375.79
Percentage of Exposures of twenty largest borrowers/customers to Total Exposures of the Bank on borrowers / customers.	11.70%	13.29%

11.8.4 Concentration of NPAs

(₹ in crore)

Particulars	31.03.2016	31.03.2015
Total Exposures to top four NPA accounts	3846.67	1482.44

11.9 Sector-wise Advances

(₹ in crore)

Sr. No.	Sector	Current Year (FY 2015-16)			Previous Year (FY 2014-15)		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**						
1	Agriculture and allied activites	38962	2336	6.00	30297	1374	4.54
2	Advances to industries sector eligible as priority sector lending	12030	1347	11.20	15998	1250	7.81
3	Services	21439	1337	6.24	16837	916	5.44
4	Personal loans	15609	499	3.20	14392	466	3.24

(₹ in crore)

Sr. No.	Sector	Current Year (FY 2015-16)			Previous Year (FY 2014-15)		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
	Sub-total (A)	**88040**	**5519**	**6.27**	**77524**	**4006**	**5.17**
B	**Non Priority Sector**						
1	Agriculture and allied activites	515	203	39.42	3665	156	4.26
2	Industry	122611	16376	13.36	81575	5458	6.69
3	Services	51112	1780	3.48	85212	3207	3.76
4	Personal loans	15447	293	1.90	14781	204	1.38
	Sub-total (B)	**189685**	**18652**	**9.83**	**185233**	**9025**	**4.87**
	Total (A+B)	**277725**	**24171**	**8.70**	**262757**	**13031**	**4.96**

Sub sectors where the outstanding advance exceeds 10% of the outstanding total advances to that sector for the FY 2015-16 are as under:

Sr. No.	Sub sector	Sector	Outstanding	% to Total advance in sector
1	Growing of cereals	Agriculture	20853	52.82
2	Storage & market yards	Agriculture	2064	5.23
3	Collection & distribution of electricity	Industry	4742	3.52
4	Generation of electricity	Industry	14517	10.78
5	NBFC - General Purpose loan	Service	14260	19.66
6	All other loan NEC	Personal	5470	17.61
7	Housing loan other than staff	Personal	21019	67.68

11.10 Movement of NPA

(₹ in crore)

Particulars	31.03.2016	31.03.2015
Gross NPA as on 1st April 2015 (Opening Balance)	13030.87	9563.74
Additions (Fresh NPAs) during the year	12952.86	5666.26
Increase in balance of existing NPA	---	--
Sub-total (A)	**25983.73**	**15230.00**
Less:-		
(i) Up-gradations	177.73	138.11
(ii) Recoveries (excluding recoveries made from upgraded accounts)	843.54	1130.31
(iii) Write-Offs	791.58	930.71
Sub-total (B)	**1812.85**	**2199.13**
Gross NPA as on 31st March 2016 (closing balance) (A-B)	**24170.88**	**13030.87**

Stock of Technical Write-offs

(₹ in crore)

Sr. No.	Particulars	31.03.2016	31.03.2015
i)	Opening balance of Technical/ Prudential written-off accounts	3940.20	3664.81
ii)	Add: Technical/ Prudential write-offs during the year	645.68	861.06
iii)	**Sub-total (A)**	**4585.88**	**4525.87**
iv)	Less: Recoveries made from previously technical/ prudential written-off accounts during the year (B)	193.98	585.67
v)	**Closing balance (A-B)**	**4391.90**	**3940.20**

11.11 Overseas Assets, NPAs and Revenue

(₹ in crore)

Particulars	31.03.2016	31.03.2015
Total Assets	31639.49	27195.96
Total NPAs	1145.58	469.63
Total Revenue	986.84	919.99

11.12 There is no Off – balance Sheet SPVs sponsored by the Bank.

11.13 Unamortized Pension and Gratuity Liabilities

(₹ in crore)

Particulars	31.03.2016	31.03.2015
Pension		
a) Charged to Profit & Loss account	Nil	338.00
b) Carried forward	Nil	Nil
Gratuity		
a) Charged to Profit & Loss account	Nil	65.00
b) Carried forward	Nil	-

11.14 Credit Default Swaps:

The Bank had not entered into any Credit Default Swap transactions during the financial year 2015-16.

11.15 Intra Group Exposures

(₹ in crore)

Particulars	31.03.2016
Total amount of Intra group exposure	149065.30
Total amount of Top 20 Intra group exposure	67353.97
Percentage of Intra group exposure to Total exposure of the Bank on borrowers/customers	29.82%
Details of breach of limits on Intra group exposure and regulatory action thereon	Nil

11.16 Transfers to Depositor Education and Awareness Fund (DEAF)

(₹ in crore)

Particulars	31.03.2016	31.03.2015
Opening balance amounts transferred to DEAF	610.36	Nil
Add: Amount transferred to DEAF during the Year	122.33	620.58
Less: Amount reimbursed by DEAF towards claims	27.79	10.22
Closing balance of Amount transferred to DEAF	704.90	610.36

11.17 Un-hedged Foreign Currency Exposure

In terms of guidelines issued by Reserve Bank of India with regard to UFCE, Bank has approved Policy on Unhedged Foreign Currency Exposure of Clients 2015-16. While framing the policy, bank has taken into consideration the exchange risks arising out of volatility in the forex market and accordingly has made suitable provisions to reduce the risks. Bank has also taken into consideration credit risks arising out of unhedged foreign currency exposure and accordingly Bank has put in place risk mitigation measures by incorporating additional loan pricing framework. Total provision made for exposures to entities with UFCE for the year ended March 2016 is Rs.33.30 Crores (Rs.24.98 Crores as on 31.03.2015).

12 Liquidity Coverage Ratios (LCR)

A. Qualitative Disclosure

LCR aims to ensure that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario specified by RBI.

LCR is the ratio of HQLA to Net Cash Outflow.

$$LCR = \frac{HQLA}{\text{Net Cash Outflows over 30 days}}$$

Minimum requirement of LCR as stipulated by RBI is 60% for the calendar year 2015 and 70% for the calendar year 2016. LCR is applicable to Bank's domestic operations as well as overseas operations.

HQLA:

Liquid assets comprise of high quality assets that can be readily sold or used as collateral to obtain funds in a range of stress scenarios. They should be unencumbered i.e. without legal, regulatory or operational impediments. Assets are considered to be high quality liquid assets if they can be easily and immediately converted into cash at little or no loss of value.

HQLA is categorized into two a) Level 1 Assets, and b) Level 2 Assets. Level 2 Assets are also sub divided into Level 2A Assets & Level 2B Assets based on Liquidity & Price Volatility.

Level 1

Levels 1 Asset mainly comprise Cash including excess CRR, Excess SLR, MSF (2% of NDTL) & FALLCR (8% of NDTL).

Level 2A Assets

15% haircut is applied on current market value of Level 2A asset. Level 2A assets mainly comprise Securities issued by PSEs with 20% risk weight not issued by a bank/financial institution/NBFC, Corporate bonds, not issued by bank/financial institution/NBFC, rated AA- or above and Commercial Papers with rating AA- or above.

Level 2B Assets

50% haircut is applied on current market value of Level 2B asset. Level 2B assets comprise not more than 15% of the total stock of HQLA. Level 2B assets mainly comprise Securities with risk weights higher than 20% but not higher than 50%, i.e., with credit rating not lower than BBB- and Equity Shares not issued by bank/financial institution/NBFC and included in any index.

Brief about LCR of the Bank:

For all 12 months during FY 2015-16, i.e., April'15 to March'16, Bank's LCR stood more than the minimum 60% regulatory requirement for 2015 Calendar year and 70% for 2016 calendar year.

HQLA:

Bank is having sufficient High Quality Liquid Assets so as to maintain LCR above regulatory prescription. Level 1 asset is the main driver of HQLA, contributing around 89% in the Total HQLA of the Bank.

Outflows & Inflows:

Bank has diversified sources of funding of which retail deposits and Deposits are the main source of funds. Bank's exposure is mainly in Indian rupee.

B. Quantitative Disclosure

(₹ in Crore)

LCR Disclosure as of 31st March 2016			
		Total Unweighted Value (Average)	Total Weighted Value (Average)
HIGH QUALITY LIQUID ASSETS			
1	Total High Quality Liquid Assets (HQLA)	44858.80	43972.18
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	175463.59	15721.54
(i)	Stable deposits	36496.41	1824.82
(ii)	Less stable deposits	138967.18	13896.72
3	Unsecured wholesale funding, of which:	45606.96	23137.90
(i)	Operational deposits (all counterparties)	9681.76	2420.44
(ii)	Non-operational deposits (all counterparties)	25346.24	10138.49
(iii)	Unsecured debt	10578.97	10578.97
4	Secured wholesale funding	6886.80	2957.32
5	Additional requirements, of which	16499.48	3768.01
(i)	Outflows related to derivative exposures and other collateral requirements	0.35	0.35
(ii)	Outflows related to loss of funding on debt products	0.00	0.00
(iii)	Credit and liquidity facilities	16499.13	3767.66
6	Other contractual funding obligations	887.99	887.99
7	Other contingent funding obligations	32839.83	1601.39
8	**TOTAL CASH OUTFLOWS**	278184.64	48074.15

(₹ in Crore)

LCR Disclosure as of 31st March 2016			
		Total Unweighted Value (Average)	Total Weighted Value (Average)
CASH INFLOWS			
9	Secured lending (e.g. reverse repos)	1278.54	0.00
10	Inflows from fully performing exposures	2461.00	2461.00
11	Other cash inflows	17216.04	10761.46
12	**TOTAL CASH INFLOWS**	20955.58	13222.46
			Total Adjusted Value
TOTAL HQLA			**43972.18**
TOTAL NET CASH OUTFLOWS			**34851.69**
LIQUIDITY COVERAGE RATIO (%)			**126.17%**

Liquidity Coverage ratio as of 31st March 2016 is 126.17%

13 FIXED ASSETS

a) Documentation formalities are yet to be completed in respect of five (P.Y. nine) immovable properties held by the Bank at written down value of ₹ 36.43 crores (P.Y. ₹.11.17 crores.) in respect of which steps have already been initiated.

b) Land and Buildings revalued as on 31.3.1995 at fair market value as determined by an approved valuer, have further been revalued as on 30.11.2007 at fair market value by approved valuer. The resultant increase in value thereof on such revaluation amounting to ₹ 456.59 crores as on 31.3.1995 and ₹ 1290.68 crores as on 30.11.2007 have been credited to Revaluation Reserve and depreciation amounting to ₹ 56.56 crores (₹ 34.62 crores) attributable thereto has been deducted there from. Certain assets were revalued during the year 2015-16 and as a result of which. the revaluation reserve have increased by Rs. 1213.10 crore for the year ended March 31, 2016

14 Fraud cases Detected/Reported

Frauds Detected during the Year	No. of cases of Frauds detected	Amount involved in such frauds	Amount outstanding as on 31/03/2016	Provision made as of 31/03/2016	Unamortized provision as of 31/03/2016
Total	177	1334.40	1267.36	907.75	352.60

15 BALANCING OF BOOKS, RECONCILIATION OF INTER BRANCH / BANK TRANSACTIONS

Adjustment of outstanding entries in Suspense Accounts, Sundry Deposits, Clearing Adjustments, Bank Reconciliation Statements and various inter-branch/office accounts is in progress on an ongoing basis.

Pending final clearance of the same, the overall impact, if any, on the accounts, in the opinion of the management will not be significant.

16 INVESTMENTS

i) Profit of ₹ 97.97 crore (previous year ₹ 58.43crore) on sale of "Held to Maturity" category securities have been taken to the Profit and Loss account initially and thereafter an amount of ₹ 44.85 crores (previous year ₹ 27.00 crore) has been appropriated to Capital Reserve net of taxes.

ii) In respect of "Held to Maturity" category, as stated in Significant Accounting Policy No.5 (ii)(a), the excess of acquisition cost over face value of the securities amortized during the year amounted to ₹ 134.48 crore (previous year ₹ 124.07 crore).

iii) Total investments made in shares, convertible debentures and units of equity linked mutual funds / venture capital funds and also advances against shares aggregate to ₹ 1432.61 crore (previous year ₹ 1,200.93 crore).

17 During the current year, there are no material prior period item and change in accounting policy (as per AS 5) and no discontinued operations (as per AS 24).

18 The figures of the previous year have been regrouped /rearranged wherever considered necessary.

Signatories to Schedules 1 to 18

(NITESH RANJAN) Dy. General Manager	**(VIVEK KAMATH)** General Manager	**(VINOD KATHURIA)** Executive Director	**(RAKESH SETHI)** Executive Director	**(ARUN TIWARI)** Chairman & Managing Director

(MIHIR KUMAR) Director	**(ANIL KUMAR MISRA)** Director	**(JAG MOHAN SHARMA)** Director	**(DR. K. RAMESHA)** Director
(DR. R. H. DHOLAKIA) Director	**(G. K. LATH)** Director	**(DR. UTTAM KUMAR SARKAR)** Director	

AS PER OUR REPORT OF EVEN DATE ATTACHED.

FOR J GUPTA & CO. CHARTERED ACCOUNTANTS FIRM REGN.NO. 314010E **(H. K. DATTA)** PARTNER (M.NO. 012208)	**FOR G P KAPADIA & CO.** CHARTERED ACCOUNTANTS FIRM REGN.NO.104768W **(NIMESH BHIMANI)** PARTNER (M.NO.030547)	**FOR ASHWANI & ASSOCIATES** CHARTERED ACCOUNTANTS FIRM REGN.NO.000497N **(ADITYA KUMAR)** PARTNER (M.NO.506955)
FOR GBCA & ASSOCIATES CHARTERED ACCOUNTANTS FIRM REGN.NO.103142W **(TANSUKH CHHEDA)** PARTNER (M.NO.047157)	**FOR SUNDAR SRINI & SRIDHAR** CHARTERED ACCOUNTANTS FIRM REGN.NO.004201S **(S. SRIDHAR)** PARTNER (M.NO.025504)	**FOR P A & ASSOCIATES** CHARTERED ACCOUNTANTS FIRM REGN.NO.313085E **(PRASHANT PANDA)** PARTNER (M.NO.051092)

Place : MUMBAI

Date : 13th MAY, 2016.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2016

(₹ in Lacs)

S.NO.	Particulars	Year ended 31.03.2016	Year ended 31.03.2015
A	**CASH FLOW FROM OPERATING ACTIVITIES:**		
	Net Profit / (Loss) Before Tax	17,65,39	27,83,38
	Adjustments for:		
	Depreciation on Fixed Assets	2,44,11	2,20,81
	Depreciation on Investments	1,55,02	1,20
	Provision for Non Performing Assets	46,55,03	26,63,78
	Provision for Standard Asset	(9,39,76)	3,33,86
	Other Provisions	6,94	41,25
	Profit / (Loss) on Sale or Disposal of Fixed Assets	1,79	39
	Provision for Staff Related Expenditures	84,04	2,85,18
	Sub Total	**59,72,56**	**63,29,85**
	Adjustments for:		
	Increase / (Decrease) in Deposits	2,58,50,09	1,91,94,28
	Increase / (Decrease) in Borrowings	(35,28,32)	23,77,16
	Increase / (Decrease) in Other Liabilities and Provisions	3,23,92	13,32
	(Increase) / Decrease in Investments	47,29,61	(3,71,00)
	(Increase) / Decrease in Advances	(1,57,31,21)	(2,92,13,92)
	(Increase) / Decrease in Other Assets	(81,09,05)	(15,38,94)
	Direct Taxes Paid (net of refund)	(7,89,26)	(5,90,23)
	NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**87,18,34**	**(37,99,48)**
B	**CASH FLOW FROM INVESTING ACTIVITIES :**		
	Purchase of Fixed Assets	(15,83,13)	(2,58,97)
	Sale of Fixed Assets	22,79	4,16
	NET CASH FLOW FROM INVESTING ACTIVITIES (B)	**(15,60,34)**	**(2,54,81)**
C	**CASH FLOW FROM FINANCING ACTIVITIES :**		
	Conversion of Perpetual Non-Cumulative Perference Shares	0	(1,11,00)
	Issue of Equity Shares against Conversion of PNCPS	0	5,47
	Issue of Equity Shares to Govt. of India on Preferential Basis	51,66	0
	Security Premium received (Net of Share Issue Expenses)	10,27,26	1,05,42
	Proceeds from Issue of IPDI, Subordinated Bonds & Upper Tier II Bonds / PNCPS	(8,74,31)	36,66,21
	Payment of Dividend (Interim & Final Including Dividend Tax)	(4,64,41)	(3,06,66)
	NET CASH FLOW FROM FINANCING ACTIVITIES (C)	**(2,59,80)**	**33,59,44**
	Net Increase (Decrease) in Cash & Cash Equivalent (A)+(B)+(C)	**68,98,20**	**(6,94,85)**
	Cash and Cash Equivalents as at the Beginning of the year	**2,23,78,02**	**2,30,72,87**
	Cash and Cash Equivalents as at the End of the year	**2,92,76,22**	**2,23,78,02**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2016

(₹ in Lacs)

S.NO.	Particulars	Year ended 31.03.2016	Year ended 31.03.2015
D	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR**		
	Cash and Balances with RBI (including FC notes)	1,50,63,08	1,84,19,68
	Balances with Banks and Money at Call	73,14,94	46,53,19
	Net Cash and Cash Equivalents at the Beginning of the year	**2,23,78,02**	**2,30,72,87**
E	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**		
	Cash and Balance with RBI (including FC notes)	1,56,04,72	1,50,63,08
	Balances with Banks and Money at Call	1,36,71,50	73,14,94
	Net Cash and Cash Equivalents at the End of the year	**2,92,76,22**	**2,23,78,02**

(VINOD KATHURIA)
Executive Director

(RAKESH SETHI)
Executive Director

(ARUN TIWARI)
Chairman & Managing Director

Auditors Certificate :

We, the undersigned Statutory Auditors of the Union Bank of India, have verified the above Cash Flow Statement of the Bank for the year ended 31.03.2016. The statement has been prepared in Indirect Method in accordance with the AS-3, Cash Flow Statement issued by The Institute of Chartered Accountants of India and with the requirements of the clause 32 of the listing agreement with the Stock Exchange and is based on and in agreement with the corresponding Profit & Loss Account and the Balance Sheet of the Bank covered by our report of the 13th May, 2016 to the members.

FOR J GUPTA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO. 314010E

(H. K. DATTA)
PARTNER
(M.NO. 012208)

FOR G P KAPADIA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO.104768W

(NIMESH BHIMANI)
PARTNER
(M.NO.030547)

FOR ASHWANI & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.000497N

(ADITYA KUMAR)
PARTNER
(M.NO.506955)

FOR GBCA & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.103142W

(TANSUKH CHHEDA)
PARTNER
(M.NO.047157)

FOR SUNDAR SRINI & SRIDHAR
CHARTERED ACCOUNTANTS
FIRM REGN.NO.004201S

(S. SRIDHAR)
PARTNER
(M.NO.025504)

FOR P A & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.313085E

(PRASHANT PANDA)
PARTNER
(M.NO.051092)

Place : MUMBAI
Date : 13th MAY, 2016.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors Union Bank of India

Report on the Consolidated Financial Statements

1. We have audited the accompanying Consolidated Financial Statements (CFS) of Union Bank of India (the 'Bank'), its subsidiaries, associates and joint ventures (the 'Group'), which comprise the Consolidated Balance Sheet as at 31st March, 2016, and the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.
2. Incorporated in these CFS are the:
   a. Audited Accounts of the Bank audited by us vide our audit report dated May 13, 2016 which reflect total assets of ₹ 404,696 crores as at March 31, 2016, total revenue of ₹ 35,831 crores, profits of ₹ 1,352 crores and net cash inflows amounting to ₹ 6,898 crores for the year then ended;
   b. Audited Accounts of the three subsidiaries and one joint venture audited by other auditors whose financial statements reflect the Group's share in total assets of ₹ 2,669 crores as at March 31, 2016, the Group's share in total revenue of ₹ 419 crores, the Group's share in net cash inflows amounting to ₹ 116 crores for the year then ended; and
   c. Unaudited accounts of one associate whose financial statements reflect the Group's share in profit from the associates of ₹4.52 crores for the year ended March 31, 2016.

   The entities of the Group whose Financial Statements are included in the Consolidated Financial Statements are listed in Schedule 18 - Notes to Accounts - which forms part of the Consolidated Financial Statements of the Group.
3. We did not audit the financial statements of its Subsidiaries and Joint Venture. These financial statements have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of other entities, is based solely on the report of the other auditors.
4. We have relied on the unaudited financial statements of 1 (one) associate, which has been consolidated on the basis of management certified financial statements.

Management's responsibility for the Consolidated Financial Statements

5. The Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the requirements of the Accounting Standard 21–"Consolidated Financial Statements", Accounting Standard 23–"Accounting for Investment in Associates in Consolidated Financial Statements" and Accounting Standard 27–" Financial Reporting of Interest in Joint Ventures" issued by the Institute of Chartered Accountants of India, the requirements of Reserve Bank of India and other accounting principles generally accepted in India. This responsibility of the management of the Bank includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the consolidated financial statements of the Group that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

6. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing 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 consolidated financial statements are free from material misstatement.
7. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the CFS 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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management of the entities of the Group, as well as evaluating the overall presentation of the consolidated financial statements.

8. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
9. The Audit Reports/Management Certifications on the financial statements of the Subsidiaries/Joint Venture/Associate of the Bank have been forwarded to us and dealt with in preparing our report in the manner considered by us and our opinion is based solely on the reports of other auditor's/management certificates.

Opinion

10. Subject to the limitation as indicated in Para 1 to 9 hereinabove, based on our audit and on consideration of the reports of other auditors on separate financial statements of Subsidiaries and Joint Ventures, the unaudited financial statements and other financial information of an associate, In our opinion and to the best of our information and according to the explanations given to us, the accompanying CFS give a true and fair view in conformity with the accounting principles generally accepted in India:
    a. In the case of the Consolidated Balance Sheet, of the state of affairs of the Bank as at 31st March, 2016
    b. In the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date, and
    c. In the case of the Consolidated Cash Flow Statements, of the cash flows for the year ended on that date.

FOR J GUPTA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO. 314010E
(N. C. KONAR)
PARTNER
(M.NO. 052892)

FOR G P KAPADIA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO.104768W
(NIMESH BHIMANI)
PARTNER
(M.NO.030547)

FOR ASHWANI & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.000497N
(SANJEEVA NARAYAN)
PARTNER
(M.NO.084205)

FOR GBCA & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.103142W
(YOGESH AMAL)
PARTNER
(M.NO.111636)

FOR SUNDAR SRINI & SRIDHAR
CHARTERED ACCOUNTANTS
FIRM REGN.NO.004201S
(T. S. SADASIVAM)
PARTNER
(M.NO.081684)

FOR P A & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.313085E
(DILLIP AGARWALLA)
PARTNER
(M.NO.055420)

Place : MUMBAI
Date : 26th MAY, 2016.

CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2016

(₹ in 000's)

	Schedule	As on 31.03.2016	As on 31.03.2015
CAPITAL AND LIABILITIES			
Capital	1	**6,87,44,11**	6,35,77,88
Reserves and Surplus	2	**2,23,60,67,17**	1,92,63,38,63
Minority Interest	2A	**-**	8,80,81
Deposits	3	**34,41,17,50,91**	31,74,50,34,24
Borrowings	4	**3,06,36,61,48**	3,51,67,99,79
Other Liabilities and Provisions	5	**95,62,32,69**	1,10,42,63,65
Total		**40,73,64,56,36**	38,35,68,95,00
Assets			
Cash and Balances with Reserve Bank of India	6	**1,56,06,91,64**	1,50,63,86,83
Balances with Banks and Money at Call and Short Notice	7	**1,40,09,88,93**	75,39,13,95
Investments	8	**9,05,73,21,38**	8,58,18,15,35
Advances	9	**26,82,49,56,42**	25,59,21,11,67
Fixed Assets	10	**39,51,85,47**	26,94,42,94
Other Assets	11	**1,49,73,12,52**	1,65,32,24,26
Total		**40,73,64,56,36**	38,35,68,95,00
Contingent Liabilities	12	**39,74,37,13,90**	34,91,05,32,69
Bills for Collection		**1,50,30,34,09**	1,37,00,54,08
Significant Accounting Policies	17		
Notes on Accounts	18		

The Schedules Referred to above form an integral part of the Balance Sheet

(DHIRENDRA JAIN) Asst General Manager
(VIVEK KAMATH) General Manager
(VINOD KATHURIA) Executive Director
(RAKESH SETHI) Executive Director
(ARUN TIWARI) Chairman & Managing Director

(MIHIR KUMAR) Director
(ANIL KUMAR MISRA) Director
(JAG MOHAN SHARMA) Director
(DR. K. RAMESHA) Director

(DR. R. H. DHOLAKIA) Director
(G. K. LATH) Director
(DR. UTTAM KUMAR SARKAR) Director

AS PER OUR REPORT OF EVEN DATE ATTACHED.

FOR J GUPTA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO. 314010E
(N. C. KONAR)
PARTNER
(M.NO. 052892)

FOR G P KAPADIA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO.104768W
(NIMESH BHIMANI)
PARTNER
(M.NO.030547)

FOR ASHWANI & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.000497N
(SANJEEVA NARAYAN)
PARTNER
(M.NO.084205)

FOR GBCA & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.103142W
(YOGESH AMAL)
PARTNER
(M.NO.111636)

FOR SUNDAR SRINI & SRIDHAR
CHARTERED ACCOUNTANTS
FIRM REGN.NO.004201S
(T. S. SADASIVAM)
PARTNER
(M.NO.081684)

FOR P A & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.313085E
(DILLIP AGARWALLA)
PARTNER
(M.NO.055420)

Place : MUMBAI
Date : 26th MAY, 2016.

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2016

(₹ in 000's)

		Schedule	Year Ended 31.3.2016	Year Ended 31.3.2015
I.	**Income**			
	Interest Earned	13	**3,23,15,66,64**	3,21,64,27,96
	Other Income	14	**39,34,43,52**	39,57,11,67
	Total		**3,62,50,10,16**	3,61,21,39,63
II.	**Expenditure**			
	Interest Expended	15	**2,38,94,04,33**	2,36,39,54,74
	Operating Expenses	16	**67,15,91,85**	66,83,27,39
	Provisions and Contingencies		**42,97,24,63**	40,41,11,69
	Total		**3,49,07,20,81**	3,43,63,93,82
III.	**Consolidated Net Profit Before Minority Interest and Share of Earnings in Associates**		**13,42,89,35**	17,57,45,81
	Add:-Share of Earning in Associates		**4,51,99**	13,41,73
	Consolidated Net Profit for the year before deducting Minorities Interest		**13,47,41,34**	17,70,87,54
	(Less):-Minorities Interest		**(9,02,98)**	(10,36,06)
	Consolidated Net Profit for the year Attributable to the Group		**13,56,44,32**	17,60,51,48
	Add : Profit Brought Forward		**41,62**	41,02
	Amount Available for Appropriations		**13,56,85,94**	17,60,92,50
IV.	**Appropriations**			
	Transfer to Statutory Reserve		**4,05,50,00**	5,34,50,00
	Transfer to Capital Reserve		**44,84,70**	26,99,74
	Transfer to Revenue and Other Reserves/Adjustments		**5,53,01,09**	5,34,84,53
	Proposed Dividend		**1,34,05,10**	3,81,46,73
	Dividend Tax		**27,44,69**	77,41,53
	Transfer to Special Reserve [Sec36(I)(Viii)]		**1,92,00,00**	2,00,00,00
	Provision for Dividend on PNCPS		**0**	5,28,35
	Balance in Profit and Loss Account		**36**	41,62
	Total		**13,56,85,94**	17,60,92,50
	Earnings Per Share (Basic and Diluted in ₹)	18	**20.50**	27.67
	Significant Accounting Policies	17		
	Notes on Accounts	18		

The Schedules referred to above form an integral part of the Profit & Loss A/c

(DHIRENDRA JAIN) Asst General Manager | **(VIVEK KAMATH)** General Manager | **(VINOD KATHURIA)** Executive Director | **(RAKESH SETHI)** Executive Director | **(ARUN TIWARI)** Chairman & Managing Director

(MIHIR KUMAR) Director | **(ANIL KUMAR MISRA)** Director | **(JAG MOHAN SHARMA)** Director | **(DR. K. RAMESHA)** Director

(DR. R. H. DHOLAKIA) Director | **(G. K. LATH)** Director | **(DR. UTTAM KUMAR SARKAR)** Director

AS PER OUR REPORT OF EVEN DATE ATTACHED.

FOR J GUPTA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO. 314010E
(N. C. KONAR)
PARTNER
(M.NO. 052892)

FOR G P KAPADIA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO.104768W
(NIMESH BHIMANI)
PARTNER
(M.NO.030547)

FOR ASHWANI & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.000497N
(SANJEEVA NARAYAN)
PARTNER
(M.NO.084205)

FOR GBCA & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.103142W
(YOGESH AMAL)
PARTNER
(M.NO.111636)

FOR SUNDAR SRINI & SRIDHAR
CHARTERED ACCOUNTANTS
FIRM REGN.NO.004201S
(T. S. SADASIVAM)
PARTNER
(M.NO.081684)

FOR P A & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.313085E
(DILLIP AGARWALLA)
PARTNER
(M.NO.055420)

Place : MUMBAI
Date : 26th MAY, 2016.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2016

(₹ in 000's)

	As on 31.3.2016	As on 31.3.2015
SCHEDULE 1 - CAPITAL :		
I. Authorised :		
i. 300,00,00,000 Equity Shares of ₹10 each	**30,00,00,00**	30,00,00,00
II. Issued, Subscribed & Paid up :		
i. 43,61,06,597 Equity Shares of ₹10/- each, held by Central Government (P.Y. 38,44,44,316 Equity Shares)	**4,36,10,66**	3,84,44,43
ii. 251,334,520 Equity Shares of ₹10/- each, held by Public (P.Y. 251,334,520 Equity Shares)	**2,51,33,45**	2,51,33,45
TOTAL	**6,87,44,11**	6,35,77,88

SCHEDULE 2 - RESERVES & SURPLUS :					
I. Statutory Reserve :					
As per last Balance Sheet	**61,26,36,10**		55,91,86,10		
Addition during the year	**4,05,50,00**	**65,31,86,10**	5,34,50,00	61,26,36,10	
II. A) Capital Reserve :					
As per last Balance Sheet	**8,03,25,13**		7,76,25,39		
Addition during the year	**44,84,70**	**8,48,09,83**	26,99,74	8,03,25,13	
B) Capital Reserve on Consolidation		**56,95,00**		56,95,00	
III. Share Premium :					
As per last Balance Sheet	**34,57,12,14**		33,51,70,50		
Addition during the year	**10,27,25,77**	**44,84,37,91**	1,05,41,64	34,57,12,14	
IV. Revaluation Reserve :					
As per last Balance Sheet	**14,24,70,51**		14,59,33,73		
Addition during the year	**12,13,09,62**		-		
Deduction during the year	**56,56,41**	**25,81,23,72**	34,63,22	14,24,70,51	
V. Revenue and Other Reserves :					
i) Revenue and Other Reserves :					
As per last Balance Sheet	**48,41,48,82**		41,14,03,48		
*Addition during the year	**5,54,96,80**		7,27,45,34		
Deduction during the year	**3,52,62,25**		-		
Less:- Minority Interest	**22,16**		-		
TOTAL	**50,43,61,21**		48,41,48,82		
* Net of Consolidation Adjustment					
ii) Special Reserve Sec 36(1)(viii)					
As per last Balance Sheet	**24,98,00,00**		22,98,00,00		
Addition during the year	**1,92,00,00**		2,00,00,00		
TOTAL	**26,90,00,00**		24,98,00,00		
iii) Foreign Currency Translation Reserve					
As per last Balance Sheet	**55,09,31**		47,57,41		
Addition during the year	**69,43,73**		7,51,90		
Deduction during the year	**-**		-		
TOTAL	**1,24,53,04**	**78,58,14,25**	55,09,31	73,94,58,13	
VI. Balance in Profit and Loss Account		**36**		41,62	
TOTAL		**2,23,60,67,17**		1,92,63,38,63	

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2016

(₹ in 000's)

					As on 31.3.2016		As on 31.3.2015
SCHEDULE 2 A Minority Interest							
Opening Balance					**8,80,81**		1,916,87
Add/(Less):- Increase/(Decrease) during the year					**(8,80,81)**		(10,36,06)
Total Minority Interest					**-**		8,80,81
SCHEDULE 3 - DEPOSITS :							
I)	Demand Deposits						
	i)	From Banks	**5,54,44,05**			6,10,07,08	
	ii)	From Others	**2,92,36,14,44**	**2,97,90,58,49**		2,04,95,57,28	2,11,05,64,36
II)	Savings Bank Deposits			**8,11,43,32,08**			7,15,65,22,42
III)	Term Deposits						
	i)	From Banks	**1,07,57,99,48**			1,33,03,70,78	
	ii)	From Others	**22,24,25,60,85**	**23,31,83,60,34**		21,14,75,76,68	22,47,79,47,46
		TOTAL		**34,41,17,50,91**			31,74,50,34,24
Deposits of branches in India				**33,60,58,19,23**			31,22,12,25,34
Deposits of branches outside India				**80,59,31,68**			52,38,08,90
		TOTAL		**34,41,17,50,91**			31,74,50,34,24
SCHEDULE 4 - BORROWINGS :							
A.	Borrowings: Capital Instruments						
	i.	Perpetual Bonds	**10,39,61,00**			10,39,61,00	
	ii.	Upper Tier II Bonds	**22,50,00,00**			22,50,00,00	
	iii.	Tier II Bonds	**52,00,00,00**	**84,89,61,00**		52,50,00,00	85,39,61,00
B.	Borrowings in India						
	i.	Other Banks	**4,14,15,39**			7,00,00,00	
	ii.	Other Institutions and Agencies	**12,52,60,08**	**16,66,75,47**		44,95,07,39	51,95,07,39
C.	Borrowings Outside India			**2,04,80,25,01**			2,14,33,31,40
		TOTAL		**3,06,36,61,48**			3,51,67,99,79
Secured Borrowings included in (B) I & (B) II above				**9,56,19,34**			33,72,28,20
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS :							
I.	Bills Payable			**17,45,34,68**			11,67,92,29
II.	Interest Accrued			**10,36,28,33**			9,20,12,76
III.	Deferred Tax Liability			**-**			4,52,23,52
IV.	Others(including Provisions)			**67,80,69,68**			85,02,35,08
		TOTAL		**95,62,32,69**			1,10,42,63,65

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2016

(₹ in 000's)

		As on 31.3.2016	As on 31.3.2015
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA :			
I.	Cash in Hand	**11,27,00,95**	1,00,772,07
	(including foreign currency notes)		
II.	Balances with Reserve Bank of India In Current Account	**1,44,79,90,69**	1,40,56,14,76
	TOTAL	**1,56,06,91,64**	1,50,63,86,83
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE :			
I.	In India		
	i) Balances with Banks		
	a) In Current Accounts	**59,37,32**	21,681,37
	b) In Other Deposit Accounts	**35,64,79,43**	16,66,60,98
	ii) Money at Call & Short Notice		
	a) With Banks	**3,00,00,00**	0
	b) With Other Institutions	**20,45,91**	0
		39,44,62,66	18,83,42,35
II.	Outside India		
	i) In Current Accounts	**25,66,91,10**	2,90,85,81
	ii) In other Deposit Accounts	**74,56,83,48**	53,64,85,79
	iii) Money at Call & Short Notice	**41,51,69**	0
		1,00,65,26,27	5,55,71,60
	TOTAL	**1,40,09,88,93**	75,39,13,95
SCHEDULE 8 - INVESTMENTS :			
I.	Investments in India		
	i) Government Securities	**7,19,43,28,58**	7,30,65,91,15
	ii) Other Approved Securities	**1,86,37,41**	1,61,58,51
	iii) Shares	**16,38,09,25**	14,31,03,98
	iv) Debentures and Bonds	**1,35,93,61,39**	83,94,11,82
	v) Subsidiaries and Joint Ventures	**1,82,39,46**	1,996,942
	vi) Others		
	- Commercial Paper	**1,43,30,28**	-
	- Others	**1,81,82,11**	2,06,87,85
	- Mutual Funds	**8,860,478**	9,23,76,88
	- Security Receipt by ARCIL	**5,80,61,08**	5,98,22,60
	TOTAL	**8,93,35,54,34**	8,49,81,22,21
II.	Investments outside India		
	i) Govt Securities (incl Local Authorities)	**6,74,06,42**	3,69,31,34
	ii) Shares	**40,32**	40,32
	iii) Other Investments (Bonds)	**5,63,20,30**	4,67,21,48
	iv) Subsidiaries and Joint Ventures	**-**	**-**
		12,37,67,04	8,36,93,14
	TOTAL	**9,05,73,21,38**	8,58,18,15,35
III.	Investments in India		
	Gross Value	**8,98,89,34,46**	8,53,85,74,40
	Less: Provision for Depreciation	**5,53,80,12**	4,04,52,19
	Net Value of Investment in India	**8,93,35,54,34**	8,49,81,22,21
IV)	Investments outside India		
	Gross Value	**12,37,67,04**	8,36,93,14
	Less: Provision for Depreciation	**0**	0
	Net Value of Investment outside India	**12,37,67,04**	8,36,93,14
	TOTAL	**9,05,73,21,38**	8,58,18,15,35

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2016

(₹ in 000's)

			As on 31.3.2016	As on 31.3.2015
SCHEDULE 9 - ADVANCES				
I.	i)	Bills Purchased and Discounted	**82,30,60,56**	78,16,22,46
	ii)	Cash Credits, Overdrafts and Loans Repayable on Demand	**13,16,67,36,84**	12,10,47,43,83
	iii)	Term Loans	**12,83,51,59,02**	12,70,57,45,38
		TOTAL	**26,82,49,56,42**	25,59,21,11,67
II	i)	Secured by Tangible Assets (includes Advance against Book Debts)	**22,00,88,01,99**	20,77,32,43,89
	ii)	Covered by Bank/Government Guarantees	**1,29,10,52,85**	1,56,40,53,05
	iii)	Unsecured	**3,52,51,01,58**	3,25,48,14,73
		TOTAL	**26,82,49,56,42**	25,59,21,11,67
A.	Advances in India			
	i)	Priority Sector	**9,50,48,45,13**	8,58,55,17,72
	ii)	Public Sector	**1,33,12,66,33**	1,35,00,91,37
	iii)	Banks	**5,22,93,76**	42,62,72,89
	iv)	Others	**13,23,23,36,13**	13,05,39,40,50
		TOTAL	**24,12,07,41,35**	23,41,58,22,48
B.	Advances outside India			
	i)	Due From Banks	**76,51,56,14**	55,85,82,66
	ii)	Due From Others	**-**	-
		a) Bills Purchased and Discounted	**44,99,00,97**	34,07,80,03
		b) Syndicated loans	**8,53,21,66**	8,32,98,36
		c) Others	**1,4038,36,30**	1,19,36,28,14
			2,70,42,15,07	2,17,62,89,19
		TOTAL	**26,82,49,56,42**	25,59,21,11,67

SCHEDULE 10 - FIXED ASSETS

A.	TANGIBLE ASSETS					
	I.	Premises				
		At cost/valuation as per last Balance Sheet	**24,23,25,14**		23,70,61,34	
		Additions during the year	**13,04,86,84**		52,65,19	
			37,28,11,98		24,23,26,53	
		Deductions during the year	**6,79,08,53**		1,39	
			30,49,03,45		24,23,25,14	
		Less: Depreciation to Date	**2,49,66**	**30,46,53,79**	6,01,58,67	18,21,66,47
	II.	Capital Work in Progress				
		At cost as per last Balance Sheet	**4,28,92**		1,07,92	
		Additions during the year	**9,81,26**		46,71,44	
		Deductions during the year	**1,57,56**	**12,52,62**	43,50,44	4,28,92
	III.	Land				
		At cost as per last Balance Sheet	**61,66,84**		49,82,97	
		Additions during the year	**11,01,21**		11,83,87	
		Deductions during the year	**-**		-	
			72,68,05		61,66,84	
		Less : Depreciation to Date	**3,80,37**	**68,87,68**	3,04,84	58,62,00

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2016

(₹ in 000's)

		As on 31.3.2016		As on 31.3.2015	
IV.	Other Fixed Assets (including Furniture and Fixtures)				
	a) Assets given on Lease				
	At cost as per last Balance Sheet	**26,53,52**		26,53,52	
	Addition during the year	**-**		-	
	Deductions during the year	**-**		-	
		26,53,52		26,53,52	
	Less: Depreciation to Date	**26,53,52**		26,53,52	-
	b) Others				
	At cost/valuation as per last Balance Sheet	**20,91,42,78**		18,77,09,24	
	Additions during the year	**2,39,83,27**		2,65,15,81	
		23,31,26,05		21,42,25,05	
	Deductions during the year	**65,30,65**		50,82,27	
		22,65,95,40		20,91,42,78	
	Less: Depreciation to Date	**14,67,33,56**	**7,98,61,84**	13,09,30,95	7,821,183
B.	INTANGIBLE ASSETS				
	Computer Software				
	At cost as per last Balance Sheet	**1,90,62,92**		1,77,39,71	
	Additions during the year	**23,71,76**		13,23,21	
	Deductions during the year	**1,34**		**-**	
		214,33,34		19,06,292	
	Amortisation till Date	**1,89,03,80**	**25,29,54**	1,62,89,19	27,73,73
	TOTAL		**39,51,85,47**		26,94,42,95

SCHEDULE 11 - OTHER ASSETS :

I.	Inter-Office Adjustments (net)	**19,67,49,20**	15,73,74,40
II.	Interest Accrued	**23,14,47,37**	23,97,48,99
III.	Tax Paid/Tax Deducted at Source	**16,23**	15,25
IV.	Stationery and Stamps	**3,74,87**	1,85,77
V.	Non-Banking Assets acquired in satisfaction of claims	**3,90**	3,90
VI.	Deffered Tax Assets	**4,18,59,06**	3,05,48
VII.	Others	**1,02,68,61,89**	1,25,55,90,47
	TOTAL	**1,49,73,12,52**	1,65,32,24,26

SCHEDULE 12 - CONTINGENT LIABILITIES :

I.	Claims against the Bank not Acknowledged as Debts	**38,59,06,85**	35,93,30,65
II.	Liability for partly paid Investments	**59,20**	59,20
III.	Liability on account of Outstanding Forward Exchange Contracts	**34,74,37,04,38**	29,61,70,42,69
IV.	Guarantees given on behalf of Constituents		
	i) In India	**1,36,49,82,25**	2,27,16,05,69
	ii) Outside India	**3,22,71,60**	3,63,18,51
V.	Acceptances, Endorsements and Other Obligations	**2,74,60,11,35**	2,50,41,15,21
VI.	Other items of Contingent Liability	**37,17,92,28**	51,32,44
	i) Disputed Tax Demands under Appeals	**2,84,95,99**	6,33,68,54
	ii) Amount transfered to DEAF scheme 2014	**7,04,90,00**	6,10,35,57
	TOTAL	**39,74,37,13,90**	34,91,80,08,50

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2016

(₹ in 000's)

		Year Ended 31.3.2016	Year Ended 31.3.2015
SCHEDULE 13 - INTEREST EARNED :			
I.	Interest/Discount on Advances/Bills	**2,36,84,48,50**	2,39,82,57,48
II.	Income on Investments	**76,23,69,96**	72,56,88,62
III.	Interest on Balances with RBI & Other Inter Bank Funds	**8,18,02,59**	6,77,02,51
IV.	Others	**1,89,45,59**	2,47,79,35
	TOTAL	**3,23,15,66,64**	3,21,64,27,96
SCHEDULE 14 - OTHER INCOME :			
I.	Commission, Exchange and Brokerage	**3,98,58,72**	3,81,50,68
II.	Profit on Sale of Investments - (Net)	**8,76,28,48**	8,61,74,40
III.	Profit/ (Loss)on Sale of Land, Buildings & Other Assets (Net)	**(1,79,14)**	(39,45)
IV.	Profit on Exchange Transactions - (Net)	**9,77,60,93**	9,71,67,49
V.	Miscellaneous Income	**16,83,74,53**	17,42,58,55
	TOTAL	**39,34,43,52**	39,57,11,67
SCHEDULE 15 - INTEREST EXPENDED :			
I.	Interest on Deposits	**2,20,77,16,22**	2,16,23,99,49
II.	Interest on Reserve Bank of India/Inter Bank Borrowing	**5,49,42,62**	6,06,71,81
III.	Others	**12,67,45,49**	14,08,83,44
	TOTAL	**2,38,94,04,33**	2,36,39,54,74
SCHEDULE 16 - OPERATING EXPENSES :			
I.	Payments to and Provisions for Employees	**37,68,05,35**	38,44,63,34
II.	Rent, Taxes and Lighting	**4,81,78,59**	4,38,21,98
III.	Printing and Stationery	**52,32,70**	52,66,66
IV.	Advertisement and Publicity	**72,63,43**	71,20,13
V.	Depreciation on Bank's Property	**2,48,97,89**	2,25,11,71
VI.	Directors' Fees, Allowances and Expenses	**3,93,18**	3,77,69
VII.	Remuneration to Managing / Executive Director	**71,83**	59,23
VIII.	Auditors' Fees and Expenses (including Branch Auditors)	**35,64,30**	34,90,03
IX.	Law Charges	**25,39,88**	22,44,26
X.	Postage, Telegrams, Telephones, etc.	**77,28,56**	66,92,06
XI.	Repairs and Maintenance	**1,16,23,81**	1,06,62,29
XII.	Insurance	**3,15,39,57**	2,76,73,77
XIII.	Other Expenditure	**15,17,52,76**	15,39,44,24
	TOTAL	**67,15,91,85**	66,83,27,39

SCHEDULES FORMING PART OF THE ACCOUNTS FOR 2015-2016 (CONSOLIDATED)

SCHEDULE 17 - SIGNIFICANT ACCOUNTING POLICIES :

1 Accounting Convention

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting on going concern basis, unless otherwise stated and conform in all material aspects to Generally Accepted Accounting Principles (GAAP) in India, which comprise applicable statutory provisions, regulatory norms/guidelines prescribed by the Reserve Bank of India (RBI), Banking Regulation Act 1949, Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI), and the practices prevalent in the banking industry in India. In respect of foreign offices, statutory provisions of practices prevailing in respective foreign countries are complied with.

2 Use of Estimates

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and the expenses during the reporting period. Management believes that the estimates wherever used in the preparation of the financial statements are prudent and reasonable. Difference between the actual results and estimates is recognized in the period in which the results are known/ materialized.

3 Basis of consolidation

3.1 Consolidated Financial Statements (CFS) of the Group (comprising of 3 Subsidiaries, 1 Associate and 1 Joint Venture) have been prepared on the basis of:

i) Audited Financial Statement of Union Bank of India (Parent).

ii) Line by line aggregation of each item of asset, liabilities, income and expenditure of subsidiaries with the respective items of the parent after eliminating intra group balances/ transactions, unrealized profit/losses based on the data received from the subsidiaries duly audited by their respective auditors as per Accounting Standard – 21 "Consolidated Financial Statements" issued by ICAI.

iii) Accounting for Investments in 'Associate' under the 'Equity Method' as per Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial Statements" issued by ICAI.

iv) Consolidation of Joint Venture – 'Proportionate Consolidation' as per Accounting Standard 27 "Financial Reporting of Interest in Joint Ventures" by ICAI.

3.2 In case of differences in Accounting Policies, the Financial Statements of Subsidiaries, Joint Ventures and Associates are adjusted, wherever and necessary and practicable, to conform to the Accounting Policies of the Parent.

3.3 The difference between cost to the Group of its investment in the subsidiaries and the Parent's portion of the equity of the subsidiaries is recognized in the CFS as Goodwill / Capital Reserve, as the case may be.

3.4 Minority interest in the net assets of the consolidated subsidiaries consists of:

i) The amount of equity attributable to the minority at the date on which investment in a subsidiary is made and

ii) The minority share of movements in revenue reserves / loss and equity since the date the parent subsidiary relationship came into existence.

iii) The excess, and any further losses applicable to the minority, are adjusted against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses.

4 Revenue Recognition

4.1 Banking entities

4.1.1 Income and Expenditure is generally accounted for on accrual basis unless otherwise stated.

4.1.2 Income from Non-Performing Assets (NPAs) is recognized to the extent realized as per the prudential norms prescribed by RBI.

4.1.3 Bank commission, exchange and brokerage earned, rent on Safe Deposit Lockers (SDV), commission on biometric cards, income from Aadhaar cards etc. are accounted for on realization basis.

4.1.4 Income (other than interest) on investments in "Held to Maturity" (HTM) category acquired at discount to the face

value is recognized as follows:

a) On interest bearing securities, it is recognized only at the time of sale / redemption.

b) On zero coupon securities, it is accounted for over the balance tenor of the securities on a constant yield basis.

4.1.5 Dividend is accounted on an accrual basis where the right to receive the same is established.

4.2 Non Banking entities

Life Insurance

i) Premium Income

Premium (net of service tax) is recognized as income when due. For linked business, premium is recognized when the associated units are created. Top up premiums are considered as single premium. Premium on lapsed policies is recognized as income when such policies are reinstated. Commission received on reinsurance ceded is recognized as income in the period in which reinsurance premium is ceded.

ii) Income from linked funds

Income from linked funds which includes premium allocation charges, policy administrative charges, mortality charges, fund management charges etc. are recovered from the linked funds in accordance with the terms and conditions of policies issued.

iii) Reinsurance Premium

Cost of reinsurance ceded is accounted for at the time of recognition of premium income in accordance with the treaty or in principle arrangement with the reinsurer. Profit commission on reinsurance ceded is netted off against premium ceded on reinsurance.

iv) Benefits paid (including claims)

Benefits paid comprise of policy benefits & claim settlement costs, if any. Death, rider & surrender claims are accounted for on receipt of intimation. Survival benefit claims and maturity claims are accounted for when due. Withdrawals & surrenders under linked policies are accounted for in the respective schemes when the associated units are cancelled. Reinsurance recoveries on claims are accounted for in the same period as the related claims.

v) Acquisition Costs

Acquisition costs are costs that vary with and are primarily related to acquisition of insurance contracts and are expensed in the period in which they are incurred.

vi) Liability for life policies

Actuarial liability for life policies in force and for policies in respect of which premium has been discontinued but a liability exists, is determined by the Appointed Actuary using the gross premium method and in case of group business, unearned premium reserve method, in accordance with accepted actuarial practice, requirements of Insurance Act, 1938, IRDA regulations and the stipulations of Institute of Actuaries of India.

Asset Management

i) Investment management fees are recognized net of service tax on an accrual basis as a percentage of the average daily net assets of the mutual fund schemes (excluding the investments made by the company in the schemes) such that it does not exceed the limit prescribed by the SEBI (Mutual Funds) Regulations, 1996 and any further amendments.

ii) Investment advisory fees are recognized on accrual basis in accordance with the terms of contract with the customers.

iii) Interest income is recognized using the time proportion method, based on the rates implicit in the transaction.

iv) Dividend income is recognized when right to receive is established.

5 Investments

5.1 Classification

i) In conformity of the requirements in form A of the Third Schedule to the Banking Regulations Act, 1949, Investments are classified as under:

a) Government Securities

b) Other Approved Securities

c) Shares

d) Debentures & Bonds

e) Investments in Subsidiaries & Joint Ventures, and

f) Other Investments

The Investment portfolio of the Bank is further categorized in accordance with the RBI guidelines into:

a) Held to Maturity (HTM)

b) Available for Sale (AFS)

c) Held for Trading (HFT)

5.2 Basis of Valuation

As per RBI guidelines, the following principles have been adopted for the purpose of valuation:

i) Securities held in "HTM" – at acquisition cost: The excess of acquisition cost over the face value is amortized over the remaining period of maturity and in case of discount; it is not recognized as income.

ii) Investment in Regional Rural Banks are valued at carrying cost.

iii) Investments in Subsidiaries and Joint Ventures are valued at carrying cost

iv) Diminution other than temporary, if any, in valuation of such investments is provided for.

v) Securities held in "AFS" and "HFT" categories are valued classification wise and scrip wise and net depreciation, if any, in each classification is charged to Profit and Loss account while net appreciation, if any, is ignored.

vi) Valuation of other securities is arrived at as follows:

i	Govt. of India Securities	As per quotations put out by Fixed Income Money Market and Derivatives Association (FIMMDA).
ii	State Development Loans, Securities guaranteed by Central / State Government, PSU Bonds	On appropriate yield to maturity basis as per FIMMDA guidelines.
iii	Equity Shares	As per market rates, if quoted, otherwise at book value as per latest Audited Balance Sheet (not more than 1 year old). In the absence of both at ₹1/- per company.
iv	Preference Shares	As per market rates, if quoted or on appropriate yield to maturity basis not exceeding redemption value as per FIMMDA guidelines.
v	Debentures/Bonds	As per market rates, if quoted, otherwise on appropriate yield to maturity basis as per FIMMDA guidelines.
vi	Mutual Funds(MF)	As per stock exchange quotations, if quoted. In case of unquoted units, as per latest Repurchase price declared by concerned MF. In cases where latest repurchase price is not available, as per Net Asset Value (NAV)
vii	Treasury Bills / Certificate of Deposits / Commercial Papers	At carrying cost
viii	Venture Capital Funds (VCF)	At declared NAV or Break-up NAV as per audited Balance Sheet which is not more than 18 months old. If NAV / audited financial statements are not available for more than 18 months continuously, at ₹1/- per VCF
ix	Security Receipts	At NAV as declared by Securitization Companies

5.3 Interbank REPO / Reverse REPO transactions are accounted for in accordance with extant RBI guidelines.

5.4 As per the extant RBI guidelines, the shifting of securities from one category to another is accounted for as follows:

5.4.1 From AFS / HFT categories to HTM category, at lower of book value or market value as on the date of shifting. Depreciation, if any, is fully provided for.

5.4.2 From HTM category to AFS / HFT category,

- If the security is originally placed at discount in HTM category, at acquisition cost/ book value
- If the security is originally placed at a premium, at an amortized cost.

5.4.3 From AFS to HFT category and vice versa, at book value.

5.4.4 The securities so shifted are revalued immediately and resultant depreciation is fully provided for.

5.5 The non-performing investments are identified and depreciation/ provision is made as per the extant RBI guidelines.

5.6 Profit / Loss on sale of investments in any category is taken to the Profit and Loss account. However, in case of profit on sale of investments in "HTM" category, an equivalent amount (net of taxes and net of transfer to Statutory Reserves) is appropriated to the Capital Reserve account.

5.7 Commission, brokerage, broken period interest etc. on securities is debited / credited to Profit & Loss account.

5.8 As per the extant RBI guidelines, the Bank follows 'Settlement Date' for accounting of investments transactions.

6 Derivative Contracts:

The Interest Rate Swap (IRS) which hedges interest bearing asset or liability are accounted for in the financial statements on accrual basis except the swap designated with an asset or liability that is carried at market value or lower of cost or market value. Gains or losses on the termination of swaps are recognized over the shorter of the remaining contractual life of the swap or the remaining life of the asset / liability.

i) Trading swap transactions are marked to market with changes recorded in the financial statements.

ii) In the case of option contracts, guidelines issued by Foreign Exchange Dealers Association of India (FEDAI) from time to time for recognition of income, premium and discount are being followed.

7 Advances

7.1 Advances in India, are classified under four categories, i.e. (a) Standard, (b) Sub-standard, (c) Doubtful and (d) Loss assets. Provisions required on such advances are made as per the extant prudential norms issued by the RBI. In respect of Advances made in overseas branches, Advances are classified in accordance with Prudential Norms prescribed by the RBI or local laws of the host country in which advances are made, whichever is more stringent.

7.2 Advances are stated net of specific loan loss provisions, counter cyclical provisioning buffer and provision for diminution in fair value of restructured advances and unrecovered interest held in sundry / claims received from Credit Guarantee Trust for Micro & Small Enterprises (CGTMSE)/Export Credit Guarantee Corporation (ECGC) relating to non-performing assets.

7.3 The general provision on standard advances is held in "Other Liabilities and Provisions" reflected in Schedule 5 of the balance sheet and is not considered for arriving at both net NPAs and net advances.

8 Fixed Assets and Depreciation

8.1 Premises and Other Fixed Assets are stated a cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises of purchase price less trade discounts and rebates, eligible borrowing costs and directly attributable costs of bringing the asset to its working condition for its intended use. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future benefits from such assets or their functional capability. Land and Buildings, if revalued are stated at revalued amount. The appreciation on revaluation is credited to Revaluation Reserve and the depreciation provided thereon is deducted there from.

8.2 Depreciation on Fixed Assets is provided for on the written down value method at the rates considered appropriate by the management as under

	Type of Asset	Rate of Depreciation
I.	Premises	5 %
II.	Other Fixed Assets	
	- Furniture and Fittings	10 %
	- Electric Fittings and Equipments, Office Appliances and SDV/ Strong rooms etc.	15 %
	- Transport Vehicles	20 %
	- Uninterrupted Power Supply Equipments	33.33 %
III.	Amount added consequent upon revaluation of the assets	Applicable rate for the asset type, over the residual economic life of the respective assets

8.3 Application Software is capitalized and clubbed under intangible assets. Depreciation on computers and software forming an integral part of Computer Hardware and on ATM is provided on Straight Line Method at the rate of 33.33% as per the guidelines of RBI.

8.4 Depreciation on additions to assets made up to 30th September of the year is provided at full rate and on additions made thereafter, at half the rate.

8.5 Depreciation on premises is provided on composite cost, wherever the value of land and buildings is not separately identifiable.

8.6 No depreciation is provided on assets sold / disposed off during the year.

8.7 Depreciation on leased assets and leasehold improvements is recognized on a straight-line basis using rates determined with reference to the primary period of lease.

8.8 Depreciation on fixed assets outside India and fixed assets of subsidiaries / associates is provided as per regulatory requirements / or prevailing practices of respective country / industry.

9 Impairment of Assets

The carrying costs of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognized wherever the carrying cost of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. After impairment, depreciation is provided on the revised carrying cost of the asset over its remaining useful life. A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation, if there was no impairment.

10 Counter Cyclical Provisioning Buffer

The Bank has a policy for creation and utilization of Counter Cyclical Provisioning Buffer separately for advances and investments. The quantum of provision to be created is assessed at the end of each financial year. The counter cyclical provisions are utilized only for contingencies under extra ordinary circumstances specified in the policy with prior permission of the RBI.

11 Transactions Involving Foreign Exchange

11.1 Accounting for transactions involving foreign exchange is done in accordance with AS 11, (The Effects of Changes in Foreign Exchange Rates), issued by the ICAI. As stipulated in AS 11, the foreign currency operations of the Bank are classified as

a) Integral Operations and

b) Non Integral Operations.

All Overseas Branches, Offshore Banking Units, Overseas Subsidiaries are treated as Non Integral Operations and domestic operations in foreign exchange and Representative Offices are treated as Integral Operations.

11.2 Translation in respect of Integral Operations

11.2.1 Income and Expenditure items are recognized at the exchange rates prevailing on the date of the transaction.

11.2.2 Foreign Currency Monetary and Non-Monetary Assets and Liabilities are translated at the closing spot rates notified by FEDAI at the end of each quarter.

11.2.3 Contingent liabilities on account of guarantees, acceptances, endorsements and other obligations are stated at the exchange rates notified by FEDAI at the close of the year.

11.2.4 The resulting exchange differences are recognized as income or expenses and are accounted through Profit and Loss Account.

11.2.5 Forward exchange contracts are recorded at the exchange rate prevailing on the date of commitment. Outstanding forward exchange contracts are revalued at the exchange rates notified by FEDAI for specified maturities and at interpolated rates for contracts of 'in-between' maturities. The resultant gains or losses are recognized in the Profit and Loss account.

11.3 Translation in respect of Non Integral Operations

11.3.1 Assets and Liabilities (including contingent liabilities) are translated at the closing spot rates notified by FEDAI at the end of each quarter

11.3.2 Foreign Exchange Spot and Forwards contingent liabilities outstanding as at the balance sheet date are translated at the closing spot and forward rates respectively notified by FEDAI and at interpolated rates for contracts of interim maturities.

11.3.3 Income and Expense are translated at quarterly average rate notified by FEDAI at the end of each quarter.

11.3.4 The resulting exchange differences are not recognized as income or expense for the period but accumulated in a separate account "Foreign Currency Translation Reserve" till the disposal of the net investment.

12 Employee Benefits

Retirement benefits in the form of provident fund are a defined contribution scheme. The contributions to the provident fund are charged to the Profit and Loss account for the year when the contributions are due. The Bank has no obligation, other than the contribution payable to the provident fund.

Gratuity liability, Pension fund and provision towards leave are defined benefit obligations, and are provided for on the basis of an actuarial valuation as per AS 15 (Revised) made at the end of each financial year, based on the projected unit credit method. Actuarial gains/losses are immediately taken to the Profit and Loss account.

The New Pension Scheme is applicable to employees who joined the Bank on or after 01.04.2010 is a defined contribution scheme. Bank pays fixed contribution at predetermined rate and the obligation of the Bank is limited to such fixed contribution. The contribution is charged to Profit and Loss Account.

Employee benefits relating to employees employed at foreign offices are valued and accounted for as per the local laws/regulation of the respective countries.

13 Segment Reporting

The Bank recognizes the Business Segment as the Primary Reporting Segment and Geographical Segment as the Secondary Reporting Segment, in accordance with the RBI guidelines and in the compliances with the Accounting Standard 17 issued by ICAI.

Business Segments are classified into (a) Treasury operations, (b) Corporate and Wholesale Banking, (c) Retail Banking operations and (d) Other Banking operations.

14 Lease Transactions

Lease payments for assets taken on operating lease are amortized over the lease term. The properties taken on lease / rental basis are renewable / cancellable at the option of the Bank. The Bank's liabilities in respect of disputes pertaining to additional rent / lease rent are recognized on settlement or on renewal.

15 Earnings Per Share

Earnings per share are calculated by dividing the net profit or loss (after tax) for the year attributable to the equity share holders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if contracts to issue equity shares were exercised or converted during the year. Diluted earnings per equity share are calculated by using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

16 Taxation

Provision for tax is made for both current and deferred taxes. Current tax is provided on the taxable income using applicable tax rates and tax laws. Deferred Tax Assets and Deferred Tax Liabilities arising on account of timing differences and which are capable of reversal in subsequent periods are recognized using the tax rates and the tax laws that have been enacted or substantively enacted till the date of the Balance Sheet.

Deferred tax assets are recognized only if there is virtual certainty of realization of such assets in future. Deferred tax assets/ liabilities are reviewed at each Balance Sheet date based on developments during the year.

17 Provisions, Contingent Liabilities and Contingent Assets

As per AS 29 (Provisions, Contingent Liabilities and Contingent Assets) issued by the ICAI, the Bank recognizes provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

18 Share Issue Expenses:

Share Issue expenses are charged to the Share Premium account.

SCHEDULES FORMING PART OF THE ACCOUNTS FOR 2015-2016 (CONSOLIDATED)

SCHEDULE 18 – NOTES TO ACCOUNTS

1 The particulars of the subsidiaries whose financial statements are consolidated with the standalone financial statement of the Bank (the Parent) are as under:

Names of Subsidiaries	Country of Incorporation	Proportion of Ownership by the parent as on 31.03.2016
Union KBC Asset Management Company Private Ltd.	India	51%
Union KBC Trustee Company Private Ltd.	India	51%
Union Bank of India UK Ltd.	United Kingdom	100%

2 The particulars of Joint Venture considered in the Consolidated Financial Statements are as under :

Names of Joint Venture	Country of Incorporation	Proportion of Ownership
Star Union Dai–Ichi Life Insurance Company Ltd. (Non- Banking)	India	26%

3 The particulars of Associate considered in the Consolidated Financial Statements are as under:

Names of Associates	Country of Incorporation	Proportion of Ownership
Regional Rural Bank Kashi Gomti Samyut Gramin Bank	India	35%

The Value of the investment made by the Bank is ₹ 189.96 Crore as on 31st March 2016 which is treated as long term investment.

4 The financial statements of the subsidiaries, joint venture and associate which are used in the consolidation have been drawn up to the same reporting date as that of the Parent i.e. 31st March 2016.

5 In case of Domestic Associate/Subsidiaries, accounting adjustments arising due to different accounting policies followed by parent bank and associate/subsidiaries have not been carried out on the basis of data provided by associates/ subsidiaries as the amounts are not material.

6 The Consolidated Financial Statements have been prepared on the basis of audited financial statements of Star Union Dai-ichi Life Insurance Company Ltd., Union KBC Asset Management Co. Pvt. Ltd., Union KBC Trustee Co. Pvt. Ltd., Union Bank of India UK Ltd. and Unaudited Financial Statements of Kashi Gomti Samyut Gramin Bank (Regional Rural Bank) for the financial year ended 31.03.2016.

7 Adjustment of outstanding entries in Suspense Accounts, Sundry Deposits, Clearing Adjustments, Bank Reconciliation Statements and various inter-branch/office accounts is in progress on an ongoing basis.

Pending final clearance of the same, the overall impact, if any, on the accounts, in the opinion of the management will not be significant.

8 DISCLOSURES IN TERMS OF THE RESERVE BANK OF INDIA GUIDELINES

8.1 A. Capital

The Bank is subjected to Basel III capital adequacy guidelines stipulated by RBI with effect from April 1, 2013. The guidelines provide a transition schedule for Basel III implementation till March 31, 2019. As per guidelines, the Tier I capital is made up of Common Equity Tier I (CET I) and Additional Tier I.

Basel III guidelines require the Bank to maintain minimum capital to Risk Weighted Assets ratio (CRAR) of 9% with minimum CET I of 5.5% and minimum Tier I CRAR OF 7% as at March 31, 2016.

The computation of Capital Adequacy as per the framework is indicated below:

Sr. No	Particulars	31.03.2016	31.03.2015
i)	Common Equity Tier 1 Capital ratio (CET 1) (%)		
	Basel II	Nil	Nil
	Basel III	8.00	7.26
ii)	Tier I Capital ratio (%)		
	Basel II	8.29	7.66
	Basel III	8.20	7.53
iii)	Tier II Capital ratio (%)		
	Basel II	2.90	3.18
	Basel III	2.42	2.71
iv)	Total Capital ratio (CRAR) (%)		
	Basel II	11.19	10.83
	Basel III	10.62	10.24
v)	Percentage of the shareholding of the Government of India (%)	63.44	60.47
vi)	Amount of Equity Capital raised : (₹ in crore)	51.66	5.47
vii)	Amount of Additional Tier I capital raised : (₹ in crore)	---	---
Viii	Amount of Tier II Capital raised : (₹ in crore)	1000.00	--
	of which Debt capital instruments : (₹ in crore)	1000.00	--

During the Financial Year 2015-16, the Bank has allotted 5,16,62,281 equity shares of ₹ 10/- each at price of ₹ 209.05 per equity share (including a premium of ₹ 199.05 per equity share), to the Government of India. Consequently, the share holding of Government of India has increased from 60.47% to 63.44%

8.2 Provisions & Contingencies

(₹ in crore)

Break up of Provision & Contingencies. shown under the head in Profit & Loss:	31.03.2016	31.03.2015
Provision / (Reversal) for Depreciation on Investment	149.28	(37.62)
Provision towards NPA	4655.03	2536.67
Provision(Reversal) towards Standard Assets	(107.47)	239.81
Net Provision made towards Income Tax (IT)/Wealth Tax/Deferred tax liability (DTL)	415.07	1000.00
Other Provision and Contingencies:		
- Shifting Loss	5.74	38.82
- Restructured Advances	(623.25)	127.11
- Others	(197.15)	136.33
TOTAL	4297.25	4041.12

8.3 Counter Cyclical Provisioning Buffer / Floating Provision (Parent Bank)

(₹ in crore)

Sr. No	Particulars	31.03.2016	31.03.2015
i)	Opening Balance as on 01.04.2015	293.20	511.21
ii)	Additional provisions made during the accounting year	0.00	75.18
iii)	Amount of drawdown made during the accounting year	0.00	293.19
iv)	Closing balance	293.20	293.20

9 Employee Benefits (Parent Bank) (AS 15)

(₹ in crore)

Particulars		31.03.2016		31.03.2015	
		Gratuity	Pension	Gratuity	Pension
i)	**Table showing change in Defined Benefit Obligation :**				
	Liability at the beginning of the year	1,088.16	8,218.43	1060.13	6683.81
	Interest Cost	83.52	638.22	95.66	616.32
	Current Service Cost	50.12	150.00	45.13	190.73
	Past Service Cost (Vested Benefit Amortized)	Nil	Nil	Nil	Nil
	Past Service Cost (Vested Benefit)	Nil	Nil	Nil	Nil
	Liability Transfer in	Nil	Nil	Nil	Nil
	Liability Transfer out	Nil	Nil	Nil	Nil
	Benefit paid	(186.00)	(681.00)	-160.00	-452.00
	Actuarial (gain) / loss on obligations	74.53	1,293.35	47.24	1179.57
	Liability at the end of the year	1,110.33	9,619.00	1088.16	8218.43
ii)	**Table of Fair value of Plan Assets:**				
	Fair value of Plan Assets at the beginning of the year	1,264.00	7,861.00	1081.23	6104.73
	Expected return on Plan Assets	105.21	777.24	96.74	630.38
	Contributions	38.26	1,413.35	208.00	1367.00
	Transfer from Other Company	Nil	Nil	Nil	Nil
	Transfer to Other Company	Nil	Nil	Nil	Nil
	Benefit paid	(186.00)	(681.00)	-160.00	-452.00
	Actuarial Gain/(loss) on Plan Assets	29.80	155.11	38.03	210.89
	Fair Value of Plan Assets at the end of the year	1,251.27	9,525.70	1264.00	7861.00
	Total Actuarial Gain/(loss) to be recognized	(44.73)	(1,138.24)	-9.21	-968.68
iii)	**Recognition of Transitional Liability :**				
	Transitional Liability at start	Nil	Nil	Nil	Nil
	Transitional Liability recognized during the year	Nil	Nil	Nil	Nil
	Transitional Liability at end	Nil	Nil	Nil	Nil
iv)	**Actual return on Plan Assets :**				
	Expected Return on Plan Assets	105.21	777.24	96.74	630.38
	Actuarial gain/(loss) on Plan Assets	29.80	155.11	38.03	210.89
	Actual return on Plan Assets	135.01	932.35	134.77	841.27
v)	**Expenses recognized in the Income Statement:**				
	Current Service Cost	50.12	150.00	45.13	90.73
	Interest Cost	83.52	638.22	95.66	616.32
	Expected Return on Plan Assets	(105.21)	(777.24)	-96.74	-630.38
	Past Service Cost (Vested Benefit Amortized) recognized	Nil	Nil	65.00	338.00
	Past Service Cost (Vested Benefit) recognized	Nil	Nil	Nil	Nil
	Recognition of Transition Liability	Nil	Nil	Nil	Nil
	Actuarial Gain or Loss	44.73	1,138.24	9.21	968.68
	Expenses Recognized in P & L	73.16	1,149.22	118.26	1483.35
vi)	**Balance Sheet Reconciliation:**				
	Opening Net Liability (Last year net amount recognized in the balance sheet)	(175.84)	357.43	-86.10	241.08
	Expenses as above	73.16	1,149.22	118.26	1483.35
	Transfer from other Company (Net)	Nil	Nil	Nil	Nil
	Transfer to other Company (Net)	Nil	Nil	Nil	Nil
	Employer Contribution	(38.26)	(1,413.35)	-208.00	-1367.00
	Amount recognized in Balance Sheet	(140.94)	93.30	-175.84	357.43
vii)	**Other Details :** Pension is payable at the rate of 1/66 Salary for Each Year of Service Subject to Maximum of 50%.				

Particulars		31.03.2016		31.03.2015	
		Gratuity	Pension	Gratuity	Pension
	Gratuity is payable at the rate of 15 days salary for each year of service subject to maximum of ₹10, 00,000 or as per the Bank scheme. Actuarial gain / loss is accounted for in the year of occurrence. Salary escalation is considered as advised by the company which is in line with the industry practice considering promotion and demand and supply of the employees.				
	No. of Members	35,716.00	19,670.00	35646	21337
	Salary Per Month	148.54	107.98	135.34	97.37
	Contribution for next year	Nil	349.86	Nil	315.48
viii)	**Category of assets:**				
	Government of India Assets	146.02	473.14	146.02	473.14
	Corporate Bonds	267.72	1532.83	385.01	1879.80
	Special Deposits Scheme	Nil	Nil	Nil	Nil
	State Govt.	443.41	2442.38	434.50	2390.20
	Property	Nil	Nil	Nil	Nil
	Other	90.39	974.77	40.47	214.74
	Insurer Managed Funds	303.73	4102.58	258.00	2903.12
	Total	1,251.27	9,525.70	1264.00	7861.00
ix)	**Principal actuarial assumption used (%)**				
	Discount Rate Prev.	7.99	7.95	9.33	9.27
	Rate of return on Plan Assets Prev.	8.70	8.70	8.00	8.70
	Salary Escalation Prev.	5.00	5.00	5.00	5.00
	Attrition Rate Prev.	2.00	2.00	2.00	2.00
	Discount Rate Current	8.04	8.06	7.99	7.95
	Rate of Return on Plan Assets Current	8.04	8.06	8.70	8.70
	Salary Escalation Current	5.00	5.00	5.00	5.00
	Attrition Rate Current	2.00	2.00	2.00	2.00

(₹ in crores)

Surplus/Deficit in the Plan:	Gratuity Plan				
Amount recognized in the Balance-Sheet	**31.03.2016**	**31.03.15**	**31.03.14**	**31.03.13**	**31.03.12**
Liability at the end of the year	1,110.33	1088.16	1060.13	1000.86	990.55
Fair value of Plan Assets at the end of the year	1,251.27	1264.00	1081.23	1037.22	861.28
Difference	140.94	175.84	21.10	36.36	-129.27
Unrecognized Past Service Cost	Nil	Nil	65.00	130.00	195.00
Unrecognized Transition Liability	Nil	Nil	Nil	Nil	Nil
Amount Recognized in the Balance Sheet	140.94	175.84	86.10	166.36	65.73

(₹ in crores)

Amount recognized in the Balance-Sheet	Gratuity Plan				
Experience Adjustment	**31.03.2016**	**31.03.15**	**31.03.14**	**31.03.13**	**31.03.12**
On plan liability (Gain) / Loss	Nil	(21.18)	123.74	21.60	95.09
On plan Assets (Loss) / Gain	29.80	38.03	(20.00)	(24.43)	(0.80)

(₹ in crores)

Surplus/Deficit in the Plan:	Pension				
Amount recognized in the Balance-Sheet	**31.03.2016**	**31.03.15**	**31.03.14**	**31.03.13**	**31.03.12**
Liability at the end of the year	9,619.00	8218.43	6683.81	5991.02	5259.03
Fair value of Plan Assets at the end of the year	9,525.70	7861.00	6104.73	4774.08	4020.00
Difference	(93.30)	(357.43)	(579.08)	(1216.94)	(1239.03)
Unrecognized Past Service Cost	Nil	Nil	338.00	761.00	1014.17
Unrecognized Transition Liability					
Closing Balance	Nil	Nil	Nil	Nil	Nil
Amount Recognized in the Balance Sheet	(93.30)	(357.43)	(241.08)	(455.94)	(224.86)

Amount recognized in the Balance-Sheet	Pension				
Experience Adjustment	**31.03.2016**	**31.03.15**	**31.03.14**	**31.03.13**	**31.03.12**
On plan liability (Gain) / Loss	1399.16	731.44	661.38	251.18	511.13
On plan Assets (Loss) / Gain	155.11	210.89	-233.23	-103.10	-145.15

The Bank has Defined Contribution Pension Scheme (DCPS) applicable to all categories of officers and employees joining the Bank on or after April 1, 2010. The scheme is managed by National Pension Scheme (NPS) Trust under the aegis of the Pension Fund Regulatory and Development Authority. National Securities Depository Limited has been appointed as the Central Record Keeping Agency for the NPS. During F.Y. 2015-16, the Bank has contributed ₹ 58.52 crore (Previous Year ₹ 42.44 crore) to NPS.

9.1 Details of Provisions made for various Long Term Employees Benefits for the year ended are as follows

(₹ in crore)

Sr. No.	Other Long Term Benefits	31.03.2016	31.03.2015
1.	Pension	1149	1483
2.	Leave Encashment	75	68
3.	Leave Travel Concession	10	9
4.	Sick Leave	Nil	Nil

During the year the bank has made a payment of ₹ 79 Crores as an exceptional item which relates to wage arrears for earlier years, on final implementation of the Xth bipartite wage settlement

Unamortized Pension and Gratuity Liabilities (Parent Bank)

(₹ in crore)

Particulars		31.03.2016	31.03.2015
Pension			
a)	Charged to Profit & Loss account	NIL	338.00
b)	Carried forward	NIL	-
Gratuity			
a)	Charged to Profit & Loss account	NIL	65.00
b)	Carried forward	NIL	-

10 SEGMENT REPORTING (AS 17)

10.1 Business Segments:

(₹ in crores)

Business Segment		Standalone					Consolidated	
		Quarter ended			Year ended		Year ended	
		(Audited)	(Reviewed)	(Audited)	(Audited)		(Audited)	
		31.03.16	31.12.15	31.03.15	31.03.16	31.03.15	31.03.16	31.03.15
(a)	**Segment Revenue**							
1	Treasury Operations	2503.37	2567.08	2624.40	10177.19	9457.35	10177.19	9457.35
2	Retail Banking Operations	3309.08	2363.45	2550.30	10221.26	10096.56	10221.26	10096.56

Business Segment		Standalone					Consolidated	
		Quarter ended			Year ended		Year ended	
		(Audited)	(Reviewed)	(Audited)	(Audited)		(Audited)	
		31.03.16	31.12.15	31.03.15	31.03.16	31.03.15	31.03.16	31.03.15
3	Corporate / Wholesale Banking	3016.78	3824.94	4121.28	15236.62	15733.95	15236.62	15733.95
4	Other Banking Operations	78.98	63.56	98.76	264.76	342.36	264.76	342.36
5	Unallocated	0.00	0.00	0.00	0.00	0.00	419.56	514.44
	Total	**8908.21**	**8819.03**	**9394.74**	**35899.83**	**35630.22**	**36319.39**	**36144.66**
	Less Inter-segment Revenue	23.80	16.97	11.03	69.29	23.26	69.29	23.26
	Total Revenue	**8884.41**	**8802.06**	**9383.71**	**35830.54**	**35606.96**	**36250.10**	**36121.40**
(b)	**Segment Results**							
1	Treasury Operations	619.96	646.88	641.87	2146.01	1902.99	2146.01	1902.99
2	Retail Banking Operations	205.23	161.73	575.20	667.62	1216.99	667.62	1216.99
3	Corporate / Wholesale Banking	-1014.94	-741.56	-624.56	-1173.31	-503.19	-1173.31	-503.19
4	Other Banking Operations	34.70	29.45	49.84	125.07	166.59	125.07	166.59
5	Unallocated	0.00	0.00	0.00	0.00	0.00	6.13	-25.92
	Total Profit before Tax	**(155.05)**	**96.50**	**642.35**	**1765.39**	**2783.38**	**1771.52**	**2757.46**
(c)	Income Tax	(251.18)	17.96	198.58	413.77	1001.74	415.08	1000.00
(d)	**Net Profit**	**96.13**	**78.54**	**443.77**	**1351.60**	**1781.64**	**1342.89**	**1757.46**
(e)	**Segment Assets**							
1	Treasury Operations	124187.02	125032.19	113440.55	124187.02	113440.55	124187.02	113440.55
2	Retail Banking Operations	93320.72	118148.19	107285.95	93320.72	107285.95	93320.72	107285.95
3	Corporate / Wholesale Banking	183281.67	144431.52	156474.27	183281.67	156474.27	183281.67	156474.27
4	Other Banking Operations	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5	Unallocated Assets	3906.49	3208.08	4415.16	3906.49	4415.16	6575.15	6368.18
	Total	**404695.90**	**390819.97**	**381615.93**	**404695.90**	**381615.93**	**407364.56**	**383568.95**
(f)	**Segment Liabilities**							
1	Treasury Operations	117469.24	117914.52	107654.06	117469.24	107654.06	117469.24	107654.06
2	Retail Banking Operations	88934.90	112434.00	102760.57	88934.90	102760.57	88934.90	102760.57
3	Corporate / Wholesale Banking	174667.92	137446.14	149874.09	174667.92	149874.09	174667.92	149874.09
4	Other Banking Operations	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5	Unallocated Liabilities	732.63	950.89	1565.18	732.63	1565.18	3244.17	3381.06
6	Capital, Reserves & Surplus	22891.21	22074.43	19762.03	22891.21	19762.03	23048.33	19899.17
	Total	**404695.90**	**390819.97**	**381615.93**	**404695.90**	**381615.93**	**407364.56**	**383568.95**

Notes:

i) The Bank operates in four segments viz., Treasury, Retail, Corporate / Wholesale and Other Banking Operations. These segments have been identified in line with segment reporting AS-17 after considering the nature and risk profile of the products and services, the target customer profiles, the organizational structure and the internal reporting system of the Bank. The Bank has disclosed the business segment as primary segment. The revenue and other parameters prescribed in AS-17 of foreign branch for the period are within the threshold limits. Hence, the Bank has only one reportable geographical segment.

ii) Segment wise income, expenditure, assets and liabilities which are not directly allocable have been allocated to the reportable segments based on assumptions considered appropriate.

11 Related Party Disclosures (Parent Bank) (AS 18)

11.1 List of Related Parties

a) Subsidiaries

- Union KBC Asset Management Co. Pvt. Ltd.
- Union KBC Trustee Company Private Ltd.
- Union Bank of India (UK) Ltd

b) Joint Venture

- Star Union Dai-ichi Life Insurance Co. Ltd

c) Associate

- Kashi Gomti Samyut Gramin Bank

d) Key Management Personnel

Name	Designation	Joining/Cessation during the year 2015-16
Shri Arun Tiwari	Chairman and Managing Director	N.A
Shri K. Subrahmanyam	Executive Director	Cessation on 31 July, 2015
Shri Rakesh Sethi	Executive Director	N.A.
Shri Kishor Kharat	Executive Director	Cessation on 14 August, 2015
Shri Vinod Kathuria	Executive Director	Joined on 22 January, 2016

Parties with whom transactions were entered into during the year

No disclosure is required in respect of related parties, which are "State controlled Enterprises" as per paragraph 9 of Accounting Standard (AS) 18. Further, in terms of paragraph 5 of AS 18, transactions in the nature of Banker – Customer relationship have not been disclosed including those with Key Management Personnel and relatives of Key Management Personnel.

11.2 Key Management Personnel - Remuneration paid

(₹ in crore)

Particulars	31.03.2016	31.03.2015
Chairman and Managing Director	#0.28	0.20
Executive Directors	#0.44	0.39
Total	0.72	0.59

includes performance linked incentives of ₹ 0.06 crore and ₹ 0.09 crore paid to the Chairman & Managing Director and Executive Directors of the Bank respectively during the year.

12 Earnings per Share (AS 20)

The Bank reports basic earnings per equity share in accordance with Accounting Standard 20 on "Earning per Share". Basic Earnings per Share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year.

Sr No	Particulars	31.03.2016	31.03.2015
i	Basic and Diluted EPS (₹)	20.50	27.67
ii	Net Profit after Tax available for equity shareholders (₹ In crore)	1356.44	1752.18
iii	Weighted Average number of equity shares (No. in crore)	66.18	63.33
iv	Nominal value per share (₹)	10.00	10.00

13 Deferred Tax (AS 22)

(₹ in crore)

Sr No	Particulars	31.03.2016	31.03.2015
	Deferred Tax Assets		
1	Amortization of Premium on Investments	187.71	234.25
2	Employee Benefits	266.59	328.89
3	Depreciation on investments claimed in earlier years sold during the year	60.35	15.73
4	Leave Encashment	83.89	57.93
5	On account of other provisions	1435.06	477.18
6	On account of unused losses & Tax Credits	3.04	3.05
	Total	**2036.64**	**1117.03**
	Deferred Tax Liabilities		
1	Provision for diminution in value of Investments	91.23	66.15
2	Depreciation on Fixed Assets	29.24	35.68
3	Accrued interest on securities	607.89	641.15
4	Special Reserves u/s 36(i)(viii)	889.69	823.24
	Total	**1618.05**	**1566.22**
	Net Deferred Tax Asset	418.59	-
	Net Deferred Tax Liability	**-**	**449.19**

14 Additional information disclosed in the separate financial statements of the parent and the subsidiaries have no bearing on the true and fair view of the Consolidated Financial Statements (CFS) and also the information pertaining the items which are not material, have not been disclosed in the CFS.

15 During the year the Parent Bank has revalued the premises based on the reports of external independent valuers and the valuation have been approved by the Board. The surplus arising from the revaluation amounting to ₹ 1213.10 crore is shown as "Revaluation Reserves" under "Reserves and Surplus" and the same has been reckoned in Tier I capital as per RBI guidelines

16 The figures of the previous year have been regrouped / rearranged wherever considered necessary.

Signatories to Schedules 1 to 18

(DHIRENDRA JAIN)
Asst General Manager

(VIVEK KAMATH)
General Manager

(VINOD KATHURIA)
Executive Director

(RAKESH SETHI)
Executive Director

(ARUN TIWARI)
Chairman & Managing Director

(MIHIR KUMAR)
Director

(ANIL KUMAR MISRA)
Director

(JAG MOHAN SHARMA)
Director

(DR. K. RAMESHA)
Director

(DR. R. H. DHOLAKIA)
Director

(G. K. LATH)
Director

(DR. UTTAM KUMAR SARKAR)
Director

AS PER OUR REPORT OF EVEN DATE ATTACHED.

FOR J GUPTA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO. 314010E
(N. C. KONAR)
PARTNER
(M.NO. 052892)

FOR G P KAPADIA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO.104768W
(NIMESH BHIMANI)
PARTNER
(M.NO.030547)

FOR ASHWANI & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.000497N
(SANJEEVA NARAYAN)
PARTNER
(M.NO.084205)

FOR GBCA & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.103142W
(YOGESH AMAL)
PARTNER
(M.NO.111636)

FOR SUNDAR SRINI & SRIDHAR
CHARTERED ACCOUNTANTS
FIRM REGN.NO.004201S
(T. S. SADASIVAM)
PARTNER
(M.NO.081684)

FOR P A & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.313085E
(DILLIP AGARWALLA)
PARTNER
(M.NO.055420)

Place : MUMBAI
Date : 26th MAY, 2016.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2016

(₹ in Lacs)

Sr. No.	Particulars	Year ended 31.03.2016	Year ended 31.03.2015
A	**CASH FLOW FROM OPERATING ACTIVITIES:**		
	Net Profit / (Loss) Before Tax	17,71,52	27,57,46
	Adjustments for:		
	Depreciation on Fixed Assets	2,48,98	2,25,12
	Depreciation on Investments	1,55,02	1,20
	Provision for Non Performing Assets	46,55,03	26,63,78
	Provision for Standard Asset	(9,34,82)	3,34,90
	Other Provisions	6,94	41,25
	Profit / (Loss) on Sale or Disposal of Fixed Assets	1,79	39
	Provision for Staff Related Expenditures	84,04	2,85,18
	Share of Earning In Associates	(4,52)	(13,42)
	Increase/(Decrease)in Minority Interest	(9,03)	(10,36)
	Sub Total	**59,74,95**	**62,85,50**
	Adjustments for:		
	Increase / (Decrease) in Deposits	2,66,67,17	1,97,99,28
	Increase / (Decrease) in Borrowings	(35,28,32)	23,77,16
	Increase / (Decrease) in Other Liabilities and Provisions	2,84,04	4,61,42
	(Increase) / Decrease in Investments	(49,10,08)	(8,14,26)
	(Increase) / Decrease in Advances	(1,69,83,47)	(2,94,80,23)
	(Increase) / Decrease in Other Assets	15,59,11	(16,06,12)
	Direct Taxes Paid (Net of refund)	(7,89,26)	(5,90,23)
	NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**82,74,14**	**(35,67,48)**
B	**CASH FLOW FROM INVESTING ACTIVITIES :**		
	Purchase of Fixed Assets	(15,87,66)	(3,46,10)
	Sale of Fixed Assets	7,02,32	4,33
	Share of Earning In Associates	4,52	13,42
	Increase/(Decrease) in Minority Interest	9,03	10,36
	NET CASH FLOW FROM INVESTING ACTIVITIES (B)	**(8,71,79)**	**(3,17,99)**
C	**CASH FLOW FROM FINANCING ACTIVITIES :**		
	Conversion of Perpetual Non-Cumulative Preference Shares	0	(1,11,00)
	Issue of Equity Shares against Conversion of PNCPS	0	5,47
	Issue of Equity Shares to Govt. of India on Preferential Basis	51,66	0
	Security Premium received (Net of Share Issue Expenses)	10,27,26	1,05,42
	Proceeds from issue of IPDI, Subordinated Bonds & Upper Tier II Bonds / PNCPS	(10,03,06)	34,74,61
	Payment of Dividend (Interim & Final Including Dividend Tax)	(4,64,41)	(3,06,66)
	NET CASH FLOW FROM FINANCING ACTIVITIES (C)	**(3,88,55)**	**31,67,84**
	Net Increase (Decrease) in Cash & Cash Equivalent (A)+(B)+(C)	70,13,80	(7,17,63)
	Cash and Cash Equivalents as at the Beginning of the year	2,26,03,01	2,33,20,64
	Cash and Cash Equivalents as at the End of the year	**2,96,16,81**	**2,26,03,01**

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2016

(₹ in Lacs)

Sr. No.	Particulars	Year ended 31.03.2016	Year ended 31.03.2015
D	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR**		
	Cash and Balances with RBI (including FC notes)	1,50,63,87	1,84,19,98
	Balances with Banks and Money at Call	75,39,14	49,00,66
	Net Cash and Cash Equivalents at the Beginning of the year	**2,26,03,01**	**2,33,20,64**
E	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**		
	Cash and Balance with RBI (including FC notes)	1,56,06,92	1,50,63,87
	Balances with Banks and Money at Call	1,40,09,89	75,39,14
	Net Cash and Cash Equivalents at the End of the year	**2,96,16,81**	**2,26,03,01**

(VINOD KATHURIA)	**(RAKESH SETHI)**	**(ARUN TIWARI)**
Executive Director	Executive Director	Chairman & Managing Director

Auditors Certificate :

We, the undersigned Statutory Auditors of Union Bank of India, have verified the above Consolidated Cash Flow Statement of the Group for the year ended 31.03.2016. The statement has been prepared using Indirect Method in accordance with the AS-3, Cash Flow Statement issued by The Institute of Chartered Accountants of India and with the requirements of the clause 32 of the Listing Agreement with the Stock Exchange and is based on and in agreement with the corresponding Consolidated Profit & Loss Account and the Consolidated Balance Sheet of the Group covered by our report of 26th May, 2016 to the Management.

FOR J GUPTA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO. 314010E
(N. C. KONAR)
PARTNER
(M.NO. 052892)

FOR G P KAPADIA & CO.
CHARTERED ACCOUNTANTS
FIRM REGN.NO.104768W
(NIMESH BHIMANI)
PARTNER
(M.NO.030547)

FOR ASHWANI & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.000497N
(SANJEEVA NARAYAN)
PARTNER
(M.NO.084205)

FOR GBCA & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.103142W
(YOGESH AMAL)
PARTNER
(M.NO.111636)

FOR SUNDAR SRINI & SRIDHAR
CHARTERED ACCOUNTANTS
FIRM REGN.NO.004201S
(T. S. SADASIVAM)
PARTNER
(M.NO.081684)

FOR P A & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN.NO.313085E
(DILLIP AGARWALLA)
PARTNER
(M.NO.055420)

Place : MUMBAI
Date : 26th MAY, 2016.

INDEPENDENT AUDITORS' REPORT

To The Members of Union Bank of India

Report on the Financial Statements

1. We have audited the accompanying financial statements of Union Bank of India ("the Bank") as at 31st March, 2017, which comprises the Balance Sheet as at 31st March, 2017, Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information. Incorporated in these financial statements are returns of 20 branches including 1 Treasury branch, 18 Regional offices, 23 offices/centres audited by us, 2121 branches audited by Statutory Branch Auditors and 4 foreign branches audited by local auditors. The branches audited by us and those audited by other auditors have been selected by the Bank in accordance with the guidelines issued to the Bank by the Reserve Bank of India. Also incorporated in the Balance Sheet and the Profit and Loss are the returns from 2137 branches, 44 regional offices and 96 offices/centres which have not been subjected to audit. These unaudited branches account for 4.88 per cent of advances, 24.88 per cent of deposits, 6.66 per cent of interest income and 24.41 per cent of interest expenses.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements in accordance with Banking Regulation Act, 1949, accounting principles generally accepted in India alongwith recognition and measurement principles laid down in the Accounting Standards specified by the Institute of Chartered Accountants of India so far as they are applicable to the Bank and the guidelines and circulars 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 of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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, 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, as shown by books of the Bank, and to the best of our information and according to the explanations given to us:

   a. the Balance Sheet, read with the notes thereon, is a full and fair Balance Sheet containing all the necessary particulars and is properly drawn up so as to exhibit a true and fair view of state of affairs of the Bank as at 31st March 2017 in conformity with accounting principles generally accepted in India;

   b. the Profit and Loss Account, read with the notes thereon shows a true balance of profit, in conformity with accounting principles generally accepted in India, for the year covered by the account; and

   c. the Cash Flow Statement gives a true and fair view of the cash flows 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 Section 29 of the Banking Regulation Act, 1949.

8. Subject to the limitations of the audit indicated in paragraph 1 to 5 above and as required by the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, and subject also to the limitations of disclosure required therein, 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 purposes of our audit and have found them to be satisfactory;

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

   c. The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

9. We further report that:

   a. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account and returns;

   b. the reports on the accounts of the branch offices audited by statutory branch auditors of the Bank under Section 29 of the Banking Regulation Act, 1949 have been sent to us and have been properly dealt with by us in preparing this report;

   c. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the applicable accounting standards.

FOR G. P. KAPADIA & CO.
CHARTERED ACCOUNTANTS
Firm Regn. No.104768W

(NIMESH BHIMANI)
PARTNER
M.NO.030547

FOR ASHWANI & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn. No. 000497N

(SANJEEVA NARAYAN)
PARTNER
M.NO.084205

FOR GBCA & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn. No.103142W

(TANSUKH CHHEDA)
PARTNER
M.NO.047157

FOR SUNDAR SRINI& SRIDHAR
CHARTERED ACCOUNTANTS
Firm Regn. No.004201S

(S. SRIDHAR)
PARTNER
M.NO.025504

FOR P A & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn. No.313085E

(DILLIP AGARWALLA)
PARTNER
M.NO.055420

FOR S BHANDARI & CO
CHARTERED ACCOUNTANTS
Firm Regn. No. 000560C

(P P PAREEK)
PARTNER
M.NO.071213

Place: Mumbai.

Date: 8th May, 2017

BALANCE SHEET AS ON 31ST MARCH, 2017

(₹ in 000')

Particulars	Schedule Number	As on 31st March 2017	As on 31st March 2016
CAPITAL AND LIABILITIES			
Capital	1	**6,87,44,11**	6,87,44,11
Reserves And Surplus	2	**2,27,47,75,59**	2,22,03,76,58
Share Application Money		**5,41,00,00**	-
Deposits	3	**37,83,91,57,55**	34,27,20,00,92
Borrowings	4	**4,12,25,87,30**	3,09,57,35,18
Other Liabilities And Provisions	5	**91,10,79,47**	81,27,33,45
TOTAL		**45,27,04,44,02**	40,46,95,90,24
ASSETS			
Cash and Balances with Reserve Bank of India	6	**1,65,20,44,74**	1,56,04,72,09
Balances with Banks and Money at Call and Short Notice	7	**1,63,02,05,45**	1,36,71,49,95
Investments	8	**11,21,48,95,95**	8,92,08,34,61
Advances	9	**28,64,66,57,70**	26,73,54,00,19
Fixed Assets	10	**38,94,41,50**	39,39,87,28
Other Assets	11	**1,73,71,98,68**	1,49,17,46,12
TOTAL		**45,27,04,44,02**	40,46,95,90,24
CONTINGENT LIABILITIES	12	**23,16,00,86,31**	39,37,16,40,14
BILLS FOR COLLECTION		**1,61,19,39,73**	1,50,30,34,09
SIGNIFICANT ACCOUNTING POLICIES	17		
NOTES TO ACCOUNTS	18		

The Schedules referred to above form an integral part of the Balance Sheet

(DHIRENDRA JAIN)
Asst. General Manager

(B SREENIVASA RAO)
Dy. General Manager & CFO

(ATUL KUMAR GOEL)
Executive Director

(RAJ KAMAL VERMA)
Executive Director

(VINOD KATHURIA)
Executive Director

(ARUN TIWARI)
Chairman & Managing Director

(Dr. MADNESH KUMAR MISHRA)
Director

(ANIL KUMAR MISRA)
Director

(Dr. K. RAMESHA)
Director

(Dr. R. H. DHOLAKIA)
Director

(G. K. LATH)
Director

(Dr. UTTAM KUMAR SARKAR)
Director

AS PER OUR REPORT OF EVEN DATE ATTACHED.

FOR G P KAPADIA & CO
CHARTERED ACCOUNTANTS.
Firm Regn. No.104768W

(NIMESH BHIMANI)
Partner
(M.No.030547)

FOR ASHWANI & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn. No.000497N

(SANJEEVA NARAYAN)
Partner
(M.No.084205)

FOR GBCA & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn. No.103142W

(TANSUKH CHHEDA)
Partner
(M.No.047157)

FOR SUNDAR SRINI & SRIDHAR
CHARTERED ACCOUNTANTS
Firm Regn. No.004201S

(S. SRIDHAR)
Partner
(M.No.025504)

FOR P A & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn. No.313085E

(DILLIP AGARWALLA)
Partner
(M.No.055420)

FOR S BHANDARI & CO.
CHARTERED ACCOUNTANTS
Firm Regn. No. 000560C

(P. P. PAREEK)
Partner
(M.No. 071213)

PLACE : MUMBAI
DATE : 8th MAY, 2017.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2017

(₹ in 000')

Particulars	Schedule Number	For the Year Ended 31st March 2017	For the Year Ended 31st March 2016
I. INCOME			
Interest Earned	13	**3,26,59,98,01**	3,21,98,80,08
Other Income	14	**49,64,59,89**	36,31,73,54
TOTAL		**3,76,24,57,90**	3,58,30,53,62
II. EXPENDITURE			
Interest Expended	15	**2,37,56,64,48**	2,38,85,70,21
Operating Expenses	16	**64,37,84,48**	63,02,21,57
Provision And Contingencies		**68,74,87,63**	42,91,01,61
TOTAL		**3,70,69,36,59**	3,44,78,93,39
III. PROFIT/(LOSS) FOR THE YEAR		**5,55,21,31**	13,51,60,23
ADD : PROFIT BROUGHT FORWARD		**36**	41,62
TOTAL		**5,55,21,67**	13,52,01,85
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		**1,38,75,00**	4,05,50,00
Transfer to Capital Reserve		**2,31,46,67**	44,84,70
Transfer to Revenue and Other Reserves		**0**	5,48,17,00
Proposed Dividend		**0**	1,34,05,10
Provision for Div on PNCPS		**0**	0
Dividend Tax		**0**	27,44,69
Transfer to Special Reserve [Sec36(I)(viii) of the Income Tax Act,1961]		**1,85,00,00**	1,92,00,00
Balance in Profit and Loss Account			36
TOTAL		**5,55,21,67**	13,52,01,85
EARNINGS PER SHARE (BASIC AND DILUTED) (in ₹)		**8.08**	20.42
Significant Accounting Policies	17		
Notes To Accounts	18		

The Schedules referred to above form an integral part of the Profit and Loss Account

(DHIRENDRA JAIN)
Asst. General Manager

(B SREENIVASA RAO)
Dy. General Manager & CFO

(ATUL KUMAR GOEL)
Executive Director

(RAJ KAMAL VERMA)
Executive Director

(VINOD KATHURIA)
Executive Director

(ARUN TIWARI)
Chairman & Managing Director

(Dr. MADNESH KUMAR MISHRA)
Director

(ANIL KUMAR MISRA)
Director

(Dr. K. RAMESHA)
Director

(Dr. R. H. DHOLAKIA)
Director

(G. K. LATH)
Director

(Dr. UTTAM KUMAR SARKAR)
Director

AS PER OUR REPORT OF EVEN DATE ATTACHED.

FOR G P KAPADIA & CO
CHARTERED ACCOUNTANTS.
Firm Regn. No.104768W

(NIMESH BHIMANI)
Partner
(M.No.030547)

FOR ASHWANI & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn. No.000497N

(SANJEEVA NARAYAN)
Partner
(M.No.084205)

FOR GBCA & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn. No.103142W

(TANSUKH CHHEDA)
Partner
(M.No.047157)

FOR SUNDAR SRINI & SRIDHAR
CHARTERED ACCOUNTANTS
Firm Regn. No.004201S

(S. SRIDHAR)
Partner
(M.No.025504)

FOR P A & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn. No.313085E

(DILLIP AGARWALLA)
Partner
(M.No.055420)

FOR S BHANDARI & CO.
CHARTERED ACCOUNTANTS
Firm Regn. No. 000560C

(P. P. PAREEK)
Partner
(M.No. 071213)

PLACE : MUMBAI
DATE : 8th MAY, 2017.

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 2017

(₹ in 000')

	As on 31.3.2017		As on 31.3.2016	
SCHEDULE 1 - CAPITAL :				
I. Authorised :				
300,00,00,000 Equity Shares of ₹ 10 each	**30,00,00,00**		30,00,00,00	
II. Issued, Subscribed & Paid up :				
i. 43,61,06,597 Equity Shares of ₹ 10 each, held by Central Government (Prev.Year 43,61,06,597 Equity Shares)	**4,36,10,66**		4,36,10,66	
ii. 25,13,34,520 Equity Shares of ₹ 10 each, held by Public (Prev.Year 25,13,34,520 Equity Shares)	**2,51,33,45**		2,51,33,45	
TOTAL	**6,87,44,11**		6,87,44,11	
SCHEDULE 2 - RESERVES & SURPLUS :				
I. Statutory Reserve :				
As per last Balance Sheet	**65,31,86,10**		61,26,36,10	
Addition during the year	**1,38,75,00**	**66,70,61,10**	4,05,50,00	65,31,86,10
II. Capital Reserve :				
As per last Balance Sheet	**8,48,09,83**		8,03,25,13	
Addition during the year	**2,31,46,67**	**10,79,56,50**	44,84,70	8,48,09,83
III. Revaluation Reserve :				
As per last Balance Sheet	**25,81,23,72**		14,24,70,51	
Addition during the year	**0**		12,13,09,62	
Deduction during the year	**1,24,43,95**	**24,56,79,77**	56,56,41	25,81,23,72
IV. Share Premium :				
As per last Balance Sheet	**44,84,37,91**		34,57,12,14	
Addition during the year	**0**	**44,84,37,91**	10,27,25,77	44,84,37,91
V. Revenue Reserves :				
i) Revenue and other Reserves :				
As per last Balance Sheet	**49,60,42,75**		47,64,88,00	
Addition during the year	**1,13,49,00**		5,48,17,00	
Deduction during the year	**0**		3,52,62,25	
TOTAL	**50,73,91,75**		49,60,42,75	
ii) Special Reserve u/s Sec 36(1)(viii) of the Income Tax Act,1961				
As per last Balance Sheet	**26,90,00,00**		24,98,00,00	
Addition during the year	**1,85,00,00**		1,92,00,00	
TOTAL	**28,75,00,00**		26,90,00,00	
iii) Foreign Currency Translation Reserve				
As per last Balance Sheet	**1,07,75,91**		50,36,81	
Addition during the year	**-27,71**		57,39,10	
TOTAL	**1,07,48,20**	**80,56,39,95**	1,07,75,91	77,58,18,66
vi) Balance in Profit and Loss Account		**36**		36
TOTAL		**2,27,47,75,59**		2,22,03,76,58

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 2017

(₹ in 000')

			As on 31.3.2017		As on 31.3.2016
SCHEDULE 3 - DEPOSITS :					
A)					
I.	Demand Deposits				
	i) From Banks	**4,99,72,53**		5,54,54,65	
	ii) From Others	**2,57,36,55,69**	**2,62,36,28,22**	2,91,88,59,95	2,97,43,14,60
II.	Savings Bank Deposits		**10,40,72,42,64**		8,11,32,61,70
III.	Term Deposits				
	i) From Banks	**75,23,06,22**		1,03,27,18,56	
	ii) From Others	**24,05,59,80,47**	**24,80,82,86,69**	22,15,17,06,06	23,18,44,24,62
	TOTAL		**37,83,91,57,55**		34,27,20,00,92
B)					
	i) Deposits of branches in India		**37,17,75,66,53**		33,60,86,39,68
	ii) Deposits of branches outside India		**66,15,91,02**		66,33,61,24
	TOTAL		**37,83,91,57,55**		34,27,20,00,92
SCHEDULE 4 - BORROWINGS :					
A)	Borrowings : Capital Instruments				
	I. Perpetual Bonds		**42,40,00,00**		10,40,00,00
	II. Upper Tier II Capital		**15,00,00,00**		22,50,00,00
	III. Lower Tier II Capital		**67,50,00,00**		52,00,00,00
B)	Borrowings in India				
	I. Other Banks	**14,40,35,26**		4,14,15,39	
	II. Other Institutions and Agencies	**17,51,18,59**	**31,91,53,85**	12,52,60,08	16,66,75,47
C)	Borrowings Outside India		**2,55,44,33,45**		2,08,00,59,71
	TOTAL		**4,12,25,87,30**		3,09,57,35,18
Secured Borrowings included in (B)I & (B)II above			**6,41,11,76**		9,56,19,34
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS :					
I.	Bills Payable		**14,95,55,51**		17,45,34,68
II.	Interest Accrued		**16,54,79,81**		10,40,14,36
III.	Deferred Tax Liability		**0**		0
IV.	Others (including provisions)		**59,60,44,15**		53,41,84,41
	TOTAL		**91,10,79,47**		81,27,33,45
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA:					
I.	Cash in hand				
	(including foreign currency notes & Gold)		**10,30,79,64**		11,24,81,40
II.	Balances with Reserve Bank of India				
	In Current Account		**1,54,89,65,10**		1,44,79,90,69
	TOTAL		**1,65,20,44,74**		1,56,04,72,09

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 2017

(₹ in 000')

			As on 31.3.2017		As on 31.3.2016
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE :					
I.	Balances with banks in India				
	i) a)	In Current Accounts	**39,30,18**	51,95,54	
	b)	In Other Deposit Accounts	**56,08,93,29**	35,44,79,43	
	ii)	Money at Call and short notice			
	a)	with Banks	**0**	3,00,00,00	
	b)	with Other Institutions	**0** **56,48,23,47**	20,45,91	39,17,20,88
II.	Outside India				
	i)	In Current Accounts	**1,31,89,42**	25,20,95,90	
	ii)	In other Deposit Accounts	**1,03,42,39,11**	71,91,81,48	
	iii)	Money at call & Short Notice	**1,79,53,45** **1,06,53,81,98**	41,51,69	97,54,29,07
		TOTAL	**1,63,02,05,45**		1,36,71,49,95
SCHEDULE 8 - INVESTMENTS :					
I.	Investments in India				
	i)	Government Securities	**8,75,49,12,35**		7,14,68,97,51
	ii)	Shares	**20,06,06,19**		12,37,04,82
	iii)	Debentures and Bonds	**1,72,21,70,14**		1,33,53,37,71
	iv)	Subsidiaries and joint ventures	**2,27,31,69**		1,29,43,76
	v)	Others			
		- Commercial Paper	**14,68,95,73**	1,43,30,28	
		- Mutual Funds	**10,13,61,21**	8,60,05,50	
		- Security Receipt by ARCIL	**7,58,42,34** **32,40,99,28**	5,80,61,08	15,83,96,86
		TOTAL	**11,02,45,19,65**		8,77,72,80,66
II.	Investments outside India				
	i)	Govt. Securities (Incl. Local Auth.)	**9,41,79,29**		5,91,34,80
	ii)	Shares	**40,32**		40,32
	iii)	Other Investments (Bonds)	**4,47,22,18**		5,30,44,33
	iv)	Subsidiaries and Joint Ventures	**5,14,34,51**		3,13,34,50
		TOTAL	**19,03,76,30**		14,35,53,95
		TOTAL	**11,21,48,95,95**		8,92,08,34,61
III.	i)	Investments in India			
		Gross Value	**11,14,29,54,89**		8,83,26,60,78
		Provision for Depreciation	**11,84,35,24**		5,53,80,12
		Net Value	**11,02,45,19,65**		8,77,72,80,66
	ii)	Investments outside India			
		Gross Value/Net Value	**19,03,76,29**		14,35,53,95
		TOTAL	**11,21,48,95,95**		8,92,08,34,61

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 2017

(₹ in 000')

			As on 31.3.2017	As on 31.3.2016
SCHEDULE 9 - ADVANCES				
A.	i)	Bills purchased and discounted	**1,18,24,74,43**	82,30,60,56
	ii)	Cash Credits, Overdrafts and Loans repayable on demand	**13,32,53,28,33**	13,17,79,77,73
	iii)	Term Loans	**14,13,88,54,95**	12,73,43,61,90
		TOTAL	**28,64,66,57,70**	26,73,54,00,19
B.	i)	Secured by tangible assets (includes Advance against Book Debts)	**24,96,01,06,14**	21,90,80,04,87
	ii)	Covered by Bank/Government Guarantees	**1,11,23,87,13**	1,29,10,52,85
	iii)	Unsecured	**2,57,41,64,44**	3,53,63,42,47
		TOTAL	**28,64,66,57,70**	26,73,54,00,19
C.	Sectorial Classification of Advances			
	I.	Advances in India:		
		i) Priority Sector	**10,42,19,00,27**	9,50,48,45,13
		ii) Public Sector	**1,67,62,97,70**	1,33,12,66,33
		iii) Banks	**26,51,94,23**	8,57,98,91
		iv) Others	**13,42,20,18,32**	13,23,20,65,86
		TOTAL	**25,78,54,10,52**	24,15,39,76,23
	II.	Advances Outside India:		
		i) Due From Banks	**84,71,56,56**	75,74,20,51
		ii) Due from Others		
		a) Bills Purchased and Discounted	**83,29,30,75**	44,99,00,97
		b) Syndicated loans	**3,59,61,38**	8,53,21,66
		c) Others	**1,14,51,98,49**	1,28,87,80,82
		TOTAL	**2,86,12,47,18**	2,58,14,23,96
		TOTAL	**28,64,66,57,70**	26,73,54,00,19

SCHEDULE 10 - FIXED ASSETS						
A.	TANGIBLE ASSETS					
	I.	Premises				
		At cost/valuation as per last Balance Sheet	**37,22,51,94**		24,17,82,46	
		Additions during the year	**79,73,10**		13,04,69,48	
		Deduction during the year	**3,86,00**		-	
			37,98,39,04		37,22,51,94	
		Less: Depreciation to date	**8,28,65,12**	**29,69,73,92**	6,79,08,37	30,43,43,57
	II.	Capital Work in Progress				
		At cost as per last Balance Sheet	**11,78,33**		4,13,62	
		Additions during the year	**9,43,45**		9,22,27	
		Deductions during the year	**28,40**	**20,93,38**	1,57,56	11,78,33
	III.	Land				
		At cost as per last Balance Sheet	**72,68,05**		61,66,84	
		Additions during the year	**3,62,29**		11,01,21	
			76,30,34		72,68,05	
		Less : Depreciation to date	**4,66,14**	**71,64,20**	3,80,37	68,87,68

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 2017

(₹ in 000')

		As on 31.3.2017		As on 31.3.2016	
IV.	Other Fixed Assets (including Furniture and Fixtures)				
a)	Assets given on lease				
	At cost as per last Balance Sheet	**26,53,52**		26,53,52	
	Less: Depreciation to date	**26,53,52**		26,53,52	
		-		-	
b)	Others				
	At cost/valuation as per last Balance Sheet	**22,47,94,72**		20,74,55,70	
	Additions during the year	**2,01,06,12**		2,38,26,53	
		24,49,00,84		23,12,82,23	
	Deductions during the year	**47,52,15**		64,87,51	
		24,01,48,69		22,47,94,72	
	Less: Depreciation to date	**15,93,01,43**	**8,08,47,26**	14,54,42,17	7,93,52,55
B.	INTANGIBLE ASSETS				
	Computer Software				
	At cost as per last Balance Sheet	**1,96,87,02**		1,75,35,22	
	Additions during the year	**22,71,72**		21,51,80	
	Deduction during the Year	**4,36,22**		0	
		2,15,22,52		1,96,87,02	
	Amortisation till date	**1,91,59,78**	**23,62,74**	1,74,61,87	22,25,15
	TOTAL		**38,94,41,50**		39,39,87,28
SCHEDULE 11 - OTHER ASSETS :					
I.	Inter-Office Adjustments (net)		**14,86,17,49**		19,67,49,20
II.	Interest Accrued		**23,78,73,99**		22,94,92,65
III.	Deferred Tax Assets		**22,94,16,00**		4,15,55,00
IV.	Stationery and stamps		**3,15,27**		3,74,87
V.	Non-Banking assets acquired in satisfaction of claims		**3,90**		3,90
VI.	Others		**1,12,09,72,03**		1,02,35,70,50
	TOTAL		**1,73,71,98,68**		1,49,17,46,12
SCHEDULE 12 - CONTINGENT LIABILITIES :					
I.	Claims against the bank not acknowledged as debts		**35,32,46,29**		38,57,15,36
II.	Liability for partly paid Investments		**59,20**		59,20
III.	Liability on account of outstanding Forward Exchange Contracts		**18,04,39,10,57**		34,74,37,04,38
IV.	Guarantees given on behalf of Constituents				
a)	In India	**1,45,66,77,78**		1,36,49,82,25	
b)	Outside India	**5,18,67,48**	**1,50,85,45,26**	3,22,71,60	1,39,72,53,85
V.	Acceptances, endorsements and other obligations		**3,00,31,19,04**		2,74,60,11,35
VI.	Other items for which Bank is Contingently Liable				
a)	Disputed Tax demands under appeals	**24,29,83,75**		2,84,06,00	
b)	Amt. Trfd. to DEAF Scheme 2014	**82,22,20**		7,04,90,00	
			25,12,05,95		9,88,96,00
	TOTAL		**23,16,00,86,31**		39,37,16,40,14

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2017

(₹ in 000')

		As on 31.3.2017	As on 31.3.2016
SCHEDULE 13 - INTEREST EARNED :			
I.	Interest/Discount on advances/bills	**2,29,43,10,10**	2,36,58,06,09
II.	Income on Investments	**86,95,09,60**	75,35,14,54
III.	Interest on balances with Reserve Bank of India & other inter bank funds	**8 80 53 76**	8,16,13,85
IV.	Others	**1,41,24,55**	1,89,45,60
	TOTAL	**3,26,59,98,01**	3,21,98,80,08
SCHEDULE 14 - OTHER INCOME :			
I.	Commission, Exchange and Brokerage	**4,68,72,64**	4,09,76,74
II.	Profit on sale of investments Profit	**20,58,66,29**	9,16,36,59
	Less: Loss		
III.	Profit / (Loss) on sale of land, buildings & other assets (net) Profit	**25,83,22**	-1,79,14
	Less: Loss		
IV.	Profit on exchange transactions - net Profit	**9,52,33,80**	9,77,60,93
	Less: Loss		
V.	Miscellaneous Income	**14,59,03,94**	13,29,78,42
	TOTAL	**49,64,59,89**	36,31,73,54
SCHEDULE 15 - INTEREST EXPENDED :			
I.	Interest on Deposits	**2,19,99,09,38**	2,20,77,44,46
II.	Interest on Reserve Bank of India/Inter-bank borrowing	**4,80,60,80**	5,40,83,38
III.	Others	**12,76,94,30**	12,67,42,37
	TOTAL	**2,37,56,64,48**	2,38,85,70,21
SCHEDULE 16 - OPERATING EXPENSES :			
I.	Payments to and provisions for employees	**34,34,20,28**	36,99,29,03
II.	Rent, Taxes and Lighting	**5,11,33,33**	4,70,04,83
III.	Printing and Stationery	**58,12,21**	51,75,64
IV.	Advertisement and Publicity	**66,98,32**	69,25,01
V.	Depreciation on Bank's property	**2,36,03,98**	2,44,11,42
VI.	Directors' fees, allowances and expenses	**83,73**	1,19,35
VII.	Remuneration to Managing/Executive Director	**72,39**	71,83
VIII.	Auditors' fees and expenses(including branch auditors)	**41,12,88**	35,04,69
IX.	Law Charges	**21,86,12**	21,41,97
X.	Postage, Telegrams, Telephones, etc.	**78,95,96**	75,70,80
XI.	Repairs and maintenance	**1,14,15,34**	1,13,29,13
XII.	Insurance	**3,77,00,03**	3,26,85,59
XIII.	Other expenditure	**14,96,49,91**	11,93,52,28
	TOTAL	**64,37,84,48**	63,02,21,57

SCHEDULES FORMING PART OF THE ACCOUNTS FOR 2016-2017

SIGNIFICANT ACCOUNTING POLICIES: SCHEDULE 17

1. Accounting Convention

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting on-going concern basis, unless otherwise stated and conform in all material aspects to Generally Accepted Accounting Principles (GAAP) in India, which comprise applicable statutory provisions, regulatory norms/guidelines prescribed by the Reserve Bank of India (RBI), Banking Regulation Act 1949, Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI), and the practices prevalent in the banking industry in India. In respect of foreign offices, statutory provisions of practices prevailing in respective foreign countries are complied with.

2. Use of Estimates

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of Assets and Liabilities (including Contingent Liabilities) as of the date of the financial statements and the reported Income and the Expenses during the reporting period. Management believes that the estimates wherever used in the preparation of the financial statements are prudent and reasonable. Difference between the actual results and estimates is recognized in the period in which the results are known / materialized.

3. Revenue Recognition

i) Income and Expenditure have been accounted for on accrual basis unless otherwise stated.

ii) Income on Non-Performing Assets (NPAs) is recognized to the extent realized as per the prudential norms prescribed by the RBI. Income accounted for in the preceding year and remaining unrealized is derecognized in respect of assets classified as NPAs during the year.

iii) Bank commission, exchange and brokerage earned (including Third Party Product's income), rent on Safe Deposit Lockers, commission on biometric cards, income from Aaadhar cards etc. are accounted for on realization basis.

iv) Income (Other than interest) on investments in "Held to Maturity" (HTM) category acquired at discount to the face value is recognized as follows:

a) On interest bearing securities, it is recognized only at the time of sale/ redemption.

b) On Zero- coupon securities, it is accounted for over the balance tenor of the securities on a constant yield basis.

v) Dividend is accounted on an accrual basis where the right to receive the dividend is established.

4. Cash Flow Statements

Cash and Cash equivalents include Cash in hand, Balances with RBI, Balances with other Banks and Money at call and short notice.

5. Investments

i) In conformity of the requirements in form A of the Third Schedule to the Banking Regulations Act, 1949, Investments are classified as under:

a) Government Securities

b) Other Approved Securities

c) Shares

d) Debentures & Bonds

e) Investments in Subsidiaries & Joint Ventures and

f) Other Investments

The Investment portfolio of the Bank is further classified in accordance with the RBI guidelines contained in Master Circular DBR.No.BP.BC.6/21.04.141 /2015-16 dated 1st July 2015 into three categories viz.,

a) Held to Maturity (HTM)

b) Available for Sale (AFS)

c) Held for Trading (HFT)

ii) As per RBI guidelines, the following principles have been adopted for the purpose of valuation

a) Securities held in "HTM" – at acquisition cost. The excess of acquisition cost over the face value is amortized over the remaining period of maturity and in case of discount; it is not recognized as income.

b) Investments in Regional Rural Banks are valued at carrying cost.

c) Investments in Subsidiaries and Joint Ventures are valued at carrying cost.

d) Diminution other than temporary, if any, in valuation of such investments is provided for.

e) Securities held in "AFS" and "HFT" categories are valued classification wise and scrip-wise and net depreciation, if any, in each classification is charged to Profit & Loss account while net appreciation, if any, is ignored.

f) Valuation of securities is arrived at as follows:

a	Govt. of India Securities	As per quotations put out by Fixed Income Money Market and Derivatives Association (FIMMDA)
b	State Development Loans, Securities guaranteed by Central / State Government, PSU Bonds	On appropriate yield to maturity basis as per FIMMDA guidelines
c	Equity Shares	As per market rates, if quoted, otherwise at Book value, as per latest Audited Balance Sheet (not more than 1 year old). In the absence of both, at ₹ 1/- per Company.
d	Preference Shares	As per market rates, if quoted, or on appropriate yield to maturity basis not exceeding redemption value as per FIMMDA guidelines
e	Debentures/Bonds	As per market rates, if quoted, otherwise on appropriate yield to maturity basis as per FIMMDA guidelines.
f	Mutual Funds(MF)	As per stock exchange quotations, if quoted. In case of unquoted units, as per latest Repurchase price declared by concerned MF. In cases where latest repurchase price is not available, as per Net Asset Value (NAV)
g	Treasury Bills / Certificate of Deposits / Commercial Papers	At carrying cost
h	Venture Capital Funds (VCF)	At declared NAV or Break-up NAV as per audited Balance Sheet which is not more than 18 months old. If NAV / audited financial statements are not available for more than 18 months continuously, at ₹ 1/- per VCF
i	Security Receipts	At NAV as declared by Securitization Companies

iii) Interbank Repo/ Reverse Repo transactions are accounted for in accordance with extant RBI guidelines.

iv) As per the extant RBI guidelines, the shifting of securities from one category to another is accounted for as follows:

- From AFS/HFT categories to HTM category, at lower of book value or market value as on the date of shifting. Depreciation, if any, is fully provided for.
- From HTM category to AFS/HFT category,
  - ➢ If the security is originally placed at discount in HTM category, at acquisition cost / book value
  - ➢ If the security is originally placed at a premium, at amortized cost.

  The securities so shifted are revalued immediately and resultant depreciation is fully provided for.
- From AFS to HFT category and vice versa, at book value.

v) The non-performing investments are identified and depreciation / provision is made as per the extant RBI guidelines.

vi) Profit / Loss on sale of investments in any category is taken to the Profit & Loss account. However, in case of profit on sale of investments in "HTM" category, an equivalent amount (net of taxes and net of transfer to Statutory Reserves) is appropriated to the Capital Reserve account.

vii) Commission, brokerage, broken period interest etc on securities is debited / credited to Profit & Loss Account.

viii) As per the extant RBI guidelines, the Bank follows 'Settlement Date' for accounting of investments transactions.

6. Derivative Contracts

i) The Interest Rate Swap which hedges interest bearing Asset or Liability are accounted for in the financial statements on accrual basis except the swap designated with an Asset or Liability that is carried at market value or lower of cost or market value. Gains or losses on the termination of swaps are recognized over the shorter of the remaining contractual life of the swap or the remaining life of the Asset / Liability.

ii) Trading swap transactions are marked to market with changes recorded in the financial statements.

iii) In the case of option contracts, guidelines issued by Foreign Exchange Dealers Association of India (FEDAI)

from time to time for recognition of income, premium and discount are being followed.

7. Advances

7.1 All advances are classified under four categories, i.e. (a) Standard, (b) Sub-standard, (c) Doubtful and (d) Loss assets. Provisions required on such advances are made as per the extant prudential norms issued by the RBI in terms of Master Circular DBR.BP.BC No.2/21.04.048/2015-16 dated 01st July 2015 as under:

7.2 Loans and Advances are classified as performing and non-performing, based on the guidelines issued by the RBI. Loan Assets become Non-Performing Assets (NPAs) where:

i. In respect of term loans, interest and/or instalment of principal remains overdue for a period of more than 90 days;

ii. In respect of Overdraft or Cash Credit advances, the account remains "out of order", i.e. if the outstanding balance exceeds the sanctioned limit/ drawing power continuously for a period of 90 days, or if there are no credits continuously for 90 days as on the date of balance-sheet, or if the credits are not adequate to cover the interest due during the same period

iii. In respect of bills purchased/discounted, the bill remains overdue for a period of more than 90 days;

iv. In respect of agricultural advances for short duration crops, where the instalment of principal or interest remains overdue for two crop seasons.

v. In respect of agricultural advances for long duration crops, where the principal or interest remains overdue for one crop season

7.3 NPAs are classified into Sub-Standard, Doubtful and Loss Assets, based on the following criteria stipulated by RBI:

i. Sub-standard: A loan asset that has remained non-performing for a period less than or equal to 12 months

ii. Doubtful: A loan asset that has remained in the sub-standard category for a period of 12 months

iii. Loss: A loan asset where loss has been identified but the amount has not been fully written off.

7.4 Provisions are made for NPAs as per the extant guidelines prescribed by the regulatory authorities, subject to minimum provisions as prescribed below:

Sub-Standard Assets:	i. A general of 15% of the total outstanding ii. Additional provision of 10% for exposures which are unsecured ab-initio iii. Unsecured Exposure in respect of infrastructure loan accounts where certain safeguards such as escrow accounts are available - 20%
Doubtful-Secured Portion	i. Upto one year – 25% ii. One to three years – 40% iii. More than three years – 100%
Doubtful-Unsecured Portion	100%
Loss Asset	100%

7.5 Advances are stated net of specific loan loss provisions, Counter cyclical provisioning buffer, Provision for diminution in fair value of restructured advances and unrecovered interest held in Sundry /claims received from Credit Guarantee Trust Fund (CGTF) / Export Credit Guarantee Corporation (ECGC) relating to non-performing assets.

7.6 In respect of foreign offices, classification of loans and advances and provisions for NPAs are made as per the local regulations or as per the norms of RBI, whichever is more stringent.

7.7 For restructured/rescheduled assets, provisions are made in accordance with the guidelines issued by the RBI, which require that the difference between the fair value of the loan before and after restructuring is provided for, in addition to provision for NPAs.

7.8 In the case of loan accounts classified as NPAs, an account may be reclassified as a performing asset if it conforms to the guidelines prescribed by the regulators.

7.9 Amounts recovered against debts written off in earlier years are recognised as revenue in the year of recovery

7.10 The general provision on Standard Advances is held in "Other Liabilities and Provisions" reflected in Schedule 5 of the Balance Sheet and is not considered for arriving at both net NPAs and net advances.

8. Fixed Assets and Depreciation

i) Premises and Other Fixed Assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises of purchase price, eligible borrowing costs and directly attributable costs of bringing the Asset to its working condition for the intended use less trade discounts

and rebates. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future benefits from such assets or their functional capability. Land and Buildings, if revalued are stated at revalued amount. The appreciation on revaluation is credited to Revaluation Reserve and the depreciation provided thereon is deducted there from.

ii) Application Software is capitalized and clubbed under Intangible assets. Depreciation on Computers and Software forming an integral part of Computer hardware and on ATM is provided on Straight Line Method (SLM) at the rate of 33.33% as per the guidelines of RBI.

iii) Depreciation on Fixed Assets is provided for on the written down value method at the rates considered appropriate by the management as under:

	Type of Asset	Rate of Depreciation
I.	Premises	5 %
II.	Other Fixed Assets	
	- Furniture and Fittings	10 %
	- Electric Fittings and Equipment, Office Appliances and SDV Lockers/ Strong rooms etc.	15 %
	- Transport Vehicles	20 %
	- Uninterrupted Power Supply Equipments(UPS)	33.33 %
III.	Amount added consequent upon revaluation of the assets	Applicable rate for the asset type, over the residual economic life of the respective assets

iv) Depreciation on additions to assets made upto 30th September of the year is provided at full rate and on additions made thereafter, at half the rate.

v) Depreciation on premises is provided on composite cost, wherever the value of Land and Buildings is not separately identifiable.

vi) No depreciation is provided on assets sold / disposed off during the year.

vii) Depreciation on Leased assets and Leasehold improvements is recognized on a straight-line basis using rates determined with reference to the primary period of lease.

9. Impairment of Assets

The carrying costs of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying cost of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. After impairment, depreciation is provided on the revised carrying cost of the asset over its remaining useful life. A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

10. Counter Cyclical Provisioning Buffer

The Bank has a policy of creation and utilization of Counter Cyclical Provisioning Buffer separately for Advances and Investments. The quantum of provision to be created is assessed at the end of each financial year. The Counter Cyclical Provisions are utilized only for contingencies under extra ordinary circumstances specified in the policy with prior permission of the RBI.

11. Transactions involving Foreign Exchange

11.1 Accounting for transactions involving foreign exchange is done in accordance with AS 11, (The Effects of Changes in Foreign Exchange Rates), issued by the ICAI. As stipulated in AS 11, the foreign currency operations of the Bank are classified as

a) Integral Operations and

b) Non Integral Operations.

All Overseas Branches, Offshore Banking Units, Overseas Subsidiaries are treated as Non Integral Operations and domestic operations in foreign exchange and Representative Offices are treated as Integral Operations.

a. Translation in respect of Integral Operations

i. Income and Expenditure items are recognized at the exchange rates prevailing on the date of the transaction.

ii. Foreign Currency Monetary and Non-Monetary Assets and Liabilities are translated at the closing spot rates notified by FEDAI at the end of each quarter.

iii. Contingent liabilities on account of guarantees, acceptances, endorsements and other obligations are stated at the exchange rates notified by FEDAI at the close of the year.

iv. The resulting exchange differences are recognized as income or expenses and are accounted through Profit and Loss Account.

v. Forward exchange contracts are recorded at the exchange rate prevailing on the date of commitment. Outstanding forward exchange contracts are revalued at the exchange rates notified by FEDAI for specified maturities and at interpolated rates for

contracts of 'in-between' maturities. The resultant gains or losses are recognized in the Profit and Loss account.

b. Translation in respect of Non Integral Operations

i. Assets and Liabilities (including contingent liabilities) are translated at the closing spot rates notified by FEDAI at the end of each quarter

ii. Foreign Exchange Spot and Forwards contingent liabilities outstanding as at the balance sheet date are translated at the closing spot and forward rates respectively notified by FEDAI and at interpolated rates for contracts of interim maturities.

iii. Income and Expense are translated at quarterly average rate notified by FEDAI at the end of each quarter.

iv. The resulting exchange differences are not recognized as income or expense for the period but accumulated in a separate account "Foreign Currency Translation Reserve" till the disposal of the net investment.

12. Employee Benefits

Retirement benefit in the form of Provident Fund is a defined contribution scheme. The contributions to the Provident Fund are charged to the Profit & Loss account for the year when the contributions are due. The Bank has no obligation other than the contribution payable to the Provident Fund.

Gratuity, Pension and provision towards Leave are defined benefit obligations, and are provided for on the basis of an actuarial valuation as per Accounting Standard-15 (Revised) "Employee Benefit" issued by the Institute of Chartered Accountants of India, made at the end of each financial year, based on the projected unit credit method. Actuarial gains/ losses are immediately taken to the Profit & Loss account.

New Pension Scheme is applicable to employees who joined the Bank on or after 01.04.2010 is a defined contribution scheme. Bank pays fixed contribution at predetermined rate and the obligation of the Bank is limited to such fixed contribution. The contribution is charged to Profit & Loss account.

Employee benefits relating to employees employed at foreign offices are valued and accounted for as per the local laws/regulations of the respective countries.

13. Segment Reporting

The Bank recognizes the Business segment as the Primary reporting segment and Geographical segment as the Secondary reporting segment, in accordance with the RBI guidelines and in the compliances with the Accounting Standard-17 "Segment Reporting" issued by the Institute of Chartered Accountants of India.

Business segments are classified into

(a) Treasury Operations,

(b) Corporate and Wholesale Banking,

(c) Retail Banking Operations and

(d) Other Banking Operations.

14. Lease Transactions

Lease payments for Assets taken on operating lease are amortized over the lease term. The properties taken on lease/rental basis are renewable / cancellable at the option of the Bank. The Bank's liabilities in respect of disputes pertaining to additional rent / lease rent are recognized on settlement or on renewal.

15. Earnings per Share

Earnings per Share is calculated by dividing the net Profit or Loss (after tax) for the year attributable to the Equity share holders by the weighted average number of Equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if contracts to issue Equity shares were exercised or converted during the year. Diluted earnings per Equity share is calculated by using the weighted average number of Equity shares and dilutive potential Equity shares outstanding as at the year-end.

16. Taxation

Provision for Tax is made for both current and deferred taxes. Current tax is provided on the taxable income using applicable tax rate and tax laws. Deferred Tax Assets and Deferred Tax Liabilities arising on account of timing differences and which are capable of reversal in subsequent periods are recognized using the tax rates and the tax laws that have been enacted or substantively enacted till the date of the Balance Sheet. Deferred Tax Assets are not recognized unless there is 'reasonable certainty' that sufficient future taxable income will be available against which such Deferred Tax Assets will be realized. In case of carry forward of unabsorbed depreciation and tax losses, Deferred Tax Assets are recognized only if there is "virtual certainty".

17. Provisions, Contingent Liabilities and Contingent Assets

As per AS 29 (Provisions, Contingent Liabilities and Contingent Assets) issued by the ICAI, the Bank recognizes provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

18. Share Issue Expenses:

Share Issue expenses are charged to the Share Premium account.

SCHEDULES FORMING PART OF THE ACCOUNTS FOR 2016-2017

SCHEDULE 18 – NOTES TO ACCOUNTS:

1. DISCLOSURES IN TERMS OF THE RESERVE BANK OF INDIA GUIDELINES

1.1 CAPITAL

The Bank is subjected to Basel III capital adequacy guidelines stipulated by RBI with effect from April 1, 2013. The guidelines provide a transition schedule for Basel III implementation till March 31, 2019. As per guidelines, the Tier I capital is made up of Common Equity Tier I (CET I) and Additional Tier I.

Basel III guidelines require the Bank to maintain minimum capital to Risk Weighted Assets ratio (CRAR) of 9% with minimum CET I of 5.5% and minimum Tier I CRAR OF 7% as at March 31, 2017.

The computation of Capital Adequacy as per the framework is indicated below:

Sr. No.	Particulars	31.03.2017	31.03.2016
i)	Common Equity Tier 1 Capital ratio (CET 1) (%) Basel II Basel III	 Nil 7.71	 Nil 7.95
ii)	Tier I Capital ratio (%) Basel II Basel III	 9.35 9.02	 8.23 8.14
iii)	Tier II Capital ratio (%) Basel II Basel III	 3.56 2.77	 2.91 2.42
iv)	Total Capital ratio (CRAR) (%) Basel II Basel III	 12.91 11.79	 11.14 10.56
v)	Percentage of the shareholding of the Government of India (%)	63.44	63.44
vi)	Amount of Equity Capital raised : (₹ in crore)	Nil	51.66
vii)	Amount of Additional Tier I capital raised : (₹ in crore) (Perpetual Debt Instruments)	 3,500	 Nil
Viii	Amount of Tier II Capital raised : (₹ in crore)	1,750	1,000
	of which Debt capital instruments : (₹ in crore)	1,750	1,000

NOTE:

1. During the reporting period (i.e. 2016-17) the Bank has raised ₹. 3500 Crore by way of issuing Additional Tier – I (AT-1) Bonds and ₹. 1750 Crore by way of issuing Tier – 2 Bonds.
2. During the reporting period (i.e. 2016-17) the Government of India vide its letter No. 7/38/2014-BOA dated 31st March 2017 infused ₹. 541 Crore which has been controlled under Share Application Money , pending allotment.

2 INVESTMENTS

2.1 The detail of Investments and the Movement of provision held towards depreciation on investments of the Bank is given below:

(₹ in crore)

Sr. No.		Particulars	31.03.2017	31.03.2016
1		Value of Investments		
	i)	Gross Value of Investments	1,11,942.41	88,640.36
		(a) In India	1,11,427.66	88,326.61
		(b) Outside India	514.75	313.75
	ii)	Provisions for Depreciation	1,182.46	553.80
		(a) In India	1,182.46	553.80
		(b) Outside India	Nil	Nil
	iii)	Net Value of Investments	1,10,759.95	88,086.57
		(a) In India	1,10,245.20	87,772.82
		(b) Outside India	514.75	313.75
2		Movement of provisions held towards depreciation on investments		
	i)	Opening balance	553.80	404.52
	ii)	Add: Provisions made during the year	720.16	480.77
	iii)	Less: Write-off/write-back of excess provisions during the year	91.50	331.49
	iv)	Closing balance	1,182.46	553.80

2.2 REPO Transactions (In face value terms)

The following tables set forth for the periods indicated, the details of securities sold and purchased under repo and reverse repo transactions respectively including transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF).

(₹ in crore)

		Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31.03.2017
A	Securities sold under Repo				
i)	Government securities	2.00	11,155.71	1,506.28	13,335.13
ii)	Corporate debt securities	Nil	Nil	Nil	Nil
B	Securities purchased under Reverse Repo				
i)	Government securities	10.00	24,594.00	3,797.72	3,100.00
ii)	Corporate debt securities	Nil	Nil	Nil	Nil

2.3 Non-SLR Investment Portfolio

i. Issuer composition of Non SLR Investments

The issuer composition of investments in securities, other than government and other approved securities is given below:

(₹ in crore)

No.	Issuer	Amount	Extent of Private Placement	Extent of Below Investment Grade Securities	Extent of Unrated Securities**	Extent of Unlisted Securities**
(1)	(2)	(3)	(4)	(5)	(6)	(7)
i)	PSUs	11,350.23	10,781.41	Nil	0.58	0.58
ii)	FIs	1,252.44	491.80	Nil	Nil	Nil
iii)	Banks	315.45	254.00	Nil	Nil	Nil
iv)	Private Corporate	8,613.33	5,696.79	141.37	14.85	196.59
v)	Subsidiaries/ Joint Ventures*	741.66	741.66	Nil	Nil	Nil
vi)	Others	1,841.92	1,172.04	Nil	Nil	Nil
vii)	Provision held towards depreciation	(904.21)	Nil	Nil	Nil	Nil
	Total	**23,210.82**	**19,137.70**	**141.37**	**15.43**	**197.17**

Particulars	31.03.2017	31.03.2016
Shares	1,782.46	1,237.45
Debentures and Bonds	17,221.70	13,353.37
Subsidiaries and Joint Ventures	741.66	410.86
Others	3,465.00	1,583.97
TOTAL	**23,210.82**	**16,585.65**

NOTE: The balance depreciation provision as per the RBI Circular on Scheme for Sustainable Structuring of Stressed Assets dated June 13,2016 and Guidelines on Sale of Stressed Assets by Banks dated September 1,2016 is ₹.111.50 crore.

** Unrated & unlisted securities disclosed includes only Ratings and Listing of securities required as per Master Circular Dated 01.7.2015 issued by RBI.

NOTE: RBI vide the circular RBI/2015-16/127 DBR.BP.BC. No.31/21.04.018/2015-16 dated July 16,2015 advised that commencing April 1,2015 deposit placed with NABARD/SIDBI/NHB on account of shortfall in priority sector targets should be included under schedule 11-other assets under the subheads 'Others' of the balance sheet. The exposure to RIDF of NABARD/ SIDBI/NHB as of 31/03/2017 aggregating to ₹.8,693.68 crore is included under other assets. The same for the previous year ended 31/03/2016 was ₹.8,076.88 crore.

ii. Non performing Non-SLR investments

The movement in gross non performing investments in securities other than government and other approved securities is given below:

(₹ in crore)

Particulars	31.03.2017	31.03.2016
Opening balance	244.19	203.02
Additions during the year	1,853.35	51.38
Reductions during the year	6.06	10.21
Closing balance	2,091.48	244.19
Total provisions held	**502.51**	**132.60**

2.4 Sale and transfers to/from HTM Category

The Bank has not made sales and transfers to/from HTM category during the financial year 2016-17 exceeding 5 per cent of the book value of investments held in HTM category at the beginning of the year. During the year 2016-17, the Bank had carried out one time transfer of securities to/from HTM category with the approval of Board of Directors aggregating ₹ 11,922.95 crore and ₹.12,230.56 crore being face value and book value respectively. Bank in order to comply with the Reserve Bank of India circular no. RBI/2015-16/261 DBOD.No.BP. BC.65/21.04.141/2015-16 dated December 10, 2015 directing banks to reduce its total SLR securities held in the HTM category in graduated manner, transferred securities from HTM to AFS Category aggregating ₹. 998.87 crore (face value) and ₹. 1,012.10 crore (book value). The Bank during the FY 2016-17 sold securities worth ₹. 3,435.86 crore (book value) to Reserve Bank of India under pre announced OMO auctions.

3. DERIVATIVES

3.1 Forward Rate Agreement/Interest Rate Swap

(₹ in crore)

Sr. No.	Particulars	31.03.2017	31.03.2016
i)	The notional principal of swap agreements	16,181.10	18,456.77
ii)	Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	62.58	49.80
iii)	Collateral required by the Bank upon entering into swaps	Nil	Nil
iv)	Concentration of credit risk arising from the Swaps	Banking Industry	Banking Industry
v)	The fair value of the swap book*	(10.30)	(13.56)

*MTM of IRS deals plus interest accrued on hedging deals.

Note:

I. Interest rate swaps in Indian Rupees were undertaken for hedging Reciprocal Loan Arrangements.

II. The Bank has entered into Floating to Fixed or Fixed to Floating Interest Rate Swap transactions for trading during the year.

III. All underlying for hedge transactions are on accrual basis.

3.2 Exchange Traded Interest Rate Derivatives

(₹ in crore)

Sr. No.	Particulars	31.03.2017	31.03.2016
i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise) A) Interest Rate Futures Buy Sell	 3,962.51 3,945.51	 7,440.02 8,195.32
ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2017 (instrument-wise)	Instrument O/S 759GS2026 20.82	Instrument O/S 759GS2026 10.00 772GS2025 10.00 788GS2030 5.00
iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Instrument O/S 759GS2026 20.82	Instrument O/S 759GS2026 10.00 772GS2025 10.00 788GS2030 5.00
iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Instrument MTM 759GS2026 (0.06)	Instrument MTM 759GS2026 0.03 772GS2025 0.02 788GS2030 (0.001)

3.3 Disclosures on Risk Exposures in Derivatives

a) Qualitative disclosure:

1. The Bank deals in two groups of derivative transactions within the framework of RBI guidelines.

   i) Over the Counter Derivatives

   ii) Exchange Traded Derivatives

   The Bank deals in Forward Rate Agreement, Interest Rate Swaps, Cross Currency Swap and Currency Options in Over the Counter Derivatives group.

   In Exchange Traded Derivatives Group, the Bank trades in Currency Futures and Interest Rate Futures. The Bank is Trading & clearing member with three Exchanges viz. National Stock Exchange (NSE), Bombay Stock Exchange (BSE) & Metropolitan Stock Exchange (MSEIL), on their Currency Derivative segment, as permitted by Reserve Bank of India. The Bank carries out proprietary trading in currency futures on these exchanges. The Bank has set up the necessary infrastructure for Front, Mid and Back office operations. Daily Mark to Market (MTM) and Margin obligations are settled with the exchanges as per guidelines issued by the Regulators.

   The Bank trades in Interest Rate Futures on National Stock Exchange. The bank has necessary infrastructure for Front, Mid and Back office operations in place. Daily Mark to Market (MTM) and Margin obligations are settled with the exchanges as per guidelines issued by the Regulators.

   The Bank undertakes derivative transactions for proprietary trading/market making, hedging own balance sheet and for offering to customers, who use them for hedging their risks within the prevalent regulations. Proprietary trading/market making positions are taken in Rupee Interest Rate Swap, Currency Futures and Interest Rate Futures. While derivative instruments present immense opportunity for making a quantum leap in non-interest income and also for hedging market risk, it exposes the Bank to various risks. The Bank has adopted the following mechanism for managing different risks arising out of derivative transactions.

   In terms of the structure, operations in the Treasury Branch are segregated into following three functional areas, which are provided with trained officers with necessary systems support and their responsibilities are clearly defined.

   I) Front Office—Dealing Room. Ensures Compliance with trade origination requirements as per Bank's policy and RBI guidelines.

   II) Mid-Office---Risk Management, Accounting Policies and Management

   III) Back Office- Settlement, Reconciliation, Accounting.

   Mid Office monitors transactions in the trading book and excesses, if any, are reported to Risk management Department for necessary action. Mid Office also measures the financial risk for transactions in the trading book on a daily basis, by way of Mark to Market. Daily Mark to Market position is reported to Risk Management Department, for onward reporting of the risk profile to the Directors' Committee on the Assets and Liability Management.

   In case of corporate clients transactions are concluded only after the inherent credit exposures are quantified and approved in terms of approval process laid down in the Treasury Policy for customer appropriateness and suitability. The necessary documents like ISDA agreements are

duly executed. The bank has adopted Current Exposure Method for monitoring credit exposures.

2) Treasury Policy of the Bank lays down the types of financial derivative instruments, scope of usages, and approval process as also the limits like the open position limits, deal size limits, stop loss limits and counterpart exposure limit for trading in approved instruments.

Various Risk Limits are set up and actual exposures are monitored vis-à-vis the limits.

These limits are set up taking in to account market volatility, business strategy and management experience. Risk limits are in place for risk parameters viz. PV01, stop loss, counterparty credit exposure. Actual positions are measured against these limits periodically and breaches if any are reported promptly. The Bank ensures that the Gross PV01 position arising out of all non option derivative contracts is within the 0.25% of net worth of the Bank.

3) The Bank also uses financial derivative transactions for hedging its own Balance Sheet Exposures. Treasury Policy of the Bank spells out approval process for hedging the exposures. The hedge transactions are monitored on a regular basis. The notional profit or loss calculated on Mark to Market basis, PV01 and VaR on these deals are reported to the Assets Liability Committee (ALCO) every month. Hedge effectiveness is the degree to which changes in the fair value or cash flows of the hedged items that are attributed to a hedged risk are offset by changes in the fair value or cash flows of the hedging instruments. This exercise is carried out periodically to ensure hedge effectiveness.

4) The hedged/un-hedged transactions are recorded separately. The hedged transactions are accounted for on accrual basis. All trading contracts are mark-to-market and resultant gross gain or loss is recorded in income statement.

In case of Option contracts, guidelines issued by FEDAI from time to time for recognition of income, premium, and discount are being followed.

To mitigate the credit risk, the Bank has policy in place to sanction limits to counterparty the Banks and Counterparty clients. The Bank adopts Current Exposure method for monitoring counterparty exposure periodically. While sanctioning derivative limit, the competent authority may stipulate condition of obtaining collaterals/margin as deemed appropriate. The derivative limit is reviewed periodically along with other credit limits.

The customer related derivative transactions are covered with counterparty banks, on back-to-back basis for identical amount and tenure and the bank does not carry any market risk.

b) Quantitative disclosure:

(₹ in crore)

		31.03.2017	
Sr. No	**Particulars**	**Currency Derivatives**	**Interest Rate Derivatives**
i)	Derivatives (Notional Principal Amount)		
a	For hedging	0.00	4,275.00
b	For trading	2,961.22	5,120.82
ii)	Marked to Market Positions (1)		
a	Asset (+)	36.56	34.38
b	Liability (-)	(22.25)	(45.88)
iii)	Credit Exposure (2)	248.74	152.69
iv)	Likely impact of one percentage change in interest rate (100*PV01)		
a	On hedging derivatives	Nil	162.53
b	On trading derivatives	0.27	7.46
v)	Maximum and Minimum of 100*PV01 observed during the year (In Lacs)		
A	Maximum		
	a. On hedging	Nil	164.04
	b. On trading	0.30	32.77
B	Minimum		
	a. On hedging	Nil	29.72
	b. On trading	0.18	1.46

*Credit exposure of interest rate derivative also includes the exposure on Hedging deals.

4. ASSETS QUALITY

4.1 Non Performing Assets

The details of movement of gross non performing assets (NPAs), net NPAs and provisions are given below:

(₹ in crore)

Sr No.	Particulars	31.03.2017	31.03.2016
i)	Net NPAs to Net Advances (%)	6.57	5.25
ii)	Movement of NPAs (Gross)		
	(a) Opening balance	24,170.89	13,030.87
	(b) Additions (Fresh NPAs) during the year	12755.27	12,952.87
	(c) Increase in balance of existing NPA	488.62	–
	Sub-total (A)	**37,414.78**	**25,983.74**
	(d) Less:-		
	(i) Up-gradations	1,050.00	177.73
	(ii) Recoveries (excluding recoveries made from upgraded accounts)	1,388.36	843.54
	(iii) Technical/Prudential Write-offs	999.19	645.68
	(iv) Write-offs other than (iii) above	264.45	145.90
	Sub-total (B)	3,702.50	1,812.85
	(e) **Closing balance (A-B)**	**33,712.28**	**24,170.89**
iii)	Movement of NPAs (Net)		
	(a) Opening Balance	14,025.94	6,918.97
	(b) Additions during the year	7211.99	8,297.83
	(c) Reduction during the year	2405.83	1,190.86
	(d) **Closing Balance**	18832.10	14,025.94
iv)	Movement of provisions for NPAs		
	(a) Opening balance	10144.95	6,111.90
	(b) Provisions made during the year	6031.90	4,655.03
	(c) Write-off/write-back of excess Provisions	1296.68	621.98
	(d) **Closing balance**	**14880.17**	**10,144.95**

Provision includes provision in lieu of diminution in fair value of restructured advances classified as NPAs. Opening and closing balances of provision for NPAs also include ECGC claims received/ recoveries in suit filled accounts and held pending adjustment of ₹. 86.47 Crore (Previous year ₹. 52.12 Crore) and ₹. 1.02 crore (Previous year ₹. 0.67 Crore) respectively

4.2 Disclosures on Flexible Structuring of Existing Loans

(Amount in INR Crore)

Period	No. of borrowers taken up for flexible structuring	Amount of loans taken up for flexible structuring		Exposure weighted average duration of loans taken up for flexible structuring in Years	
		Classified as Standard	Classified as NPA	Before Applying Flexible Structuring	After Applying flexible Structuring
Previous Financial Year (01-04-2015 to 31-03-2016)	14	2944.69	1188.67	6.89	17.45
Current Financial Year (From 01-04-2016 to 31.03.2017)	2	448.88	Nil	8.90	17.30

4.3 Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period)

(₹ in Crore)

No. of accounts where SDR has been invoked	Amount outstanding as on 31.03.2017		Amount outstanding as on 31.03.2017 with respect to accounts where conversion of debt to equity is pending		Amount outstanding as on 31.03.2017 with respect to accounts where conversion of debt to equity has taken place	
	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA
30	4281.07	3131.70	1935.83	2814.91	2345.24	316.79

4.4 Disclosures on Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period)

(₹ in Crore)

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as on 31.03.2017		Amount outstanding as on 31.03.2017 with respect to accounts where conversion of debt to equity/invocation of pledge of equity shares is pending		Amount outstanding as on 31.03.2017 with respect to accounts where conversion of debt to equity/invocation of pledge of equity shares has taken place		Amount outstanding as on 31.03.2017 with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale of promoters equity	
	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA
2	536.42	-	-	-	-	-	536.42	-

4.5 Disclosures on Change in Ownership of Projects Under Implementation (accounts which are currently under the stand-still period)

(₹ in Crore)

No. of project loan accounts where banks have decided to effect change in ownership	Amount outstanding as on 31.03.2017		
	Classified as standard	Classified as standard restructured	Classified as NPA
7	311.66	106.60	632.11

4.6 Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A), as on 31.03.2017

(Amount in INR Crore)

No. of accounts where S4A has been applied	Aggregate amount outstanding	Amount outstanding*		Provision Held
		In Part A	In Part B	
Classified as Standard (Number of A/cs 6)	1539.35	66.90	60.51	25.48
Classified as NPA (Number of A/cs 2)	142.30	60.27	50.98	52.87

***** Amount outstanding pertains to One Standard and One NPA Account. In rest of the accounts the implementation of the S4A Scheme is pending as on 31.03.2017.

4.7 The Reserve Bank of India (RBI) vide DBR.BP.BC.No. 63/21.04.018/2016-17 dated 18th April 2017, has prescribed certain additional disclosure to be made under "Notes to Accounts" for the rerference period i.e. FY 2015-16, neither the additional provisioning requirements assessed by RBI nor the additional Gross NPAs identified by RBI exceeds 15 percent of the published net profits after tax and incremental Gross NPAs respectively of the Bank.

4.8 Particulars Of Accounts Restructured

(₹ in crore)

Sr. No.	Type of Restucturing		Under CDR Mechanism					Under SME Debt Restructuring Mechanism				
	Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
	Details											
1	Restructured Accounts as on April 1 of the FY 2016 -17 (Opening Figures)	No.of Borrowers	15 (27)	16 (13)	21 (3)	0 (0)	52 (43)	413 (571)	121 (118)	6,547 (7,517)	282 (318)	7363 (8,524)
		Amount Outstanding	2,092.16 (3,859.57)	1,133.24 (1,435.14)	3,770.86 (204.20)	0.00 (0.00)	6,996.26 (5,498.91)	761.47 (788.73)	166.03 (517.23)	540.81 (236.17)	5.03 (40.32)	1,473.34 (1,582.45)
		Provision there on	10.25 (361.73)	92.86 (171.13)	265.82 (43.83)	0.00 (0.00)	368.93 (576.69)	7.15 (32.97)	0.87 (26.50)	31.36 (14.38)	0.33 (2.17)	39.71 (76.02)
2	Fresh Restructuring during the year 2016-17	No.of Borrowers	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (23)	0 (1)	0 (0)	0 (0)	0 (24)
		Amount Outstanding	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.67)	0.00 (36.12)	0.00 (0.00)	0.00 (0.00)	0.00 (36.79)
		Provision there on	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.04)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.04)
3	Upgradations to restructured standard category during the year 2016-17	No.of Borrowers	2 (2)				2 (2)	21 (12)				21 (12)
		Amount Outstanding	257.46 (330.99)				257.46 (330.99)	9.16 (29.85)				9.16 (29.85)
		Provision there on	41.15 (2.84)				41.15 (2.84)	0.03 (0.07)				0.03 (0.07)
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 2016-17 and hence need not be shown as restructured standard advances at the beginning of the next FY 2017 -18	No.of Borrowers	0 (0)				0 (0)	60 (2)				60 (2)
		Amount Outstanding	0.00 (0.00)				0.00 (0.00)	23.97 (4.29)				23.97 (4.29)
		Provision there on	0.00 (0.00)				0.00 (0.00)	0.21 (0.00)				0.21 (0.00)
5	Down gradations of restructured accounts during the FY 2016-17	No.of Borrowers		3 (14)	4 (8)	0 (0)	7 (22)		77 (133)	8 (25)	0 (0)	85 (158)
		Amount Outstanding		202.03 (880.72)	575.99 (1,879.50)	0.00 (0.00)	778.02 (2,760.22)		531.06 (142.37)	0.06 (51.64)	0.00 (0.00)	531.12 (194.01)
		Provision there on		1.15 (25.89)	70.65 (87.59)	0.00 (0.00)	71.80 (113.48)		4.09 (0.11)	0.00 (0.60)	0.00 (0.00)	4.09 (0.71)
6	Write-offs of restructured accounts during the FY 2016-17	No.of Borrowers	0 (0)	0 (0)	2 (2)	0 (0)	2 (2)	0 (0)	0 (0)	2 (1)	0 (0)	2 (1)
		Amount Outstanding	0.00 (0.00)	0.00 (0.00)	173.92 (48.84)	0.00 (0.00)	173.92 (48.84)	0.00 (0.00)	0.00 (0.00	7.41 (33.80)	0.00 (0.00)	7.41 (33.80)
7	Restructured Accounts as on March 31 of FY 2016-17 (Closing Figures)	No.of Borrowers	11 (15)	3 (16)	31 (21)	1 (0)	46 (52)	218 (413)	76 (121)	5750 (6547)	245 (282)	6289 (7363)
		Amount Outstanding	2,245.39 (2,092.16	202.03 (1,133.24)	4,615.98 (3,770.86)	98.60 (0.00)	7,162.00 (6,996.26)	402.98 (761.47)	594.14 (166.03)	518.38 (540.81)	26.87 (5.03)	1542.37 (1,473.34)
		Provision there on	103.32 (10.25)	1.15 (92.86)	309.99 (265.82)	0.00 (0.00)	414.46 (368.93)	4.67 (7.15)	5.58 (0.87)	11.28 (31.36)	0.31 (0.33)	21.84 (39.71)

(₹ in crore)

Sr. No.	Type of Restructuring		Others					Total				
	Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
	Details											
1	Restructured Accounts as on April 1 of the FY 2016-17 (Opening Figures)	No.of Borrowers	9751 (9,428)	1,375 (926)	21371 (23,785)	1,187 (1,215)	33,684 (35,354)	10,179 (10,026)	1,512 (1,057)	27,939 (31,305)	1,469 (1,533)	41,099 (43,921)
		Amount Outstanding	5,718.81 (9,009.95)	1,013.59 (1,453.56)	1,999.81 (557.19)	426.03 (25.64)	9,158.24 (11,046.34)	8,572.44 (13,658.25)	2,312.86 (3,405.93)	6,311.48 (997.56)	431.06 (65.96)	17,627.84 (18,127.70)
		Provision there on	112.15 (205.43)	22.67 (33.30)	41.46 (23.72)	1.23 (1.67)	177.51 (264.12)	129.55 (600.13)	116.40 (230.93)	338.64 (81.93)	1.56 (3.84)	586.15 (916.83)
2	Fresh Restructuring during the year 2016-17	No.of Borrowers	0 (1,008)	0 (2)	0 (1)	0 (0)	0 (1,011)	0 (1,031)	0 (3)	0 (1)	0 (0)	0 (1,035)
		Amount Outstanding	0.00 (1,295.69)	0.00 (66.26)	0.00 (572.12)	0.00 (0.00)	0.00 (1,934.07)	0.00 (1,296.36)	0.00 (102.38)	0.00 (572.12)	0.00 (0.00)	0.00 (1,970.86)
		Provision there on	0.00 (28.36)	0.00 (2.81)	0.00 (0.00)	0.00 (0.00)	0.00 (31.17)	0.00 (28.40)	0.00 (2.81)	0.00 (0.00)	0.00 (0.00)	0.00 (31.21)
3	Upgradations to restructured standard category during the year 2016-17	No.of Borrowers	248 (330)				248 (330)	271 (344)				271 (344)
		Amount Outstanding	20.28 (17.27)				20.28 (17.27)	286.90 (378.11)				286.90 (378.11)
		Provision there on	0.39 (0.59)				0.39 (0.59)	41.57 (3.50)				41.57 (3.50)
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 2016-17 and hence need not be shown as restructured standard advances at the beginning of the next FY 2017 -18	No.of Borrowers	350 (9)				350 (9)	410 (11)				410 (11)
		Amount Outstanding	171.35 (45.39)				171.35 (45.39)	195.32 (49.68)				195.32 (49.68)
		Provision there on	10.08 (0.67)				10.08 (0.67)	10.29 (0.67)				10.29 (0.67)
5	Down gradations of restructured accounts during the FY 2016-17	No.of Borrowers		1,197 (1,623)	51 (89)	0 (9)	1,248 (1,721)		1,277 (1,770)	63 (122)	0 (9)	1,340 (1,901)
		Amount Outstanding		798.26 (662.06)	370.61 (820.20)	0.00 (84.56)	1,168.87 (1,566.82)		1531.35 (1,685.15)	946.66 (2,751.34)	0.00 (84.56)	2,478.01 (4,521.05)
		Provision there on		25.17 (12.75)	0.07 (1.23)	0.00 (0.35)	25.24 (14.33)		30.41 (38.75)	70.72 (89.42)	0.00 (0.35)	101.13 (128.52)
6	Write-offs of restructured accounts during the FY 2016-17	No.of Borrowers	0 (0)	0 (0)	1 (9)	0 (0)	1 (9)	0 (0)	0 (0)	5 (12)	0 (0)	5 (12)
		Amount Outstanding	0.00 (0.00)	0.00 (0.00)	6.99 (200.46)	0.00 (0.00)	6.99 (200.46)	0.00 (0.00)	0.00 (0.00)	188.32 (283.10)	0.00 (0.00)	188.32 (283.10)
7	Restructured Accounts as on March 31 of FY 2016-17 (Closing Figures)	No.of Borrowers	7,144 (9,751)	1,193 (1,375)	19,122 (21,371)	1,085 (1,187)	28,544 (33,684)	7373 (10,179)	1,272 (1,512)	24,903 (27,939)	1,331 (1,469)	34879 (41,099)
		Amount Outstanding	3,048.08 (5,718.81)	1,156.51 (1,013.59)	2,840.87 (1,999.81)	459.11 (426.03)	7,504.57 (9,158.24)	5696.45 (8,572.44)	1952.68 (2,312.86)	7975.23 (6,311.48)	584.58 (431.06)	16,208.94 (17,627.84)
		Provision there on	87.26 (112.15)	33.38 (22.67)	50.39 (41.46)	1.40 (1.23)	172.43 (177.51)	195.25 (129.55)	40.11 (116.40)	371.66 (338.64)	1.71 (1.56)	608.73 (586.15)

4.9 Details of financial assets sold to Securitization/ Reconstruction Company for Asset Reconstruction

(₹ in crore)

Sr. No.	Particulars	31.03.2017	31.03.2016
i)	No. of Accounts	8	3
ii)	Aggregate value (net of provisions) of accounts sold to SC/RC a) NPA Accounts b) Written-off accounts c) SMA accounts	 204.42 Nil Nil	 132.05 Nil Nil
iii)	Aggregate consideration a) NPA Accounts b) Written-off accounts c) SMA accounts	 188.70 19.00 Nil	 101.50 Nil Nil
iv)	Additional consideration realized in respect of accounts transferred in earlier year.	1.58	2.25
v)	Aggregate gain / (loss) over net book value. a) NPA Accounts b) Written-off accounts c) SMA accounts	 (15.72) 19.00 Nil	 (31.00) Nil Nil

4.10 Details of non performing financial assets purchased / sold

a. Details of non performing financial assets purchased

(₹ in crore)

Sr. No.	Particulars	31.03.2017	31.03.2016
1	a. No. of accounts purchased during the year b. Aggregate outstanding	Nil Nil	Nil Nil
2	a. Of these, number of accounts restructured during the year b. Aggregate outstanding	Nil Nil	Nil Nil

b. Details of non performing financial assets sold (Other Than ARC's)

(₹ in crore)

Sr. No.	Particulars	31.03.2017	31.03.2016
1	No. of accounts sold	Nil	Nil
2	Aggregate outstanding	Nil	Nil
3	Aggregate consideration received	Nil	Nil

c. Book Value of Investments in Security Receipts backed by NPA

(₹ in crore)

Particulars	Backed by NPAs sold by the bank as underlying		Backed by NPAs sold by other banks/ financial institutions/ non banking financial companies as underlying		Total	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Book Value of Investments in Security Receipts	814.42	658.19	13.49	15.30	827.91	673.49

d. Book Value of Investments in Security Receipts backed by SMA

(₹ in crore)

Particulars	Backed by NPAs sold by the bank as underlying		Backed by NPAs sold by other banks/ financial institutions/ non banking financial companies as underlying		Total	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Book Value of Investments in Security Receipts	257.82	257.82	Nil	Nil	257.82	257.82

4.11 Provision on Standard Assets

(₹ in crore)

Particulars	31.03.2017	31.03.2016
Provision towards Standard Assets	515.37	(100.58)

The provision on Standard Assets held by the Bank as on31st March, 2017 is ₹ 2041.11 crore (previous year ₹ 1522.32 crore)

5. BUSINESS RATIOS

Sr. No.	Particulars	31.03.2017	31.03.2016
i)	Interest Income as a percentage to Working Funds	7.60	8.37
ii)	Non-interest income as a percentage to Working Funds	1.16	0.94
iii)	Operating Profit as a percentage to Working Funds	1.73	1.49
iv)	Return on Assets	0.13	0.35
v)	Business (Deposits plus advances) per employee (₹ in crore)	16.43	15.51
vi)	Profit per employee (₹ in crore)	0.02	0.04

6. ASSET LIABILITY MANAGEMENT

The maturity pattern of Deposits, Borrowings, Advances and Investment as of 31st March 2017 is based on the following:

- RBI Guidelines on ALM
- Behavioral studies of Assets & Liabilities which do not have definite maturity and for embedded optionality
- Foreign Currency On-balance sheet Assets & Liabilities

(₹ in crore)

	Deposits	Advances	Investments	Borrowings	Foreign Currency assets	Foreign Currency liabilities
Next Day	1725.88	4935.01	15325.13	1129.28	3353.60	2987.24
2-7 days	8358.68	11047.20	2316.89	1504.90	1576.78	1060.04
8-14 days	6736.29	6792.61	215.00	389.30	881.19	473.03
15-30 days	10914.51	10265.21	1.36	1199.60	5851.55	2529.11
31 Days-2 Months	12610.53	5145.78	52.51	647.66	7671.71	3046.11
Over 2 months & up to 3 months	24678.19	15253.43	261.64	2875.46	5783.29	4697.76
Over 3 months & up to 6 months	31305.21	16415.64	964.14	5388.82	7763.00	7646.35
Over 6 months & up to 1 year	37487.90	31875.15	8352.88	2141.02	8024.15	4873.13
Over 1 year & up to 3 years	51757.25	120984.33	16572.89	7009.89	4679.62	7736.14
Over 3 years & up to 5 years	39041.30	31732.54	20953.27	7649.95	9524.71	11591.11
Over 5 years	153775.85	32019.67	47133.25	11290.00	1803.67	490.36
Total	378391.58	286466.58	112148.95	41225.87	56913.27	47130.37

7 EXPOSURES

7.1 Exposure to Real Estate Sector

(₹ in crore)

Sr. No.	Category	31.03.2017	31.03.2016
a)	Direct exposure		
i)	Residential Mortgages -		
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	32,300.62	26,991.39
	-Out of the above individual housing loans up to ₹.20 lakh	13148.83	12,259.11
ii)	Commercial Real Estate –		
	lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.)	4,441.09	3,754.42
iii)	Exposure includes non-fund based (NFB) limits:		
	Investments in Mortgage Backed Securities (MBS) and other securitized exposures -		
	a. Residential,	Nil	Nil
	b. Commercial Real Estate.	Nil	Nil
b)	Indirect Exposure		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	9,607.20	11,595.96
	Total Exposure to Real Estate Sector	**46,348.91**	**42,341.77**

7.2 Exposure to Capital Market

(₹ in crore)

Sr. No.	Particulars	31.03.2017	31.03.2016
i)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity – oriented mutual funds the corpus of which is not exclusively invested in corporate debt.	1,220.89	902.31
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	3.89	4.12
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	1.58	2.05
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	26.89	1.20
v)	Secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers	622.12	551.41
vi)	Loans sanctioned to corporate against the security of shares /bonds/debentures or other securities or on clean basis for meeting promoter contribution to the equity of new companies in anticipation of raising resources	322.94	240.05
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 and units of equity oriented mutual funds	Nil	Nil
ix)	Financing to stock brokers for margin trading	Nil	Nil
x)	All exposures to venture capital funds (both registered and unregistered) will be deemed to be on par with equity and hence will reckoned for compliance with the capital market exposure.**	480.58	530.30
	Total exposure to Capital Market	2,678.90	2,231.44

**** Including undrawn capital commitments of venture capital amounting ₹136.84 crore for 2016-17 (Previous year ₹ 142.00 crores).**

7.3 Risk Category wise Country Exposure

(₹ in crore)

Risk Category	Net Exposure 31.03.2017	Net Exposure 31.03.2016	Provision held 31.03.2017	Provision held 31.03.2016
Insignificant	14,839.43	13,376.83	Nil	Nil
Low	7,634.06	4,731.32	Nil	Nil
Moderate	257.62	398.71	Nil	Nil
High	1.03	2.16	Nil	Nil
Very High	Nil	Nil	Nil	Nil
Restricted	Nil	Nil	Nil	Nil
Off-credit	Nil	Nil	Nil	Nil
Total	**22,732.14**	**18,509.02**	**Nil**	**Nil**

As per Country Risk Policy 2016-17 & 2017-18, Bank has used ECGC country risk classification for the Trade Exposure and other than Trade exposure in India both for branches in India and for Overseas branches.

Bank will make provision for country risk exposure only in respect of a country where the net funded exposure is 1% or more of its total assets as on 31.03.2017

7.4 Details of Single Borrower Limit (SBL), Group Borrower Limit (GBL) exceeded by the Bank. (Capital fund ₹ 28932 crores as of 31.03.2016)

(₹ in crore)

Sr. No		Name of the Borrower	Exposure Ceiling (₹)	Total Exposure (₹)	Exposure as % of Capital Fund	Position as on 31.03.17	Position as % of Capital Fund
1.	Single Borrower	Food Corporation of India	4,339.80	10,000.00	34.56	7,612.70	26.31%
2.	Group Borrower	Nil	Nil	Nil	Nil	Nil	Nil

- Individual borrower exposure limit is 15% of Capital Fund. However, 5% additional exposure taken with the approval of the Board as permitted by Reserve Bank of India.
- Individuals with additional 5% for Infrastructure Projects (20% of Capital Funds)
- Individuals for Oil Companies which have been issued Oil Bonds (which do not have SLR status) by Government of India is 25% of Capital funds.
- Group Exposure Limit – 40%
  For Infrastructure, Group Exposure ceiling is 50%
- Additional exposures can be taken with the permission of the Board

7.5 Unsecured Advances:

(₹ in crore)

Particulars	31.03.2017	31.03.2016
Total amount of advances outstanding against charge over intangible securities such as the rights, licenses, authority etc.	Nil	Nil
Estimated value of such intangible collateral securities	Nil	Nil

Advances backed by Annuity under Build Operate Transfer (BOT) model in respect of Road/Highway Projects and toll collection rights have been considered secured as per RBI circular No. OD. BP. BC. No. 83 / 08.12. 014 / 2012-13 dated 18 March 2013.

8. DISCLOSURE OF PENALTIES IMPOSED BY RBI : ₹ 8.43 LACS (PREVIOUS YEAR ₹ 6.26 LACS)

B. DISCLOSURES AS PER ACCOUNTING STANDARDS ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

9. REVENUE RECOGNITION (AS 9)

Certain items of income are recognized on realization basis as per Accounting Policy no.3.3 of Schedule 17 of Significant Accounting Policies which however, is not considered to be material.

10. EMPLOYEE BENEFITS (AS 15 - REVISED)

10.1 Defined Benefit Plans – Employee's Pension plan and Gratuity plan:

The Bank has accounted for employee benefits as per Accounting Standards issued by the Institute of Chartered Accountants of India, as per actuarial valuation report for the year ended March 31, 2017.

(₹ in crore)

	Particulars	31.03.2017		31.03.2016	
		Gratuity	Pension	Gratuity	Pension
i)	**Table showing change in Defined Benefit Obligation :**				
	Liability at the beginning of the year	1,110.33	9,619.00	1,088.16	8,218.43
	Interest Cost	88.72	775.29	83.52	638.22
	Current Service Cost	47.72	134.46	50.12	150.00
	Past Service Cost (Vested Benefit Amortized)	Nil	Nil	Nil	Nil
	Past Service Cost (Vested Benefit)	Nil	Nil	Nil	Nil
	Liability Transfer in	Nil	Nil	Nil	Nil
	Liability Transfer out	Nil	Nil	Nil	Nil
	Benefit paid	(148.80)	(624.25)	(186.00)	(681.00)
	Actuarial (gain)/loss on obligation –due change	30.71	533.48	74.53	1,293.35
	In the financial assumption	(13.96)	793.17	1,110.33	9,619.00
	Actuarial (gain) / loss on obligations	1,114.72	11,231.15	Nil	Nil
	Liability at the end of the year			Nil	Nil

(₹ in crore)

	Particulars	31.03.2017		31.03.2016	
		Gratuity	Pension	Gratuity	Pension
ii)	**Table of Fair value of Plan Assets:**				
	Fair value of Plan Assets at the beginning of the year	1,251.27	9,525.70	1,264.00	7,861.00
	Expected return on Plan Assets	99.98	767.77	105.21	777.24
	Contributions	88.16	1,019.42	38.26	1,413.35
	Transfer from Other Company	Nil	Nil	Nil	Nil
	Transfer to Other Company	Nil	Nil	Nil	Nil
	Benefit paid	(148.80)	(624.25)	(186.00)	(681.00)
	Actuarial Gain/(loss) on Plan Assets	42.42	526.25	29.80	155.11
	Fair Value of Plan Assets at the end of the year	1,333.03	11,214.89	1,251.27	9,525.70
	Actuarial (gain)/loss on obligation for the period	16.75	1326.65		
	Total Actuarial Gain/(loss) to be recognized	(25.67)	(800.40)	(44.73)	(1,138.24)
iii)	**Recognition of Transitional Liability :**				
	Transitional Liability at start	Nil	Nil	Nil	Nil
	Transitional Liability recognized during the year	Nil	Nil	Nil	Nil
	Transitional Liability at end	Nil	Nil	Nil	Nil
iv)	**Actual return on Plan Assets :**				
	Expected Return on Plan Assets	99.98	767.77	105.21	777.24
	Actuarial gain/(loss) on Plan Assets	42.42	526.25	29.80	155.11
	Actual return on Plan Assets	142.40	1294.02	135.01	932.35
v)	**Expenses recognized in the Income Statement:**				
	Current Service Cost	47.72	134.46	50.12	150.00
	Interest Cost	(11.26)	7.52	83.52	638.22
	Expected Return on Plan Assets	Nil	Nil	(105.21)	(777.24)
	Past Service Cost (Vested Benefit Amortized) recognized	Nil	Nil	Nil	Nil
	Past Service Cost (Vested Benefit) recognized	Nil	Nil	Nil	Nil
	Recognition of Transition Liability	Nil	Nil	Nil	Nil
	Actuarial Gain or Loss	(25.67)	800.40	44.73	1,138.24
	Expenses Recognized in P & L	10.79	942.38	73.16	1,149.22
vi)	**Balance Sheet Reconciliation:**				
	Opening Net Liability (Last year net amount recognized in the balance sheet)	(140.94)	93.30	(175.84)	357.43
	Expenses as above	10.79	942.38	73.16	1,149.22
	Transfer from other Company (Net)	Nil	Nil	Nil	Nil
	Transfer to other Company (Net)	Nil	Nil	Nil	Nil
	Employer Contribution	(88.16)	(1,019.42)	(38.26)	(1,413.35)
	Amount recognized in Balance Sheet	(218.31)	16.26	(140.94)	93.30
vii)	**Other Details :**				
	Pension is payable at the rate of 1/66 Salary for Each Year of Service Subject to Maximum of 50%.				
	Gratuity is payable at the rate of 15 days salary for each year of service subject to maximum of ₹10, 00,000 or as per the Bank scheme.				
	Actuarial gain / loss is accounted for in the year of occurrence.				
	Salary escalation is considered as advised by the company which is in line with the industry practice considering promotion and demand and supply of the employees.				
	No. of Members	37,120	18,059	35,716	19,670
	Salary Per Month	162.08	96.58	148.54	107.98
	Contribution for next year	Nil	137.01	Nil	349.86

(₹ in crore)

	Particulars	31.03.2017		31.03.2016	
		Gratuity	Pension	Gratuity	Pension
viii)	**Category of assets:**				
	Government of India Assets	121.75	366.40	146.02	473.14
	Corporate Bonds	251.89	1,771.02	267.72	1,532.83
	Special Deposits Scheme	Nil	Nil	Nil	Nil
	State Govt.	139.50	344.00	443.41	2,442.38
	Property	Nil	Nil	Nil	Nil
	Other	113.85	1,246.48	90.39	974.77
	Insurer Managed Funds	706.04	7,486.99	303.73	4,102.58
	Total	**1,333.03**	**11,214.89**	**1,251.27**	**9,525.70**
ix)	**Principal actuarial assumption used (%)**				
	Discount Rate Prev.	8.04	8.06	7.99	7.95
	Rate of return on Plan Assets Prev.	8.04	8.06	8.70	8.70
	Salary Escalation Prev.	5.00	5.00	5.00	5.00
	Attrition Rate Prev.	2.00	2.00	2.00	2.00
	Discount Rate Current	7.20	7.45	8.04	8.06
	Rate of Return on Plan Assets Current	7.20	7.45	8.04	8.06
	Salary Escalation Current	5.00	5.00	5.00	5.00
	Attrition Rate Current	2.00	2.00	2.00	2.00

(₹. in crores)

Surplus/Deficit in the Plan:	Gratuity Plan				
Amount recognized in the Balance-Sheet	**31.03.2017**	**31.03.2016**	**31.03.15**	**31.03.14**	**31.03.13**
Liability at the end of the year	1,114.72	1,110.33	1,088.16	1,060.13	1,000.86
Fair value of Plan Assets at the end of the year	1,333.03	1,251.27	1,264.00	1,081.23	1,037.22
Difference	218.31	140.94	175.84	21.10	36.36
Unrecognized Past Service Cost	Nil	Nil	Nil	65.00	130.00
Unrecognized Transition Liability	Nil	Nil	Nil	Nil	Nil
Amount Recognized in the Balance Sheet	218.31	140.94	175.84	86.10	166.36

Amount recognized in the Balance-Sheet	Gratuity Plan				
Experience Adjustment	**31.03.17**	**31.03.16**	**31.03.15**	**31.03.14**	**31.03.13**
On plan liability (Gain) / Loss	(13.96)	Nil	(21.18)	123.74	21.60
On plan Assets (Loss) / Gain	42.42	29.80	38.03	(20.00)	(24.43)

Surplus/Deficit in the Plan:	Pension				
Amount recognized in the Balance-Sheet	**31.03.17**	**31.03.16**	**31.03.15**	**31.03.14**	**31.03.13**
Liability at the end of the year	11,231.15	9,619.00	8,218.43	6,683.81	5,991.02
Fair value of Plan Assets at the end of the year	11,214.89	9,525.70	7,861.00	6,104.73	4,774.08
Difference	(16.26)	(93.30)	(357.43)	(579.08)	(1,216.94)
Unrecognized Past Service Cost	Nil	Nil	Nil	338.00	761.00
Unrecognized Transition Liability	Nil	Nil	Nil	Nil	Nil
Amount Recognized in the Balance Sheet	(16.26)	(93.30)	(357.43)	(241.08)	(455.94)

Amount recognized in the Balance-Sheet	Pension				
Experience Adjustment	**31.03.2017**	**31.03.2016**	**31.03.15**	**31.03.14**	**31.03.13**
On plan liability (Gain) / Loss	793.17	1,399.16	731.44	661.38	251.18
On plan Assets (Loss) / Gain	526.25	155.11	210.89	-233.23	-103.10

10.2 Defined Contribution Plan:

The Bank has Defined Contribution Pension Scheme (DCPS) applicable to all categories of officers and employees joining the Bank on or after April 1, 2010. The scheme is managed by National Pension Scheme (NPS) Trust under the aegis of the Pension Fund Regulatory and Development Authority. National Securities Depository Limited has been appointed as the Central Record Keeping Agency for the NPS. During F.Y. 2016-17, the Bank has contributed ₹ 68.69 crore (Previous Year ₹ 58.52 crore) to NPS.

10.3 Other long term Employee Benefits:

Details of Provisions made for various Long Term Employees Benefits during the year are as follows:

(₹ in crore)

Sr. No.	Other Long Term Benefits	31.03.2017	31.03.16
1.	Pension	942.00	1,149.00
2.	Leave Encashment	58.00	75.00
3.	Leave Travel Concession	(3.69)	10.00
4.	Sick Leave	Nil	Nil

11 SEGMENT REPORTING (AS-17)

(₹ in Crore)

Business Segment		Standalone	
		Year Ended	
		(Audited)	(Audited)
		31.03.2017	31.03.2016
(a)	**Segment Revenue**		
1	Treasury Operations	12,508.55	10,177.19
2	Retail Banking Operations	10,293.19	10,221.26
3	Corporate /Wholesale Banking	14,586.86	15,236.62
4	Other Banking Operations	334.31	264.76
5	Unallocated	Nil	Nil
	Total	**37,722.91**	**35,899.83**
	Less Inter-segment Revenue	**98.33**	**69.29**
	Total Revenue	**37,624.58**	**35,830.54**
(b)	**Segment Results**		
1	Treasury Operations	3,418.00	2,146.01
2	Retail Banking Operations	679.02	667.62
3	Corporate /Wholesale Banking	-3,933.55	-1,173.31
4	Other Banking Operations	179.12	125.07
5	Unallocated	Nil	Nil
	Total Profit Before Tax	**342.59**	**1,765.39**
(c)	**Income Tax**	**-212.62**	**413.77**
(d)	**Net Profit**	**555.21**	**1,351.60**
(e)	**Segment Assets**		
1	Treasury Operations	1,49,452.25	1,24,187.02
2	Retail Banking Operations	1,01,247.61	93,320.72

3	Corporate/Wholesale Banking	1,96,700.94	1,83,281.67
4	Other Banking Operations	Nil	Nil
5	Unallocated Assets	5,303.64	3,906.49
	Total	**4,52,704.44**	**4,04,695.90**
(f)	**Segment Liabilities**		
1	Treasury Operations	1,42,297.16	1,17,469.24
2	Retail Banking Operations	97,183.59	88,934.90
3	Corporate /Wholesale Banking	1,88,805.48	1,74,667.92
4	Other Banking Operations	Nil	Nil
5	Unallocated Liabilities	442.01	732.63
6	Capital, Reserves & Surplus	23,976.20	22,891.21
	Total	**4,52,704.44**	**4,04,695.90**

Notes:

1. The Bank operates in four segments viz., Treasury, Retail, Corporate / Wholesale and Other Banking Operations. These segments have been identified in line with AS-17 on segment reporting after considering the nature and risk profile of the products and services, the target customer profiles, the organizational structure and the internal reporting system of the bank. The bank has disclosed the business segment as primary segment. The revenue and other parameters prescribed in AS-17 of foreign branch for the period are within the threshold limits as stipulated under AS-17 and hence the bank has only one reportable geographical segment.
2. Segment wise income, expenditure, Capital employed which are not directly allocable have been allocated to the reportable segments based on assumptions as considered appropriate by the management.
3. Previous year's/Twelve Month's figures have been regrouped/recasted wherever considered necessary to correspond with the current Twelve Month's classification/ presentation.

12 RELATED PARTY DISCLOSURES (AS-18)

12.1 List of Related Parties

a) Subsidiaries

- Union Asset Management Co. Pvt. Ltd.
- Union Trustee Company Private Ltd.
- Union Bank of India (UK) Ltd.

b) Joint Venture

- Star Union Dai-ichi Life Insurance Co.

c) Associate

- Regional Rural Bank sponsored by the Parent Bank viz. Kashi Gomti Samyut Gramin Bank

d) Key Management Personnel

Name	Designation	Joining/Cessation during the year 2016-17
Shri Arun Tiwari	Chairman and Managing Director	N.A
Shri Rakesh Sethi	Executive Director	Cessation on 30 June, 2016
Shri Vinod Kathuria	Executive Director	N.A.
Shri Raj Kamal Verma	Executive Director	Joined on 9 August 2016
Shri Atul Kumar Goel	Executive Director	Joined on 15 September, 2016

Parties with whom transactions were entered into during the year

No disclosure is required in respect of related parties, which are "State controlled Enterprises" as per paragraph 9 of Accounting Standard (AS) 18. Further, in terms of paragraph 5 of AS 18, transactions in the nature of Banker – Customer relationship have not been disclosed including those with Key Management Personnel and relatives of Key Management Personnel.

12.2 Key Management Personnel – Remuneration paid.

(₹ in crore)

Particulars	31.03.2017	31.03.2016
Chairman and Managing Director	0.23	#0.28
Executive Directors	0.50	#0.44
Total	**0.73**	**0.72**

includes performance linked incentives of ₹ 0.06 crore and ₹ 0.09 crore paid to the Chairman & Managing Director and Executive Directors of the Bank respectively during the year ended March 2016. No performance linked incentives paid during the year ended March 2017.

13 EARNING PER SHARE (AS-20)

Basic earnings per equity share are computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year. The diluted earnings per equity share is computed using the weighted average number of equity shares and weighted average number of diluted potential equity shares outstanding during the year.

The computation of earnings per share is given below:

Sr. No.	Particulars	31.03.2017	31.03.2016
i	Basic and Diluted EPS ₹	8.08	20.42
ii	Net Profit after Tax available for equity shareholders (₹ in crore)	555.21	1,351.60
iii	Weighted Average number of equity shares (No. in crore)	68.74	66.18
iv	Nominal value per share (₹)	10	10

14 PROVISION FOR TAXES:

14.1 Deferred Tax (AS-22)

(₹ in crore)

Sr. No.	Particulars	31.03.2017	31.03.2016
	Deferred Tax Assets		
1	Amortization of Premium on Investments	179.37	187.71
2	Employee Benefits	266.59	266.59
3	Depreciation on investments claimed in earlier years sold during the year	Nil	60.35
4	Leave Encashment	97.21	83.89
5	On account of other provisions	2727.01	1,435.06
	Total	**3270.18**	**2,033.60**
	Deferred Tax Liabilities		
1	Provision for diminution in value of Investments	Nil	91.23
2	Depreciation on Fixed Assets	22.31	29.24
3	Accrued interest on securities	Nil	607.89
4	Special Reserves u/s 36(i)(viii)	953.71	889.69
	Total	**976.02**	**1,618.05**
	Net Deferred Tax Asset	**2294.14**	**415.55**
	Net Deferred Tax Liability	**Nil**	**Nil**

14.1 Direct Tax

(₹ in crore)

Particulars	31.03.2017	31.03.2016
Provision for Income Tax (Including Deferred tax)	-212.62	413.78

15 INVESTMENT IN JOINT VENTURES (AS – 27)

Investments include ₹.65 Crores (Previous year ₹. 65 Crores) representing Bank's interest in Star Union Dai-ichi Life Insurance Co. it is jointly controlled entity.

16 IMPAIRMENT OF ASSET (AS-28)

In the opinion of the Management, there is no indication for Impairment during the year with regard to the asset to which Accounting Standards 28 applies.

17 CONTIGENT LIABILITIES (AS – 29)

Contingent liabilities referred to in Schedule-12 at S. No.(I) & (VI)(i) are dependent upon the outcome of court/arbitration/out of court settlement, the amount being called up, terms of contractual obligations, devolvement and raising of demand by parties concerned, disposal of appeals respectively.

ADDITIONAL DISCLOSURE

17.1Provisions and Contingencies

(₹ In crore)

Break up of Provision & Contingencies. shown under the head in Profit & Loss:	31.03.2017	31.03.2016
Provision / (Reversal) for Depreciation on Investment	630.40	149.28
Provision towards NPA	6032.00	4,655.03
Provision(Reversal) towards Standard Assets	503.33	(107.47)
Net Provision made towards Income Tax (IT)/Wealth Tax/ Deferred tax liability (DTL)	(203.76)	413.78
Other Provision and Contingencies:		
- Shifting Loss	1.81	5.74
- Restructured Advances	66.02	(623.25)
- Others	(155.62)	(202.09)
TOTAL	**6874.18**	**4,291.02**

17.2 Counter Cyclical Provisioning Buffer / Floating Provision:

(₹ In crore)

Sr. No	Particulars	31.03.2017	31.03.2016
i)	Opening Balance as on 01.04.2016	293.20	293.20
ii)	Additional provisions made during the accounting year	Nil	Nil
iii)	Amount of drawdown made during the accounting year	Nil	Nil
iv)	Closing balance	293.20	293.20

18 DRAW DOWN FROM RESERVES:

Bank has made no draw down during the year 2016-17 (Previous Year ₹.0.02 crore).

19 DISCLOSURE OF COMPLAINTS:

A Customer Complaints

Sr. No	Particulars	31.03.2017	31.03.2016
(a)	No. of complaints pending at the beginning of the year	446	336
(b)	No. of complaints received during the year	1,97,651	1,71,128
(c)	No. of complaints redressed during the year	1,97,752	1,71,018
(d)	No. of complaints pending at the end of the year	345	446

B Complaints pertaining to ATM card issued by the Bank

Sr. No	Particulars	31.03.2017	31.03.2016
(a)	No. of complaints pending at the beginning of the year	155	203
(b)	No. of complaints received during the year	51,455	85,810
(c)	No. of complaints redressed during the year	51,610	85,858
(d)	No. of complaints pending at the end of the year	Nil	155

Out of the above, details of complaints specifically attributable to acquiring bank:

Sr. No	Particulars	31.03.2017	31.03.2016
(a)	No. of complaints pending at the beginning of the year	55	198
(b)	No. of complaints received during the year	25,520	69,338
(c)	No. of complaints redressed during the year	25,572	69,481
(d)	No. of complaints pending at the end of the year	3	55

C Awards passed by the Banking Ombudsman

Sr. No	Particulars	31.03.2017	31.03.2016
(a)	No. of unimplemented Awards at the beginning of the year	Nil	3
(b)	No. of Awards passed by the Banking Ombudsmen during the year	1	3
(c)	No. of Awards implemented during the year	1	6
(d)	No. of unimplemented Awards at the end of the year	Nil	Nil

20 Disclosure of Letter of Comfort (LoC's) issued

(₹ in crore)

Particulars	31.03.2017	31.03.2016
Letter of Comfort outstanding at beginning of the year	3,474.45	3,701.91
Add : Issued during the year	10,900.12	10,722.18
Less : Expired during the year.	10,280.68	10,949.65
Outstanding at the end of the year	4,093.89	3,474.45

21 Provision Coverage Ratio (PCR)

Particulars	31.03.2017	31.03.2016
Provision Coverage ratio (%)	51.41	50.98

22 DISCLOSURE OF – BANCASSURANCE BUSINESS:

The breakup of income derived from bancassurance business is given here below:

(₹ in crore)

Sr. No.	Nature of Income	31.03.2017	31.03.2016
1.	Life Insurance Policies	58.67	42.07
2.	Non Life Insurance Policies	6.36	7.33
3.	Others (specify)	Nil	Nil

23 CONCENTRATION OF DEPOSITS, ADVANCES, EXPOSURES AND NPAs:

23.1 Concentration of Deposits

(₹ in crore)

Particulars	31.03.2017	31.03.2016
Total Deposits of twenty largest depositors	26,881.52	34,760.99
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank.	7.10%	10.14%

23.2Concentration of Advances

(₹ in crore)

Particulars	31.03.2017	31.03.2016
Total Advances of twenty largest borrowers/customers	23,530.68	24,608.97
Percentage of Advances of twenty largest borrowers to Total Advances of the Bank.	7.80%	7.02%

23.3 Concentration of Exposures

(₹ in crore)

Particulars	31.03.2017	31.03.2016
Total Exposures of twenty largest borrowers/customers	65,240.42	58,509.47
Percentage of Exposures of twenty largest borrowers/customers to Total Exposures of the Bank on borrowers / customers.	10.62%	11.70%

23.3 Concentration of NPAs

(₹ in crore)

Particulars	31.03.2017	31.03.2016
Total Exposures to top four NPA accounts	5564.33	3,846.67

24 SECTOR-WISE ADVANCES

(₹ in crore)

Sr. No.	Sector	Current Year (FY 2016-17)			Previous Year (FY 2015-16)		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**						
1	Agriculture and allied activities	44,139	2,927	6.63	38,962	2,336	6.00
2	Advances to industries sector eligible as priority sector lending	19,195	2,853.00	14.86	12,030	1,347	11.20
3	Services	24,068	1,952	8.11	21,439	1,337	6.24
4	Personal loans	15,461	539	3.49	15,609	499	3.20
	Sub-total (A)	**102863**	**8271**	**8.04**	**88,040**	**5,519**	**6.27**
B	**Non Priority Sector**						
1	Agriculture and allied activities	476	211	44.33	515	203	39.42
2	Industry	142224	22644	15.92	1,22,611	16,376	13.36
3	Services	27105	1838	6.78	51,112	1,780	3.48
4	Personal loans	29015	748	2.58	15,447	293	1.90
	Sub-total (B)	**198820**	**25441**	**12.80**	**1,89,685**	**18,652**	**9.83**
	Total (A+B)	**301683**	**33712**	**11.17**	**2,77,725**	**24,171**	**8.70**

Sub sectors where the outstanding advance exceeds 10% of the outstanding total advances to that sector for the FY 2016-17 are as under:

(₹ in crore)

Sr. No.	Sub sector	Sector	Outstanding	% to Total advance in sector
1	Growing of cereals	Agriculture	20,853	52.82
2	Generation of electricity	Industry	14,517	10.78
3	NBFC - General Purpose loan	Service	14,260	19.66
4	All other loan NEC	Personal	5,470	17.61
5	Housing loan other than staff	Personal	21,019	67.68

25 MOVEMENT OF NPA

(₹ in crore)

Particulars	31.03.2017	31.03.2016
Gross NPA as on 1st April 2016 (Opening Balance)	24,170.88	13,030.87
Additions (Fresh NPAs) during the year	13243.89	12,952.86
Sub-total (A)	37,414.78	25,983.73
Less:-		
(i) Up-gradations	1,050.48	177.73
(ii) Recoveries (excluding recoveries made from upgraded accounts)	1,388.36	843.54
(iii) Write-Offs	1,263.66	791.58
Sub-total (B)	3,702.50	1,812.85
Gross NPA as on 31st March 2017 (closing balance) (A-B)	33,712.28	24,170.88

26 STOCK OF TECHNICAL WRITE-OFFS

(₹ in crore)

Sr. No.	Particulars	31.03.2017	31.03.2016
i)	Opening balance of Technical/ Prudential written-off accounts	4,391.90	3,940.20
ii)	Add: Technical/ Prudential write-offs during the year	999.19	645.68
iii)	Sub-total (A)	5,391.09	4,585.88
iv)	Less: Recoveries made from previously technical/ prudential written-off accounts during the year (B)	343.31	193.98
v)	Closing balance (A-B)	5047.78	4,391.90

27 OVERSEAS ASSETS, NPAS AND REVENUE

(₹ in crore)

Particulars	31.03.2017	31.03.2016
Total Assets	37,756.96	31,639.49
Total NPAs	2,872.41	1,145.58
Total Revenue	1,046.96	986.84

28 There is no Off – Balance Sheet SPVs sponsored by the Bank.

29 UNAMORTIZED PENSION AND GRATUITY LIABILITIES

(₹. In crore)

Particulars	31.03.2017	31.03.2016
Pension		
a) Charged to Profit & Loss account	Nil	Nil
b) Carried forward	Nil	Nil
Gratuity		
a) Charged to Profit & Loss account	Nil	Nil
b) Carried forward	Nil	Nil

30 CREDIT DEFAULT SWAPS:

The Bank had not entered into any Credit Default Swap transactions during the financial year 2016-17.

31 INTRA GROUP EXPOSURES

(₹ in crore)

Particulars	31.03.2017
Total amount of Intra group exposure	1,54,193.52
Total amount of Top 20 Intra group exposure	78,747.82
Percentage of Intra group exposure to Total exposure of the Bank on borrowers/customers	25.11%
Details of breach of limits on Intra group exposure and regulatory action thereon	Nil

32 TRANSFERS TO DEPOSITOR EDUCATION AND AWARENESS FUND (DEAF)

(₹ in crore)

Particulars	31.03.2017	31.03.2016
Opening balance amounts transferred to DEAF	704.90	610.36
Add: Amount transferred to DEAF during the Year	139.03	122.33
Less: Amount reimbursed by DEAF towards claims	21.71	27.79
Closing balance of Amount transferred to DEAF	822.22	704.90

33 UN-HEDGED FOREIGN CURRENCY EXPOSURE (UFCE)

In terms of guidelines issued by Reserve Bank of India with regard to UFCE, Bank has approved Policy on Unhedged Foreign Currency Exposure of Clients 2015-16. While framing the policy, bank has taken into consideration the exchange risks arising out of volatility in the forex market and accordingly has made suitable provisions to reduce the risks. Bank has also taken into consideration credit risks arising out of unhedged foreign currency exposure and accordingly Bank has put in place risk mitigation measures by incorporating additional loan pricing framework. Total provision made for exposures to entities with UFCE for the year ended March 2017 is ₹.12.90 crores (₹.33.30crores as on 31.03.2016).

34 DISCLOSURE RELATING TO SECURITISATION

As on March 31,2017, Bank does not have any Special Purpose Vehicles (SPVs) sponsored for securitization transactions.

35 LIQUIDITY COVERAGE RATIOS (LCR)

A. Qualitative Disclosure

LCR aims to ensure that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario specified by RBI.

LCR is the ratio of HQLA to Net Cash Outflow.

$$LCR = \frac{HQLA .}{\text{Net Cash Outflows over 30 days}}$$

Minimum requirement of LCR as stipulated by RBI is 80% for the calendar year 2017. LCR is applicable to Bank's domestic operations as well as overseas operations.

HQLA:

Liquid assets comprise of high quality assets that can be readily sold or used as collateral to obtain funds in a range of stress scenarios. They should be unencumbered i.e. without legal, regulatory or operational impediments. Assets are considered to

be high quality liquid assets if they can be easily and immediately converted into cash at little or no loss of value.

HQLA is categorized into two a) Level 1 Assets, and b) Level 2 Assets. Level 2 Assets are further sub divided into Level 2A Assets & Level 2B Assets based on Liquidity & Price Volatility.

Level 1

Levels 1 Asset mainly comprise Cash including excess CRR, Excess SLR, MSF (2% of NDTL) & FALLCR (9% of NDTL).

Level 2A Assets

15% haircut is applied on current market value of Level 2A asset. Level 2A assets mainly comprise Securities issued by PSEs (excluding bank/financial institution/ NBFC) with 20% risk weight. Corporate bonds, not issued by bank/financial institution/NBFC, rated AA- or above and Commercial Papers with rating AA- or above are also part of Level 2A assets.

Level 2B Assets

50% haircut is applied on current market value of Level 2B asset. Level 2B assets comprise not more than 15% of the total stock of HQLA. Level 2B assets mainly comprise Securities with risk weights higher than 20% but not higher than 50%, i.e., with credit rating not lower than BBB- and Equity Shares not issued by bank/ financial institution/NBFC and included in any index.

Net Cash Outflows

The total net cash outflows is defined as the total expected cash outflows minus total expected cash inflows for the subsequent 30 calendar days. Total expected cash outflows are calculated by multiplying the outstanding balances of various categories or types of liabilities and off-balance sheet commitments by the rates at which they are expected to run off or be drawn down. Total expected cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in up to an aggregate cap of 75% of total expected cash outflows. In other words, Total net cash outflows over the next 30 days = Outflows - Min (inflows; 75% of outflows).

Brief about LCR of the Bank:

As per RBI's directions, Banks are required to calculate LCR on a daily basis from 1st January 2017. Bank has calculated LCR for all working days over the March 2017 quarter. The average of the daily observation of 66 data points is calculated. Banks has maintained LCR above the minimum requirement, prescribed by RBI of 80% for the calendar year 2017.

Annual LCR is the average of quarterly LCR of the Bank during FY 2016-17.

HQLA:

Bank is having sufficient High Quality Liquid Assets so as to maintain LCR above regulatory prescription. Level 1 assets are the main driver of HQLA, contributing around 84% in the Total HQLA of the Bank.

Outflows & Inflows:

Bank has diversified sources of funding of which retail deposits are the main source of funds. Bank's exposure is mainly in Indian Rupee. Outflows are dominated by Rupee term deposits from Non-financial corporate, as categorized by the RBI.

B Quantitative Disclosure

(₹.in Crore)

LCR Disclosure for Quarter ended March 2017 (consolidated)- Audited			
		Total Unweighted Value (Average)	**Total Weighted Value (Average)**
HIGH QUALITY LIQUID ASSETS			
1	Total High Quality Liquid Assets (HQLA)	80890.39	78635.03
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	234477.16	20215.58
	(i) Stable deposits	64642.78	3232.14
	(ii) Less stable deposits	169834.38	16983.44
3	Unsecured wholesale funding, of which:	102435.79	51239.44
	(i) Operational deposits (all counterparties)	Nil	Nil
	(ii) Non-operational deposits (all counterparties)	85327.25	34130.90
	(iii) Unsecured debt	17108.54	17108.54
4	Secured wholesale funding	8380.12	3309.41

5	Additional requirements, of which	18057.79	1583.71
	(i) Outflows related to derivative exposures and other collateral requirements	10.91	10.91
	(ii) Outflows related to loss of funding on debt products	Nil	Nil
	(iii) Credit and liquidity facilities	18046.88	1572.80
6	Other contractual funding obligations	1132.24	1132.24
7	Other contingent funding obligations	32104.14	965.20
8	**TOTAL CASH OUTFLOWS**	396587.25	78445.59
CASH INFLOWS			
9	Secured lending (e.g. reverse repos)	2593.09	Nil
10	Inflows from fully performing exposures	4456.87	4456.87
11	Other cash inflows	1705.93	11988.70
12	**TOTAL CASH INFLOWS**	24095.89	16445.57
			Total Adjusted Value
21	**TOTAL HQLA**		**78635.03**
22	**TOTAL NET CASH OUTFLOWS**		**62000.02**
23	LIQUIDITY COVERAGE RATIO (%)		126.83

The above mentioned information regarding Liquidity Coverage Ratio is correctly compiled from unaudited data of 65 data points and audited data for 31st March 2017.

(₹ in crore)

LCR Disclosure for FY 2016-17 - Audited			
		Total Unweighted Value (Average)	**Total Weighted Value (Average)**
HIGH QUALITY LIQUID ASSETS			
1	Total High Quality Liquid Assets (HQLA)	67919.35	65971.43
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	211978.08	18852.55
	(i) Stable deposits	46905.15	2345.26
	(ii) Less stable deposits	165072.93	16507.29
3	Unsecured wholesale funding, of which:	64771.12	38048.96
	(i) Operational deposits (all counterparties)	Nil	Nil
	(ii) Non-operational deposits (all counterparties)	44536.94	17814.78
	(iii) Unsecured debt	20234.18	20234.18
4	Secured wholesale funding	6064.92	3136.96
5	Additional requirements, of which	18242.00	1936.42
	(i) Outflows related to derivative exposures and other collateral requirements	2.73	2.73
	(ii) Outflows related to loss of funding on debt products	Nil	Nil
	(iii) Credit and liquidity facilities	18239.27	1933.69
6	Other contractual funding obligations	966.89	966.89
7	Other contingent funding obligations	30778.82	923.88
8	**TOTAL CASH OUTFLOWS**	332801.83	63865.66

CASH INFLOWS			
9	Secured lending (e.g. reverse repos)	5888.73	Nil
10	Inflows from fully performing exposures	3243.95	3243.95
11	Other cash inflows	18762.11	13041.18
12	TOTAL CASH INFLOWS	27894.78	16285.13
			Total Adjusted Value
21	TOTAL HQLA		65971.43
22	TOTAL NET CASH OUTFLOWS		47580.53
23	LIQUIDITY COVERAGE RATIO (%)		138.65%

The above mentioned information is based on the weighted average of LCR as on quarter ending June 2016, Sept 2016, December 2016 and March 2017. The information for quarter ending June 2016, Sept 2016, December 2016 is compiled from unaudited data of April 2016, May 2016, July 2016, August 2016, October 2016, November 2016 and audited data for the month of June 2016, September 2016 and December 2016. For quarter ending March 2017 LCR is compiled from unaudited data of 65 data points and audited data for 31st March 2017

36 FIXED ASSETS

a) Documentation formalities are yet to be completed in respect of three (P.Y. five) immovable properties held by the Bank at written down value of ₹ 31.17 crores (P.Y. ₹. 36.43 crores.) in respect of which steps have already been initiated.

b) Land and Buildings revalued as on 31.3.1995 at fair market value as determined by an approved valuer, have further been revalued as on 30.11.2007 at fair market value by approved valuer. The resultant increase in value thereof on such revaluation amounting to ₹ 456.59 crores as on 31.3.1995 and ₹ 1290.68 crores as on 30.11.2007 have been credited to Revaluation Reserve and depreciation amounting to ₹ 56.56 crores (₹ 34.62 crores) attributable thereto has been deducted there from. Certain assets were revalued during the year 2015-16 and as a result of which the revaluation reserve have increased by ₹. 1213.10 crore for the year ended March 31, 2017

37 FRAUD CASES DETECTED/REPORTED

(₹.in Crore)

Frauds Detected during the Year	No. of cases of Frauds detected	Amount involved in such frauds	Amount outstanding as on 31/03/2017	Provision made as of 31/03/2017	Unamortized provision as of 31/03/2017
Total	127	896.42	888.83	647.31	241.52

38 BALANCING OF BOOKS, RECONCILIATION OF INTER BRANCH / BANK TRANSACTIONS

Confirmation/ Reconciliation of balance with foreign banks and other banks has been obtained/ carried out.

i. Adjustment of outstanding entries in Suspense Accounts, Sundry Deposits, Clearing Adjustments, Bank Reconciliation Statements and various inter-branch/office accounts is in progress on an ongoing basis.

ii. Pending final clearance of the (i) and (ii), the overall impact, if any, on the accounts, in the opinion of the management will not be significant.

39 ROADMAP FOR IMPLEMENTATION OF INDIAN ACCOUNTING STANDARDS (Ind-AS)

The Reserve Bank of India (RBI) vide DBR.BP.BC.No. 76/21.07.001/2015-16 dated 11th February 2016, has prescribed the roadmap for implementation of Indian Accounting Standards (Ind-AS) in the Banks and the Banks needs to disclose the strategy for Ind-AS implementation, including the progress made in this regard. The Bank accordingly, has appointed a consultant to assist in implementation of the Ind-AS. The Bank has also constituted a Steering Committee to oversee the progress made and the Audit Committee of the Board is being apprised of the same from time to time. In terms of the requirement stipulated vide said circular, the Bank has submitted proforma Ind-AS financial statements to the RBI for the half year ended 30th September 2016 on 30th November 2016.

40 CORPORATE TAXATION:

Income Computation and Disclosure Standards (ICDS) as notified u/s 145(2) of the Income Tax, 1961 on 29th September 2016, are applicable for the financial year ended on 31st March 2017 and accordingly tax provisions and deferred tax for the financial year 2016-17 have been computed after considering its impact.

The Bank has recognised Deferred Tax Assets as on 31.03.2017 aggregating to ₹.1878.61 crore (₹. 867.79 crore during PY 2015-16) based on reasonable certainity of availability of future taxable income against which such DTA can be realised.

During the year, as per the legal position as exist and also based on legal opinion, Bank has written back excess provisions of income tax aggregating to ₹ 644.01 Crore pertaining to the period upto which the appeals have been decided by Hon'ble ITAT in favour of the Bank. References against the same filed by the Income Tax Department are pending before High Court.

41. INVESTMENTS

i) Profit of ₹. 493.51 crore (previous year ₹.97.97 crores) on sale of "Held to Maturity" category securities have been taken to profit on loss account initally

ii) In respect of "Held to Maturity" category, as stated in Significant Accounting Policy No.4 (ii)(a), the excess of acquisition cost over face value of the securities amortized during the year amounted to ₹.188.50 crore (previous year ₹.134.48 crore).

iii) Total investments made in shares, convertible debentures and units of equity linked mutual funds / venture capital funds and also advances against shares aggregate to ₹. 1,701.49 crore (previous year ₹ 1,432.61 crore).

42. During the current year, there are no material prior period item and change in accounting policy (as per AS 5) and no discontinued operations (as per AS 24).

43. The figures of the previous year have been regrouped /rearranged wherever considered necessary.

Signatories to Schedules 1 to 18

(DHIRENDRA JAIN)
Asst. General Manager

(B SREENIVASA RAO)
Dy. General Manager & CFO

(ATUL KUMAR GOEL)
Executive Director

(RAJ KAMAL VERMA)
Executive Director

(VINOD KATHURIA)
Executive Director

(ARUN TIWARI)
Chairman & Managing Director

(Dr. MADNESH KUMAR MISHRA)
Director

(ANIL KUMAR MISRA)
Director

(Dr. K. RAMESHA)
Director

(Dr. R. H. DHOLAKIA)
Director

(G. K. LATH)
Director

(Dr. UTTAM KUMAR SARKAR)
Director

AS PER OUR REPORT OF EVEN DATE ATTACHED.

FOR G P KAPADIA & CO
CHARTERED ACCOUNTANTS.
Firm Regn. No.104768W

(NIMESH BHIMANI)
Partner
(M.No.030547)

FOR ASHWANI & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn. No.000497N

(SANJEEVA NARAYAN)
Partner
(M.No.084205)

FOR GBCA & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn. No.103142W

(TANSUKH CHHEDA)
Partner
(M.No.047157)

FOR SUNDAR SRINI & SRIDHAR
CHARTERED ACCOUNTANTS
Firm Regn. No.004201S

(S. SRIDHAR)
Partner
(M.No.025504)

FOR P A & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn. No.313085E

(DILLIP AGARWALLA)
Partner
(M.No.055420)

FOR S BHANDARI & CO.
CHARTERED ACCOUNTANTS
Firm Regn. No. 000560C

(P. P. PAREEK)
Partner
(M.No. 071213)

PLACE : MUMBAI
DATE : 8th MAY, 2017.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017

(₹ in Lacs)

S. No.	Particulars	Year ended 31.03.2017	Year ended 31.03.2016
A	CASH FLOW FROM OPERATING ACTIVITIES:		
	Net Profit before Tax	3,42,60	17,65,39
	Adjustments for:		
	Depreciation on Fixed Assets	2,36,04	2,44,11
	Depreciation on Investments	6,32,43	1,55,02
	Provision for Non Performing Assets	60,31,90	46,55,03
	Provision for Standard Asset	4,43,26	(9,39,76)
	Provision for Staff Related Expenditures	37,46	84,04
	Other provisions	(20,11)	6,94
	(Profit) / Loss on sale or disposal of Fixed Assets	(25,83)	1,79
	Interest on Borrowings : Capital Instruments	8,83,24	7,06,27
	Sub Total	**85,60,99**	**66,78,83**
	Adjustments for:		
	Increase / (Decrease) in Deposits	3,56,71,57	2,58,50,09
	Increase / (Decrease) in Borrowings other than Capital Instruments	62,68,52	(43,52,63)
	Increase / (Decrease) in Other Liabilities and Provisions	5,23,25	3,73,37
	(Increase) / Decrease in Investments other than Subsidiaries/J. V./Associates	(2,32,34,16)	48,37,68
	(Increase) / Decrease in Advances	(2,52,10,50)	(1,57,31,21)
	(Increase) / Decrease in Other Assets	(5,75,92)	(81,09,05)
	Direct taxes paid (net of refund)	(15,39,51)	(7,89,26)
	NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**4,64,24**	**87,57,82**
B	**CASH FLOW FROM INVESTING ACTIVITIES :**		
	(Increase) / Decrease in Fixed Assets	(1,84,00)	(15,60,34)
	(Increase) / Decrease in Investment in Subsidaries/ J. V. / Associates	(3,38,88)	(1,08,07)
	NET CASH FLOW FROM INVESTING ACTIVITIES (B)	**(5,22,88)**	**(16,68,41)**
C	**CASH FLOW FROM FINANCING ACTIVITIES :**		
	Equity Share Application Money Received	5,41,00	0
	Issue of Equity Shares to Govt. of India on preferential basis	0	51,66
	Security Premium received (net of Share Issue Expenses)	0	10,27,26
	Proceeds from issue of Capital Instruments	40,00,00	(50,00)
	Interest Paid on Borrowings : Capital Instruments	(7,74,74)	(7,55,72)
	Payment of Dividend (Including dividend tax)	(1,61,34)	(4,64,41)
	NET CASH FLOW FROM FINANCING ACTIVITIES (C)	**36,04,92**	**(1,91,21)**
	Net Increase (Decrease) in Cash & Cash Equivalent (A)+(B)+(C)	**35,46,28**	**68,98,20**
	Cash and Cash Equivalents as at the beginning of the year	**2,92,76,22**	**2,23,78,02**
	Cash and Cash Equivalents as at the end of the year	**3,28,22,50**	**2,92,76,22**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017

(₹ in Lacs)

S. No.	Particulars	Year ended 31.03.2017	Year ended 31.03.2016
D	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR**		
	Cash and Balances with RBI (including FC notes)	1,56,04,72	1,50,63,08
	Balances with banks and Money at call	1,36,71,50	73,14,94
	Net cash and cash equivalents at the beginning of the year	**2,92,76,22**	**2,23,78,02**
E	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**		
	Cash and Balance with RBI (including FC notes)	1,65,20,45	1,56,04,72
	Balances with banks and Money at call	1,63,02,05	1,36,71,50
	Net cash and cash equivalents at the end of the year	**3,28,22,50**	**2,92,76,22**

Previous Year's figures have been regrouped/recasted wherever considered necessary to correspond with the Current Year's classification/ presentation.

(ATUL KUMAR GOEL)	(RAJ KAMAL VERMA)	(VINOD KATHURIA)	(ARUN TIWARI)
Executive Director	Executive Director	Executive Director	Chairman & Managing Director

Auditors Certificate :

We, the undersigned Statutory Auditors of the Union Bank of India, have verified the above Cash Flow Statement of the Bank for the year ended 31.03.2017. The statement has been prepared in Indirect Method in accordance with the AS-3, "Cash Flow Statement" issued by The Institute of Charterted Accountants of India and with the requirments of the SEBI (Listing Obligations & Disclosure Requirements), 2015 and is based on and in agreement with the corresponding Profit & Loss Account and the Balance Sheet of the Bank covered by our report of the 8th May, 2017 to the members.

FOR G. P. KAPADIA & CO.	FOR ASHWANI & ASSOCIATES	FOR GBCA & ASSOCIATES
CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANTS
Firm Regn. No. 104768W	Firm Regn. No. 000497N	Firm Regn. No.103142W
(NIMESH BHIMANI)	**(SANJEEVA NARAYAN)**	**(TANSUKH CHHEDA)**
PARTNER	PARTNER	PARTNER
M.NO.030547	M.NO.084205	M.NO.047157
FOR SUNDAR SRINI& SRIDHAR	**FOR P A & ASSOCIATES**	**FOR S BHANDARI & CO**
CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANTS
Firm Regn. No. 004201S	Firm Regn. No. 313085E	Firm Regn. No. 000560C
(S. SRIDHAR)	**(DILLIP AGARWALLA)**	**(P P PAREEK)**
PARTNER	PARTNER	PARTNER
M.NO.025504	M.NO.055420	M.NO.071213

Place: MUMBAI.

Date: 8th MAY, 2017

INDEPENDENT AUDITORS' REPORT

To The Members of Union Bank of India

1. We have audited the accompanying consolidated financial statements (CFS) of Union Bank of India (the 'Bank'), its subsidiaries, associates and joint ventures (the 'Group'), which comprise the consolidated Balance Sheet as at 31st March, 2017, and the consolidated Profit and Loss Account and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information

2. Incorporated in these CFS are the:

   a. Audited Accounts of the Bank audited by us vide our audit report dated May 8, 2017 which reflects total assets of ₹ 452704 crore as at March 31, 2017 total revenue of ₹ 37625 crore, profits of ₹ 555 crore and net cash inflows amounting to ₹ 3546 crore for the year ended;

   b. Audited Accounts of the three subsidiaries and one joint venture audited by other auditors whose financials statements reflects the Group share's in total asset of ₹ 2964 crore as at March 31, 2017, the Group's shares in total revenue of ₹ 621 crore, the Group's share in net cash outflows amounting to ₹ 257 crore for the year ended; and

   c. Audited Accounts of one associates whose financial statements reflects the Group's share in profit from the associates of ₹ 5.89 crore for the year ended March 31, 2017

   The entities of the Group whose financial statements are included in the Consolidated Financial Statements are listed in Schedule 18 Notes to Accounts which forms part of the Consolidated Financial Statements of the Group

3. We have not audited the financial statements of its Subsidiaries, joint venture and an associate. These financials statement have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of other entities, is based solely on the report of the other auditors.

Management's responsibility for the Consolidated Financial Statements

4. Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Bank in accordance with the requirements of the Accounting Standard-21 "Consolidated Financial Statement", Accounting Standard-23 "Accounting for Investment in Associates in Consolidated Financial Statement" and Accounting Standard-27 " Financial Reporting of Interest in Joint Venture" issued by the Institute of Chartered Accountants of India, the requirements of Reserve Bank of India (RBI) and other accounting principles generally accepted in India. The responsibility of the management of the Bank includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements of the Group that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

5. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing 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 consolidated financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated 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 consolidated financial statements.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

8. The Audit Reports/Management Certifications on the financial statements of the Subsidiaries/ Joint Ventures/ Associates of the bank have been forwarded to us and dealt with in preparing our report in the manner considered by us and our opinion is based solely on the report of other auditor's/management certificates

Opinion

9. Subject to the limitation as indicated in Para 1 to 8 herein above, based on our audit and on consideration of the reports of other auditors on separate financial statements of Subsidiaries, Joint Ventures and an associate. In our opinion and to the best of our information and according to the explanations given to us, the accompanying consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   a. In the case of the consolidated Balance Sheet, of the state of affairs of the Bank as at 31st March, 2017

   b. In the case of the consolidated Profit and Loss Account, of the profit for the year ended on that date, and

   c. In the case of the consolidated Cash Flow Statements, of the cash flows for the year ended on that date.

FOR G P KAPADIA & CO
CHARTERED ACCOUNTANTS.
Firm Regn.No.104768W

(NIMESH BHIMANI)
Partner
(M.No.030547)

FOR ASHWANI & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn.No.000497N

(ADITYA KUMAR)
Partner
(M.NO.506955)

FOR GBCA & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn.No.103142W

(YOGESH AMAL)
Partner
(M.NO.111636)

FOR SUNDAR SRINI & SRIDHAR
CHARTERED ACCOUNTANTS
Firm Regn.No.004201S

(S. SRIDHAR)
Partner
(M.No.025504)

FOR P A & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn.No.313085E

(DILLIP AGARWALLA)
Partner
(M.No.055420)

FOR S BHANDARI & CO.
CHARTERED ACCOUNTANTS
Firm Regn.No. 000560C

(P D BAID)
Partner
(M.NO.072625)

Place : MUMBAI
Date : 19th MAY, 2017.

CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2017

(₹ in 000's)

	Schedule Number	As on 31.03.2017	As on 31.03.2016
CAPITAL AND LIABILITIES			
Capital	1	**6,87,44,11**	6,87,44,11
Reserves and Surplus	2	**2,28,83,63,86**	2,23,60,67,17
Share Application		**5,41,00,00**	
Minority Interest	2A		
Deposits	3	**37,96,87,26,45**	34,41,17,50,91
Borrowings	4	**4,12,25,49,65**	3,06,36,61,48
Other Liabilities and Provisions	5	**1,06,43,88,14**	95,62,32,69
Total		**45,56,68,72,21**	40,73,64,56,36
ASSETS			
Cash and Balances with Reserve Bank Of India	6	**1,65,22,37,31**	1,56,06,91,64
Balances with Banks and money at call and short notice	7	**1,63,83,55,05**	1,40,09,88,93
Investments	8	**11,34,41,26,41**	9,05,73,21,38
Advances	9	**28,79,49,82,85**	26,82,49,56,42
Fixed Assets	10	**39,05,40,86**	39,51,85,47
Other Assets	11	**1,74,66,29,73**	1,49,73,12,52
Total		**45,56,68,72,21**	40,73,64,56,36
Contingent Liabilities	12	**23,18,86,43,50**	39,74,37,13,90
Bills For Collection		**1,61,19,39,73**	1,50,30,34,09
Significant Accounting Policies	17		
Notes On Accounts	18		

The Schedules referred to above form an integral part of the Balance Sheet

(DHIRENDRA JAIN)
Asst. General Manager

(B SREENIVASA RAO)
Dy. General Manager & CFO

(ATUL KUMAR GOEL)
Executive Director

(RAJ KAMAL VERMA)
Executive Director

(VINOD KATHURIA)
Executive Director

(ARUN TIWARI)
Chairman & Managing Director

(Dr. MADNESH KUMAR MISHRA)
Director

(ANIL KUMAR MISRA)
Director

(Dr. K. RAMESHA)
Director

(Dr. R. H. DHOLAKIA)
Director

(G. K. LATH)
Director

(Dr. UTTAM KUMAR SARKAR)
Director

AS PER OUR REPORT OF EVEN DATE ATTACHED.

FOR G P KAPADIA & CO
CHARTERED ACCOUNTANTS.
Firm Regn.No.104768W
(NIMESH BHIMANI)
Partner
(M.No.030547)

FOR ASHWANI & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn.No.000497N
(ADITYA KUMAR)
Partner
(M.NO.506955)

FOR GBCA & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn.No.103142W
(YOGESH AMAL)
Partner
(M.NO.111636)

FOR SUNDAR SRINI & SRIDHAR
CHARTERED ACCOUNTANTS
Firm Regn.No.004201S
(S. SRIDHAR)
Partner
(M.No.025504)

FOR P A & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn.No.313085E
(DILLIP AGARWALLA)
Partner
(M.No.055420)

FOR S BHANDARI & CO.
CHARTERED ACCOUNTANTS
Firm Regn.No. 000560C
(P D BAID)
Partner
(M.NO.072625)

Place : MUMBAI
Date : 19th MAY, 2017.

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2017

(₹ in 000's)

		Schedule Number	**Year Ended 31.3.2017**	Year Ended 31.3.2016
I.	**Income**			
	Interest Earned	13	**3,28,16,97,89**	3,23,15,66,64
	Other Income	14	**54,29,98,59**	39,34,43,52
	Total		**3,82,46,96,48**	3,62,50,10,16
II.	**Expenditure**			
	Interest Expended	15	**2,37,76,30,56**	2,38,94,04,33
	Operating Expenses	16	**70,21,29,16**	67,15,91,85
	Provisions and Contingencies		**68,82,61,81**	42,97,24,63
	Total		**3,76,80,21,53**	3,49,07,20,81
III.	**Consolidated Net Profit Before Minority Interest and**			
	Share of Earnings In Associates		**5,66,74,95**	13,42,89,35
	Add:-Share of Earning in Associates		**5,89,49**	4,51,99
	Consolidated Net Profit for the year before deducting minorities interest		**5,72,64,44**	13,47,41,34
	(Less):-Minorities Interest			-9,02,98
	Consolidated Net Profit for the year attributable to the group		**5,72,64,44**	13,56,44,32
	ADD : Profit Brought Forward		**36**	41,62
	Amount Available for Appropriations		**5,72,64,80**	13,56,85,94
IV.	**Appropriations**			
	Transfer to Statutory Reserve		**1,38,75,00**	4,05,50,00
	Transfer to Capital Reserve		**2,31,46,67**	44,84,70
	Transfer to Revenue And Other Reserves/Adjustments		**17,42,77**	5,53,01,09
	Proposed Dividend			1,34,05,10
	Dividend Tax			27,44,69
	Transfer to Special Reserve [Sec36(I)(Viii)]		**1,85,00,00**	1,92,00,00
	Balance In Profit And Loss Account		**36**	36
	Total		**5,72,64,80**	13,56,85,94
	Earning per share (Basic and Diluted in ₹)	18	**8.33**	20.50
	Significant Accounting Policies	17		
	Notes on Accounts	18		

The Schedules referred to above form an integral part of the Profit & Loss A/c

(DHIRENDRA JAIN)
Asst. General Manager

(B SREENIVASA RAO)
Dy. General Manager & CFO

(ATUL KUMAR GOEL)
Executive Director

(RAJ KAMAL VERMA)
Executive Director

(VINOD KATHURIA)
Executive Director

(ARUN TIWARI)
Chairman & Managing Director

(Dr. MADNESH KUMAR MISHRA)
Director

(ANIL KUMAR MISRA)
Director

(Dr. K. RAMESHA)
Director

(Dr. R. H. DHOLAKIA)
Director

(G. K. LATH)
Director

(Dr. UTTAM KUMAR SARKAR)
Director

AS PER OUR REPORT OF EVEN DATE ATTACHED.

FOR G P KAPADIA & CO
CHARTERED ACCOUNTANTS.
Firm Regn.No.104768W
(NIMESH BHIMANI)
Partner
(M.No.030547)

FOR ASHWANI & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn.No.000497N
(ADITYA KUMAR)
Partner
(M.NO.506955)

FOR GBCA & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn.No.103142W
(YOGESH AMAL)
Partner
(M.NO.111636)

FOR SUNDAR SRINI & SRIDHAR
CHARTERED ACCOUNTANTS
Firm Regn.No.004201S
(S. SRIDHAR)
Partner
(M.No.025504)

FOR P A & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn.No.313085E
(DILLIP AGARWALLA)
Partner
(M.No.055420)

FOR S BHANDARI & CO.
CHARTERED ACCOUNTANTS
Firm Regn.No. 000560C
(P D BAID)
Partner
(M.NO.072625)

Place : MUMBAI
Date : 19th MAY, 2017.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2017

(₹ in 000's)

						As on 31.3.2017	As on 31.3.2016
SCHEDULE 1 - CAPITAL :							
I.	**Authorised :**						
	i.	300,00,00,000 Equity Shares of ₹ 10 each				**30,00,00,00**	30,00,00,00
II.	**Issued, Subscribed & Paid up :**						
	i.	43,61,06,597 Equity Shares of ₹ 10/- each, held by Central Government (P.Y. 43,61,06,597 Equity Shares)				**4,36,10,66**	4,36,10,66
	ii.	251,334,520 Equity Shares of ₹ 10/- each, held by Public (P.Y. 251,334,520 Equity Shares)				**2,51,33,45**	2,51,33,45
		TOTAL				**6,87,44,11**	6,87,44,11
SCHEDULE 2 - RESERVES & SURPLUS :							
I.	Statutory Reserve :						
	As per last Balance Sheet			**65,31,86,10**		61,26,36,10	
	Addition during the year			**1,38,75,00**	**66,70,61,10**	4,05,50,00	65,31,86,10
II.	A)	Capital Reserve :					
		As per last Balance Sheet		**8,48,09,83**		8,03,25,13	
		Addition during the year		**2,31,46,67**	**10,79,56,50**	44,84,70	8,48,09,83
	B)	Capital Reserve on Consolidation			**22,06,93**		56,95,00
III.	Share Premium :						
	As per last Balance Sheet			**44,84,37,91**		34,57,12,14	
	Addition during the year			**-**	**44,84,37,91**	10,27,25,77	44,84,37,91
IV.	Revaluation Reserve :						
	As per last Balance Sheet			**25,81,23,72**		14,24,70,51	
	Addition during the year			**-**		12,13,09,62	
	Deduction during the year			**1,24,43,95**	**24,56,79,77**	56,56,41	25,81,23,72
V.	Revenue and Other Reserves :						
	i)	Revenue and other Reserves :					
		As per last Balance Sheet		**50,43,61,21**		48,41,48,82	
		*Addition during the year		**1,42,60,82**		5,54,96,80	
		Deduction during the year		**1,72,57** **		3,52,62,25	
		TOTAL		**51,84,49,46**		50,43,83,36	
		Less:- Minority Interest		**-22,16**		22,16	
		TOTAL		**51,84,71,62**		50,43,61,21	
	* Net of consolidation Adjustment						
	** Last year's profit Adjustment of KGSG						
	ii)	Special Reserve Sec 36(1)(viii)					
		As per last Balance Sheet		**26,90,00,00**		24,98,00,00	
		Addition during the year		**1,85,00,00**		1,92,00,00	
		TOTAL		**28,75,00,00**		26,90,00,00	
	iii)	Foreign Currency Translation Reserve					
		As per last Balance Sheet		**1,24,53,04**		55,09,31	
		Addition during the year		**-**		69,43,73	
		Deduction during the year		**14,03,37**		-	
		TOTAL		**1,10,49,67**	**81,70,21,29**	1,24,53,04	78,58,14,25
VI.	Balance in Profit and Loss Account				**36**		36
	TOTAL				**2,28,83,63,86**		2,23,60,67,17

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2017

(₹ in 000's)

			As on 31.3.2017		As on 31.3.2016
SCHEDULE 2 A Minority Interest					
Opening Balance			-		8,80,81
Add/(Less):- Increase/(Decrease) during the year			-		-8,80,81
Total Minority Interest			-		0
SCHEDULE 3 - DEPOSITS :					
I) Demand Deposits					
i) From Banks		**4,99,66,05**		5,54,44,05	
ii) From Others		**2,58,19,92,07**	**2,63,19,58,12**	2,92,36,14,44	2,97,90,58,49
II) Savings Bank Deposits			**10,40,87,57,67**		8,11,43,32,08
III) Term Deposits					
i) From Banks		**77,54,58,43**		1,07,57,99,48	
ii) From Others		**24,15,25,52,23**	**24,92,80,10,66**	22,24,25,60,86	23,31,83,60,34
TOTAL			**37,96,87,26,45**		34,41,17,50,91
Deposits of branches in India			**37,14,18,25,57**		33,60,58,19,23
Deposits of branches outside India			**82,69,00,88**		80,59,31,68
TOTAL			**37,96,87,26,45**		34,41,17,50,91
SCHEDULE 4 - BORROWINGS :					
A. Borrowings: Capital Instruments					
I. Perpetual Bonds		**42,39,62,35**		10,39,61,00	
II. Upper Tier II Bonds		**15,00,00,00**		22,50,00,00	
III. Tier II Bonds		**67,50,00,00**	**1,24,89,62,35**	52,00,00,00	84,89,61,00
B. Borrowings in India					
i. Other Banks		**14,40,35,26**		4,14,15,39	
ii. Other Institutions and Agencies		**17,51,18,59**	**31,91,53,85**	12,52,60,08	16,66,75,47
C. Borrowings Outside India			**2,55,44,33,45**		2,04,80,25,01
TOTAL			**4,12,25,49,65**		3,06,36,61,48
Secured Borrowings included in (B) I & (B) II above			**6,41,11,76**		9,56,19,34
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS :					
I. Bills Payable			**14,95,55,69**		17,45,34,68
II. Interest Accrued			**16,59,84,30**		10,36,28,33
III. Deferred Tax Liability			-		-
IV. Others (including Provisions)			**74,88,48,15**		67,80,69,68
TOTAL			**1,06,43,88,14**		95,62,32,69

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2017

(₹ in 000's)

		As on 31.3.2017	As on 31.3.2016
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA :			
I.	Cash in Hand	**10,32,72,21**	11,27,00,95
	(including foreign currency notes)		
II.	Balances with Reserve Bank of India In Current Account	**1,54,89,65,10**	1,44,79,90,69
	TOTAL	**1,65,22,37,31**	1,56,06,91,64
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE :			
I.	In India		
	i). Balances with Banks		
	a) In Current Accounts	**44,49,30**	59,37,32
	b) In Other Deposit Accounts	**56,33,93,29**	35,64,79,43
	ii) Money at Call & Short notice		
	a) With Banks	**0**	3,00,00,00
	b) With Other Institutions	**0**	20,45,91
		56,78,42,59	39,44,62,66
II.	Outside India		
	i) In Current Accounts	**1,37,80,29**	25,66,91,10
	ii) In other Deposit Accounts	**1,03,87,78,72**	74,56,83,48
	iii) Money at call & short notice	**1,79,53,45**	41,51,69
		1,07,05,12,46	1,00,65,26,27
	TOTAL	**1,63,83,55,05**	1,40,09,88,93
SCHEDULE 8 - INVESTMENTS :			
I.	Investments in India		
	i) Government Securities	**8,81,51,59,49**	7,19,43,28,58
	ii) Other Approved Securities	**1,75,85,34**	1,86,37,41
	iii) Shares	**23,72,12,08**	16,38,09,25
	iv) Debentures and Bonds	**1,75,06,12,74**	1,35,93,61,39
	v) Subsidiaries and Joint Ventures	**2,34,87,29**	1,82,39,46
	vi) Others		
	- Commercial Paper	**14,68,95,73**	1,43,30,28
	- Others	**1,45,17,35**	1,81,82,11
	- Mutual Funds	**10,79,84,63**	8,86,04,78
	- Security Receipt by ARCIL	**7,58,42,34**	5,80,61,08
	TOTAL	**11,18,92,96,99**	8,93,35,54,34
II.	Investments outside India		
	i) Govt Securities (incl Local Authorities)	**11,00,66,92**	6,74,06,42
	ii) Shares	**40,32**	40,32
	iii) Other Investments (Bonds)	**4,47,22,18**	5,63,20,30
	iv) Subsidiaries and Joint Ventures	**-**	**-**
	TOTAL	**15,48,29,42**	12,37,67,04
	TOTAL	**11,34,41,26,41**	9,05,73,21,38
III.	Investments in India		
	Gross Value	**11,30,77,32,23**	8,98,89,34,46
	Less: Provision for Depreciation	**11,84,35,24**	5,53,80,12
	Net Value of Investment in India	**11,18,92,96,99**	8,93,35,54,34
IV)	Investments outside India		
	Gross Value	**15,48,29,42**	12,37,67,04
	Less: Provision for Depreciation	**-**	-
	Net Value of Investment outside India	**15,48,29,42**	12,37,67,04
	TOTAL	**11,34,41,26,41**	9,05,73,21,38

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2017

(₹ in 000's)

			As on 31.3.2017	As on 31.3.2016
SCHEDULE 9 - ADVANCES				
I.	i)	Bills Purchased and Discounted	**1,18,24,74,43**	82,30,60,56
	ii)	Cash Credits, Overdrafts and Loans Repayable on Demand	**13,32,37,22,20**	13,16,67,36,84
	iii)	Term Loans	**14,28,87,86,22**	12,83,51,59,02
		TOTAL	**28,79,49,82,85**	26,82,49,56,42
II	i)	Secured by Tangible Assets (includes Advance against Book Debts)	**25,11,00,37,42**	22,00,88,01,99
	ii)	Covered by Bank/Government Guarantees	**1,11,23,87,13**	1,29,10,52,85
	iii)	Unsecured	**2,57,25,58,30**	3,52,51,01,58
		TOTAL	**28,79,49,82,85**	26,82,49,56,42
A.		Advances in India		
	i)	Priority Sector	**10,42,19,00,27**	9,50,48,45,13
	ii)	Public Sector	**1,67,62,97,70**	1,33,12,66,33
	iii)	Banks	**23,27,69,23**	5,22,93,76
	iv)	Others	**13,42,22,55,51**	13,23,23,36,13
		TOTAL	**25,75,32,22,71**	24,12,07,41,35
B.		Advances outside India		
	i)	Due From Banks	**84,82,32,88**	76,51,56,14
	ii)	Due From Others	**-**	-
		a) Bills Purchased and Discounted	**83,29,30,75**	44,99,00,97
		b) Syndicated loans	**3,59,61,38**	8,53,21,66
		c) Others	**1,32,46,35,13**	1,40,38,36,30
		TOTAL	**3,04,17,60,14**	**2,70,42,15,07**
		TOTAL	**28,79,49,82,85**	26,82,49,56,42

SCHEDULE 10 - FIXED ASSETS

A.	TANGIBLE ASSETS					
	I.	Premises				
		At cost/valuation as per last Balance Sheet	**37,28,11,82**		24,23,25,14	
		Additions during the year	**79,76,93**		13,04,86,84	
			38,07,88,75		37,28,11,98	
		Deductions during the year	**3,97,30**		16	
			38,03,91,45		37,28,11,82	
		Less: Depreciation to Date	**8,31,63,70**	**29,72,27,75**	6,81,58,03	30,46,53,79
	II.	Capital Work in Progress				
		At cost as per last Balance Sheet	**12,52,62**		4,28,92	
		Additions during the year	**9,45,45**		9,81,26	
		Deductions during the year	**49,18**	**21,48,89**	1,57,56	12,52,62
	III.	Land				
		At cost as per last Balance Sheet	**72,68,05**		61,66,84	
		Additions during the year	**3,62,29**		11,01,21	
		Deductions during the year	**-**		-	
			76,30,34		72,68,05	
		Less: Depreciation to Date	**4,66,14**	**71,64,20**	3,80,37	68,87,68

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2017

(₹ in 000's)

		As on 31.3.2017		As on 31.3.2016	
IV.	Other Fixed Assets (including Furniture and Fixtures)				
	a) Assets given on Lease				
	At cost as per last Balance Sheet	**26,53,52**		26,53,52	
	Addition during the year	**-**		-	
	Deductions during the year	**-**		-	
		26,53,52		26,53,52	
	Less: Depreciation to Date	**26,53,52**	**-**	26,53,52	-
	b) Others				
	At cost/valuation as per last Balance Sheet	**22,65,95,40**		20,91,42,78	
	Additions during the year	**2,03,71,93**		2,39,83,27	
		24,69,67,33		23,31,26,05	
	Deductions during the year	**48,51,99**		65,30,65	
		24,21,15,34		22,65,95,40	
	Less: Depreciation to Date	**16,07,10,99**	**8,14,04,35**	14,67,33,56	7,98,61,84
B.	INTANGIBLE ASSETS				
	Computer Software				
	At cost as per last Balance Sheet	**2,14,33,34**		1,90,62,92	
	Additions during the year	**24,21,52**		23,71,76	
	Deductions during the year	**5,22,08**		**1,34**	
		2,33,32,78		2,14,33,34	
	Amortisation till Date	**2,07,37,11**	**25,95,67**	1,89,03,80	25,29,54
	TOTAL		**39,05,40,86**		39,51,85,47
SCHEDULE 11 - OTHER ASSETS :					
I.	Inter-Office Adjustments (net)		**14,86,17,49**		19,67,49,20
II.	Interest Accrued		**24,06,28,82**		23,14,47,37
III.	Tax paid/Tax Deducted at Source		**28,91**		16,23
IV.	Stationery and Stamps		**3,15,27**		3,74,87
V.	Non-Banking Assets acquired in satisfaction of claims		**3,90**		3,90
VI.	Deferred Tax Assets		**22,97,27,30**		4,18,59,06
VII.	Others		**1,12,73,08,04**		1,02,68,61,89
	TOTAL		**1,74,66,29,73**		1,49,73,12,52
SCHEDULE 12 - CONTINGENT LIABILITIES :					
I.	Claims against the Bank not acknowledged as debts		**35,36,66,60**		38,59,06,85
II.	Liability for partly paid Investments		**59,20**		59,20
III.	Liability on account of outstanding forward exchange contracts		**18,06,06,42,94**		34,74,37,04,38
IV.	Guarantees given on behalf of Constituents				
	i) In India		**1,45,66,77,78**		1,36,49,82,25
	ii) Outside India		**5,51,85,07**		3,22,71,60
V.	Acceptances, Endorsements and Other Obligations		**3,00,45,74,29**		2,74,60,11,35
VI.	Other items of Contingent Liability		**65,77,21**		37,17,92,28
	i) Disputed Tax demands under Appeals		**24,30,38,21**		2,84,95,99
	ii) Amount transfered to DEAF Scheme 2014		**82,22,20**		7,04,90,00
	TOTAL		**23,18,86,43,50**		39,74,37,13,90

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2017

(₹ in 000's)

		Year Ended 31.3.2017	Year Ended 31.3.2016
SCHEDULE 13 - INTEREST EARNED :			
I.	Interest/Discount on Advances/Bills	**2,30,04,84,20**	2,36,84,48,50
II.	Income on Investments	**87,88,93,08**	76,23,69,96
III.	Interest on Balances with RBI & Other Inter Bank Funds	**8,81,96,06**	8,18,02,59
IV.	Others	**1,41,24,55**	1,89,45,59
	TOTAL	**3,28,16,97,89**	3,23,15,66,64
SCHEDULE 14 - OTHER INCOME :			
I.	Commission, Exchange and Brokerage	**4,49,91,22**	3,98,58,72
II.	Profit on Sale of Investments - (Net)	**21,48,73,62**	8,76,28,48
III.	Profit/ (Loss)on Sale of Land, Buildings & Other Assets (Net)	**25,83,22**	-1,79,14
IV.	Profit on Exchange Transactions - (Net)	**9,52,33,80**	9,77,60,93
V.	Miscellaneous Income	**18,53,16,73**	16,83,74,53
	TOTAL	**54,29,98,59**	39,34,43,52
SCHEDULE 15 - INTEREST EXPENDED :			
I.	Interest on Deposits	**2,20,05,24,69**	2,20,77,16,22
II.	Interest on Reserve Bank of India/Inter Bank Borrowing	**4,94,03,82**	5,49,42,62
III.	Others	**12,77,02,05**	12,67,45,49
	TOTAL	**2,37,76,30,56**	2,38,94,04,33
SCHEDULE 16 - OPERATING EXPENSES :			
I.	Payments to and Provisions for Employees	**35,09,39,85**	37,68,05,35
II.	Rent, Taxes and Lighting	**5,23,40,84**	4,81,78,59
III.	Printing and Stationery	**58,77,68**	52,32,70
IV.	Advertisement and Publicity	**74,08,67**	72,63,43
V.	Depreciation on Bank's Property	**2,40,82,34**	2,48,97,89
VI.	Directors' Fees, Allowances and Expenses	**3,50,21**	3,93,18
VII.	Remuneration to Managing / Executive Director	**72,39**	71,83
VIII.	Auditors' Fees and Expenses (including Branch Auditors)	**41,67,36**	35,64,30
IX.	Law Charges	**26,23,82**	25,39,88
X.	Postage, Telegrams, Telephones, etc.	**80,68,19**	77,28,56
XI.	Repairs and Maintenance	**1,18,05,67**	1,16,23,81
XII.	Insurance	**3,65,62,47**	3,15,39,57
XIII.	Other Expenditure	**19,78,29,67**	15,17,52,76
	TOTAL	**70,21,29,16**	67,15,91,85

SCHEDULES FORMING PART OF THE ACCOUNTS FOR 2016-2017 (CONSOLIDATED)

SCHEDULE 17 - SIGNIFICANT ACCOUNTING POLICIES :

1 Accounting Convention

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting on going concern basis, unless otherwise stated and conform in all material aspects to Generally Accepted Accounting Principles (GAAP) in India, which comprise applicable statutory provisions, regulatory norms/guidelines prescribed by the Reserve Bank of India (RBI), Banking Regulation Act 1949, Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI), and the practices prevalent in the banking industry in India. In respect of foreign offices, statutory provisions of practices prevailing in respective foreign countries are complied with.

2 Use of Estimates

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and the expenses during the reporting period. Management believes that the estimates wherever used in the preparation of the financial statements are prudent and reasonable. Difference between the actual results and estimates is recognized in the period in which the results are known/ materialized.

3 Basis of consolidation

3.1 Consolidated Financial Statements (CFS) of the Group (comprising of 3 Subsidiaries, 1 Associate and 1 Joint Venture) have been prepared on the basis of:

i) Audited Financial Statement of Union Bank of India (Parent).

ii) Line by line aggregation of each item of asset, liabilities, income and expenditure of subsidiaries with the respective items of the parent after eliminating intra group balances/ transactions, unrealized profit/losses based on the data received from the subsidiaries duly audited by their respective auditors as per Accounting Standard – 21 "Consolidated Financial Statements" issued by ICAI.

iii) Accounting for Investments in 'Associate' under the 'Equity Method' as per Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial Statements" issued by ICAI.

iv) Consolidation of Joint Venture – 'Proportionate Consolidation' as per Accounting Standard 27 "Financial Reporting of Interest in Joint Ventures" by ICAI.

3.2 In case of Domestic Associate/Subsidiaries and Joint Venture, accounting adjustments arising due to different accounting policies followed by parent bank and associate/subsidiaries and Joint Venture have not been carried out due to practical difficulties on the basis of data provided by associates/ subsidiaries and Joint Venture as the amounts are not material.

3.3 The difference between cost to the Group of its investment in the subsidiaries and the Parent's portion of the equity of the subsidiaries is recognized in the CFS as Goodwill / Capital Reserve, as the case may be.

3.4 Minority interest in the net assets of the consolidated subsidiaries consists of:

i) The amount of equity attributable to the minority at the date on which investment in a subsidiary is made and

ii) The minority share of movements in revenue reserves / loss and equity since the date the parent subsidiary relationship came into existence.

iii) The excess, and any further losses applicable to the minority, are adjusted against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses.

4 Revenue Recognition

4.1 Banking entities

4.1.1 Income and Expenditure is generally accounted for on accrual basis unless otherwise stated.

4.1.2 Income from Non-Performing Assets (NPAs) is recognized to the extent realized as per the prudential norms prescribed by RBI.

4.1.3 Bank commission, exchange and brokerage earned, rent on Safe Deposit Lockers (SDV), commission on biometric cards, income from Aadhaar cards etc. are accounted for on realization basis.

4.1.4 Income (other than interest) on investments in "Held to Maturity" (HTM) category acquired at discount to the face value is recognized as follows:

a) On interest bearing securities, it is recognized only at the time of sale / redemption.

b) On zero coupon securities, it is accounted for over the balance tenor of the securities on a constant yield basis.

4.1.5 Dividend is accounted on an accrual basis where the right to receive the same is established.

4.2 Non Banking entities

Life Insurance

i) Premium Income

Premium (net of service tax) is recognized as income when due. For linked business, premium is recognized when the associated units are created. Top up premiums are considered as single premium. Premium on lapsed policies is recognized as income when such policies are reinstated. Commission received on reinsurance ceded is recognized as income in the period in which reinsurance premium is ceded.

ii) Income from linked funds

Income from linked funds which includes premium allocation charges, policy administrative charges, mortality charges, fund management charges etc. are recovered from the linked funds in accordance with the terms and conditions of policies issued.

iii) Reinsurance Premium

Cost of reinsurance ceded is accounted for at the time of recognition of premium income in accordance with the treaty or in principle arrangement with the reinsurer. Profit commission on reinsurance ceded is netted off against premium ceded on reinsurance.

iv) Benefits paid (including claims)

Benefits paid comprise of policy benefits & claim settlement costs, if any. Death, rider & surrender claims are accounted for on receipt of intimation. Survival benefit claims and maturity claims are accounted for when due. Withdrawals & surrenders under linked policies are accounted for in the respective schemes when the associated units are cancelled. Reinsurance recoveries on claims are accounted for in the same period as the related claims.

v) Acquisition Costs

Acquisition costs are costs that vary with and are primarily related to acquisition of insurance contracts and are expensed in the period in which they are incurred.

vi) Liability for life policies

Actuarial liability for life policies in force and for policies in respect of which premium has been discontinued but a liability exists, is determined by the Appointed Actuary using the gross premium method and in case of group business, unearned premium reserve method, in accordance with accepted actuarial practice, requirements of Insurance Act, 1938, IRDA regulations and the stipulations of Institute of Actuaries of India.

Asset Management

i) Investment management fees are recognized net of service tax on an accrual basis as a percentage of the average daily net assets of the mutual fund schemes (excluding the investments made by the company in the schemes) such that it does not exceed the limit prescribed by the SEBI (Mutual Funds) Regulations, 1996 and any further amendments.

ii) Investment advisory fees are recognized on accrual basis in accordance with the terms of contract with the customers.

iii) Interest income is recognized using the time proportion method, based on the rates implicit in the transaction.

iv) Dividend income is recognized when right to receive is established.

5 Investments

5.1 Classification

i) In conformity of the requirements in form A of the Third Schedule to the Banking Regulations Act, 1949, Investments are classified as under:

a) Government Securities

b) Other Approved Securities

c) Shares

d) Debentures & Bonds

e) Investments in Subsidiaries & Joint Ventures, and

f) Other Investments

The Investment portfolio of the Bank is further categorized in accordance with the RBI guidelines into:

a) Held to Maturity (HTM)

b) Available for Sale (AFS)

c) Held for Trading (HFT)

5.2 Basis of Valuation

As per RBI guidelines, the following principles have been adopted for the purpose of valuation:

i) Securities held in "HTM" – at acquisition cost: The excess of acquisition cost over the face value is amortized over the remaining period of maturity and in case of discount; it is not recognized as income.

ii) Investment in Regional Rural Banks are valued at carrying cost.

iii) Investments in Subsidiaries and Joint Ventures are valued at carrying cost

iv) Diminution other than temporary, if any, in valuation of such investments is provided for.

v) Securities held in "AFS" and "HFT" categories are valued classification wise and scrip wise and net depreciation, if any, in each classification is charged to Profit and Loss account while net appreciation, if any, is ignored.

vi) Valuation of other securities is arrived at as follows:

i	Govt. of India Securities	As per quotations put out by Fixed Income Money Market and Derivatives Association (FIMMDA).
ii	State Development Loans, Securities guaranteed by Central / State Government, PSU Bonds	On appropriate yield to maturity basis as per FIMMDA guidelines.
iii	Equity Shares	As per market rates, if quoted, otherwise at book value as per latest Audited Balance Sheet (not more than 1 year old). In the absence of both at ₹1/- per company.
iv	Preference Shares	As per market rates, if quoted or on appropriate yield to maturity basis not exceeding redemption value as per FIMMDA guidelines.
v	Debentures/Bonds	As per market rates, if quoted, otherwise on appropriate yield to maturity basis as per FIMMDA guidelines.
vi	Mutual Funds(MF)	As per stock exchange quotations, if quoted. In case of unquoted units, as per latest Repurchase price declared by concerned MF. In cases where latest repurchase price is not available, as per Net Asset Value (NAV)
vii	Treasury Bills / Certificate of Deposits / Commercial Papers	At carrying cost
viii	Venture Capital Funds (VCF)	At declared NAV or Break-up NAV as per audited Balance Sheet which is not more than 18 months old. If NAV / audited financial statements are not available for more than 18 months continuously, at ₹1/- per VCF
ix	Security Receipts	At NAV as declared by Securitization Companies

5.3 Interbank REPO / Reverse REPO transactions are accounted for in accordance with extant RBI guidelines.

5.4 As per the extant RBI guidelines, the shifting of securities from one category to another is accounted for as follows:

5.4.1 From AFS / HFT categories to HTM category, at lower of book value or market value as on the date of shifting. Depreciation, if any, is fully provided for.

5.4.2 From HTM category to AFS / HFT category,

- If the security is originally placed at discount in HTM category, at acquisition cost/ book value

- If the security is originally placed at a premium, at an amortized cost.

5.4.3 From AFS to HFT category and vice versa, at book value.

5.4.4 The securities so shifted are revalued immediately and resultant depreciation is fully provided for.

5.5 The non-performing investments are identified and depreciation/ provision is made as per the extant RBI guidelines.

5.6 Profit / Loss on sale of investments in any category is taken to the Profit and Loss account. However, in case of profit on sale of investments in "HTM" category, an equivalent amount (net of taxes and net of transfer to Statutory Reserves) is appropriated to the Capital Reserve account.

5.7 Commission, brokerage, broken period interest etc. on securities is debited / credited to Profit & Loss account.

5.8 As per the extant RBI guidelines, the Bank follows 'Settlement Date' for accounting of investments transactions.

6 Derivative Contracts:

The Interest Rate Swap (IRS) which hedges interest bearing asset or liability are accounted for in the financial statements on accrual basis except the swap designated with an asset or liability that is carried at market value or lower of cost or market value. Gains or losses on the termination of swaps are recognized over the shorter of the remaining contractual life of the swap or the remaining life of the asset / liability.

i) Trading swap transactions are marked to market with changes recorded in the financial statements.

ii) In the case of option contracts, guidelines issued by Foreign Exchange Dealers Association of India (FEDAI) from time to time for recognition of income, premium and discount are being followed.

7 Advances

7.1 Advances in India, are classified under four categories, i.e. (a) Standard, (b) Sub-standard, (c) Doubtful and (d) Loss assets. Provisions required on such advances are made as per the extant prudential norms issued by the RBI. In respect of Advances made in overseas branches, Advances are classified in accordance with Prudential Norms prescribed by the RBI or local laws of the host country in which advances are made, whichever is more stringent.

7.2 Advances are stated net of specific loan loss provisions, counter cyclical provisioning buffer and provision for diminution in fair value of restructured advances and unrecovered interest held in sundry / claims received from Credit Guarantee Trust for Micro & Small Enterprises (CGTMSE)/Export Credit Guarantee Corporation (ECGC) relating to non-performing assets.

7.3 The general provision on standard advances is held in "Other Liabilities and Provisions" reflected in Schedule 5 of the balance sheet and is not considered for arriving at both net NPAs and net advances.

8 Fixed Assets and Depreciation

8.1 Premises and Other Fixed Assets are stated a cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises of purchase price less trade discounts and rebates, eligible borrowing costs and directly attributable costs of bringing the asset to its working condition for its intended use. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future benefits from such assets or their functional capability. Land and Buildings, if revalued are stated at revalued amount. The appreciation on revaluation is credited to Revaluation Reserve and the depreciation provided thereon is deducted there from.

8.2 Depreciation on Fixed Assets is provided for on the written down value method at the rates considered appropriate by the management as under

	Type of Asset	Rate of Depreciation
I.	Premises	5 %
II.	Other Fixed Assets	
	- Furniture and Fittings	10 %
	- Electric Fittings and Equipments, Office Appliances and SDV/ Strong rooms etc.	15 %
	- Transport Vehicles	20 %
	- Uninterrupted Power Supply Equipments	33.33 %
III.	Amount added consequent upon revaluation of the assets	Applicable rate for the asset type, over the residual economic life of the respective assets

8.3 Application Software is capitalized and clubbed under intangible assets. Depreciation on computers and software forming an integral part of Computer Hardware and on ATM is provided on Straight Line Method at the rate of 33.33% as per the guidelines of RBI.

8.4 Depreciation on additions to assets made up to 30th September of the year is provided at full rate and on additions made thereafter, at half the rate.

8.5 Depreciation on premises is provided on composite cost, wherever the value of land and buildings is not separately identifiable.

8.6 No depreciation is provided on assets sold / disposed off during the year.

8.7 Depreciation on leased assets and leasehold improvements is recognized on a straight-line basis using rates determined with reference to the primary period of lease.

8.8 Depreciation on fixed assets outside India and fixed assets of subsidiaries / associates is provided as per regulatory requirements / or prevailing practices of respective country / industry.

9 Impairment of Assets

The carrying costs of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognized wherever the carrying cost of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. After impairment, depreciation is provided on the revised carrying cost of the asset over its remaining useful life. A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation, if there was no impairment.

10 Counter Cyclical Provisioning Buffer

The Bank has a policy for creation and utilization of Counter Cyclical Provisioning Buffer separately for advances and investments. The quantum of provision to be created is assessed at the end of each financial year. The counter cyclical provisions are utilized only for contingencies under extra ordinary circumstances specified in the policy with prior permission of the RBI.

11 Transactions Involving Foreign Exchange

11.1 Accounting for transactions involving foreign exchange is done in accordance with AS 11, (The Effects of Changes in Foreign Exchange Rates), issued by the ICAI. As stipulated in AS 11, the foreign currency operations of the Bank are classified as

a) Integral Operations and

b) Non Integral Operations.

All Overseas Branches, Offshore Banking Units, Overseas Subsidiaries are treated as Non Integral Operations and domestic operations in foreign exchange and Representative Offices are treated as Integral Operations.

11.2 Translation in respect of Integral Operations

11.2.1 Income and Expenditure items are recognized at the exchange rates prevailing on the date of the transaction.

11.2.2 Foreign Currency Monetary and Non-Monetary Assets and Liabilities are translated at the closing spot rates notified by FEDAI at the end of each quarter.

11.2.3 Contingent liabilities on account of guarantees, acceptances, endorsements and other obligations are stated at the exchange rates notified by FEDAI at the close of the year.

11.2.4 The resulting exchange differences are recognized as income or expenses and are accounted through Profit and Loss Account.

11.2.5 Forward exchange contracts are recorded at the exchange rate prevailing on the date of commitment. Outstanding forward exchange contracts are revalued at the exchange rates notified by FEDAI for specified maturities and at interpolated rates for contracts of 'in-between' maturities. The resultant gains or losses are recognized in the Profit and Loss account.

11.3 Translation in respect of Non Integral Operations

11.3.1 Assets and Liabilities (including contingent liabilities) are translated at the closing spot rates notified by FEDAI at the end of each quarter

11.3.2 Foreign Exchange Spot and Forwards contingent liabilities outstanding as at the balance sheet date are translated at the

closing spot and forward rates respectively notified by FEDAI and at interpolated rates for contracts of interim maturities.

11.3.3 Income and Expense are translated at quarterly average rate notified by FEDAI at the end of each quarter.

11.3.4 The resulting exchange differences are not recognized as income or expense for the period but accumulated in a separate account "Foreign Currency Translation Reserve" till the disposal of the net investment.

12 Employee Benefits

Retirement benefits in the form of provident fund are a defined contribution scheme. The contributions to the provident fund are charged to the Profit and Loss account for the year when the contributions are due. The Bank has no obligation, other than the contribution payable to the provident fund.

Gratuity liability, Pension fund and provision towards leave are defined benefit obligations, and are provided for on the basis of an actuarial valuation as per AS 15 (Revised) made at the end of each financial year, based on the projected unit credit method. Actuarial gains/losses are immediately taken to the Profit and Loss account.

The New Pension Scheme is applicable to employees who joined the Bank on or after 01.04.2010 is a defined contribution scheme. Bank pays fixed contribution at predetermined rate and the obligation of the Bank is limited to such fixed contribution. The contribution is charged to Profit and Loss Account.

Employee benefits relating to employees employed at foreign offices are valued and accounted for as per the local laws/regulation of the respective countries.

13 Segment Reporting

The Bank recognizes the Business Segment as the Primary Reporting Segment and Geographical Segment as the Secondary Reporting Segment, in accordance with the RBI guidelines and in the compliances with the Accounting Standard 17 issued by ICAI.

Business Segments are classified into (a) Treasury operations, (b) Corporate and Wholesale Banking, (c) Retail Banking operations and (d) Other Banking operations.

14 Lease Transactions

Lease payments for assets taken on operating lease are amortized over the lease term. The properties taken on lease / rental basis are renewable / cancellable at the option of the Bank. The Bank's liabilities in respect of disputes pertaining to additional rent / lease rent are recognized on settlement or on renewal.

15 Earnings Per Share

Earnings per share are calculated by dividing the net profit or loss (after tax) for the year attributable to the equity share holders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if contracts to issue equity shares were exercised or converted during the year. Diluted earnings per equity share are calculated by using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

16 Taxation

Provision for tax is made for both current and deferred taxes. Current tax is provided on the taxable income using applicable tax rates and tax laws. Deferred Tax Assets and Deferred Tax Liabilities arising on account of timing differences and which are capable of reversal in subsequent periods are recognized using the tax rates and the tax laws that have been enacted or substantively enacted till the date of the Balance Sheet.

Deferred tax assets are recognized only if there is virtual certainty of realization of such assets in future. Deferred tax assets/ liabilities are reviewed at each Balance Sheet date based on developments during the year.

17 Provisions, Contingent Liabilities and Contingent Assets

As per AS 29 (Provisions, Contingent Liabilities and Contingent Assets) issued by the ICAI, the Bank recognizes provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

18 Share Issue Expenses:

Share Issue expenses are charged to the Share Premium account.

SCHEDULES FORMING PART OF THE ACCOUNTS FOR 2016-17 (CONSOLIDATED)

SCHEDULE 18 – NOTES TO ACCOUNTS

1 The particulars of the subsidiaries whose financial statements are consolidated with the standalone financial statement of the Bank (the Parent) are as under:

Names of Subsidiaries	Country of Incorporation	Proportion of Ownership by the parent as on 31.03.17
Union Asset Management Company Pvt Ltd.	India	100%
Union Trustee Company Private Ltd.	India	100%
Union Bank of India UK Ltd.	United Kingdom	100%

The Parent was having 51% ownership in Union Asset Management Company Pvt. Ltd. and Union Trustee Company Pvt. Ltd. as on 31.03.2016. During the year the remaining 49% ownership in these Subsidiaries has been acquired by the parent, resulting into 100% ownership as on 31.03.2017.

2 The particulars of Joint Venture considered in the Consolidated Financial Statements are as under :

Names of Joint Venture	Country of Incorporation	Proportion of Ownership
Star Union Dai–Ichi Life Insurance Company Ltd. (Non- Banking)	India	25.10%

3 The particulars of Associate considered in the Consolidated Financial Statements are as under:

Names of Associates	Country of Incorporation	Proportion of Ownership
Regional Rural Bank i) Kashi Gomti Samyut Gramin Bank	India	35%

The Value of the investment made by the Bank is ₹ 741.66 Crore as on 31st March 2017 which is treated as long term investment.

4 The financial statements of the subsidiaries, joint venture and associate which are used in the consolidation have been drawn up to the same reporting date as that of the Parent i.e. 31st March 2017.

5 The Consolidated Financial Statements have been prepared on the basis of audited financial statements of Star Union Dai-ichi Life Insurance Company Ltd., Union Asset Management Co. Pvt. Ltd., Union Trustee Co. Pvt. Ltd., Union Bank of India UK Ltd. and Kashi Gomti Samyut Gramin Bank (Regional Rural Bank) for the financial year ended 31.03.2017.

6 Adjustment of outstanding entries in Suspense Accounts, Sundry Deposits, Clearing Adjustments, Bank Reconciliation Statements and various inter-branch/office accounts is in progress on an ongoing basis.

Pending final clearance of the same, the overall impact, if any, on the accounts, in the opinion of the management will not be significant.

7 DISCLOSURES IN TERMS OF THE RESERVE BANK OF INDIA GUIDELINES

7.1 A. Capital

The Bank is subjected to Basel III capital adequacy guidelines stipulated by RBI with effect from April 1, 2013. The guidelines provide a transition schedule for Basel III implementation till March 31, 2019. As per guidelines, the Tier I capital is made up of Common Equity Tier I (CET I) and Additional Tier I.

Basel III guidelines require the Bank to maintain minimum capital to Risk Weighted Assets ratio (CRAR) of 9% with minimum CET I of 5.5% and minimum Tier I CRAR OF 7% as at March 31, 2017.

The computation of Capital Adequacy as per the framework is indicated below:

Sr. No	Particulars	31.03.2017	31.03.2016
i)	Common Equity Tier 1 Capital ratio (CET 1) (%)		
	Basel II	Nil	Nil
	Basel III	7.76	8.00
ii)	Tier I Capital ratio (%)		
	Basel II	9.35	8.29
	Basel III	9.07	8.20
iii)	Tier II Capital ratio (%)		
	Basel II	3.50	2.90
	Basel III	2.77	2.42
iv)	Total Capital ratio (CRAR) (%)		
	Basel II	12.85	11.19
	Basel III	11.84	10.62
v)	Percentage of the shareholding of the Government of India (%)	63.44	63.44
vi)	Amount of Equity Capital raised : (₹ in crore)	Nil	51.66
vii)	Amount of Additional Tier I capital raised : (₹ in crore)	3,500.00	Nil
	of which Perpetual Debt instruments : (₹ in crore)	3,500.00	Nil
viii)	Amount of Tier II Capital raised : (₹ in crore)	1,750.00	1,000.00
	of which Debt capital instruments : (₹ in crore)	1,750.00	1,000.00

7.2 Provisions & Contingencies

(₹ in crore)

Break up of Provision & Contingencies. shown under the head in Profit & Loss:	31.03.2017	31.03.2016
Provision / (Reversal) for Depreciation on Investment	**630.62**	149.28
Provision towards NPA	**6032.00**	4655.03
Provision(Reversal) towards Standard Assets	**512.72**	(107.47)
Net Provision made towards Income Tax (IT)/Wealth Tax/ Deferred tax liability (DTL)	**(207.99)**	415.07
Other Provision and Contingencies:		
- Shifting Loss	**1.81**	5.74
- Restructured Advances	**66.02**	(623.25)
- Others	**(152.56)**	(197.15)
TOTAL	**6882.62**	4297.25

7.3 Counter Cyclical Provisioning Buffer / Floating Provision (Parent Bank)

(₹ in crore)

Sr. No	Particulars	31.03.2017	31.03.2016
i)	Opening Balance	293.20	293.20
ii)	Additional provisions made during the accounting year	Nil	Nil
iii)	Amount of drawdown made during the accounting year	Nil	Nil
iv)	Closing balance	293.20	293.20

8 EMPLOYEE BENEFITS (AS 15 - REVISED)

Defined Benefit Plans – Employee's Pension plan and Gratuity plan:

The Bank has accounted for employee benefits as per Accounting Standards issued by the Institute of Chartered Accountants of India, as per actuarial valuation report for the year ended March 31, 2017.

(₹ in crore)

	Particulars	31.03.2017		31.03.2016	
		Gratuity	Pension	Gratuity	Pension
i)	**Table showing change in Defined Benefit Obligation :**				
	Liability at the beginning of the year	1,110.33	9,619.00	1,088.16	8,218.43
	Interest Cost	88.72	775.29	83.52	638.22
	Current Service Cost	47.72	134.46	50.12	150.00
	Past Service Cost (Vested Benefit Amortized)	Nil	Nil	Nil	Nil
	Past Service Cost (Vested Benefit)	Nil	Nil	Nil	Nil
	Liability Transfer in	Nil	Nil	Nil	Nil
	Liability Transfer out	Nil	Nil	Nil	Nil
	Benefit paid	(148.80)	(624.25)	(186.00)	(681.00)
	Actuarial (gain)/loss on obligation –due change			74.53	1,293.35
	In the financial assumption	30.71	533.48	1,110.33	9,619.00
	Actuarial (gain) / loss on obligations	(13.96)	793.17	Nil	Nil
	Liability at the end of the year	1,114.72	11,231.15	Nil	Nil
ii)	**Table of Fair value of Plan Assets:**				
	Fair value of Plan Assets at the beginning of the year	1,251.27	9,525.70	1,264.00	7,861.00
	Expected return on Plan Assets	99.98	767.77	105.21	777.24
	Contributions	88.16	1,019.42	38.26	1,413.35
	Transfer from Other Company	Nil	Nil	Nil	Nil
	Transfer to Other Company	Nil	Nil	Nil	Nil
	Benefit paid	(148.80)	(624.25)	(186.00)	(681.00)
	Actuarial Gain/(loss) on Plan Assets	42.42	526.25	29.80	155.11
	Fair Value of Plan Assets at the end of the year	1,333.03	11,214.89	1,251.27	9,525.70
	Actuarial (gain)/loss on obligation for the period	16.75	1,326.65		
	Total Actuarial Gain/(loss) to be recognized	(25.67)	800.40	(44.73)	(1,138.24)
iii)	**Recognition of Transitional Liability :**				
	Transitional Liability at start	Nil	Nil	Nil	Nil
	Transitional Liability recognized during the year	Nil	Nil	Nil	Nil
	Transitional Liability at end	Nil	Nil	Nil	Nil
iv)	Actual return on Plan Assets :				
	Expected Return on Plan Assets	99.98	767.77	105.21	777.24
	Actuarial gain/(loss) on Plan Assets	42.42	526.25	29.80	155.11
	Actual return on Plan Assets	142.40	1,294.02	135.01	932.35

	Particulars	31.03.2017		31.03.2016	
		Gratuity	Pension	Gratuity	Pension
v)	**Expenses recognized in the Income Statement:**				
	Current Service Cost	47.72	134.46	50.12	150.00
	Interest Cost	(11.26)	7.52	83.52	638.22
	Expected Return on Plan Assets	Nil	Nil	(105.21)	(777.24)
	Past Service Cost (Vested Benefit Amortized) recognized	Nil	Nil	Nil	Nil
	Past Service Cost (Vested Benefit) recognized	Nil	Nil	Nil	Nil
	Recognition of Transition Liability	Nil	Nil	Nil	Nil
	Actuarial Gain or Loss	(25.67)	800.40	44.73	1,138.24
	Expenses Recognized in P & L	10.79	942.38	73.16	1,149.22
vi)	**Balance Sheet Reconciliation:**				
	Opening Net Liability (Last year net amount recognized in the balance sheet)	(140.94)	93.30	(175.84)	357.43
	Expenses as above	10.79	942.38	73.16	1,149.22
	Transfer from other Company (Net)	Nil	Nil	Nil	Nil
	Transfer to other Company (Net)	Nil	Nil	Nil	Nil
	Employer Contribution	(88.16)	(1,019.42)	(38.26)	(1,413.35)
	Amount recognized in Balance Sheet	(218.31)	16.26	(140.94)	93.30
vii)	**Other Details :**				
	Pension is payable at the rate of 1/66 Salary for Each Year of Service Subject to Maximum of 50%.				
	Gratuity is payable at the rate of 15 days salary for each year of service subject to maximum of ₹ 10,00,000 or as per the Bank scheme.				
	Actuarial gain / loss is accounted for in the year of occurrence.				
	Salary escalation is considered as advised by the company which is in line with the industry practice considering promotion and demand and supply of the employees.				
	No. of Members	37,120	18,059	35,716	19,670
	Salary Per Month	162.08	96.58	148.54	107.98
	Contribution for next year	Nil	137.01	Nil	349.86
viii)	**Category of assets:**				
	Government of India Assets	121.75	366.40	146.02	473.14
	Corporate Bonds	251.89	1,771.02	267.72	1,532.83
	Special Deposits Scheme	Nil	Nil	Nil	Nil
	State Govt.	139.50	344.00	443.41	2,442.38
	Property	Nil	Nil	Nil	Nil
	Other	113.85	1,246.48	90.39	974.77
	Insurer Managed Funds	706.04	7,486.99	303.73	4,102.58
	Total	1,333.03	11,214.89	1,251.27	9,525.70

	Particulars	31.03.2017		31.03.2016	
		Gratuity	Pension	Gratuity	Pension
ix)	Principal actuarial assumption used (%)				
	Discount Rate Prev.	7.99	8.06	7.99	7.95
	Rate of return on Plan Assets Prev.	7.99	8.06	8.70	8.70
	Salary Escalation Prev.	5.00	5.00	5.00	5.00
	Attrition Rate Prev.	2.00	2.00	2.00	2.00
	Discount Rate Current	7.20	7.45	8.04	8.06
	Rate of Return on Plan Assets Current	7.20	7.45	8.04	8.06
	Salary Escalation Current	5.00	5.00	5.00	5.00
	Attrition Rate Current	2.00	2.00	2.00	2.00

(₹ in crores)

Surplus/Deficit in the Plan:	Gratuity Plan				
Amount recognized in the Balance-Sheet	**31.03.17**	**31.03.16**	**31.03.15**	**31.03.14**	**31.03.13**
Liability at the end of the year	1,114.72	1,110.33	1,088.16	1,060.13	1,000.86
Fair value of Plan Assets at the end of the year	1,333.03	1,251.27	1,264.00	1,081.23	1,037.22
Difference	218.31	140.94	175.84	21.10	36.36
Unrecognized Past Service Cost	Nil	Nil	Nil	65.00	130.00
Unrecognized Transition Liability	Nil	Nil	Nil	Nil	Nil
Amount Recognized in the Balance Sheet	218.31	140.94	175.84	86.10	166.36

(₹ in crores)

Amount recognized in the Balance-Sheet	Gratuity Plan				
Experience Adjustment	**31.03.17**	**31.03.16**	**31.03.15**	**31.03.14**	**31.03.13**
On plan liability (Gain) / Loss	(13.96)	Nil	(21.18)	123.74	21.60
On plan Assets (Loss) / Gain	42.42	29.80	38.03	(20.00)	(24.43)

(₹ in crores)

Surplus/Deficit in the Plan:	Pension				
Amount recognized in the Balance-Sheet	**31.03.17**	**31.03.16**	**31.03.15**	**31.03.14**	**31.03.13**
Liability at the end of the year	11,231.15	9,619.00	8,218.43	6,683.81	5,991.02
Fair value of Plan Assets at the end of the year	11,214.89	9,525.70	7,861.00	6,104.73	4,774.08
Difference	(16.26)	(93.30)	(357.43)	(579.08)	(1,216.94)
Unrecognized Past Service Cost	Nil	Nil	Nil	338.00	761.00
Unrecognized Transition Liability	Nil	Nil	Nil	Nil	Nil
Amount Recognized in the Balance Sheet	(16.26)	(93.30)	(357.43)	(241.08)	(455.94)

Amount recognized in the Balance-Sheet	Pension				
Experience Adjustment	**31.03.17**	**31.03.16**	**31.03.15**	**31.03.14**	**31.03.13**
On plan liability (Gain) / Loss	793.17	1,399.16	731.44	661.38	251.18
On plan Assets (Loss) / Gain	526.25	155.11	210.89	-233.23	-103.10

9.1 Defined Contribution Plan:

The Bank has Defined Contribution Pension Scheme (DCPS) applicable to all categories of officers and employees joining the Bank on or after April 1, 2010. The scheme is managed by National Pension Scheme (NPS) Trust under the aegis of the Pension Fund Regulatory and Development Authority. National Securities Depository Limited has been appointed as the Central Record Keeping Agency for the NPS. During F.Y. 2016-17, the Bank has contributed ₹ 68.69 crore (Previous Year ₹ 58.52 crore) to NPS.

9.2 Other long term Employee Benefits:

Details of Provisions made for various Long Term Employees Benefits during the year are as follows:

(₹ in crore)

Sr. No.	Other Long Term Benefits	31.03.17	31.03.16
1.	Pension	942.00	1,149.00
2.	Leave Encashment	58.00	75.00
3.	Leave Travel Concession	(3.69)	10.00
4.	Sick Leave	Nil	Nil

In case of Joint Venture Company namely M/s Star Union Dai-Ichi Life Insurance Company Limited, (the company) liabilities provision for the life policies in force as on 31st March 2017 has been done by the company's appointed actuary and in his opinion the assumptions for such valuation are in accordance with the guidelines and norms issued by the Insurance Regulatory & Development Authority of India (IRDAI) and Institute of Actuaries of India in concurrence with the authority.

10. SEGMENT REPORTING (AS-17)

10.1 Business Segments:

(₹ in crores)

Business Segment		Consolidated	
		Year ended	
		(Audited)	
		31.03.17	31.03.16
(a)	**Segment Revenue**		
1	Treasury Operations	**12508.54**	10177.19
2	Retail Banking Operations	**10293.19**	10221.26
3	Corporate /Wholesale Banking	**14586.86**	15236.62
4	Other Banking Operations	**334.31**	264.76
5	Unallocated	**622.39**	419.56
	Total	**38345.29**	36319.39
	Less Inter-segment Revenue	**98.33**	69.29
	Total Revenue	**38246.96**	36250.10
(b)	**Segment Results**		
1	Treasury Operations	**3418.00**	2146.01
2	Retail Banking Operations	**679.02**	667.62
3	Corporate /Wholesale Banking	**(3933.55)**	(1173.31)
4	Other Banking Operations	**179.13**	125.07
5	Unallocated	**22.05**	6.13
	Total Profit Before Tax	**364.65**	1771.52
(c)	Income Tax	**(207.99)**	415.08
(d)	**Net Profit**	**572.64**	1342.89

Business Segment		Consolidated	
		Year ended	
		(Audited)	
		31.03.17	31.03.16
(e)	**Segment Assets**		
1	Treasury Operations	**149452.25**	124187.02
2	Retail Banking Operations	**101247.61**	93320.72
3	Corporate/Wholesale Banking	**196700.94**	183281.67
4	Other Banking Operations	**0.00**	0.00
5	Unallocated	**8267.92**	6575.15
	Total	**455668.72**	407364.56
(f)	**Segment Liabilities**		
1	**Treasury Operations**	**142297.16**	117469.24
2	Retail Banking Operations	**97183.59**	88934.90
3	Corporate /Wholesale Banking	**188805.48**	174667.92
4	Other Banking Operations	**0.00**	0.00
5	Unallocated	**3270.41**	3244.17
	Total	**431556.64**	384316.23
(g)	**Capital Employed (Segment Asset -Segment Liabilities)**		
1	Treasury Operations	**7155.09**	6717.78
2	Retail Banking Operations	**4064.02**	4385.82
3	Corporate /Wholesale Banking	**7895.46**	8613.75
4	Other Banking Operations	**0.00**	0.00
5	Unallocated	**4997.51**	3330.98
	Total	**24112.08**	23048.33

Notes:

1. The Bank operates in four segments viz., Treasury, Retail, Corporate / Wholesale and Other Banking Operations. These segments have been identified in line with AS-17 on segment reporting after considering the nature and risk profile of the products and services, the target customer profiles, the organizational structure and the internal reporting system of the bank. The bank has disclosed the business segment as primary segment. The revenue and other parameters prescribed in AS-17 of foreign branch for the period are within the threshold limits as stipulated under AS-17 and hence the bank has only one reportable geographical segment.
2. Segment wise income, expenditure, Capital employed which are not directly allocable have been allocated to the reportable segments based on assumptions as considered appropriate by the management.
3. Previous year's/Twelve Month's figures have been regrouped/recasted wherever considered necessary to correspond with the current Twelve Month's classification/ presentation.

11. RELATED PARTY DISCLOSURES (AS-18)

List of Related Parties

a) Subsidiaries

- Union Asset Management Co. Pvt. Ltd.
- Union Trustee Company Private Ltd.
- Union Bank of India (UK) Ltd.

b) Joint Venture

- Star Union Dai-ichi Life Insurance Co.

c) Associate

- Regional Rural Bank sponsored by the Parent Bank viz. Kashi Gomti Samyut Gramin Bank

d) Key Management Personnel

Name	Designation	Joining/Cessation during the year 2016-17
Shri Arun Tiwari	Chairman and Managing Director	N.A
Shri Rakesh Sethi	Executive Director	Cessation on 30 June, 2016
Shri Vinod Kathuria	Executive Director	N.A.
Shri Raj Kamal Verma	Executive Director	Joined on 9 August 2016
Shri Atul Kumar Goel	Executive Director	Joined on 15 September, 2016

12. Parties with whom transactions were entered into during the year

No disclosure is required in respect of related parties, which are "State controlled Enterprises" as per paragraph 9 of Accounting Standard (AS) 18. Further, in terms of paragraph 5 of AS 18, transactions in the nature of Banker – Customer relationship have not been disclosed including those with Key Management Personnel and relatives of Key Management Personnel.

12.1 Key Management Personnel – Remuneration paid.

(₹ in crore)

Particulars	31.03.2017	31.03.2016
Chairman and Managing Director	0.23	#0.28
Executive Directors	0.50	#0.44
Total	0.73	0.72

includes performance linked incentives of ₹ 0.06 crore and ₹ 0.09 crore paid to the Chairman & Managing Director and Executive Directors of the Bank respectively during the year ended March 2016. No performance linked incentives paid during the year ended March 2017.

13. EARNING PER SHARE (AS-20)

Basic earnings per equity share are computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year. The diluted earnings per equity share is computed using the weighted average number of equity shares and weighted average number of diluted potential equity shares outstanding during the year.

The computation of earnings per share is given below:

Sr No	Particulars		31.03.2017	31.03.2016
i	Basic and Diluted EPS	₹	8.33	20.50
ii	Net Profit after Tax available for equity shareholders	**₹ in crore**	572.64	1,356.44
iii	Weighted Average number of equity shares	**No. in crore**	68.74	66.18
iv	Nominal value per share	₹	10	10

14. PROVISION FOR TAXES:

Deferred Tax (AS-22)

(₹ in crore)

Sr No	Particulars	31.03.2017	31.03.2016
	Deferred Tax Assets		
1	Amortization of Premium on Investments	179.37	187.71
2	Employee Benefits	266.59	266.59
3	Depreciation on investments claimed in earlier years sold during the year	Nil	60.35
4	Leave Encashment	97.21	83.89
5	On account of other provisions	2727.01	1,435.06
6	On account of unused losses & Tax Credits	3.11	3.04
	Total	**3273.29**	**2,036.64**
	Deferred Tax Liabilities		
1	Provision for diminution in value of Investments	Nil	91.23
2	Depreciation on Fixed Assets	22.31	29.24
3	Accrued interest on securities	Nil	607.89
4	Special Reserves u/s 36(i)(viii)	953.71	889.69
	Total	**976.02**	**1,618.05**
	Net Deferred Tax Asset	2297.27	418.59
	Net Deferred Tax Liability	**Nil**	**Nil**

15. Additional information disclosed in the separate financial statements of the parent and the subsidiaries have no bearing on the true and fair view of the Consolidated Financial Statements (CFS) and also the information pertaining the items which are not material, have not been disclosed in the CFS.

16. The figures of the previous year have been regrouped / rearranged wherever considered necessary.

Signatories to Schedules 1 to 18

(DHIRENDRA JAIN)
Asst. General Manager

(B SREENIVASA RAO)
Dy. General Manager & CFO

(ATUL KUMAR GOEL)
Executive Director

(RAJ KAMAL VERMA)
Executive Director

(VINOD KATHURIA)
Executive Director

(ARUN TIWARI)
Chairman & Managing Director

(Dr. MADNESH KUMAR MISHRA)
Director

(ANIL KUMAR MISRA)
Director

(Dr. K. RAMESHA)
Director

(Dr. R. H. DHOLAKIA)
Director

(G. K. LATH)
Director

(Dr. UTTAM KUMAR SARKAR)
Director

AS PER OUR REPORT OF EVEN DATE ATTACHED.

FOR G P KAPADIA & CO
CHARTERED ACCOUNTANTS
Firm Regn.No.104768W

(NIMESH BHIMANI)
Partner
(M.No.030547)

FOR ASHWANI & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn.No.000497N

(ADITYA KUMAR)
Partner
(M.NO.506955)

FOR GBCA & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn.No.103142W

(YOGESH AMAL)
Partner
(M.NO.111636)

FOR SUNDAR SRINI & SRIDHAR
CHARTERED ACCOUNTANTS
Firm Regn.No.004201S

(S. SRIDHAR)
Partner
(M.No.025504)

FOR P A & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn.No.313085E

(DILLIP AGARWALLA)
Partner
(M.No.055420)

FOR S BHANDARI & CO.
CHARTERED ACCOUNTANTS
Firm Regn.No. 000560C

(P D BAID)
Partner
(M.NO.072625)

Place : MUMBAI

Date : 19th MAY, 2017.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017

(₹ in Lacs)

Sr. No.	Particulars	Year ended 31.03.2017	Year ended 31.03.2016
A	**CASH FLOW FROM OPERATING ACTIVITIES:**		
	Net Profit before Tax	3,64,65	17,71,52
	Adjustments for:		
	Depreciation on Fixed Assets	2,40,82	2,48,98
	Depreciation on Investments	6,32,43	1,55,02
	Provision for Non Performing Assets	60,31,90	46,55,03
	Provision for Standard Asset	4,46,38	(9,34,82)
	Provision for Staff Related Expenditures	37,46	84,04
	Other provisions	(20,11)	6,94
	Profit / (Loss) on sale or disposal of Fixed Assets	(25,83)	1,79
	Share of Earning In Associates	(5,89)	(4,52)
	Increase/(Decrease)in Minority Interest	0	(9,03)
	Interest on Borrowings : Capital Instruments	8,83,24	7,06,27
	Sub Total	**85,85,05**	**66,81,22**
	Adjustments for:		
	Increase / (Decrease) in Deposits	3,55,69,75	2,66,67,17
	Increase / (Decrease) in Borrowings	65,88,87	(44,81,38)
	Increase / (Decrease) in Other Liabilities and Provisions	6,08,26	3,33,49
	(Increase) / Decrease in Investments	(2,35,00,48)	(49,10,08)
	(Increase) / Decrease in Advances	(2,57,32,17)	(1,69,83,47)
	(Increase) / Decrease in Other Assets	(6,14,36)	15,59,11
	Direct taxes paid (net of refund)	(15,40,55)	(7,89,26)
	NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**(35,63)**	**80,76,80**
B	**CASH FLOW FROM INVESTING ACTIVITIES :**		
	(Increase)/ Decrease in Fixed Assets	(2,86,07)	(8,85,34)
	Share of Earning In Associates	5,89	4,52
	Increase/(Decrease) in Minority Interest	0	9,03
	NET CASH FLOW FROM INVESTING ACTIVITIES (B)	**(2,80,18)**	**(8,71,79)**
C	**CASH FLOW FROM FINANCING ACTIVITIES :**		
	Share Application Money Received	5,41,00	0
	Issue of Equity Shares to Govt. of India on preferntial basis	0	51,66
	Security Premium received (net of Share Issue Expenses)	0	10,27,26
	Proceeds from issue of Capital Instruments	40,00,00	(50,00)
	Interest Paid on Borrowings : Capital Instruments	(7,74,74)	(7,55,72)
	Payment of Dividend (Including dividend tax)	(1,61,34)	(4,64,41)
	NET CASH FLOW FROM FINANCING ACTIVITIES (C)	**36,04,92**	**(1,91,21)**
	Net Increase (decrease) in Cash & Cash Equivalent (A)+(B)+(C)	32,89,11	70,13,80
	Cash and Cash Equivalents as at the beginning of the year	2,96,16,81	2,26,03,01
	Cash and Cash Equivalents as at the end of the year	**3,29,05,92**	**2,96,16,81**

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017

(₹ in Lacs)

Sr. No.	Particulars	Year ended 31.03.2017	Year ended 31.03.2016
D	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR**		
	Cash and Balances with RBI (including FC notes)	1,56,06,92	1,50,63,87
	Balances with banks and Money at call	1,40,09,89	75,39,14
	Net cash and cash equivalents at the beginning of the year	**2,96,16,81**	**2,26,03,01**
E	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**		
	Cash and Balance with RBI (including FC notes)	1,65,22,37	1,56,06,92
	Balances with banks and Money at call	1,63,83,55	1,40,09,89
	Net cash and cash equivalents at the end of the year	**3,29,05,92**	**2,96,16,81**

Previous Year's figures have been regrouped/recasted wherever considered necessary to correspond with the Current Year's classification/ presentation.

(ATUL KUMAR GOEL)	(RAJ KAMAL VERMA)	(VINOD KATHURIA)	(ARUN TIWARI)
Executive Director	Executive Director	Executive Director	Chairman & Managing Director

Auditors Certificate :

We, the undersigned Statutory Auditors of Union Bank of India, have verified the above Consolidated Cash Flow Statement of the Group for the year ended 31.03.2017. The statement has been prepared using Indirect Method in accordance with the AS-3, "Cash Flow Statement" issued by The Institute of Chartered Accountants of India and with the requirements of SEBI (Listing Obligations & Disclosure Requirements), 2015 and is based on and in agreement with the corresponding Consolidated Profit & Loss Account and the Consolidated Balance Sheet of the Group covered by our report of 19th May, 2017 to the Members.

FOR G P KAPADIA & CO CHARTERED ACCOUNTANTS Firm Regn.No.104768W	**FOR ASHWANI & ASSOCIATES** CHARTERED ACCOUNTANTS Firm Regn.No.000497N	**FOR GBCA & ASSOCIATES** CHARTERED ACCOUNTANTS Firm Regn.No.103142W
(NIMESH BHIMANI) Partner (M.No.030547)	**(ADITYA KUMAR)** Partner (M.NO.506955)	**(YOGESH AMAL)** Partner (M.NO.111636)
FOR SUNDAR SRINI & SRIDHAR CHARTERED ACCOUNTANTS Firm Regn.No.004201S	**FOR P A & ASSOCIATES** CHARTERED ACCOUNTANTS Firm Regn.No.313085E	**FOR S BHANDARI & CO.** CHARTERED ACCOUNTANTS Firm Regn.No. 000560C
(S. SRIDHAR) Partner (M.No.025504)	**(DILLIP AGARWALLA)** Partner (M.No.055420)	**(P D BAID)** Partner (M.NO.072625)

Place : MUMBAI
Date : 19th MAY, 2017.

यूनियन बैंक ऑफ इंडिया Union Bank of India

Reviewed Financial Results for the Second Quarter/Half Year ended 30th September 2017

(Rs. in lacs)

Particulars			Quarter Ended (Reviewed)			Half Year Ended (Reviewed)		Year Ended (Audited)
			30.09.2017	30.06.2017	30.09.2016	30.09.2017	30.09.2016	31.03.2017
1	Interest Earned (a) + (b) + (c) + (d)		**822239**	**815304**	**820814**	**1637543**	**1608476**	**3265998**
	(a)	Interest/Discount on Advances/Bills	575425	573768	581705	1149193	1158055	2294310
	(b)	Income on Investments	219486	214765	210428	434251	398082	869510
	(c)	Interest on Balances with Reserve Bank of India and other Inter Bank Funds	25876	25502	21830	51378	41627	88054
	(d)	Others	1452	1269	6851	2721	10712	14125
2	Other Income		121734	141465	113944	263199	217933	496460
A.	**TOTAL INCOME (1+2)**		**943973**	**956769**	**934758**	**1900742**	**1826409**	**3762458**
3	Interest Expended		590166	591044	593070	1181210	1170507	2375664
4	Operating Expenses (a) + (b)		159910	160066	159718	319976	311425	643784
	(a)	Employees Cost	80579	82129	87363	162708	173260	343420
	(b)	Other operating expenses (All items exceeding 10% of the total expenditure excluding interest expenditure may be shown separately)	79331	77937	72355	157268	138165	300364
B.	**TOTAL EXPENDITURE (3)+(4)** (Excluding Provisions and Contingencies)		**750076**	**751110**	**752788**	**1501186**	**1481932**	**3019449**
C.	**OPERATING PROFIT (A-B)** (Profit before Provisions & Contingencies)		**193897**	**205659**	**181970**	**399556**	**344477**	**743009**
D.	**Provisions (other than tax) and Contingencies (Of which provisions for Non-Performing Assets)**		**355467** (346471)	**170371** (187552)	**162029** (159821)	**525838** (534023)	**297325** (294479)	**708750** (603190)
E.	**Exceptional Items**		**0**	**0**	**0**	**0**	**0**	**0**
F.	**Tax Expenses**		**-8498**	**23630**	**2274**	**15132**	**12853**	**(21262)**
G.	**Net Profit from Ordinary activitiy (C-D-E-F)**		**-153072**	**11658**	**17667**	**-141414**	**34299**	**55521**
H.	**Extraordinary items (net of tax expense)**		**0**	**0**	**0**	**0**	**0**	**0**
I.	**Net Profit/Loss for the period (G-H)**		**-153072**	**11658**	**17667**	**-141414**	**34299**	**55521**
5	Paid-up Equity Share Capital (F.V. of each share Rs. 10)		72643	68744	68744	72643	68744	68744
6	Reserves excluding Revaluation Reserves (as per Balance Sheet of previous year)		2029096	2029096	1962253	2029096	1962253	2029096
7	Analytical Ratios							
	(i)	Percentage of Shares held by Government of India	65.40	63.44	63.44	65.40	63.44	63.44
	(ii)	Capital Adequacy Ratio (Basel III) %	11.22	12.01	11.19	11.22	11.19	11.79
		(a) CET 1 Ratio	7.00	7.73	8.06	7.00	8.06	7.71
		(b) Additional Tier 1 Ratio	1.50	1.51	0.50	1.50	0.50	1.31
	(iii)	Basic and Diluted Earning Per Share (Not Annualised)						
		(a) Before Extraordinary Items	-21.87	1.70	2.57	-20.21	4.99	8.08
		(b) After Extraordinary Items	-21.87	1.70	2.57	-20.21	4.99	8.08
	(iv)	NPA Ratios						
		(a) Amount of Gross Non-Performing Assets	3828584	3728633	2986205	3828584	2986205	3371228
		(b) Amount of Net Non-Performing Assets	1947939	2078497	1694789	1947939	1694789	1883210
		(c) % of Gross NPAs	12.35	12.63	10.73	12.35	10.73	11.17
		(d) % of Net NPAs	6.70	7.47	6.39	6.70	6.39	6.57
	(v)	Return on Assets (Annualised) (Average)(%)	-1.27	0.10	0.17	-0.59	0.17	0.13

(Atul Kumar Goel)
Executive Director

(Raj Kamal Verma)
Executive Director

(Vinod Kathuria)
Executive Director

(Rajkiran Rai G.)
Managing Director & CEO

(Kewal Handa)
Chairman

Place: Mumbai
Date: 03.11.2017

यूनियन बैंक ऑफ इंडिया Union Bank of India

SEGMENT REPORT FOR THE QUARTER / HALF YEAR ENDED 30.09.2017

(₹ in Lacs)

		QUARTER ENDED (Reviewed)			HALF YEAR ENDED (Reviewed)		YEAR ENDED 31.03.2017
		30.09.2017	30.06.2017	30.09.2016	30.09.2017	30.09.2016	(Audited)
(a)	**Segment Revenue**						
1	Treasury Operations	3,12,085	3,26,563	3,01,977	6,38,648	5,70,206	12,50,854
2	Retail Banking Operations	2,62,151	2,62,457	2,45,366	5,24,608	4,94,851	10,29,319
3	Corporate /Wholesale Banking	3,59,407	3,61,220	3,82,128	7,20,627	7,51,454	14,58,686
4	Other Banking Operations	14,697	10,618	7,870	25,315	14,842	33,431
5	Unallocated	-	-	-	-	-	-
	Total Segment Revenue	**9,48,339**	**9,60,858**	**9,37,341**	**19,09,197**	**18,31,353**	**37,72,291**
	Less Inter-segment Revenue	4,366	4,089	2,584	8,455	4,945	9,833
	Income from operations	**9,43,973**	**9,56,769**	**9,34,757**	**19,00,742**	**18,26,408**	**37,62,458**
(b)	**Segment Results (i.e. Profit/ (Loss) Before Tax)**						
1	Treasury Operations	83,590	1,18,326	94,035	2,01,916	1,80,035	3,41,800
2	Retail Banking Operations	8,262	7,778	13,219	16,040	32,152	67,902
3	Corporate /Wholesale Banking	(2,61,511)	(96,784)	(91,586)	(3,58,295)	(1,72,830)	(3,93,355)
4	Other Banking Operations	8,089	5,968	4,272	14,057	7,794	17,913
5	Unallocated	-	-	-	-	-	-
	Total Profit Before Tax	**(1,61,570)**	**35,288**	**19,940**	**(1,26,282)**	**47,151**	**34,260**
(c)	**Segment Assets**						
1	Treasury Operations	1,69,29,671	1,55,49,626	1,51,00,010	1,69,29,671	1,51,00,010	1,49,45,225
2	Retail Banking Operations	1,27,51,619	1,02,93,126	98,14,043	1,27,51,619	98,14,043	1,01,24,761
3	Corporate/Wholesale Banking	1,77,33,023	1,87,18,364	1,78,60,286	1,77,33,023	1,78,60,286	1,96,70,094
4	Other Banking Operations	-	-	-	-	-	-
5	Unallocated	3,43,291	2,77,750	4,24,254	3,43,291	4,24,254	5,30,364
	Total	**4,77,57,604**	**4,48,38,866**	**4,31,98,593**	**4,77,57,604**	**4,31,98,593**	**4,52,70,444**
(d)	**Segment Liabilities**						
1	Treasury Operations	1,61,03,421	1,46,89,138	1,42,98,622	1,61,03,421	1,42,98,622	1,42,29,716
2	Retail Banking Operations	1,22,21,655	98,03,668	93,66,947	1,22,21,655	93,66,947	97,18,359
3	Corporate/Wholesale Banking	1,69,96,029	1,78,28,270	1,70,46,629	1,69,96,029	1,70,46,629	1,88,80,548
4	Other Banking Operations	-	-	-	-	-	-
5	Unallocated	1,75,649	1,10,356	1,76,475	1,75,649	1,76,475	44,201
	Total	**4,54,96,753**	**4,24,31,432**	**4,08,88,673**	**4,54,96,753**	**4,08,88,673**	**4,28,72,824**
(e)	**Capital Employed (i.e. Segment Assets-Segment Liabilities)**						
1	Treasury Operations	8,26,250	8,60,488	8,01,388	8,26,250	8,01,388	7,15,509
2	Retail Banking Operations	5,29,964	4,89,458	4,47,096	5,29,964	4,47,096	4,06,402
3	Corporate/Wholesale Banking	7,36,994	8,90,094	8,13,657	7,36,994	8,13,657	7,89,546
4	Other Banking Operations	-	-	-	-	-	-
5	Unallocated	1,67,643	1,67,394	2,47,779	1,67,643	2,47,779	4,86,163
	Total	**22,60,851**	**24,07,434**	**23,09,920**	**22,60,851**	**23,09,920**	**23,97,620**

1 The Bank operates in four segments viz., Treasury, Retail, Corporate / Wholesale and Other Banking Operations. These segments have been identified in line with AS-17 on Segment Reporting issued by the Institute of Chartered Accountants of India(ICAI) after considering the nature and risk profile of the products and services, the target customer profiles, the organizational structure and the internal reporting system of the bank. The bank has disclosed the business segment as primary segment. The revenue and other parameters of foreign branches for the period are within the threshold limits stipulated as per AS-17 and hence the bank has only one reportable geographical segment.

2 Segment wise income, expenditure, Capital employed which are not directly allocable have been allocated to the reportable segments based on assumptions as considered appropriate by the management.

3 Previous Quarter's/Half Year's/Year's figures have been regrouped/recasted wherever considered necessary to correspond with the current Quarter's/Half Year's/Year's classification/ presentation.

(ATUL KUMAR GOEL)
EXECUTIVE DIRECTOR

(RAJ KAMAL VERMA)
EXECUTIVE DIRECTOR

(VINOD KATHURIA)
EXECUTIVE DIRECTOR

(RAJKIRAN RAI G)
MANAGING DIRECTOR & CEO

(KEWAL HANDA)
CHAIRMAN

यूनियन बैंक ऑफ इंडिया Union Bank of India

Statement of Assets and Liabilities as on

(₹ in lacs)

CAPITAL AND LIABILITIES	30.09.2017 (Reviewed)	30.09.2016 (Reviewed)	31.03.2017 (Audited)
Capital	72,643	68,744	68,744
Reserves and Surplus	21,88,208	22,75,476	22,74,776
Share Application Money	---	---	54,100
Deposits	3,86,02,486	3,61,45,394	3,78,39,158
Borrowings	57,92,179	37,54,133	41,22,587
Other Liabilities and Provisions	11,02,088	9,54,847	9,11,079
Total	4,77,57,604	4,31,98,594	4,52,70,444
ASSETS			
Cash and Balances with Reserve Bank of India	21,43,388	15,46,579	16,52,045
Balances with Banks and Money at Call and Short Notice	18,14,164	12,85,475	16,30,205
Investments	1,28,41,784	1,19,03,122	1,12,14,895
Advances	2,90,85,007	2,65,20,505	2,86,46,658
Fixed Assets	3,84,279	3,83,911	3,89,442
Other Assets	14,88,982	15,59,002	17,37,199
Total	4,77,57,604	4,31,98,594	4,52,70,444

NOTES :-

1. The above financial results for the quarter/half ended 30th September, 2017 arrived at by applying the same accounting policies as those followed in the preceding financial year ended 31st March 2017, have been reviewed by Audit Committee of the Board and taken on record by the Board of Directors in their meeting held on 3rd November 2017. The same has been subjected to limited review by the Statutory Central Auditors of the Bank.

2. The financial results for the quarter/half year ended 30th September, 2017 have been arrived at after considering the provisions for Non-Performing Assets, Standard Assets, Restructured Assets, Standard Derivative Exposures, Non Performing Investments, Investment Depreciation and Provision for Exposure to Entities with Un-Hedged Foreign Currency Exposure on the basis of extant guidelines issued by the Reserve Bank of India.

3. Provision for employee benefits and other usual necessary provisions including income tax have been made on estimated basis for the quarter/half year ended 30th September, 2017.

4. In terms of RBI DBOD circulars dtd. 15.01.2014 and 03.06.2014, based on available data, financial statements and the declaration from the borrowers wherever received, the Bank has estimated the liability of ₹ 22.35 crore as on 30th September, 2017 towards Unhedged Foreign Currency Exposure (UFCE) to their constituents. During the quarter ended 30th September 2017 incremental liability of ₹ 1.38 crore is provided.

5. In terms of RBI circular DBOD No.BP.BC. 1/21.6.201/2015-16 dated 01.07.2015, banks are required to make Pillar 3 disclosures under Basel III capital regulations. These details are being made available on Bank's website with link: http://www.unionbankofindia.co.in/Basel_Disclosures_III.aspx. These disclosures have not been subjected to limited review by the Statutory Auditors.

6. During the half year ended 30th September, 2017, the Bank has raised Additional Tier I capital of ₹ 500 crore by way of issuance of Non convertible, Unsecured, Subordinated Basel III compliant Perpetual Debt Instruments.

7. During the financial year 2016-17, the Government of India vide its letter No. 7/38/2014-BOA dated 31st March, 2017 infused ₹. 541 Crore which is disclosed under Share Application Money, pending allotment as on 30th June, 2017. The RBI vide its letter DBR.CO.BP.No.12999/21.01.002/2016-17 dated 03rd May, 2017 has allowed to treat the said Share Application Money as part of Common Equity Tier (CET-1) capital pending allotment.

   Upon receipt of approval from the Government of India vide letter No. F.No. 7/38/2014-BOA dated 04th August, 2017, the Bank has issued and allotted 3,89,88,181 equity shares having Face Value of ₹ 10/- each at a premium of ₹ 128.76 per share, on preferential basis, to the Government of India on 04th August, 2017.

8. In terms of RBI circular DBR.No.BP.34/21.04.132/2016-17 dated 10th November, 2016, "Scheme for Stressed Assets - Revisions", the Bank has not recognized interest on accrual basis if not serviced within 90 days from the due date in respect of Standard Advances under Strategic Debt Restructuring (SDR) and Scheme for Sustainable Structuring of Stressed Assets (S4A). Accordingly, the unrealized interest of ₹ 319.53 Crore as on 30th September, 2017 (₹ 73.85 Crore for the quarter ended 30th September, 2017) recognized earlier on accrual basis has been reversed.

9. In terms of RBI Circular DBR.NO.BP.BC.64/21.04.048/2016-17 dated 18.04.2017, the Board of Directors of the Bank has approved additional provision of 0.20% & 2.50%, over and above the regulatory minimum percentage, in respect of standard advances and standard restructured advances respectively under the Telecom Sector. Likewise, in respect of standard advances and standard restructured advances under Power Sector the Bank has approved additional provision of 0.10% & 1.25%, over and above the regulatory minimum percentage respectively. Accordingly, an additional provision of ₹ 32.66 Crore has been made as of 30th September 2017.

10. As per RBI directions for initiating Insolvency Process-Provisioning Norms vide letter No. DBR.NO.BP:15:15199/21.04.048/2016-17 dated 23rd June 2017, in respect of 11 accounts covered under provisions of Insolvency and Bankruptcy Code (IBC), the Bank was required to make additional provision of ₹ 1566 Crore to be proportionately spread over 3 quarters starting from 2nd quarter i.e. September 2017 so that the required provisions are fully in place by March 2018. However, the Board of Directors of the Bank has approved the entire amount of additional provision of ₹ 1566 Crore in the current quarter itself i.e. 30th September, 2017.

11. During the quarter the Bank has paid an amount of ₹ 3.05 Crore as penalty imposed by the Reserve Bank of India on account of lack of increased monitoring of advances, non adherence to the RBI instructions contained in RBI Master Circular on Know Your Customer (KYC)/Anti-Money Laundering Standards (ALM).

12. Provision coverage ratio of the Bank as at 30th September, 2017 is 56.06%.

13. Position of investor complaints for the quarter ended 30th September 2017:

Sr No		No. of complaints
i	Pending as on 01st July 2017	0
ii	Received during the quarter	55
iii	Resolved during the quarter	55
iv	Pending as on 30th September, 2017	0

14. Figures of previous period have been rearranged/reclassified/regrouped wherever necessary.

(Atul Kumar Goel)
Executive Director

(Raj Kamal Verma)
Executive Director

(Vinod Kathuria)
Executive Director

(Rajkiran Rai G.)
Managing Director & CEO

(Kewal Handa)
Chairman

Place: Mumbai.
Date: 3rd November, 2017

G. P. KAPADIA & CO. CHARTERED ACCOUNTANTS HAMAM HOUSE, AMBALAL DOSHI MARG MUMBAI - 400001	ASHWANI & ASSOCIATES CHARTERED ACCOUNTANTS 19-A UDHAM SINGH NAGAR, LUDHIANA 141001	G B C A & ASSOCIATES CHARTERED ACCOUNTANTS BENEFICE BUSINESS HOUSE, 3rd FLOOR 126 MATHURADAS MILLS COMPOUND, N.M. JOSHI, LOWER PAREL (W), MUMBAI - 400013
SUNDAR SRINI & SRIDHAR CHARTERED ACCOUNTANTS NEW NO 9, RAJAMANNAR STREET, T. NAGAR, CHENNAI - 600017	P A & ASSOCIATES CHARTERED ACCOUNTANTS 20, GOVIND VIHAR, BAMIKHAL, BHUBANESHWAR - 751010	S BHANDARI & CO. CHARTERED ACCOUNTANTS P-7, TILAK MARG, ASHOK NAGAR C-SCHEME, JAIPUR - 302005

LIMITED REVIEW REPORT

To
The Board of Directors,
Union Bank of India,
Mumbai - 400 021.

1. We have reviewed the accompanying statements of unaudited financial results of Union Bank of India (the Bank) for the quarter/half year ended 30th September, 2017. The disclosures relating to "Pillar 3 under Basel III Capital Regulations", "Leverage Ratio" and "Liquidity Coverage Ratio" as have been disclosed on the bank's website and in respect of which a link has been provided in the aforesaid financial results, have not been reviewed by us. These financial results are the responsibility of the Bank's Management and have been approved by the Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material mis-statements. A review is limited primarily to make inquiries of Bank's personnel and applying analytical procedures applied to financial data and thus provides less assurance than an audit. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

3. The financial results incorporate the relevant returns of 20 branches including Treasury Branch and 19 offices/centers reviewed by us. We have also relied on the review reports received from concurrent auditors of 51 branches and returns of 4 foreign branches reviewed by local audit firms. These review reports cover 59.88% of the advances portfolio and 81.64% of the non-performing assets of the Bank as on 30th September, 2017. Apart from these review reports, in the conduct of our review, we have also relied upon various returns received from the branches/offices of the Bank.

4. Based on our review conducted as aforesaid, subject to limitations in scope as mentioned in Para 3 above, nothing has come to our attention that causes us to believe that the accompanying Statement of unaudited interim-financial results together with the notes thereon, prepared in accordance with applicable Accounting Standards issued by the Institute of Chartered Accountants of India and other recognized accounting practices and policies, has not disclosed the information required to be disclosed in terms of Regulation 33 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 read with RBI Circular (2016-17/29 dated 28th July, 2016 with respect to half yearly/quarterly review of the Public Sector Banks).

including the manner in which it is to be disclosed, or that it contains any material mis-statement or that it has not been prepared in accordance with the relevant prudential norms issued by the Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters.

FOR G. P. KAPADIA & CO.
CHARTERED ACCOUNTANTS
FRN 104768W

(NIMESH BHIMANI)
PARTNER
M.NO.030547

FOR ASHWANI & ASSOCIATES
CHARTERED ACCOUNTANTS
FRN 000497N

(ADITYA KUMAR)
PARTNER
M.NO.506955

FOR G B C A & ASSOCIATES
CHARTERED ACCOUNTANTS
FRN103142W

(SANJEEV LALAN)
PARTNER
M.NO.045329

FOR SUNDAR SRINI & SRIDHAR
CHARTERED ACCOUNTANTS
FRN 004201S

(S. SRIDHAR)
PARTNER
M.NO.025504

FOR P A & ASSOCIATES
CHARTERED ACCOUNTANTS
FRN 313085E

(DILLIP AGARWALLA)
PARTNER
M.NO.055420

FOR S BHANDARI & CO.
CHARTERED ACCOUNTANTS
FRN 000560C

(P P PAREEK)
PARTNER
M.NO.071213

Place: Mumbai.
Date: 3rd November, 2017

DECLARATION

The Bank certifies that all relevant provisions of Chapter VIII and Schedule XVIII of the SEBI Regulations have been complied with and no statement made in this Placement Document is contrary to the provisions of Chapter VIII and Schedule XVIII of the SEBI Regulations and that all approvals and permissions required to carry on the Bank's business have been obtained, are currently valid and have been complied with. The Bank further certifies that all the statements in this Placement Document are true and correct.

Signed by:

_____

MR. RAJKIRAN RAI G.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Date: December 12, 2017

Place : Mumbai

UNION BANK OF INDIA

Head Office
Union Bank Bhavan,
239, Vidhan Bhavan Marg,
Nariman Point,
Mumbai – 400 021
Maharashtra, India
Website: www.unionbankofindia.co.in
Telephone No. +91 22 2289 2400; +91 22 2289 2401

Compliance Officer
Mangesh Mandrekar, Company Secretary and Compliance Officer
Union Bank Bhavan,
239, Vidhan Bhavan Marg,
Nariman Point,
Mumbai – 400 021
Maharashtra, India
Telephone: +91 22 2283 1506;
Email: mangesh.mandrekar@unionbankofindia.com

BOOK RUNNING LEAD MANAGERS

Jefferies India Private Limited
42/43, 2 North Avenue, Maker Maxity,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051
Maharashtra, India

Edelweiss Financial Service Limited
14th floor, Edelweiss House
Off C.S.T. Road, Kalina
Mumbai – 400 098
Maharashtra, India

ICICI Securities Limited
ICICI Centre, H. T. Parekh
Marg, Churchgate,
Mumbai – 400 020,
Maharashtra, India

Yes Securities (India) Limited
Unit No. 602A, 6th Floor,
Indiabulls Finance Centre, Tower 1, Senapati Bapat
Marg, Elphinstone Road, Mumbai – 400 013,
Maharashtra, India

LEGAL COUNSEL TO THE BANK

Shardul Amarchand Mangaldas & Co.
Express Towers
24th Floor
Nariman Point
Mumbai 400 021

LEGAL COUNSEL TO THE BOOK RUNNING LEAD MANAGERS

As to Indian Law
Luthra & Luthra Law Offices
20th Floor, Tower 2, Unit A2, Indiabulls Finance
Centre, Elphinstone Road, Senapati Bapat Marg,
Lower Parel, Mumbai 400 013

As to U.S. law
Squire Patton Boggs Singapore LLP
10 Collyer Quay
#03-01 / 03 Ocean Financial Centre
Singapore 049 315

STATUTORY AUDITORS OF THE BANK

M/s. P.A. & Associates
20, Govind Vihar,
Bamikhal,
Bhubneshwar 751 010

M/s. S. Bhandari & Co.
P-7, Tilak Marg,
Ashok Nagar, C-Scheme,
Jaipur 302005