

## IMPORTANT NOTICE

**THIS OFFERING CIRCULAR IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER  
(1) QIBS (AS DEFINED BELOW) UNDER RULE 144A (AS DEFINED BELOW) OR  
(2) NON-U.S. PERSONS (AS DEFINED IN REGULATION S (AS DEFINED BELOW)),  
PURCHASING THE SECURITIES OUTSIDE THE UNITED STATES (U.S.) IN AN  
OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S. NOT FOR  
DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE U.S.**

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

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

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE TERMS AND CONDITIONS OF THE SECURITIES AND THE INFORMATION CONTAINED IN THE OFFERING CIRCULAR. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

**Confirmation of the Representation:** In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must be either (1) qualified institutional buyers (**QIBs**) (within the meaning of Rule 144A under the Securities Act (**Rule 144A**)) or (2) non-U.S. persons eligible to purchase the securities outside of the U.S. in an offshore transaction in reliance on Regulation S under the Securities Act (Regulation S). By accepting the electronic mail and accessing this Offering Circular, you shall be deemed to have represented to us (1) that you and any customers you represent are either (a) QIBs or (b) non-U.S. persons eligible to purchase the securities outside the U.S. in an offshore transaction in reliance on Regulation S under the Securities Act and that the electronic mail address that you gave us and to which this electronic mail has been delivered is not located in the U.S., and (2) that you consent to the delivery of this Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Offering Circular to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities in this Offering Circular.

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

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Arrangers or the Dealers (each as defined in this Offering Circular) or any person who controls the Arrangers or the Dealers, any director, officer, employee or agent of the Issuer, the Arrangers or the Dealers, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any discrepancies between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from any of the Arrangers or the Dealers.

**Actions that you may not take:** If you receive this document by electronic mail, you should not reply by electronic mail to this document, and you may not purchase any securities by doing so. Any reply by electronic mail communications, including those you generate by using the "Reply" function on your electronic mail software, will be ignored or rejected.

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

**If you purchase any of the Rupee denominated Notes, you will be deemed to have acknowledged, represented and agreed that you are eligible to purchase Rupee denominated Notes under applicable laws and regulations and that you are in compliance with the FATF/IOSCO Requirements (as defined in this Offering Circular) and will not be an offshore branch or a subsidiary of an Indian bank and you are not otherwise prohibited under any applicable law or regulation from acquiring, owning or selling the Rupee denominated Notes. The Rupee denominated Notes may not be offered or sold, directly or indirectly, in India or to, or for the account or benefit of, any resident of India.**



# EXPORT-IMPORT BANK OF INDIA

(established in the Republic of India under The Export-Import Bank of India Act, 1981)

## U.S.\$10,000,000,000 GLOBAL MEDIUM TERM NOTE PROGRAM

On October 16, 2006, Export-Import Bank of India (the **Issuer** or the **Bank**) acting through its Head Office in India or any other foreign branch entered into a U.S.\$1,000,000,000 Medium Term Note Program (the **Program**, as amended, supplemented or restated) and prepared an Offering Circular dated October 16, 2006. Further offering circulars were issued on May 25, 2007, December 7, 2009, December 23, 2010, July 13, 2012, June 28, 2013, July 14, 2014, June 19, 2015, July 20, 2016, July 21 2017 and September 27, 2018 pursuant to updates of the Program. The Bank also issued a supplemental offering circular dated November 19, 2012 pursuant to an increase in the aggregate nominal amount of the Program from U.S.\$2,500,000,000 to U.S.\$6,000,000,000. The June 19, 2015 offering circular increased the size of the Program from U.S.\$6,000,000,000 to U.S.\$10,000,000,000. This Offering Circular further updates the Program and supersedes any previous offering circular describing the Program. Any Notes (as defined below) issued under the Program on or after the date of this Offering Circular are issued subject to the provisions described herein. This does not affect any Notes issued before the date of this Offering Circular.

Under the Program described in this Offering Circular, the Issuer, acting through its Head Office in India, London Branch, or any other foreign branch, as the case may be, may from time to time issue notes (the **Notes**, which expression shall include Senior Notes, Subordinated Notes and Hybrid Tier I Notes (each as defined herein)) in bearer and/or registered form (respectively, **Bearer Notes** and **Registered Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Program will not exceed U.S.\$10,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

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

Application has been made to the London Stock Exchange for the Notes to be admitted to the London Stock Exchange’s International Securities Market (**ISM**). The ISM is not a regulated market for the purposes of Directive 2014/65/EU.

**The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the United Kingdom Listing Authority. The London Stock Exchange has not approved or verified the contents of this Offering Circular.**

Application has been made to Singapore Exchange Securities Trading Limited (the **SGX-ST**) for the listing and quotation of Notes that may be issued pursuant to the Program and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST (the **Official List**). There can be no assurance that an application to the SGX-ST will be approved. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List and quotation of any Notes on the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Program or the Notes. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “Terms and Conditions of the Notes”) of Notes will be set out in a pricing supplement (the **Pricing Supplement**) which, with respect to Notes to be listed on the SGX-ST, will be delivered to the SGX-ST on or before the date of issue of the Notes of such Tranche.

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

The Program provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

The Issuer may agree with any Dealer and the Trustee (as defined herein) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes intended to be listed on the SGX-ST and the India INX) a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Notes to be listed on the SGX-ST, the ISM and India INX will be accepted for clearance through Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream**) and/or The Depository Trust Company (**DTC**).

Each Tranche of Bearer Notes of each series (a **Series**) (will initially be represented by either a temporary bearer global note (a **Temporary Bearer Global Note**) or a permanent bearer global note (a **Permanent Bearer Global Note** and, together with a Temporary Bearer Global Note, the **Bearer Global Notes**, and each a **Bearer Global Note**) as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depository (the **Comm on Depository**) for Euroclear and Clearstream.

On and after the date (the **Exchange Date**) which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) definitive Bearer Notes of the same Series. The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable for definitive Bearer Notes in certain limited circumstances.

Registered Notes of each Tranche sold in an “offshore transaction” within the meaning of Regulation S (**Regulation S**) under the United States Securities Act of 1933, as amended (the **Securities Act**), outside the United States (U.S.), will be offered and sold only to non-U.S. persons and will initially be represented by a global note in registered form, without receipts or coupons (a **Regulation S Global Note**), which will be delivered on or prior to the original issue date of the Tranche to the Common Depository for Euroclear and Clearstream, and registered in the name of a nominee of the Common Depository.

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

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

This Offering Circular has not been and will not be registered or published as a prospectus or a statement in lieu of a prospectus with the Registrar of Companies, the Security and Exchange Board of India or any other statutory or regulatory body of like nature in India in respect of a public offer or information memorandum or other offering material in respect of any private placement of securities under the Companies Act, 2013, as amended, and the rules framed thereunder or any other applicable Indian laws. This Offering Circular has not been and will not be reviewed or approved by any regulatory authority in India, including, but not limited to, the Securities and Exchange Board of India, any Registrar of Companies, the Reserve Bank of India, or any stock exchange in India. This Offering Circular and the Notes are not and should not be construed as an advertisement, invitation, offer or sale of any securities to the public or any person resident in India. The Notes have not been and will not be, offered or sold to any person resident in India.

Investing in Notes issued under the Program involves certain risk and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors should also have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. Prospective investors should have regard to the factors described under the section headed “Risk Factors” in this Offering Circular.

The Program is rated Baa2 by Moody’s Investors Services, Inc., BBB- by S&P Global Ratings and BBB- by Fitch Ratings Limited. Such ratings of the Program does not constitute a recommendation to buy, sell or hold the Notes as may be issued under the Program and may be subject to revision or withdrawal at any time by either such rating organization. Each such rating should be evaluated independently of any other rating of the Program.

Joint Arrangers and Dealers

Barclays

Citi

The date of this Offering Circular is July 11, 2019.

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

Each Tranche of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the **Terms and Conditions of the Notes** or the **Conditions**) as amended and/or supplemented by the Pricing Supplement specific to such Tranche. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the relevant Pricing Supplement.

No person is or has been authorized by the Issuer to give any information or to make any representation other than those contained in this Offering Circular or any other information supplied in connection with the Program or the Notes and, if given or made by any other person, such information or representations must not be relied upon as having been authorized by the Issuer, any of the Arrangers (as defined herein), the Dealers, the Trustee or the Agents (as defined in "*Terms and Conditions of the Notes*").

This Offering Circular is highly confidential and has been prepared by the Issuer solely for use in connection with the Program and the proposed offering of the Notes under the Program as described herein. The Issuer has not authorized its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only, and its contents may be disclosed only, to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular, each investor agrees to these restrictions.

Neither the Arrangers, the Dealers, the Trustee nor the Agents have independently verified the information contained herein or incorporated by reference and can give no assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, neither the Arrangers nor any Dealers, or any director, officer, employee, agent or affiliate of any such persons make any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy, completeness or sufficiency of any of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the Program, and nothing contained or incorporated in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Arrangers, the Dealers or any director, officer, employee, agent or affiliate of any such persons. To the fullest extent permitted by law, neither the Arrangers nor the Dealers, nor any director, officer, employee, agent or affiliate of any such persons, accept any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by any of the Arrangers, the Dealers, or any director, officer, employee, agent or affiliate of any such person or on its behalf in connection with the Issuer or the issue and offering of the Notes. Each Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above), which it might otherwise have in respect of this Offering Circular or any such statement.

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

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

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

Neither this Offering Circular, any Pricing Supplement, nor any other information supplied or incorporated by reference in connection with the Program or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, any of the Arrangers, the Dealers, the Trustee or the Agents, or any director, officer, employee, agency or affiliate of such persons, that any recipient of this Offering Circular or any other information supplied in connection with the Program or any Notes should purchase any of the Notes. Each potential investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation with its own tax, legal and business advisers as it deems necessary. Neither this Offering Circular nor any other information supplied in connection with the Program or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Arrangers, the Dealers, the Trustee or the Agents to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor any Pricing Supplement nor the offering, sale or delivery of any Notes shall in any circumstances create any implication that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. Neither the Arrangers, the Dealers, the Trustee nor the Agents nor any agent or affiliate of any such persons expressly undertake to review the financial condition nor affairs of the Issuer during the life of the Program or to advise any investor in the Notes of any information coming to their attention. Investors should review, inter alia, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

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

**None of the Issuer, the Arrangers, the Dealers, the Trustee and the Agents makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.**

If a jurisdiction requires that an offering be made by a licensed broker or dealer and a Dealer or any affiliate thereof is a licensed broker or dealer in that jurisdiction, the offering shall be determined to be made by such Dealer or such affiliate on behalf of the Issuer in such jurisdiction.



This Offering Circular has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Offering Circular as completed by the Pricing Supplement in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

**IMPORTANT – EEA RETAIL INVESTORS** – If the Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the **Prospectus Directive**). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

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

**Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore** (the SFA) – Unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

For a description of other restrictions, see “*Subscription and Sale and Transfer and Selling Restrictions*”.

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of Notes of the Series of which such Tranche forms a part at a level higher than that which might otherwise prevail for a limited period after the issue date of the relevant Tranche of Notes. However, there is no assurance that the Stabilizing Manager(s) (or persons acting on behalf of a Stabilizing Manager) will undertake stabilization action. Any stabilizing action, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws and rules.**

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

This Offering Circular does not describe all of the risk and investment considerations (including those relating to each investor's particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of Notes, which may describe additional risk and investment considerations associated with such Notes. The risk and investment considerations identified in this Offering Circular and any applicable Pricing Supplement are provided as general information only. Investors should consult their own financial, legal and tax advisers as to the risks and investment considerations arising from an investment in an issue of Notes and should possess the appropriate resources to analyze such investment and the suitability of such investment in their particular circumstances. Each person receiving this Offering Circular acknowledges that such person has not relied on the Arrangers, the Dealers or any director, officer, employee, agent or affiliate of any such persons in connection with its investigation of the accuracy of such information or its investment decision. In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission or any other securities commission or other regulatory authority in the U.S., nor have the foregoing authorities approved this Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in this Offering Circular. Any representation to the contrary is unlawful.

## U.S. INFORMATION

This Offering Circular is being delivered on a confidential basis in the U.S. to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of certain Notes issued under the Program. Its use for any other purpose in the U.S. is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the U.S. or its possessions or to U.S. persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended and the Treasury regulations promulgated thereunder.

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

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

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

## AVAILABLE INFORMATION

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

This Offering Circular has not been registered and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore, as amended (the **Securities and Futures Act**) and the Notes will be offered pursuant to the exemptions under sections 274 and 275 of the Securities and Futures Act. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes may not be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor or other person pursuant to Section 274 of the Securities and Futures Act, (ii) to a relevant person under Section 275(1) of the Securities and Futures Act, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (iii) pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

For a description of these and certain further restrictions on offers and sales of the Notes and distribution of this Offering Circular, see “*Subscription and Sale and Transfer and Selling Restrictions*”.

## SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

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

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise indicated, the financial information presented in this Offering Circular relating to the Issuer has been derived from the audited financial statements of the Issuer as of and for each of the financial years ended March 31, 2019, 2018 and 2017 (the **Financial Statements**).

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

## CERTAIN DEFINITIONS

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

In this Offering Circular, unless otherwise specified, all references to **India** are to the Republic of India and all references to the **Government** are to the Government of India. All references to **fiscal** or **fiscal year** are to the year starting from April 1 and ending March 31.

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

Unless otherwise specified, where financial information in relation to the Issuer has been translated into U.S. dollars, it has been so translated, for convenience only, for financial information as of March 31, 2019, at the rate of Rs.69.1550 per U.S.\$1.00 (being the rate announced by the Foreign Exchange Dealer's Association of India). Any discrepancies in any table between totals and sums of the amounts listed are due to rounding. No representation is made that the Rupee or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Rupee, as the case may be, at any particular rate, or at all.

All references to the **ECB Guidelines** in this circular shall mean the guidelines issued by the RBI from time to time in relation to external commercial borrowings, including without limitation, (i) Foreign Exchange Management (Borrowing and Lending) Regulations, 2018, notified vide Notification No. FEMA 3R/2018-RB dated 17 December, 2018, as amended from time to time; and (ii) the Master Direction on External Commercial Borrowings, Trade Credits and Structured Obligations dated 26 March, 2019 (RBI/FED/2018-19/67-FED Master Direction No.5/2018-19); (iii) Master Direction on Reporting under the foreign Exchange Management Act, 1999 dated 1 January 2016 issued by the RBI, and as modified, amended, supplemented and updated, from time to time and such other circulars, rules, regulations, notifications, press notes, directions and/or orders issued by the RBI or any other Governmental Agency in India varying, amending or replacing the same from time to time.

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

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

## INDUSTRY AND MARKET DATA

Certain industry and market share data in this Offering Circular are derived from data of the Reserve Bank of India (the **RBI**), the Director General of Commercial Intelligence and Statistics (the **DGCIS**), the Association of Retail Funds of India, the Insurance Regulatory and Development Authority or the database of Indian Economy (**DBIE**). Certain other information regarding market position, growth rates and other industry data pertaining to the Bank's business contained in this Offering Circular consists of estimates by the Bank based on data reports compiled by professional organizations and analysts, on data from other external sources and on the Bank's knowledge of its markets. This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate market-related analyses and estimates, so the Bank relies on internally developed estimates. While the Bank has compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, neither the Bank, the Arrangers, the Dealers, the Trustee nor the Agents has independently verified that data and neither the Bank, the Arrangers, the Dealers, the Trustee nor the Agents makes any representation regarding the accuracy of such data. Similarly, while the Bank believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither the Bank, the Arrangers, the Dealers, the Trustee nor the Agents can assure potential investors as to their accuracy.



## FORWARD-LOOKING STATEMENTS

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

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

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

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## DOCUMENTS INCORPORATED BY REFERENCE

The most recently published audited annual financial statements of the Issuer and the most recently published reviewed interim financial statements of the Issuer (see “*General Information*” for a description of the financial statements currently published by the Issuer) published from time to time after the date hereof shall be deemed to be incorporated in, and form part of, this Offering Circular.

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

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its office set out at the end of this Offering Circular. In addition, such documents will be available free of charge from the principal office of the paying agent in London (which for the time being is Citibank, N.A., London Branch) (the **Principal Paying Agent**) for the Notes listed on the SGX-ST and the India INX.

If the terms of the Program are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, to an extent which is material in the context of the Program, a new offering circular will be prepared.

All future financials that are contemplated to be incorporated by reference into the Offering Circular will be made available on the website of the Issuer at <https://www.eximbankindia.in/>.

## GENERAL DESCRIPTION OF THE PROGRAM

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

This Offering Circular and any supplement will only be valid for listing Notes on the SGX-ST, the ISM and the India INX in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Program, does not exceed U.S.\$10,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Program from time to time:

- (a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;
- (b) the U.S. dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and
- (c) the U.S. dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the nominal amount of those Notes.

In accordance with applicable provisions of the ECB Guidelines, amended from time to time and as currently in force and as on the date of the Offering Circular, (a) only investors (being residents, including individuals) from jurisdictions that are Financial Action Task Force (“**FATF**”) or International Organisation of Securities Commission (“**IOSCO**”) compliant; or (b) multilateral or regional financial institutions where India is a member country; or (c) foreign branches or subsidiaries of Indian banks (except that: (i) such foreign branches or subsidiaries of Indian banks can only subscribe to the Notes denominated in freely convertible currency other than the Indian Rupee and (ii) Rupee Denominated Notes can only be subscribed by such foreign branches or subsidiaries of Indian banks in their capacity as underwriters or arrangers or market makers or traders, subject to compliance with applicable prudential norms); and in compliance with other requirements as may be specified by the RBI from time to time in relation to external commercial borrowings by Indian entities and are not otherwise prohibited under any applicable law or regulation from acquiring, owning or selling the Notes, are eligible to the Notes.

The offering of the Notes will be made entirely outside India. This Offering Circular may not be distributed, directly or indirectly, in India or to residents of India and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in India or to, or for the account or benefit of, any resident of India.

Each purchaser of the Notes will be deemed to represent that it is neither located in India nor a resident of India and that it is not purchasing for, or for the account or benefit of, any such person, and understands that the Notes may not be offered, sold, pledged or otherwise transferred to any person located in India, to any resident of India or to, or for the account of, such persons, unless determined otherwise in compliance with applicable law.

Any Rupee denominated Notes issued under the Program will be done so by the Issuer in accordance with the ECB Guidelines.



## SUMMARY OF THE PROGRAM

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

Issuer: . . . . . Export-Import Bank of India, acting through its Head Office in India, London Branch, or any other foreign branch (as specified in the relevant Pricing Supplement).

For the avoidance of doubt, the obligations of the Issuer under the Notes and the Trust Deed are obligations of Export-Import Bank of India and not merely the office or branch in question.

Legal Entity Identifier (LEI): . . . . . 335800OFZ8YEIVN1QI11

Risk Factors: . . . . . There are certain factors that may affect the Issuer’s ability to fulfill its obligations under Notes issued under the Program. These are set out under “*Risk Factors*” below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Program and these are set out under “*Risk Factors*” and include certain risks relating to the structure of a particular Series of Notes and certain market risks.

Description: . . . . . Global Medium Term Note Program.

Arrangers: . . . . . Barclays Bank PLC. Citigroup Global Markets Limited.

Dealers: . . . . . Barclays Bank PLC. Citigroup Global Markets Limited.  
  
and any other Dealers appointed from time to time by the Issuer either generally in respect of the Program or in relation to a particular Tranche of Notes in accordance with the Program Agreement (as defined under “*Subscription and Sale and Transfer and Selling Restrictions*”).

Trustee: . . . . . Citicorp Trustee Company Limited.

Principal Paying Agent, Exchange Agent and Transfer Agent: . . . . . Citibank, N.A., London Branch.

Registrar: . . . . . Citigroup Global Markets Europe AG.

Certain Restrictions: . . . . . Each issue of Notes in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “*Subscription and Sale and Transfer and Selling Restrictions*”) including the following restrictions applicable at the date of this Offering Circular.

## Notes issued by the Issuer through its Head Office

With regards to the Notes that may be issued under the Program by the Issuer through its Head Office, the Issuer will be required to comply with reporting/filing requirements under relevant guidelines/circulars issued by the RBI and the Government from time to time.

Program Size: . . . . .	U.S.\$10,000,000,000 (or its equivalent in other currencies calculated as described under “ <i>General Description of the Program</i> ”) in aggregate nominal amount of Notes outstanding at any time. The Issuer may increase the amount of the Program in accordance with the terms of the Program Agreement.
Method of Issue: . . . . .	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis. The Notes will be issued in series (each, a <b>Series</b> ) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest). Each Series may be issued in tranches (each, a <b>Tranche</b> ) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment date of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.
Currencies: . . . . .	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Redenomination: . . . . .	The applicable Pricing Supplement may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 5 ( <i>Redenomination</i> ).
Maturities: . . . . .	Save for Hybrid Tier I Notes which are perpetual and have no maturity date, such maturities as may be agreed between the Issuer and the relevant Dealer and indicated in the applicable Pricing Supplement, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price: . . . . .	Notes may be issued on a fully-paid or (in the case of Notes other than Subordinated Notes and Hybrid Tier I Notes) a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.

Form of Notes: . . . . .	<p>The Notes may be in bearer form or registered form. Bearer Notes will be in bearer form and will on issue be represented by either a Temporary Bearer Global Note (a <b>Temporary Bearer Global Note</b>) or a permanent bearer global note (a <b>Permanent Bearer Global Note</b>) which, in either case, will be delivered on or prior to the original issue date of the Tranche to a Common Depositary for Euroclear and Clearstream. Temporary Bearer Global Notes will be exchangeable either for (i) interests in a Permanent Bearer Global Note, or (ii) Definitive Bearer Notes as indicated in the applicable Pricing Supplement. Permanent Bearer Global Notes will be exchangeable, in whole but not in part, for Definitive Bearer Notes upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (b) only upon the occurrence of an Exchange Event as described under "<i>Form of the Notes</i>". Registered Global Notes will either (x) be deposited with a custodian for, and registered in the name of, a nominee of DTC or (y) be deposited with the Common Depositary for Euroclear and Clearstream, and registered in the name of a nominee for the Common Depositary. Interests in a Registered Global Note will be exchangeable, in whole but not in part, for definitive Registered Notes only upon the occurrence of an Exchange Event as described under "<i>Form of the Notes</i>". Registered Notes will not be exchangeable for Bearer Notes and vice versa.</p>
Fixed Rate Notes: . . . . .	<p>Fixed interest will be payable at such rate or rates in arrear and on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.</p>
Floating Rate Notes: . . . . .	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"> <li>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as of the Issue Date of the first Tranche of the Notes of the relevant Series); or</li> <li>(ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service.</li> </ul> <p>Interest periods will be specified in the applicable Pricing Supplement.</p>
Index Linked Notes. . . . .	<p>Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree and as may be specified in the applicable Pricing Supplement.</p>

Other provisions in Floating Rate Notes and Index Linked Interest Notes: . . . . .	<p>Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.</p>
Dual Currency Notes: . . . . .	<p>Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree and as may be specified in the applicable Pricing Supplement.</p>
Partly Paid Notes: . . . . .	<p>The Issuer may issue Notes in respect of which the issue price is paid in separate installments in such amounts and on such dates as the Issuer and the relevant Dealer may agree and as may be specified in the applicable Pricing Supplement.</p>
Installment Notes: . . . . .	<p>The Issuer may issue Notes which may be redeemed in separate installments in such amounts and on such dates as the Issuer and the relevant Dealer may agree and as may be specified in the applicable Pricing Supplement.</p>
Zero Coupon Notes: . . . . .	<p>Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.</p>
Other Notes: . . . . .	<p>The Issuer may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.</p>
Redemption: . . . . .	<p>The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than (i) in specified installments, if applicable, or (ii) for taxation reasons (in the case of Subordinated Notes and Hybrid Tier I Notes, only with the prior approval of the RBI or such other relevant authority), or (iii) in the case of Hybrid Tier I Notes, for certain regulatory reasons (with the prior approval of the RBI or such other relevant authority or (iv) in the case of Senior Notes, following an Event of Default (as defined in Condition 11 (<i>Events of Default and Enforcement</i>))) or that such Notes will be redeemable at the option of the Issuer (in the case of Subordinated Notes and Hybrid Tier I Notes), only with the prior approval of the RBI or other relevant authority subject to the fulfillment of applicable conditions) and/or (except in the case of Subordinated Notes and Hybrid Tier I Notes) the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as set forth in the Terms and Conditions or as may be agreed between the Issuer and the relevant Dealer.</p> <p>The applicable Pricing Supplement may provide that Notes may be redeemable in separate installments in such amounts and on such dates as are indicated in the applicable Pricing Supplement.</p>



Denomination of Notes: . . . . .	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer, save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.
Taxation: . . . . .	All payments of principal and interest in respect of the Notes, Receipts and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will (subject to certain customary exceptions as described in Condition 9.1 ( <i>Payment without Withholding</i> )) pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction. See Condition 9 ( <i>Taxation</i> ).
Negative Pledge: . . . . .	The terms of the Notes (other than Subordinated Notes and Hybrid Tier I Notes) will contain a negative pledge provision as further described in Condition 4 ( <i>Negative Pledge</i> ).
Cross Default: . . . . .	The terms of the Notes (other than Subordinated Notes and Hybrid Tier I Notes) will contain a cross default provision as further described in Condition 11.1 ( <i>Events of Default relating to Senior Notes</i> ).
Status of the Senior Notes: . . . . .	The Senior Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4 ( <i>Negative Pledge</i> ), unsecured obligations of the Issuer and rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsubordinated and unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Status, Events of Default and other Terms of or relating to the Subordinated Notes: . . . . .	Subordinated Notes will be Upper Tier II Subordinated Notes or Lower Tier II Subordinated Notes, as indicated in the applicable Pricing Supplement. The status of the Subordinated Notes and Events of Default applicable to the Subordinated Notes are set out in Conditions 3.2 ( <i>Status of the Subordinated Notes</i> ) and 11.2 ( <i>Events of Default relating to Subordinated Notes and Hybrid Tier I Notes</i> ), respectively. Subordinated Notes do not have the benefit of a negative pledge or cross default provision.
Status, Events of Default and other Terms of or relating to Hybrid Tier I Notes: . . . . .	The status of the Hybrid Tier I Notes and Events of Default applicable to the Hybrid Tier I Notes are set out in Conditions 3.3 ( <i>Status of the Hybrid Tier I Notes</i> ) and 11.2 ( <i>Events of Default relating to Subordinated Notes and Hybrid Tier I Notes</i> ), respectively. Hybrid Tier I Notes do not have the benefit of a negative pledge or cross default provision.

Limited Right of Acceleration in  
respect of Subordinated Notes  
and Hybrid Tier I Notes: . . . . .

Subject to the provisions of Conditions 3.2(b) (*Payment Deferrals on Upper Tier II Subordinated Notes*) and 3.3(c) (*Payment Limitation on Hybrid Tier I Notes*), if default is made in the payment of any principal or interest due on the Subordinated Notes or the Hybrid Tier I Notes or any of them on the due date and, in the case of interest, such default continues for a period of 15 days the Trustee may, at its discretion and without further notice (subject to being indemnified and/or secured and/or pre-funded to its satisfaction), institute such proceedings against the Issuer as it may think fit to enforce the obligations of the Issuer under the Subordinated Notes, the Hybrid Tier I Notes or the Trust Deed, provided that the Issuer shall not, by virtue of the institution of any such proceedings other than in the event of a winding-up of the Issuer, be obliged to pay any sums sooner than the same would otherwise have been payable by it.

If any order of the Government is made for the winding-up or liquidation of the Issuer, save for the purposes of reorganization on terms previously approved by an Extraordinary Resolution, the Trustee may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Subordinated Notes or (as the case may be) the Hybrid Tier I Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall (subject to being indemnified and/or secured to its satisfaction) give notice to the Issuer that the Subordinated Notes or (as the case may be) the Hybrid Tier I Notes are, and they shall, subject to the prior approval of the RBI having been obtained, thereupon immediately become, due or repayable at the amount provided in, or calculated in accordance with, Condition 8.6 (*Early Redemption Amounts*), together with accrued interest as provided in the Trust Deed.

Listing: . . . . .

Application has been made to SGX-ST for the listing and quotation of Notes that may be issued pursuant to the Program and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List. There can be no assurance that an application to the SGX-ST will be approved. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. If the application to the SGX-ST to list a particular series of Notes is approved, such Notes listed on the SGX-ST will be traded on the SGX-ST in a minimum board lot size of at least S\$200,000 (or its equivalent in foreign currencies).

Application has been made to the London Stock Exchange for the Notes to be admitted to the London Stock Exchange's ISM. The ISM is not a regulated market for the purposes of Directive 2014/65/EU.

Application has been made to the India INX for the Notes to be admitted to trading on the India INX. The India INX has not approved or verified the contents of the listing particulars.

Unlisted Notes may also be issued.

The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).

Use of Proceeds: . . . . .	<p>The net proceeds of each issue of Notes to be issued by the Issuer, acting through its Head Office in India, will be utilized in compliance with the approval issued by the RBI and regulatory guidelines applicable to external commercial borrowings under Indian law (see “<i>General Information</i>”) to provide funding for: (a) export lines of credit (<b>LOCs</b>) and buyer’s credit granted by the Issuer to overseas governments, banks, institutions and other entities; (b) loans for overseas investment and/or participation in equity of the overseas joint ventures; (c) import of capital goods by export-oriented units; (d) concessional financing scheme; and (e) foreign currency loans.</p> <p>The net proceeds of each issue of Notes to be issued by the Issuer, acting through its London Branch or any foreign branch, will be utilized for the business of the Issuer in compliance with the applicable laws and regulations of the jurisdiction of India and in which the relevant branch is established.</p>
Rating: . . . . .	The rating of certain Series of Notes to be issued under the Program may be specified in the applicable Pricing Supplement.
Governing Law: . . . . .	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law except that in the case of Subordinated Notes, Clause 2.7 ( <i>Winding up</i> ) of the Trust Deed (as defined under “ <i>Terms and Conditions of the Notes</i> ”) and Condition 3.2 ( <i>Status of the Subordinated Notes</i> ) and, in the case of Hybrid Tier I Notes, Condition 3.3 ( <i>Status of the Hybrid Tier I Notes</i> ) will be governed by Indian law.
Clearing System: . . . . .	Euroclear, Clearstream, DTC and/or any other clearing system, as specified in the applicable Pricing Supplement (see “ <i>Form of the Notes</i> ”).
Selling Restrictions: . . . . .	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom and the Netherlands), Japan, India, Hong Kong, Singapore, the Dubai International Financial Center and the United Arab Emirates (excluding the Dubai International Financial Center) and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see “ <i>Subscription and Sale and Transfer and Selling Restrictions</i> ”).
United States Selling Restrictions: . . . . .	Regulation S, Category 2 and/or Rule 144A, TEFRA C or D (or any successor U.S. Treasury regulation section, including, without limitation, successor regulations issued in accordance with IRS Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010), or TEFRA not applicable, as specified in the applicable Pricing Supplement.

## FORM OF THE NOTES

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

Notes to be listed on the SGX-ST, the India INX and/or ISM will be accepted for clearance through Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream**) and/or The Depository Trust Company (**DTC**) and/or any other clearing system as specified in the applicable Pricing Supplement.

### **Bearer Notes**

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

On and after the date (the **Exchange Date**) which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the date on which the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note may be exchangeable (free of charge) in whole or in part for, upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) definitive Notes (**Definitive Bearer Notes**) of the same Series with, where applicable, receipts, Coupons and/or Talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of Definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above, unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive Definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for Definitive Bearer Notes is improperly withheld or refused.

If Definitive Bearer Notes and, where applicable, Receipts, Coupons and/or Talons have already been issued in exchange for all the Notes represented for the time being by the Permanent Bearer Global Note, then the Temporary Bearer Global Notes may only be exchanged for Definitive Bearer Notes and, where applicable, Receipts, Coupons and/or Talons pursuant to the Terms thereof.

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

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Notes with, where applicable, Receipts, Coupons and/or Talons attached upon the occurrence of an Exchange Event.



For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 11.1 (*Events of Default relating to Senior Notes*)) has occurred and is continuing, or (ii) the Issuer has been notified that both Euroclear and Clearstream have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so, and no successor or alternative clearing system satisfactory to the Trustee is available, or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form and a certificate to such effect from an authorized officer of the Issuer has been given to the Trustee. If the Permanent Bearer Global Note is exchangeable following the occurrence of such Exchange Event, the Issuer will promptly give notice to the Noteholders in accordance with Condition 15 (*Notices*) upon the occurrence of such Exchange Event and Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes or Bearer Notes issued in compliance with TEFRA C) which have an original maturity of more than one year and on all Receipts, Coupons and Talons relating to such Notes:

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

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

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

Each person (other than Euroclear or Clearstream) who is for the time being shown in the records of Euroclear or Clearstream as the holder of a particular nominal amount of the Notes represented by the Temporary Bearer Global Note or the Permanent Bearer Global Note, as the case may be (in which regard any certificate or other document issued by Euroclear or Clearstream as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes, save in the case of manifest error), shall be treated by the Issuer, the Trustee, the Principal Paying Agent and any other Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal and interest on such nominal amount of such Notes, the right to which shall be vested, as against the Issuer solely in the bearer of such Temporary Bearer Global Note or the Permanent Bearer Global Note, as the case may be, in accordance with and subject to the terms of the Trust Deed and such Temporary Bearer Global Note or the Permanent Bearer Global Note, as the case may be.

## **Registered Notes**

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold outside the United States, will initially be represented by a global note in registered form without receipts or coupons (a **Regulation S Global Note**).

The Registered Notes of each Tranche offered and sold in the United States may only be offered and sold in private transactions to “qualified institutional buyers” within the meaning of Rule 144A (**QIBs**). The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form without receipts or coupons (a **Rule 144A Global Note** and, together with a Regulation S Global Note, the **Registered Global Notes**, and each a **Registered Global Note**).

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

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

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

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7.4 (*Payments in respect of Registered Notes*)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without Receipts, Coupons or Talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) in the case of such Registered Global Note registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no successor or alternative clearing system satisfactory to the Trustee is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act and no alternative clearing system is available, (iii) in the case of such Registered Global Note registered in the name of a nominee for a Common Depository for Euroclear and Clearstream, the Issuer has been notified that both Euroclear and Clearstream have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor or alternative clearing system satisfactory to the Trustee is available, or (iv) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes in definitive form and a certificate to that effect from an authorized officer of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, as the case may be, (acting on the instructions of any holder of an interest in such Registered Global Note) or the Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

A Registered Global Note is not a document of title. Entitlements are determined by entry in the Register and only the duly registered holder from time to time is entitled to payment in respect of such Registered Global Note.

### **Transfer of Interests**

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, in each case to the extent applicable. Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see “*Transfer Restrictions*”.

### **General**

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

Any reference herein to Euroclear and/or Clearstream and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or otherwise approved by the Issuer, the Trustee and the Principal Paying Agent.

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

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

## FORM OF PRICING SUPPLEMENT

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

Date

**Export-Import Bank of India**  
**acting through its [Head Office in India]/[London Branch]/[specify other foreign branch]**  
**Issue of**  
**[Aggregate Nominal Amount of Tranche] [Title of Notes] under the**  
**U.S.\$10,000,000,000 Global Medium Term Note Program**

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated [●], 2019 [and the supplement[s] to it dated [●] [and [●]] (the **Offering Circular**). This Pricing Supplement constitutes the final terms of the Notes and must be read in conjunction with such Offering Circular.

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [original date]. This Pricing Supplement constitutes the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date] [and the supplement[s] to it dated [●] [and [●]] (the **Offering Circular**), save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the **Prospectus Directive**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]<sup>1</sup>

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

**[Notification under Section 309B(1)(c) of the [Securities and Futures Act (Chapter 289) of Singapore (the SFA)]/[SFA]** – [Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the “SFA”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Regulation 3(b) of the Securities and Futures (Capital Markets Products) Regulations 2018 (the “**SF (CMP) Regulations**”) that the Notes issued hereby are “prescribed capital markets products” (as defined in the SF (CMP) Regulations) and “Excluded Investment Products” (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]/[To insert notice if classification of the Notes is not “[prescribed capital markets products]/[capital markets products other than prescribed capital markets products]”, pursuant to Section 309B of the SFA or [Excluded Investment Products]/[Specified Investment Products]].]<sup>2</sup>

1 Include if item 42 (Prohibition of Sales to EEA Retail Investors) is stated to be applicable.

2 Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA. If there is a change as to product classification for the relevant drawdown, from the upfront classification embedded in the programme documentation, then the legend is to be completed and used (if no change as to product classification, then the legend may be deleted in its entirety).



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

1. Issuer: Export-Import Bank of India, acting through its [Head Office in India]/[London Branch]/[specify other foreign branch]
2. (a) Series Number: [●]
- (b) Tranche Number: [●]
- (c) Date of which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [●] below, which is expected to occur on or about [date]]/[Not Applicable]
3. Specified Currency or Currencies: [●]  
*(In case of a denomination in INR, the below is to be included)*  
  
[The lawful currency of India (**Indian Rupees** or **INR**), provided that all payments in respect of the Notes will be made in United States Dollars (**USD**).]
4. Aggregate Nominal Amount:
  - (a) Series Number: [●]
  - (b) Tranche Number: [●]
5. (a) Issue Price: [●]  
*(In case of a denomination in INR, the below is to be included)*  
  
[The Issue Price will be payable in U.S.\$ and will be based on the Aggregate Nominal Amount (in INR) divided by the conversion rate reported by the Financial Benchmark India Limited and displayed on <http://www.fbil.org.in/>(or any successor page) at approximately [1:30] p.m., Mumbai, on [date].]
- (b) Net proceeds: [●]
- (c) Private Bank Rebate/Selling Commission: [●]

6. (a) Specified Denominations: [●]  
*(in the case of Registered Notes, this means the minimum integral amount in which transfers can be made)*  
*(N.B. Notes must have a minimum denomination of C 100,000 or equivalent)*  
*(N.B. Where Bearer Notes with multiple denominations above [C 100,000] or equivalent are being issued, the following sample wording should be followed; however, appropriate amendments should be made for different currencies:*  
*[€ 100,000] and integral multiples of [€ 1,000] in excess thereof up to and including [€ 199,000]. No Notes in definitive form will be issued with a denomination above [€ 199,000].)*  
*(N.B. If an issue of Notes is: (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive, the [€ 100,000] minimum denomination is not required.)*  
*(In the case of Registered Notes, this means the minimum integral amount in which transfers can be made)*  
*(In case of a denomination in INR, the below is to be included)*  
[INR[●] and integral multiples thereof].]
- (b) Calculation Amount: [●]  
*(If only one Specified Denomination, insert the Specified Denomination.*  
*If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (a) Issue Date: [●]
- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]  
*(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month and year]]<sup>3</sup>

<sup>3</sup> Note that for Renminbi-denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

9. Interest Basis: ☐% Fixed Rate]  
☐ month [LIBOR/EURIBOR/HIBOR/CNH HIBOR]  
+/-☐% Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[Dual Currency Interest]  
[specify other]  
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Dual Currency Redemption]  
[Partly Paid]  
[Installment]  
[specify other]
11. Change of Interest Basis or Redemption/Payment Basis: [Applicable/Not Applicable]  
*(If applicable, specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis)*
12. Put/Call Options: [Investor Put]  
*(N.B. Investor Put is not possible for Subordinated Notes or Hybrid Tier I Notes)*  
[Issuer Call]  
[(further particulars specified below)]
13. Status of the Notes: [Senior/Subordinated/Hybrid Tier I]  
*(If “Subordinated”, specify either “Upper Tier II Subordinated” or “Lower Tier II Subordinated”)*
14. (a) Date Board approval for issuance of Notes obtained: ☐ [and ☐, respectively]/[None required]  
*(N.B. Only relevant where Board (or similar) authorization is required for the particular tranche of Notes)*
- (b) Date regulatory approval/consent for issuance of Notes obtained: ☐/[None required]  
*(N.B. Only relevant where regulatory (or similar) approval or consent is required for the particular tranche of Notes)*
15. Listing: [Singapore/specify other/None]  
*(N.B. Consider disclosure requirements under the EU Prospectus Directive applicable to securities admitted to an EU regulated market)*  
  
*(N.B. for unlisted Notes issued by the London Branch, withholding tax may be applicable, see “Taxation – United Kingdom Taxation” in the Offering Circular)*
16. Method of distribution: [Syndicated/Non-syndicated]
17. Fixed Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: ☐% per annum payable in arrear on each Interest Payment Date

- (b) Interest Payment Date(s): ☐ in each year<sup>4</sup> up to and including the Maturity Date  
(Amend appropriately in the case of irregular coupons)
- (c) Fixed Coupon Amount(s): ☐ per Calculation Amounts<sup>5</sup>  
(Applicable to Notes in definitive form)
- (d) Broken Amount(s): ☐ per Calculation Amount, payable on the Interest Payment Date falling [in/on] ☐/[Not Applicable]  
(Applicable to Notes in definitive form)
- (e) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or Actual/360 or Actual/365 (Fixed)<sup>6</sup> or [specify other]]
- (f) Determination Date: ☐ in each year/[Not Applicable]  
(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)
18. Floating Rate Note Provisions: [Applicable/Not Applicable]  
(N.B. If applicable, LIBOR Discontinuation fallback provision to be included.)  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Specified Period(s)/Specified Interest Payment Dates: ☐
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (c) Additional Business Center(s): ☐
- (d) Manner in which the Rates of Interest and Interest Amount are to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): ☐

<sup>4</sup> Note that for certain Renminbi-denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: “provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. For these purposes, “Business Day” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and currency deposits) in Hong Kong [and ☐]”.

<sup>5</sup> For Renminbi-denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: “Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 for Renminbi denominated Fixed Rate Notes being rounded upwards”.

<sup>6</sup> Applicable to Renminbi-denominated Fixed Rate Notes.

- (f) Screen Rate Determination:
- (i) Reference Rate: ☐ month [LIBOR/EURIBOR]
  - (ii) Interest Determination Date(s): ☐  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
  - (iii) Relevant Screen Page: ☐  
*(In the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (g) ISDA Determination:
- (i) Floating Rate Option: ☐
  - (ii) Designated Maturity: ☐
  - (iii) Reset Date: ☐
- (h) Margin(s): ☐ +/- ☐% per annum
- (i) Minimum Rate of Interest: ☐% per annum
- (j) Maximum Rate of Interest: ☐% per annum
- (k) Day Count Fraction: ☐ [Actual/Actual (ISDA)]  
☐ [Actual/Actual]  
☐ [Actual/365 (Fixed)]  
☐ [Actual/365 (Sterling)]  
☐ [Actual/360]  
☐ [30/360]  
☐ [360/360]  
☐ [Bond Basis]  
☐ [30E/360]  
☐ [Eurobond Basis]  
☐ [30E/360 (ISDA)]  
☐ [Other]  
*(See Condition 6 for alternatives)*
- (l) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: ☐
19. Zero Coupon Note Provisions: ☐ [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Accrual Yield: ☐% per annum
  - (b) Reference Price: ☐

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



## PROVISIONS RELATING TO REDEMPTION

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

25. Final Redemption Amount:

[●] per Calculation Amount/specify other/see Appendix

*(In case of a denomination in INR, the below is to be included)*

[The Final Redemption Amount per Calculation Amount will be payable in U.S.\$ and determined by the Calculation Agent, on the Rate Fixing Date in respect of the Maturity Date, as follows:

**Calculation Amount divided by the Reference Rate**

*Where:*

**Calculation Agent** means Citibank N.A., London Branch.

**Reference Rate** means the rate used on each Rate Fixing Date which will be the USD/INR spot rate, expressed as the amount of Indian Rupees per one United States Dollar, for settlement in two Fixing Business Days, reported by the Financial Benchmark India Limited, which is displayed on <http://www.fbil.org.in/> (or any successor page) at approximately 1:30 p.m., Mumbai time, on each Rate Fixing Date. If a Price Source Disruption Event occurs on the Scheduled Rate Fixing Date, then the Reference Rate for such Rate Fixing Date shall be determined by the Calculation Agent in accordance with the Fallback Provisions set out below.

**Rate Fixing Date** means the Scheduled Rate Fixing Date, subject to a Valuation Postponement.

**Scheduled Rate Fixing Date** means the date which is two Fixing Business Days prior to the Interest Payment Date or the Maturity Date or such other date on which an amount in respect of the Notes is due and payable. If the Scheduled Rate Fixing Date is an Unscheduled Holiday, the Rate Fixing Date shall be the next relevant Fixing Business Day, subject to the Deferral Period for an Unscheduled Holiday set out below.

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

Adjustments to the Interest Payment Date and Maturity Date:

If a Scheduled Rate Fixing Date is adjusted for an Unscheduled Holiday or if Valuation Postponement applies, then the Interest Payment Date or Maturity Date relating to such Scheduled Rate Fixing Date shall be two Payment Business Days after the date on which the Reference Rate for such Interest Payment Date or Maturity Date is determined. If any Interest Payment Date or Maturity Date is adjusted in accordance with the preceding sentence, then such adjustment (and the corresponding payment obligations to be made on such dates) shall apply only to such Interest Payment Date or the Maturity Date, as applicable, and no further adjustment shall apply to the amount of interest payable.

Fallback Provisions:

**Price Source Disruption Event** means it becomes impossible to obtain the Reference Rate on a Rate Fixing Date.

**Applicable Price Source Disruption Fallbacks:**

In the event of a Price Source Disruption Event, the Calculation Agent shall apply each of the following Price Source Disruption Fallbacks for the determination of the Reference Rate, in the following order, until the Reference Rate can be determined:

Valuation

Postponement . . . . . (As defined below)

Fallback Reference                      SFEMC INR Indicative  
Price . . . . . Survey Rate (INR02)

Fallback Survey

Valuation

Postponement . . . . . (As defined below)

Calculation Agent

Determination of

Reference Rate . . . . . [●]

**Cumulative Events** has the following meaning:

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

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

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

Maximum Days of Postponement means 14 calendar days.

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

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

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

**Payment Business Day** means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, New York and Mumbai.

**Fixing Business Day** means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in Mumbai.

**Deferral Period for an Unscheduled Holiday:**

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

26. Early Redemption Amount payable on redemption for taxation or (where applicable) regulatory reasons or on event of default: ☐ per Calculation Amount/specify other/see Appendix
- (N.B. If Hybrid Tier I Notes, to specify (i) Calculation Agent if the Agent is not the Calculation Agent and (ii) Day Count Fraction for the purpose of the Make Whole Amount)*
- (In case of a denomination in INR, the below is to be included)*
- [The Final Redemption Amount as determined in accordance with item 25 above; provided that, for purposes of such determination, the Scheduled Rate Fixing Date shall be the date that is two Fixing Business Days prior to the date upon which the Notes become due and payable.]
27. Regulatory Redemption Amount: [Applicable/Not Applicable]
- (N.B. Applicable only for Hybrid Tier I Notes) (if not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Calculation Agent: ☐
- (b) Day Count Fraction (for Make Whole Amount): ☐
- (c) Applicable Spread: [☐]% per annum/Not Applicable]
28. Form of Notes: [Bearer Notes:
- [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Temporary Bearer Global Note exchangeable for Definitive Notes on ☐ day's notice]
- [Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- (Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. N.B. The exchange upon notice option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[C 100,000] and integral multiples of [C 1,000] in excess thereof up to and including [C 199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*

[Registered Notes:

[Regulation S Global Note (U.S.\$[●] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream]]

[Rule 144A Global Note (U.S.\$[●] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream]]

*(specify nominal amounts)]*

*(Ensure that this is consistent with the language in the “Form of the Notes” section in the Offering Circular and the Notes themselves)*

29. Additional Financial Center(s):

[Not Applicable/give details]

*(Note that this item relates to the place of payment and not Interest Period end dates to which items 18(c) and 20(g) relate)*

30. Talons for future Coupons to be attached to Definitive Notes in bearer form (and dates on which such Talons mature):

[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

31. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:

[Not Applicable/give details]

*(N.B. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues)*

32. Details relating to Installment Notes:

(a) Installment Amount(s):

[Not Applicable/give details]

(b) Installment Date(s):

[Not Applicable/give details]

33. Redenomination applicable:

Redenomination [not] applicable

*(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))*

34. Other terms or special conditions:

[Not Applicable/give details]

## **DISTRIBUTION**

35. Method of Distribution:

[Syndicated/Non-syndicated]

36. (a) If syndicated, names of Managers:

[Not Applicable/give names]

(b) Stabilizing Manager(s) (if any):

[Not Applicable/give name(s)]

37. If non-syndicated, name of relevant Dealer:

[Not Applicable/give name(s)]



38. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA not applicable]
39. Additional selling restrictions: [Not Applicable/*give details*]
40. U.S. Selling Restrictions: [Regulation S [Category 1/Category 2]]/[Rule 144A]
41. Additional U.S. federal income tax considerations: [Not Applicable/*give details*]
- [Not Applicable] [The Notes are [not] Specified Notes for purposes of Section 871(m) of the U.S. Internal Revenue Code of 1986.] [Based on market conditions on the date of this Pricing Supplement, the Issuer has made a preliminary determination that the Notes are [not] Specified Notes for purposes of Section 871(m) of the U.S. Internal Revenue Code of 1986. This is a preliminary determination only that is subject to change based on market conditions on the Issue Date. If the Issuer's final determination is different then it will give notice of such determination.] [Please contact [*give name(s) and address(es) of Issuer contact*] for further information regarding the application of Section 871(m) to the Notes.] (*The Notes will not be Specified Notes if they do not reference any U.S. equity or any index that contains any component U.S. equity or otherwise provide direct or indirect exposure to U.S. equities. If the Notes reference a U.S. equity or an index that contains a component U.S. equity or otherwise provide direct or indirect exposure to U.S. equities, further analysis would be required*)
42. Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
- (*If the Notes may constitute "packaged" products and no key information document (which is required by Regulation (EU) No 1286/2014 for offering or selling the Notes or otherwise making them available to retail investors in the EEA) will be prepared, "Applicable" should be specified.*)

#### OPERATIONAL INFORMATION

43. Any clearing system(s) other than Euroclear and Clearstream and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
44. Delivery: Delivery [against/free of] payment
45. Additional Paying Agent(s) (if any): [●]
46. ISIN: [●]
47. Common Code: [●]
- (*insert here any other codes such as CUSIP and CINS codes*)
48. CFI: [●]
49. FISN: [●]

## GENERAL

50. The aggregate principal amount of Notes [Not Applicable/U.S.\$] issued has been translated into U.S. dollars at the rate of [●], producing a sum of (for Notes not denominated in [U.S. dollars]):

51. [Ratings: The Notes to be issued have been rated: [Fitch: [●]] [Moody's: [●]] [S&P: [●]] [Other: [●]]

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Program generally or, where the issue has been specifically rated, that rating.)]*

## [LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.\$10,000,000,000 Global Medium Term Note Program of Export-Import Bank of India, acting through its [Head Office in India]/[London Branch]/[specify other foreign branch].]

## USE OF PROCEEDS

*[Please specify]*

## [STABILIZING

In connection with this issue, [insert name of Stabilizing Manager(s)] (the **Stabilizing Manager(s)**) (or persons acting on behalf of any Stabilizing Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or persons acting on behalf of a Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager) in accordance with all applicable laws and rules.]

## RESPONSIBILITY

[The Singapore Exchange Securities Limited (the **SGX-ST**) [and the London Stock Exchange's International Securities Market (the **ISM**)] [and the India International Exchange IFSC Limited (the **India INX**)] assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Pricing Supplement. The admission of the Notes to the Official List of the SGX-ST [and the admission of the Notes to the ISM] [and the admission of the Notes to the India INX] is not to be taken as an indication of the merits of the Issuer, the Program or the Notes.]

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

Signed on behalf of the Issuer:

By: \_\_\_\_\_

*Duly authorized*

## TERMS AND CONDITIONS OF THE NOTES

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

This Note is one of a Series (as defined below) of Notes issued by Export-Import Bank of India (the **Issuer**), acting through its Head Office in India, London Branch or any other branch of the Issuer outside the Republic of India, as specified in the applicable Pricing Supplement, and constituted by an amended and restated Trust Deed dated July 21, 2017 (as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) made between the Issuer and Citicorp Trustee Company Limited (the **Trustee** which expression shall include any successor as Trustee).

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

- (i) in relation to any Notes represented by a global Note (a Global Note), units of each Specified Denomination in the Specified Currency;
- (ii) definitive Bearer Notes issued in exchange (or part exchange) for a Global Note; and
- (iii) any Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an amended and restated Issue and Paying Agency Agreement dated July 20, 2016 (as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) made between the Issuer, the Trustee, Citibank, N.A., London Branch as principal paying agent (the **Principal Paying Agent**, which expression shall include any successor principal paying agent, together with the Principal Paying Agent, the **Paying Agents**, which expression shall, unless the context otherwise requires, include any successors in their capacity as such and any substitute or any additional paying agents appointed in accordance with the Agency Agreement), as exchange agent (the **Exchange Agent**, which expression shall include any successor exchange agent) and as transfer agent (the **Transfer Agent**, which expressions shall include any substitute or any additional transfer agents appointed in accordance with the Agency Agreement) and Citigroup Global Markets Europe AG, as registrar (the **Registrar**, which expression shall include any successor registrar). References herein to the **Agents** are to the Principal Paying Agent and the Paying Agents, and any reference to an **Agent** is to any of them.

Interest bearing definitive Bearer Notes (unless otherwise indicated in the applicable Pricing Supplement) have interest coupons (the **Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in installments have receipts (**Receipts**) for the payment of the installments of principal (other than the final installment) attached on issue. Definitive Registered Notes do not have Receipts, Coupons or Talons attached on issue.

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

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

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

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee and the Principal Paying Agent. Copies of the applicable Pricing Supplement are obtainable during normal business hours at the specified office of the Trustee and the Principal Paying Agent save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Trustee or the Principal Paying Agent, as the case may be, as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement and the applicable Pricing Supplement which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

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

## **1. FORM, DENOMINATION AND TITLE**

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

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

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

Each Tranche of Bearer Notes will be initially represented by a temporary global Note without Receipts, Coupons or Talons (each, a **Temporary Global Note**) which will be delivered to a common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream**). On or after the date which is 40 days after the Issue Date, beneficial interests in a Temporary Global Note will be exchangeable upon a request as described therein either for interests in a permanent global Note without Receipts, Coupons or Talons (each, a **Permanent Global Note**) or for definitive Bearer Notes (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification to the effect that the beneficial owner of interests in such Temporary Global Note is not a U.S. person or a person who has purchased for resale to any U.S. person, as required by U.S. Treasury regulations. The applicable Pricing Supplement will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons

attached upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Principal Paying Agent or (ii) only upon the occurrence of an **Exchange Event**. For these purposes, Exchange Event means that (i) an Event of Default (as defined in Condition 11 (*Events of Default and Enforcement*)) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form and a certificate to such effect signed by two authorized officers of the Issuer is given to the Trustee. The Issuer will promptly give notice to the Noteholders in accordance with Condition 15 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange following an Exchange Event shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

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

Unless otherwise provided with respect to a particular series of Registered Notes, Registered Notes of each Tranche sold outside the United States in reliance on Regulation S (**Regulation S**) under the United States Securities Act of 1933, as amended, (the **Securities Act**) will, unless otherwise specified in the applicable Pricing Supplement, be represented by a permanent global Registered Note, without Receipts, Coupons or Talons, (each, a **Regulation S Global Note**), deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (**DTC**) for the accounts of Euroclear and Clearstream. Notes in definitive registered form (**Definitive Registered Notes**) issued in exchange for Regulation S Global Notes or otherwise sold or transferred in reliance on Regulation S under the Securities Act, together with the Regulation S Global Notes, are referred to herein as **Regulation S Notes**.

Registered Notes of each Tranche sold in private transactions in reliance upon Rule 144A under the Securities Act (**Rule 144A**) to qualified institutional buyers within the meaning of Rule 144A (**QIBs**) will, unless otherwise specified in the applicable Pricing Supplement, be represented by a permanent global Registered Note, without Receipts, Coupons or Talons (each, a **Restricted Global Note** and, together with any Regulation S Global Note, the **Registered Global Notes**) deposited with a custodian for, and registered in the name of a nominee of, DTC. Notes in definitive form issued in exchange for Restricted Global Notes or otherwise sold or transferred in accordance with the requirements of Rule 144A, together with the Restricted Global Notes, are referred to herein as **Restricted Notes**.

Restricted Notes shall bear a legend specifying certain restrictions on transfer (each, a **Legend**), such Notes being referred to herein as **Legended Notes**. Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of a Legend, the Registrar shall (save as provided in Condition 2.4 (*Exchanges and transfers of Registered Notes generally*)) deliver only Legended Notes or refuse to remove such Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Subject as otherwise provided in Condition 2 (*Exchange and Transfers of Registered Notes*), Definitive Registered Notes may be exchanged or transferred in whole or in part in the Specified Denominations for one or more Definitive Registered Notes of like aggregate nominal amount.

Each Definitive Registered Note will be numbered serially with an identifying number which will be recorded in the register (the **Register**) which the Issuer shall procure to be kept by the Registrar.



Notes are issued in the Specified Denomination(s) set out in the applicable Pricing Supplement which, in the case of Registered Notes sold other than pursuant to Regulation S, shall be the Authorized Denomination (as defined below) and, in the case of Notes having a maturity of 183 days or less, the Specified Denomination shall be at least U.S.\$500,000 (or the equivalent in any other currency or currencies).

**Authorized Denomination** means, in the case of a Restricted Notes, U.S.\$100,000 (or its equivalent rounded upwards as specified in the relevant Pricing Supplement) and higher integral multiples of U.S.\$10,000, or the higher denomination or denominations specified in the applicable Pricing Supplement.

Any minimum Authorized Denomination required by any law or directive or regulatory authority in respect of the currency of issue of any Note shall be such as applied on or prior to the date of issue of such Note.

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

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

For so long as The Depository Trust Company (**DTC**) or its nominee is the registered owner or holder of a Rule 144A Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Rule 144A Global Note for all purposes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

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



## **2. EXCHANGE AND TRANSFERS OF REGISTERED NOTES**

### **2.1 Transfers of interests in Registered Global Notes**

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable and exchangeable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the Specified Denomination(s) (or an integral multiple thereof) set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

### **2.2 Transfers of Registered Notes in definitive form**

Subject as provided in Conditions 2.3 (Transfers of interests in Legended Notes), 2.4 (*Exchanges and transfers of Registered Notes generally*) and 2.5 (*Registration of transfer upon partial redemption*) below, upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorized denominations set out in the applicable Pricing Supplement as Specified Denominations). In order to effect any such transfer (i) the holder or holders must (a) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorized in writing and (b) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 4 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the transferor.

### **2.3 Transfers of interests in Legended Notes**

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

- (i) to a transferee who takes delivery of such interest through a Regulation S Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S; or
- (ii) to a transferee who takes delivery of such interest through a Legended Note, where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the United States,

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

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

## **2.4 Exchanges and transfers of Registered Notes generally**

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

Exchanges or transfers by a holder of a Definitive Registered Note for an interest in, or to a person who takes delivery of such Note through, a Registered Global Note will be made no later than 60 days after the receipt by the Registrar or, as the case may be, the relevant Transfer Agent of the Definitive Registered Note to be so exchanged or transferred and, if applicable, upon receipt by the Registrar of a written certification from the transferor.

## **2.5 Registration of transfer upon partial redemption**

In the event of a partial redemption of Notes under Condition 8.3 (*Redemption at the Option of the Issuer (Issuer Call)*), the Issuer shall not be required:

- (a) to register the transfer of Registered Notes (or parts of Registered Notes) during the period beginning on the 15th day before the date of the partial redemption and ending on the date on which notice is given specifying the serial numbers of Notes called (in whole or in part) for redemption (both inclusive); or
- (b) to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

## **2.6 Closed Periods**

No Noteholder may require the transfer of a Registered Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest or payment on that Note.

## **2.7 Costs of exchange or registration**

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

## **2.8 Definitions**

In these Conditions, the following expressions shall have the following meanings:

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

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

**Regulation S** means Regulation S under the Securities Act;

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

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

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

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

### 3. STATUS

#### 3.1 Status of the Senior Notes

Notes, the status of which is specified in the applicable Pricing Supplement as Senior (the **Senior Notes**) and any relative Receipts and Coupons, are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsubordinated and unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

#### 3.2 Status of the Subordinated Notes

*This Condition 3.2 applies only to Notes specified in the applicable Pricing Supplement as Subordinated Notes and shall, to the extent applicable, be governed by Indian law. Subordinated Notes shall be either Upper Tier II Subordinated Notes (**Upper Tier II Subordinated Notes**) or Lower Tier*

*II Subordinated Notes (**Lower Tier II Subordinated Notes**). Upper Tier II Subordinated Notes and Lower Tier II Subordinated Notes are together referred to in these Conditions as **Subordinated Notes** which term, for the purposes of these Conditions and the Trust Deed, shall exclude Hybrid Tier I Notes.*

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

##### (a) Subordination

Subordinated Notes and any relative Receipts and Coupons are unsecured obligations of the Issuer and, in the event of the winding up of the Issuer, the claims of the holders of Subordinated Notes and any relative Receipts and Coupons pursuant thereto will be subordinated in right of payment to the claims of all other creditors (other than claims of holders of Subordinated Indebtedness ranking equal to or lower than the claims of the holders of Subordinated Notes and any relative Receipts and Coupons, if any) of the Issuer in the manner and to the extent provided in the Trust Deed. For the avoidance of doubt, the claims of holders of Subordinated Notes and any relative Receipts and Coupons shall be senior to the claims of holders of Tier I capital as defined in the Reserve Bank of India “RBI Circular on Capital Adequacy Standards FIC. No.842/01.02,00/93-94 addressed to Financial Institutions” dated March 29, 1994 (as amended from time to time, the **RBI Guidelines**), and the claims of holders of Lower Tier II Subordinated Notes and any relative Receipts and Coupons shall be senior to the claims of holders of Upper Tier II Subordinated Notes and any indebtedness classified as Upper Tier II capital by the RBI Guidelines.

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

**(b) *Payment Deferrals on Upper Tier II Subordinated Notes***

Unless otherwise provided in the applicable Pricing Supplement,

- (i) If (A) the Issuer is not, or would be caused by any payment of the principal of and/or (as the case may be) interest on any Upper Tier II Subordinated Note not to be, in compliance with the Capital to Risk Assets Ratio Requirement (as defined below) but (B) the Issuer is in compliance with the Net Loss Requirement (as defined below), in each case on the due date for the relevant payment, the Issuer shall not be liable to pay such principal and/or interest (as the case may be and provided that interest cannot be paid in part) as provided in this Condition 3.2(b) until the date specified in (v) below and any such failure to pay will not constitute a default by the Issuer for any purpose; provided, however, that the Issuer shall not declare or pay any dividends on any share capital of the Issuer or make any payments in respect of liabilities of the Issuer (other than the liabilities under the Lower Tier II Subordinated Notes and any other indebtedness classified as lower tier II capital by the RBI) that rank equally with or junior to the Upper Tier II Subordinated Notes unless and until any and all Payments in Arrears (as defined in (iv) below) and other accrued interest on the Upper Tier II Subordinated Notes, including Additional Payments (as defined in (iv) below), have been paid in full.
- (ii) If the Issuer is not, or would be caused by any payment of principal and/or interest (as the case may be) on any Upper Tier II Subordinated Note not to be, in compliance with (A) the Capital to Risk Assets Ratio Requirement and (B) the Net Loss Requirement, in each case on the due date for the relevant payment, the Issuer shall not make such payment on the due date and shall defer payment of such principal and/or interest (as the case may be) as provided in this Condition 3.2(b) until the date specified in (v) below and any such failure to pay will not constitute a default by the Issuer for any purpose; provided, however, that the Issuer shall not declare or pay any dividends on any share capital of the Issuer or make any payments in respect of liabilities of the Issuer (other than the liabilities under the Lower Tier II Subordinated Notes and any other indebtedness classified as tier II capital by the RBI Guidelines) that rank equally with or junior to the Upper Tier II Subordinated Notes unless and until any and all Payments in Arrears and other accrued interest on the Upper Tier II Subordinated Notes, including Additional Payments, have been paid in full.
- (iii) If (A) the Issuer is not, or would be caused by any payment of interest on any Upper Tier II Subordinated Note not to be, in compliance with the Net Loss Requirement but (B) the Issuer is in compliance with the Capital to Risk Assets Ratio Requirement, in each case on the due date for the relevant payment, the Issuer shall not, without the prior approval of the Reserve Bank of India, make such payment of interest, and payment of such interest shall be deferred as provided in this Condition 3.2(b) until the date specified in (v) below and any such failure to pay will not constitute a default by the Issuer for any purpose; provided, however, that the Issuer shall not declare or pay any dividends on any share capital of the Issuer or make any payments in respect of liabilities of the Issuer (other than the liabilities under the Lower Tier II Subordinated Notes and any other indebtedness classified as tier II capital by the RBI Guidelines) that rank equally with or junior to the Upper Tier II Subordinated Notes unless and until any and all Payments in Arrears and other accrued interest on the Upper Tier II Subordinated Notes, including Additional Payments, have been paid in full.
- (iv) Any principal or interest in respect of Upper Tier II Subordinated Notes not paid on the due date for payment thereof, together with any principal or interest in respect of Upper Tier II Subordinated Notes not paid on any other date, will, so long as the same remains unpaid, constitute **Payments in Arrears**. Unless otherwise provided in the applicable Pricing Supplement, until paid (whether before or after the Maturity Date), Payments in Arrears will be made with compound interest at a rate (the **Compound Rate**) which shall not exceed the interest rate payable on the relevant Upper Tier II Subordinated Note at that time (such additional interest amounts, **Additional Payments**). The Compound Rate in respect of each Tranche of Upper Tier II Subordinated Notes shall be set out in the applicable Pricing Supplement.

- (v) Payments in Arrears and accrued interest, including Additional Payments, in respect of Upper Tier II Subordinated Notes will (subject to Condition 3.2(a) (*Subordination*)) become due in full on whichever is the earlier of (A) the next Compulsory Payment Date (as defined below) or (B) the occurrence of an event as specified in Condition 11.2 (*Events of Default relating to Subordinated Notes and Hybrid Tier I Notes*). If notice is given by the Issuer of its intention to pay the whole or any part of Payments in Arrears and other accrued interest, including Additional Payments, the Issuer shall be obligated (subject to Condition 3.2(a) (*Subordination*)) to make such payment upon the expiration of such notice.

In respect of any Payments in Arrears arising pursuant to Conditions 3.2(b)(i) to 3.2(b)(iv), any such Payments in Arrears and accrued interest, including Additional Payments, thereon may, at the option of the Issuer, be paid (in whole but not in part) at any time upon the expiration of not less than 14 days' notice to such effect given to the Paying Agent and to the holders of the Notes, subject always to the provisions of this Condition 3.2(b)(v).

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

- (vi) As used in this Condition 3.2 and in Condition 3.3 (*Status of the Hybrid Tier I Notes*):

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

**Capital to Risk Assets Ratio Requirement** means the requirement for the minimum capital to risk assets ratio (**CRAR**) of the Issuer, determined in accordance with the guidelines of the Reserve Bank of India, which currently is 9.00%.

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

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

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

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

The definitions set forth in this Condition 3.2(b)(vi) are subject to such interpretations, amendments and clarifications of the RBI Guidelines as may be stipulated by the Reserve Bank of India from time to time. The Issuer shall notify or procure notification of any such interpretations, amendments and clarifications of the Reserve Bank of India, to the Trustee, the Paying Agents, the Transfer Agents, the Registrar, the SGX-ST, the ISM and the Noteholders (in accordance with Condition 15 (*Notices*)) no later than five days from the announcement or publication of such.



- (vii) On the fifth Business Day (as defined in Condition 6.6 (*Definitions*)) immediately preceding any date for payment of principal of and/or (as the case may be) interest on any of the Upper Tier II Subordinated Notes (the **Payment Deferral Determination Date**), the Issuer will determine, as of such Payment Deferral Determination Date, if it shall not be liable to or (as the case may be) is required to defer such payment of principal of and/or (as the case may be) interest on any of the Upper Tier II Subordinated Notes pursuant to any of Conditions 3.2(b)(i), 3.2(b)(ii) or 3.2(b)(iii). In the event that the Issuer determines that it shall or must defer such payment of principal of and/or (as the case may be) interest on any of the Upper Tier II Subordinated Notes as provided above, the Issuer shall (a) notify or procure notification, no later than the day immediately following the relevant Payment Deferral Determination Date, to the Trustee, the Paying Agents, the Transfer Agents, the Registrar, the SGX-ST, the ISM and the Noteholders (in accordance with Condition 15 (*Notices*)), of that fact and of the amount to be deferred and (b) deliver to the Registrar a certificate signed by two authorized officers of the Issuer (the **Deferral Certificate**) stating such fact, the amount to be deferred in respect of such payment and the relevant sub-paragraph of this Condition 3.2(b) whereby such right of deferral arose.

PROVIDED THAT, in the event that the Issuer determines, on the relevant payment date, the circumstances giving rise to the right and/or (as the case may be) requirement to defer the relevant payment pursuant to Conditions 3.2(b)(i), 3.2(b)(ii) or 3.2(b)(iii) as set out in the Deferral Certificate no longer apply, the Issuer shall (x) notify or procure notification, no later than the day following the relevant payment date, to the Trustee, the Paying Agents, the Transfer Agents, the Registrar, the SGX-ST, the ISM and the Noteholders (in accordance with Condition 15 (*Notices*)), of the fact, and (y) make payment of the relevant amount of principal of and/or interest on the Upper Tier II Subordinated Notes as soon as practicable and in any event no later than two Business Days immediately following the relevant payment date.

### **3.3 Status of the Hybrid Tier I Notes**

This Condition 3.3 applies only to Notes specified in the applicable Pricing Supplement as **Hybrid Tier I Notes** and shall, to the extent applicable, be governed by Indian law.

#### **(a) Status**

The Hybrid Tier I Notes are direct and unsecured obligations of the Issuer and are subordinated in the manner described in Condition 3.3(b) (*Subordination*).

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

#### **(b) Subordination**

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

- (i) the indebtedness evidenced by the Hybrid Tier I Notes constitutes unsecured and subordinated obligations of the Issuer; and
- (ii) the subordination is for the benefit of the holders of indebtedness that rank senior to the Hybrid Tier I Notes. Claims in respect of the Hybrid Tier I Notes will rank (i) *pari passu* and without preference among themselves (ii) *pari passu* with claims of creditors of the Issuer which are subordinated so as to rank *pari passu* with claims in respect of the Hybrid Tier I Notes and (iii) in priority to the rights and claims of holders of the equity shares of the Issuer.

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



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

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

*As a consequence of these subordination provisions, if a Winding Up Proceeding should occur, the Noteholders, Receiptholders and Couponholders may recover less rateably than the holders of deposit liabilities or the holders of other unsubordinated liabilities of the Issuer. Moreover, holders of Hybrid Tier I Notes would likely be required to pursue their claims on the Hybrid Tier I Notes in proceedings in India as further described in Condition 11.3 (Enforcement).*

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

*As of March 31, 2018, all of the Issuer's outstanding third party liabilities rank senior to the Hybrid Tier I Notes. Except as provided above, the Hybrid Tier I Notes do not limit the amount of liabilities ranking senior or equal to the Hybrid Tier I Notes.*

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

**(c) Payment Limitation on Hybrid Tier I Notes**

Unless otherwise provided in the applicable Pricing Supplement,

- (i) If the Issuer is not, or would be caused by any payment of interest on any Hybrid Tier I Note not to be, in compliance with the Capital to Risk Assets Ratio Requirement, on the due date for the relevant payment, the Issuer shall not be liable to make payment of such interest as provided in this Condition 3.3(c) and any such failure to pay will not constitute a default by the Issuer for any purpose; provided, however, that the Issuer shall not declare or pay any dividends on any share capital of the Issuer or make any payments in respect of liabilities of the Issuer (other than the liabilities under the Subordinated Notes and any other indebtedness classified as tier II capital by the RBI Guidelines) that rank equally with or junior to the Hybrid Tier I Notes (each such declaration or (as the case may be) payment being a **Subordinated Payment**) unless and until such time as all payments of interest under the Hybrid Tier I Notes are made by the Issuer, as and when such payments are due, for the Interest Period immediately preceding such Subordinated Payment.

If the Issuer is not, or would be caused by any payment of interest on any Hybrid Tier I Note not to be, in compliance with the Net Loss Requirement on the due date for the relevant payment, the Issuer shall not, without the prior approval of the Reserve Bank of India, make such payment of interest, and any such failure to pay will not constitute a default by the Issuer for any purpose; provided, however, (a) that the Issuer shall not make any Subordinated Payment unless and until such time as all payments of interest under the Hybrid Tier I Notes are made by the Issuer, as and when such payments are due, for the Interest Period immediately preceding such Subordinated Payment and (b) that if the Issuer is in compliance with the Capital to Risk Assets Ratio Requirement, the Issuer shall apply to the Reserve Bank of India for approval to make such payment of interest. If the Reserve Bank of India grants such permission, notwithstanding any prior delivery of a Payment Limitation Certificate (as defined below), the Issuer shall, subject to compliance with such conditions as may be stipulated by the Reserve Bank of India while granting such approval, proceed to pay the interest due either (x)

on the relevant Interest Payment Date or (y) within five Business Days from receipt of the approval from the Reserve Bank of India (such approval to be notified by the Issuer to the Trustee in a certificate signed by two authorized officers) if such approval is received after the date which is five Business Days prior to the relevant Interest Payment Date.

- (ii) Interest on the Hybrid Tier I Notes will be non-cumulative. If any interest on the Hybrid Tier I Notes is not paid pursuant to and in accordance with this Condition 3.3(c), the right of Noteholders, Receiptholders and Couponholders to receive such amount of interest on the Hybrid Tier I Notes will be lost and the Issuer will have no further obligation in respect of such amount of interest on the Hybrid Tier I Notes whether or not any amount of interest is paid for any future Interest Period.
- (iii) On the fifth Business Day (as defined in Condition 6.6 (*Definitions*)) immediately preceding any date for payment of interest on any of the Notes (the **Payment Limitation Determination Date**), the Issuer will determine, as of such Payment Limitation Determination Date, if it shall not be liable to make such payment of interest on any of the Hybrid Tier I Notes pursuant to any of Conditions 3.3(c)(i), 0 or 3.3(c)(ii). In the event that the Issuer determines that it shall not make such payment of interest on any of the Hybrid Tier I Notes as provided above, the Issuer shall (a) notify or procure notification, no later than the day immediately following the relevant Payment Limitation Determination Date, to the Trustee, the Paying Agents, the Transfer Agents, the Registrar, the SGX-ST, the ISM and the Noteholders (in accordance with Condition 15 (*Notices*)), of that fact and of the amount that shall not be paid and (b) deliver to the Registrar a certificate signed by two authorized officers of the Issuer (the **Payment Limitation Certificate**) stating such fact, the amount which shall not be paid in respect of such payment and the relevant sub-paragraph of this Condition 3.3(c) whereby such right of non-payment arose. PROVIDED THAT, in the event that the Issuer determines, on the relevant payment date, the circumstances giving rise to the Issuer's right to not pay the relevant payment pursuant to Conditions 3.3(c)(i), 0 or 3.3(c)(ii) as set out in the Payment Limitation Certificate no longer apply, the Issuer shall (x) notify or procure notification, no later than the day following the relevant payment date, to the Trustee, the Paying Agents, the Transfer Agents, the Registrar, the SGX-ST, the ISM and the Noteholders (in accordance with Condition 15 (*Notices*)), of the fact, and (y) make payment of the relevant amount of interest on the Hybrid Tier I Notes as soon as practicable and in any event no later than two Business Days following the relevant payment date.

#### 4. NEGATIVE PLEDGE

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

- (i) all amounts payable by it under the Senior Notes and the Trust Deed (in respect of the Senior Notes) are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee in its absolute discretion; or
- (ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (i) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the holders of the Senior Notes or (ii) as is approved by an Extraordinary Resolution (which is defined in the Trust Deed as a resolution duly passed by a majority of not less than three-fourths of the votes cast thereon) of the holders of the Senior Notes.

For the purposes of these Conditions, **Relevant Indebtedness** means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, and (ii) any guarantee or indemnity in respect of any such indebtedness.

## 5. REDENOMINATION

### 5.1 Redenomination

Where redenomination is specified in the applicable Pricing Supplement as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders or the Couponholders, on giving 30 days' prior notice to the Trustee, the Paying Agents, the Transfer Agents, Euroclear, Clearstream and/or DTC as applicable, and at least 30 days' prior notice to the Noteholders in accordance with Condition 15 (*Notices*), elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

- (a) the Notes and the Receipts shall be deemed to be redenominated in euro in the denomination of 0.01 with a nominal amount in euro for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Principal Paying Agent and the Trustee, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes are for the time being listed and the Paying Agents of such deemed amendments;
- (b) save to the extent that an Exchange Notice has been given in accordance with Condition 5.1(d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes held (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (c) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of euro 1,000, euro 10,000, euro 100,000 and (but only to the extent of any remaining amounts less than 1,000 or such smaller denominations as the Issuer in conjunction with the Agent may determine) euro 0.01 and such other denominations as the Issuer shall determine and notify to the Noteholders;
- (d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the **Exchange Notice**) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;
- (e) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee. If payments cannot be effected by credit or transfer, then such payments will be made by a euro cheque;

(f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:

(i) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note; and

(ii) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;

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

(g) if the Notes are Floating Rate Notes, the applicable Pricing Supplement will specify any relevant changes to the provisions relating to interest; and

(h) such other changes shall be made to these Conditions as the Issuer may decide, after consultation with the Trustee and the Principal Paying Agent, and as may be specified in the notice, to conform them to conventions then applicable to instruments denominated in euro.

## 5.2 Definitions

In these Conditions, the following expressions have the following meanings:

**Established Rate** means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140 of the Treaty;

**euro** and **€** mean the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

**Redenomination Date** means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to Condition 5.1 (*Redenomination*) above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and

**Treaty** means the Treaty on the Functioning of the European Union, as amended.

## 6. INTEREST

*The Hybrid Tier I Notes and the Subordinated Notes with floating rate of interest are required to be referenced to a market determined Rupee interest benchmarked rate, under guidelines issued by the RBI.*

### 6.1 Interest on Fixed Rate Notes

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

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

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

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

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

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

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 6.1:

- (a) if **Actual/Actual (ICMA)** is specified in the applicable Pricing Supplement:
  - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
  - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; or
- (b) if **30/360** is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.



In these Conditions:

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

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

## **6.2 Interest on Floating Rate Notes and Index Linked Interest Notes**

### **(a) Interest Payment Dates**

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

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

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

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

### **(b) Rate of Interest**

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

#### **(i) ISDA Determination for Floating Rate Notes**

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

- (A) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (C) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (**LIBOR**), on the Euro-zone inter-bank offered rate (**EURIBOR**), on the Hong Kong inter-bank offered rate (**HIBOR**) or the CNH Hong Kong interbank offered rate (**CNH HIBOR**), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

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



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

*(ii) Screen Rate Determination for Floating Rate Notes*

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

(A) the offered quotation; or

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

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, Brussels time, in the case of EURIBOR, or Hong Kong time, in the case of HIBOR) or as at 11.15 a.m., Hong Kong time, (in the case of CNH HIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

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

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

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

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 6.2(b) (*Rate of Interest*) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 6.2(b) (*Rate of Interest*) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

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

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

The Principal Paying Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount,

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

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 6.2:

- (i) if **Actual/Actual (ISDA)** or **Actual/Actual** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if **Actual/365 (Fixed)** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (iii) if **Actual/365 (Sterling)** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if **Actual/360** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (v) if **30/360, 360/360** or **Bond Basis** is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

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

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

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

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

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

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 15 (*Notices*). For the purposes of this Condition 6.2(e), the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

***(f) Determination or Calculation by Trustee***

If for any reason at any relevant time the Principal Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with Condition 6.2(b)(i) (*ISDA Determination for Floating Rate Notes*) or Condition 6.2(b)(ii) (*Screen Rate Determination for Floating Rate Notes*) above or as otherwise specified in the applicable Pricing Supplement, as the case may be, and in each case in accordance with Condition 6.2(d) (*Determination of Rate of Interest and Calculation of Interest Amounts*) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 6, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Pricing Supplement), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent or the Calculation Agent, as applicable.

***(g) Certificates to be Final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6, whether by the Principal Paying Agent or, if applicable, the Calculation Agent or the Trustee, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, the Trustee, the Principal Paying Agent, the Registrar, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of willful default and bad faith) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**6.3 Interest on Dual Currency Interest Notes**

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

**6.4 Interest on Partly Paid Notes**

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

## 6.5 Accrual of Interest

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

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) as provided in the Trust Deed.

## 6.6 Definitions

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

- (A) in any case where Specified Periods are specified in accordance with Condition 0 (*Interest Payment Dates*) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, “**Business Day**” means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Additional Business Center (other than the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor system (the “**TARGET2 System**”)) specified in the applicable Pricing Supplement;
- (b) if the Target2 System is specified as an Additional Business Center in the applicable Pricing Supplement, a day on which the Target2 System is open or in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and
- (c) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal finance center of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Target2 System is open.

## 7. PAYMENTS

### 7.1 Method of payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro and Renminbi will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial center of the country of such Specified Currency (which, if the Specified Currency is New Zealand dollars, shall be Auckland and Wellington). If payments cannot be effected by credit or transfer, then such payments will be made by a cheque in such Specified Currency drawn on a bank in the principal financial center of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively);
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee. If payments cannot be effected by credit or transfer, then such payments will be made by a euro cheque; and
- (c) payments in Renminbi will be made by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*) and (ii) any withholding or deduction required pursuant to Section 871(m) of the Code (**871(m) Withholding**). In addition, in determining the amount of 871(m) Withholding imposed with respect to any amounts to be paid on the Notes, the Issuer shall be entitled to withhold on any “dividend equivalent” (as defined for purposes of Section 871(m) of the Code) at the highest rate applicable to such payments regardless of any exemption from, or reduction in, such withholding otherwise available under applicable law.

With respect to Notes that provide for net dividend reinvestment in respect of either an underlying U.S. security (*i.e.*, a security that pays U.S. source dividends) or an index that includes U.S. securities, all payments on the Notes that reference such U.S. securities or an index that includes U.S. securities may be calculated by reference to dividends on such U.S. securities that are reinvested at a rate of 70%. In such case, in calculating the relevant payment amount, the Issuer will withhold 30% of amounts that are or will be payable under the security (including possibly a portion of the payments at maturity of the security) that are potentially treated as U.S.-source dividend equivalent payments (as defined in Section 871(m) of the Code). The Issuer will not pay any additional amounts to the holder on account of the Section 871(m) amount deemed withheld.

### 7.2 Presentation of definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 7.1 (*Method of payment*) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America and its possessions).

Payments of Installment Amounts (if any) in respect of definitive Bearer Notes, other than the final installment, will (subject as provided below) be made in the manner provided in Condition 7.1 (*Method of payment*) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final installment will be made in the manner provided in Condition 7.1 (*Method of payment*) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant installment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.



Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9.2 (*Interpretation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

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

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

### **7.3 Payments in respect of Bearer Global Notes**

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

### **7.4 Payments in respect of Registered Notes**

Payments of principal (other than installments of principal (if any) prior to the final installment) in respect of Registered Notes (whether in definitive or global form) will be made in the manner specified in Condition 7.1 (*Method of payment*) to the persons in whose name such Registered Notes are registered (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream are, and, in respect of Rule 144A Global Notes, DTC is open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the business day (being for this purpose a day on which banks are open for business in the city where the Registrar is located) immediately prior to the relevant payment date against presentation and surrender (or, in the case of part payment only of any sum due, endorsement) of such Registered Notes at the specified office of the Registrar.

Payments of interest due on a Registered Note (whether in definitive or global form) and payments of installments of principal (if any) due on a Registered Note (other than the final installment) will be made in the manner specified in Condition 7.1 (*Method of payment*) to the person in whose name such Note is registered (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream are, and, in respect of Rule 144A Global Notes, DTC is open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day (being for this purpose a day on which banks are open for business in the city where the Registrar is located) (the “**Record Date**”)) prior to such due date. In the case of payments by cheque, cheques will be mailed to the holder (or the first named of joint holders) at such holder’s registered address on the business day (as described above) immediately preceding the due date.

If payment in respect of any Registered Notes is required by credit or transfer as referred to in Condition 7.1(a) (*Method of payment*), application for such payment must be made by the holder to the Registrar not later than the relevant Record Date.

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

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

## **7.5 General provisions applicable to payments**

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

Notwithstanding the foregoing provisions of this Condition 7, if any amount of principal and/or interest in respect of any Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

## **7.6 Payment Day**

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

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (i) in the case of Notes in definitive form only, the relevant place of presentation; and
  - (ii) each Additional Financial Center (other than the Target2 System) specified in the applicable Pricing Supplement;
  - (iii) if Target2 System is specified as an Additional Financial Center in the applicable Pricing Supplement, a day on which the Target2 System is open; and

- (b) either (A) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland), (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open or (C) in relation to any sum payable in Renminbi, a day on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong; and
- (c) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorized or required by law or regulation to be closed in New York City.

## **7.7 Interpretation of principal and interest**

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

- (a) any additional amounts which may be payable with respect to principal under Condition 9 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Notes redeemable in installments, the Installment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortized Face Amount (as defined in Condition 8.6 (*Early Redemption Amounts*)); and
- (g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

## **8. REDEMPTION AND PURCHASE**

*For the avoidance of doubt, all payments made in respect of Subordinated Notes and Hybrid Tier I Notes under this Condition 8 shall be subject to such further interpretations, amendments and clarifications as may be stipulated by the Reserve Bank of India from time to time.*

### **8.1 Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note), save for any Hybrid Tier I Note, will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date, subject to compliance with the applicable regulatory requirements, including in the case of Upper Tier II Subordinated Notes, the prior approval of the Reserve Bank of India.

*The Hybrid Tier I Notes are perpetual with no scheduled maturity date and may only be redeemed in accordance with Conditions 8.2 (Redemption for tax reasons), 8.3 (Redemption at the Option of the Issuer (Issuer Call)) or 8.4 (Redemption of Hybrid Tier I Notes for Regulatory Reasons) and subject to the conditions and limitations set forth therein.*

## **8.2 Redemption for tax reasons**

Subject to Condition 8.6 (*Early Redemption Amounts*), in the case of Senior Notes or Subordinated Notes, at any time prior to the applicable Maturity Date, or in the case of Hybrid Tier I Notes, at any time prior to the first Optional Redemption Date as specified in the applicable Pricing Supplement, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 15 (*Notices*), the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee (in its absolute discretion) immediately before the giving of such notice that:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 9 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes for such Series; and
- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that (1) in the case of Subordinated Notes, the prior approval of the RBI or such other relevant authority shall have been obtained, if necessary, (2) in the case of Hybrid Tier I Notes, the Conditions for Redemption set out in Condition 8.12 (*Conditions for Redemption of Hybrid Tier I Notes*) having been satisfied, and (3) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which, the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition 8, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders a certificate signed by an authorized officer of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognized standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

As used in this Condition 8, **authorized officer of the Issuer** shall mean a person (a) who is duly authorized by (i) the Chairman and Managing Director of the Issuer or (ii) the Fund Management Committee of the Issuer or (b) who is a constituted attorney of the Issuer.

Notes redeemed pursuant to this Condition 8.2 will be redeemed at their Early Redemption Amount referred to in Condition 8.6 (*Early Redemption Amounts*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

## **8.3 Redemption at the Option of the Issuer (Issuer Call)**

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, (1) in the case of Subordinated Notes, having obtained the prior approval of the Reserve Bank of India or other relevant authority, if necessary, (2) in the case of Hybrid Tier I Notes, the Conditions for Redemption set out in Condition 8.12 (*Conditions for Redemption of Hybrid Tier I Notes*) having been satisfied, and (3) in the case of any Note having given:

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

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

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and/or not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will (i) in the case of Redeemed Notes be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream and/or, as the case may be, DTC. In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 (*Notices*) not less than 15 days prior to the date fixed for redemption.

*Hybrid Tier I Notes and Upper Tier II Subordinated Notes may be redeemable at the option of the Issuer only upon the expiry of ten years from the date of issuance of the first Tranche of the Notes of such Series. Lower Tier II Subordinated Notes may be redeemable at the option of the Issuer in accordance with such terms and conditions as may be stipulated by the RBI at the time of granting approval for issuance of such Lower Tier II Subordinated Notes and in accordance with applicable notification procedures, if any.*

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

#### **8.4 Redemption of Hybrid Tier I Notes for Regulatory Reasons**

Subject to the Conditions for Redemption in Condition 8.12 (*Conditions for Redemption of Hybrid Tier I Notes*) having been satisfied, the Hybrid Tier I Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time prior to the first Optional Redemption Date as specified in the applicable Pricing Supplement, on giving not less than 30 nor more than 60 days' notice to the Trustee, the Paying Agents, the Transfer Agents, the Registrar, the SGX-ST, the ISM and, in accordance with Condition 15 (*Notices*), the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee (acting in its absolute discretion) immediately before the giving of such notice that for any reason, there is more than an insubstantial risk that for the purposes of the Reserve Bank of India's capital adequacy requirements under applicable regulations from time to time applicable to the Issuer, the Hybrid Tier I Notes, after having qualified as such, will no longer qualify as Tier I capital of the Issuer under applicable regulations (other than for the reason that the amount of Hybrid Tier I Notes exceeds any limitations prescribed by the Reserve Bank of India with respect to the amount that qualifies as Tier I capital) provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which it is determined that there is more than an insubstantial risk that for the purposes of the Reserve Bank of India's capital adequacy requirements under applicable regulations from time to time applicable to the Issuer the Hybrid Tier I Notes will no longer qualify as Tier I capital of the Issuer.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee:

- (1) a certificate signed by an authorized officer of the Issuer stating that the circumstances referred to in this Condition 8.4 exist and is prevailing (including the requirements of Condition 8.12 (*Conditions for Redemption of Hybrid Tier I Notes*)) and setting out the details of such circumstances; and



- (2) an opinion of independent legal advisers of recognized standing experienced in such matters to the effect that there is more than an insubstantial risk that for the purposes of the Reserve Bank of India's capital adequacy requirements under applicable regulations from time to time applicable to the Issuer, the Hybrid Tier I Notes, after having qualified as such, will no longer qualify as Tier I capital of the Issuer under applicable regulations (other than for the reason that the amount of Hybrid Tier I Notes exceeds any limitations prescribed by the Reserve Bank of India with respect to the amount that qualifies as Tier I capital),

and the Trustee shall be entitled without further action or inquiry to accept the certificate as conclusive and sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Hybrid Tier I Notes redeemed pursuant to this Condition 8.4 will be redeemed at their Regulatory Redemption Amount.

For the purposes of this Condition 8.4:

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

**"Base Redemption Amount"** means the sum of (i) 100.00% of the aggregate principal amount of the Hybrid Tier I Notes being redeemed and (ii) an amount equal to unpaid interest, if any, thereon for the relevant Interest Period;

**"Make Whole Amount"** means an amount, as applied on any date of redemption of the Hybrid Tier I Notes pursuant to this Condition 8.4, equal to the sum of (i) the present value of the outstanding principal amount of the Hybrid Tier I Notes, assuming a repayment thereof on the first Optional Redemption Date as set out in the applicable Pricing Supplement, and (ii) the present value of the remaining payments of interest scheduled to be paid to and including such first Optional Redemption Date, in each case discounted to the redemption date on the basis of the Day Count Fraction set forth in the Pricing Supplement, at the applicable Treasury Yield plus the Applicable Spread;

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

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



## 8.5 Redemption of the Senior Notes at the Option of the Noteholders (Investor Put)

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

If Investor Put is specified in the relevant Pricing Supplement with respect to Senior Notes only, upon the holder of any Senior Note giving to the Issuer in accordance with Condition 15 (*Notices*) not less than 30 nor more than 60 days' notice (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, such Senior Note on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date.

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

To exercise the right to require redemption of a Senior Note the holder of such Senior Note must deliver a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent, Transfer Agent or the Registrar (a **Put Notice**) accompanied by, if the Senior Note is in definitive form, the definitive Senior Note, to the specified office of any Paying Agent, in the case of Bearer Notes, or of any Transfer Agent or the Registrar in the case of Registered Notes, at any time within the notice period during normal business hours of such Paying Agent, Transfer Agent or the Registrar. In the Put Notice the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition 8.

*Any optional redemption of the Notes is subject to compliance with applicable regulatory requirements, including the prior approval of the RBI, which approval may be subject to such terms and conditions which the RBI may deem appropriate to impose.*

## 8.6 Early Redemption Amounts

For the purpose of Conditions 8.2 (*Redemption for tax reasons*) and 8.5 (*Redemption of the Senior Notes at the Option of the Noteholders (Investor Put)*) above and Condition 11 (*Events of Default and Enforcement*),

- (a) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and
- (b) each Zero Coupon Note will be redeemed, at an amount (the “**Amortized Face Amount**”) calculated in accordance with the following formula:

Early Redemption Amount =  $RP \times (1 + AY)^y$  where: “**RP**” means the Reference Price;

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

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

or on such other calculation basis as may be specified in the applicable Pricing Supplement.

## 8.7 Installments

Installment Notes will be redeemed in the Installment Amounts and on the Installment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 8.6 (*Early Redemption Amounts*) above.

## 8.8 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 8 and the applicable Pricing Supplement.

## 8.9 Purchases

The Issuer may at any time purchase (i) Senior Notes and (ii) (subject to obtaining the prior approval of the Reserve Bank of India or other relevant authority) Subordinated Notes and/or Hybrid Tier I Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer surrendered to any Paying Agent and/or the Registrar for cancellation subject to applicable laws.

## 8.10 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 8.9 (*Purchases*) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent (which shall notify the Registrar of such cancelled Notes in the case of Registered Notes) and may not be reissued or resold.

## 8.11 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Conditions 8.1 (*Redemption at maturity*), 8.2 (*Redemption for tax reasons*), 8.3 (*Redemption at the Option of the Issuer (Issuer Call)*) or 8.5 (*Redemption of the Senior Notes at the Option of the Noteholders (Investor Put)*) above or upon its becoming due and repayable as provided in Condition 11 (*Events of Default and Enforcement*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 8.6(b) (*Early Redemption Amounts*) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the monies payable in respect of such Zero Coupon Note has been received by the Trustee or the Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 15 (*Notices*).

## 8.12 Conditions for Redemption of Hybrid Tier I Notes

The Issuer shall not redeem any of the Hybrid Tier I Notes or purchase and cancel the Hybrid Tier I Notes unless (i) the Issuer is solvent at the time of payment and immediately thereafter and (ii) the prior written consent of the Reserve Bank of India shall have been obtained (collectively, the “**Conditions for Redemption**”). Prior to any redemption of Hybrid Tier I Notes under this Condition 8, the Issuer shall deliver to the Trustee a certificate signed by an authorized officer of the Issuer confirming that the Issuer is entitled to effect the redemption and setting forth a statement of facts showing which Conditions have been satisfied and whether any consent of the Reserve Bank of India is required, and if so required in connection with any such redemption or a redemption under Condition 8.2 (*Redemption for tax reasons*) or 8.4 (*Redemption of Hybrid Tier I Notes for Regulatory Reasons*), attaching thereto a copy of such consent as well as a certificate as to the solvency of the Issuer executed by an authorized officer of the Issuer. Such certificates and attachments shall be made available for inspection by the Noteholders. The Trustee shall be entitled without further action or enquiry to accept the certificate and attachment as conclusive and sufficient evidence of the contents and matters set forth therein.

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

## **9. TAXATION**

### **9.1 Payment without Withholding**

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

- (a) the holder of which is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7.6 (*Payment Day*)); or
- (c) presented for payment by or on behalf of a holder of such Note, Receipt or Coupon who, at the time of such presentation, is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption and does not make such declaration or claim.

### **9.2 Interpretation**

As used herein:

- (i) “**Tax Jurisdiction**” means
  - (A) where the Issuer is acting through its Head Office in India, India or any political subdivision or any authority thereof or therein having power to tax payments made by the Issuer of principal or interest on the Notes, Receipts or Coupons; or
  - (B) where the Issuer is acting through any branch outside India as specified in the applicable Pricing Supplement, India or any political subdivision or any authority thereof or therein having power to tax or the jurisdiction in which such branch is situated or any political subdivision or any authority thereof or therein having power to tax payments made by the Issuer of principal or interest on the Notes, Receipts or Coupons; and
- (ii) “**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the monies payable has not been duly received by the Trustee or the Principal Paying Agent or, as the case may be, the Registrar on or prior to such due date, it means the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15 (*Notices*).

### 9.3 Transfers or Sales

The Issuer has in the Trust Deed agreed, subject to receipt of written evidence reasonably satisfactory to the Issuer in respect thereof, to indemnify any transferor or transferee of a Note (or any beneficial interest therein), other than a transferor or transferee who is liable to Indian tax by reason of his having a connection with India, apart from the mere holding of a Note, against any loss resulting from the imposition of Indian income, capital gains or gift tax on transfer or sale of a Note outside India, provided that (i) such indemnity shall not (a) extend to any penalty interest or tax incurred as a result of any delay or failure on the part of the relevant transferor or transferee in complying the applicable tax laws and regulations and (b) be enforceable by any person other than the relevant transferor or transferee and (ii) the Issuer shall incur no liability in respect of this indemnity towards any person other than the relevant transferor or transferee. The foregoing indemnity will terminate upon the Issuer providing (a) certification signed by two authorized officers of the Issuer and (b) a reasoned legal opinion in writing of a practicing Indian taxation lawyer acceptable to the Trustee, that it is satisfied, on the basis of an appropriate amendment of the Income Tax Act 1961 of India that the Notes are not and are not deemed to be situated in India.

*Under current RBI regulations applicable to external commercial borrowings, the Issuer would require the prior approval of RBI before making any payment under this indemnity. Such approval may or may not be forthcoming.*

## 10. PRESCRIPTION

The Notes, Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9.2 (*Interpretation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 10 or Condition 7.2 (*Presentation of definitive Bearer Notes, Receipts and Coupons*) or any Talon which would be void pursuant to Condition 7.2 (*Presentation of definitive Bearer Notes, Receipts and Coupons*).

## 11. EVENTS OF DEFAULT AND ENFORCEMENT

### 11.1 Events of Default relating to Senior Notes

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Senior Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), (but, in the case of the happening of any of the events described in Conditions 11.1(b) and 11.1(c) and 11.1(e) to 11.1(g) inclusive and 11.1(j) (in respect of any event which has an analogous effect to any of the events referred to in Conditions 11.1(e) to 11.1(g) below), only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interest of the Noteholders) give notice in writing to the Issuer that each Senior Note is, and each Senior Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an “**Event of Default**”) shall occur:

- (a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and, in the case of interest, the default continues for a period of 15 days; or
- (b) if the Issuer fails to perform or observe any of its other obligations under the Conditions or the Trust Deed and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if (i) any other present or future Indebtedness for Borrowed Money of the Issuer becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or (ii) any such Indebtedness for Borrowed Money is not paid when

due or, as the case may be, within any applicable grace period, or (iii) the Issuer fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any Indebtedness for Borrowed Money other than, in relation to this subparagraph (iii) only, in circumstances where the Issuer is (A) contesting in good faith in appropriate proceedings the fact that any such amount is due or (B) prohibited from making payment of any such amount by the order of a court having appropriate jurisdiction, provided that the aggregate amount outstanding of the relevant Indebtedness for Borrowed Money or amounts payable under the guarantees and/or indemnities in respect of one or more events mentioned above in this Condition 11.1(c) exceeds U.S.\$25,000,000 or its equivalent in other currencies; or

- (d) if any order is made under the Export-Import Bank of India Act, 1981 (as amended) by the Government of India for the winding up or liquidation of the Issuer, save for the purposes of reorganization on terms previously approved by an Extraordinary Resolution; or
- (e) if the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganization on terms previously approved by an Extraordinary Resolution, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due; or
- (f) if the Issuer (or its directors or shareholders) makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (g) if any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or any material part of the assets or shares of the Issuer without fair compensation, unless, and for so long as, the Trustee is satisfied that such compulsory purchase or expropriation is being contested in good faith and by appropriate proceedings; or
- (h) if at any time the Government of India owns (directly or indirectly) less than 51.00% of the issued share capital of the Issuer; or
- (i) a moratorium is agreed or declared by the Issuer in respect of any Indebtedness for Borrowed Money (including any obligations arising under guarantees) of the Issuer; or
- (j) if any event occurs, which, under the laws of India, has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in Conditions 11.1(d) to 11.1(i) inclusive.

For the purposes of this Condition 11, "**Indebtedness for Borrowed Money**" means (i) any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or (ii) any borrowed money or (iii) any liability under or in respect of any acceptance or acceptance credit.

## **11.2 Events of Default relating to Subordinated Notes and Hybrid Tier I Notes**

- (a) *Subject to the provisions of Conditions 3.2(b) (Payment Deferrals on Upper Tier II Subordinated Notes) and 3.3(c) (Payment Limitation on Hybrid Tier I Notes), if default is made in the payment of any principal or interest due on the Subordinated Notes or the Hybrid Tier I Notes or any of them on the due date and, in the case of interest, such default continues for a period of 15 days the Trustee may, at its discretion and without further notice (subject to being indemnified and/or secured and/or pre-funded to its satisfaction), institute such proceedings against the Issuer as it may think fit to enforce the obligations of the Issuer under the Subordinated Notes, the Hybrid Tier I Notes or the Trust Deed provided that the Issuer shall not, by virtue of the institution of any such proceedings other than in the event of a winding-up or liquidation of the Issuer, be obliged to pay any sums sooner than the same would otherwise have been payable by it.*
- (b) *If any order of the Government of India is made for the winding up or liquidation of the Issuer, save for the purposes of reorganization on terms previously approved by an Extraordinary Resolution, the Trustee may, and if so requested in writing by the holders of at least one-fifth*



*in nominal amount of the Subordinated Notes or (as the case may be) the Hybrid Tier I Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall (subject to being indemnified and/or secured to its satisfaction) give notice to the Issuer that the Subordinated Notes or (as the case may be) the Hybrid Tier I Notes are, and they shall, subject to the prior approval of the Reserve Bank of India having been obtained, thereupon immediately become, due or repayable at the amount provided in, or calculated in accordance with, Condition 8.6 (Early Redemption Amounts), together with accrued interest as provided in the Trust Deed.*

### **11.3 Enforcement**

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

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

## **12. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS**

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

## **13. PRINCIPAL PAYING AGENT, REGISTRAR, EXCHANGE AGENT, PAYING AND TRANSFER AGENTS**

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

The Issuer is, with the prior written approval of the Trustee, entitled to vary or terminate the appointment of any Paying Agent, the Exchange Agent, Registrar or Transfer Agent and/or appoint additional or other Paying Agents, Exchange Agents, Registrars or Transfer Agents and/or approve any change in the specified office through which any of the same acts, provided that:

- (i) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent and, if appropriate, a Registrar and Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange;
- (ii) so long as the Notes are listed on the SGX-ST or any successor thereto and the rules of the SGX-ST so require, there will at all times be a Paying Agent in Singapore where the Notes may be presented or surrendered for payment or redemption in the event that the Notes are issued in or exchanged for definitive form unless the Issuer obtains an exemption from the SGX-ST;
- (iii) there will at all times be a Registrar and a Transfer Agent;
- (iv) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent; and
- (v) there will at all times be a Principal Paying Agent.



In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the second paragraph of Condition 7.2 (*Presentation of definitive Bearer Notes, Receipts and Coupons*). Notice of any variation, termination, appointment or change in Paying Agents will be given promptly to the Noteholders in accordance with Condition 15 (*Notices*).

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

#### **14. EXCHANGE OF TALONS**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10 (*Prescription*).

#### **15. NOTICES**

Notices to holders of Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an overseas address) by air mail to them at their respective addresses as recorded in the Register and will be deemed to have been validly given on the fourth day after the date of such mailing.

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

Until such time as any definitive Notes are issued, there may, so long as any global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream or DTC, be substituted for such publication in such newspaper(s) or such delivery by mail the delivery of the relevant notice to Euroclear and/or Clearstream or DTC for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange (or any other relevant authority). Any such notice shall be deemed to have been given to the holders of the Notes on the first day after the day on which the said notice was given to Euroclear and/or Clearstream or DTC.

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

Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to Noteholders in accordance with this Condition 15 (*Notices*).

## 16. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than 10.00% in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50.00% in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts, the Coupons or the Trust Deed (including, inter alia, modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consent through the relevant clearing system(s) (or in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Receiptholders and Couponholders.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of, or to the waiver or authorization of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders to do so or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 (*Notices*) as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorization, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 9 (*Taxation*) and/or any undertaking or covenant given in addition to, or in substitution for, Condition 9 (*Taxation*) pursuant to the Trust Deed.

The Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition 16) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed of an entity owned or controlled by the Issuer, subject to (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer, (b) the Trustee being satisfied, in its absolute discretion, that the interests of the Noteholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with.

Any such modification, waiver, authorization, determination or substitution shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee otherwise agrees, any such modification or substitution shall be promptly notified to Noteholders by the Issuer in accordance with Condition 15 (*Notices*).

## **17. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction.

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

## **18. FURTHER ISSUES**

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

## **19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

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

## **20. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **20.1 Governing law**

The Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with any of the foregoing are governed by, and shall be construed in accordance with, English law except that, in the case of Subordinated Notes, Clause 2.7 (*Winding Up*) of the Trust Deed and Condition 3.2 (*Status of the Subordinated Notes*), and in the case of Hybrid Tier I Notes, Condition 3.3 (*Status of the Hybrid Tier I Notes*) is governed by, and shall be construed in accordance with, Indian law.

### **20.2 Submission to jurisdiction**

- (a) Subject to Condition 20.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons (a **Dispute**) and all Disputes will be submitted to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition 20.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) This Condition 20.2(c) is for the benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders only. To the extent allowed by law, the Trustee, the Noteholders, the Receiptholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

### **20.3 Appointment of Process Agent**

The Issuer irrevocably appoints the Export-Import Bank of India, London Branch at its specified office for the time being as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of the Export-Import Bank of India, London Branch being unable or unwilling for any reason so to act, it will immediately appoint another person approved by the Trustee as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

### **20.4 Waiver of immunity**

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

## USE OF PROCEEDS

The Issuer may issue Notes, from time to time, acting through its Head Office in India, the London Branch or any foreign branch.

The net proceeds of each issue of Notes to be issued by the Issuer, acting through its Head Office in India, will be utilized in compliance with the approval issued by the RBI and regulatory guidelines applicable to external commercial borrowings under Indian law (see “*General Information*”) to provide funding for: (a) export lines of credit (**LOCs**) and buyer’s credit granted by the Issuer to overseas governments, banks, institutions and other entities; (b) loans for overseas investment and/or participation in equity of the overseas joint ventures; (c) import of capital goods by export oriented units; (d) concessional financing scheme; and (e) foreign currency loans.

The net proceeds of each issue of Notes to be issued by the Issuer, acting through its London Branch or any foreign branch, will be utilized for the business of the Issuer in compliance with the applicable laws and regulations of the jurisdiction of India and in which the relevant branch is established.

## RISK FACTORS

*This Offering Circular contains forward-looking statements that involve risks and uncertainties. Each investor should carefully consider the following risk factors as well as the other information contained in this Offering Circular prior to making an investment in the Notes. In making an investment decision, each investor must rely on its own examination of the Bank and the terms of the offering of the Notes, including the merits and risks involved. The risks described below are not the only ones that may affect the Notes. Additional risks not currently known to the Bank or factors that the Bank currently deems immaterial may also adversely affect the Bank's business, financial condition, results of operations and prospects.*

### **Risks relating to the business of the Bank**

#### ***The business of lending carries the risk of default by borrowers.***

Any lending activity is exposed to credit risk arising from the risk of defaults by borrowers. Credit risk is defined as the risk that a customer or counterparty will be unable or unwilling to meet a commitment that it has entered into and that pledged collateral does not fully cover the lender's claims. As of March 31, 2019, approximately 13.36% of the Bank's total loans outstanding was by way of unsecured loans, including refinanced loans to banks; approximately 39.61% of the outstanding loans was classified as secured; and the remaining 47.03% was outstanding under the LOC, BC-NEIA category. See also "*Selected Statistical Data*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*". Changes in economic conditions and the level of systemic risk in the financial system may result in a deterioration in the value of security held against lending exposures and increase the risk of loss in the event of borrower default.

In addition, changes in the credit quality of the Bank's borrowers, and a failure by the Bank to manage changes in credit policy, could reduce the value of the Bank's assets and require increased provisions for bad and doubtful debts. As of March 31, 2019, 11.34% of the Bank's gross loan assets and 2.44% of its net loans were classified as non-performing assets (NPAs). See also "*Selected Statistical Data*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*". Although the Bank has increased its efforts to tighten its credit appraisal systems, credit risk monitoring and management systems and to improve collections on existing NPAs, there is no assurance that it will continue to be successful in its efforts to reduce NPA levels, collect on existing NPAs or that the overall quality of its loan portfolio will not deteriorate in the future. There can also be no assurance that the percentage of NPAs that the Bank will be able to recover will be similar to the Bank's past experience of recoveries of NPAs.

Furthermore, as of March 31, 2019, the Bank had NPAs amounting to Rs.116.78 billion (U.S.\$1.69 billion). See also "*Selected Statistical Data*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*". There can be no assurance that borrowers will be able to meet their obligations under their loans. Any resulting increase in delinquency levels may adversely impact the Bank's financial performance and the trading price of Notes

If the Bank is not able to continue to reduce its existing NPAs, or if there is a significant increase in the amount of new loans classified as NPAs, the Bank's asset quality may deteriorate, its provisioning for probable losses may increase and its business, future financial performance and the trading price of Notes could be adversely affected.

#### ***The Bank's business depends mainly on demand for Indian exports, which are concentrated by region and sector.***

As India's export credit agency, the Bank supports Indian exporters, contractors and investors through various credit programs. Accordingly, the Bank's business and growth prospects depend significantly on the demand for Indian exports. Adverse changes in the general level of Indian exports would affect demand for the Bank's products and services, and reduce the size of the Bank's loan portfolio. See "*A decline in the external trade environment could affect the Bank's business and the trading price of Notes*".



The business sector and geographic distribution of the loans extended by the Bank are closely related to the composition of Indian exports and policy business carried out on behalf of the Government, and the Bank's loan portfolio relates to exports concentrated in certain countries and sectors. As of March 31, 2019, approximately 41.68% of the Bank's overseas country exposure (excluding exposures in India) related to Sub-Saharan Africa, 33.80% to South Asia, 6.24% to North Africa and 18.28% to other countries. The Bank's country exposure arises from LOCs, overseas buyers' credits, buyers' credits under NEIA (BC-NEIA), concessional financing scheme and assistance extended to overseas ventures of Indian entities under the Overseas Investment Programme and Direct Equity Participation program. Any deterioration of the political and economic conditions in these countries, or a downturn in any of these sectors, individually or in the aggregate, may adversely affect the general demand for Indian exports and the financial condition of the companies operating in such sectors and may result in, among other things, a decrease in loans to exporters, defaults on their obligations owed to the Bank or a need for the Bank to increase provisions in respect of such loans, any of which could have an adverse effect on the Bank's business, financial condition and results of operations.

***The Indian corporate banking and financial services industry is very competitive.***

The Bank faces increasing competition from Indian and foreign banks in its corporate products and services. Direct finance accounted for approximately 94.24% of the Bank's total loans as of March 31, 2019. Competition from commercial banks for export credit and corporate financing has increased significantly in recent years on account of their access to low-cost retail/float funds, foreign currency non-resident funds. The Bank's funding costs are generally higher than those of commercial banks as it does not have access to funding from savings deposits of customers. Accordingly, the Bank's ability to compete with commercial banks in corporate lending will depend, to some extent, on its ability to obtain low-cost sources of funding in the future. Furthermore, the Bank has limited distribution capabilities as compared to other Indian banks due to its limited branch network. Although the Bank has sought to address this limitation by entering into cooperation arrangements with select commercial banks, leveraging on the latter's distribution networks, and also by means of proactive business origination, if the Bank is unable to compete effectively with other banks, the Bank's business, future financial performance and the trading price of Notes may be adversely affected.

***The Bank is entirely state-owned, is subject to government control and relies upon the Government for capital support.***

The Bank is wholly owned by the Government and the interests of the Government may differ from those of Noteholders and there can be no assurance that the Government's policies and decisions regarding the Bank will not negatively affect Noteholders and the value of Notes. In particular, the Bank is an instrument of Government policy as India's official export credit agency, rather than being primarily a profit-oriented institution. The Bank has been mandated to support foreign trade and Indian investors operating overseas and certain of the other principal strategies of the Bank are determined by India's priorities, such as enhancing exports from India and promoting cross-border trade and investments. Moreover, although the Bank has not experienced pressure from the Government to date to conduct transactions upon more favorable terms with Indian state-owned or state-controlled legal entities or to deviate from its credit and lending policies and procedures, there can be no assurance that the Bank will not be directed or come under pressure to engage in activities with a lower profit margin than it would otherwise pursue, or to provide financing to certain companies or entities on favorable or non-market terms. Any such strategies or actions may not necessarily be the same as those pursued by an independent profit-oriented institution. Furthermore, the Bank's credit rating is also dependent on the rating of the Indian sovereign and any change in the sovereign credit rating is likely to have a direct impact on the Bank's credit rating and cost of borrowing.

The Bank's sources of funds include periodic capital contributions from the Government, which amounted to Rs.5 billion for the year ended 2017, Rs.5 billion for the year ended March 31, 2018 and Rs.50 billion for the year ended March 31, 2019. As of March 31, 2019, the paid-up capital of the Bank was Rs.123.59 billion.

The Act provides that the Bank's capital may only be subscribed to by the Government. While the Bank believes that it has a good relationship with the Government, there can be no assurance that Government support will continue in the future in the same manner or at all. Any reduction in capital contributions, loans and other forms of Government support could adversely affect the Bank's business, its future financial performance and the trading price of Notes.

***The Bank's business is vulnerable to volatility in interest rates.***

Over the last several years, the Government and the RBI have substantially deregulated interest rates. As a result, interest rates are now primarily determined by the market, which has increased the interest rate risk exposure of all banks and financial institutions, including the Bank. The Bank's results of operations are largely dependent upon the level of its interest margins. Interest rates are sensitive to factors beyond the Bank's control, including the RBI's monetary policies, domestic and international economic and political conditions and other factors. Interest rate movements could lower the margins earned on interest-earning assets and could adversely affect the Bank's business, its future financial performance and the trading price of Notes. Although the Bank has adopted procedures and policies aimed at minimizing foreign exchange risks (see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*"), these measures may not adequately protect the Bank's business, financial condition and results of operations from the effect of exchange rate fluctuations or may limit any benefit that the Bank might otherwise receive from favorable movements in exchange rates.

In addition, any inability of the Bank's borrowers to acquire U.S. dollars as a result of local foreign exchange controls, currency devaluation, or otherwise, could affect their ability to repay their loans, which in turn could have a material adverse effect on the Bank's business, results of operations, financial condition and cash flows.

***The Bank may engage in certain transactions in or with countries or persons that are subject to U.S. and other sanctions.***

The United States maintains comprehensive primary sanctions with respect to, *inter alia*, the following countries: (i) the Crimea region of Ukraine; (ii) Cuba; (iii) Iran; (iv) North Korea; and (v) Syria (collectively, the **Sanctioned Countries**). As an entity organized in India, the Bank is generally not directly subject to these sanctions, except to the extent that it engages in activities that occur within the United States. The United States also maintains a secondary sanctions regime applicable to persons worldwide who knowingly engage in specified sanctionable activities. The United States' implementation of the Joint Comprehensive Plan of Action (the **JCPOA**) on January 16, 2016 resulted in the temporary lifting of many of the United States' secondary sanctions with respect to Iran's nuclear program. However, on May 8, 2018 the president of the United States announced the decision to cease the U.S. participation in JCPOA. The applicable sanctions came into full effect at the end of respective 90-day and 180-day wind-down periods. November 4, 2018 marked the final day of the 180-day wind-down period. On November 5, 2018, the United States fully re-imposed the sanctions on Iran that had been lifted or waived under the JCPOA. These are the toughest U.S. sanctions ever imposed on Iran, and will target critical sectors of Iran's economy, such as the energy, shipping and shipbuilding, and financial sectors. Country risk ratings of Iran has been downgraded by Dun & Bradstreet to DB6c from DB5b with a deteriorating outlook as a result of the renewed sanctions. Foreign exchange risks, transfer risks therefore remain elevated because of the adverse impact on the domestic banking sector of Iran as well as cash flow of Iranian companies. Cross border supply chain risks also remain high due to regional insecurity and political tensions. According to the Economist Intelligence Unit, the Iran authorities are expected to put increased efforts to avoid the sanctions by pursuing barter deals with countries like India and China, among others. The launch of a special purpose vehicle (SPV) in February 2019 known as INSTEX (Instrument in Support of Trade Exchanges) by France, Germany and the United Kingdom could also provide some support to trade flows with Europe. This would be initially focusing on sectors like pharmaceuticals, medical devices and agricultural goods which are considered on humanitarian grounds.

The Bank extends loans in the form of lines of credit that have been approved by the Government to foreign governments or their nominated agencies, such as: central banks, state-owned commercial banks and parastatal organizations; national or regional development banks; overseas financial institutions; overseas commercial banks; and other overseas entities that could be located in Sanctioned Countries. The recipients of these lines of credit use the funds for the import of Indian equipment, goods and services. The Bank may also offer buyer's credit either on its own or under the National Exports Insurance Account (**NEIA**), a trust set up by India's Ministry of Commerce and administered by the Export Credit and Guarantee Corporation of India, to foreign governments and government-owned entities that could be located in Sanctioned Countries for import of goods and services from India on deferred credit terms. The Bank also supports overseas investment finance by Indian companies in joint ventures that could be located in Sanctioned Countries. The Bank may also, from time to time, extend certain other lines of credit, concessional financing scheme, buyer's credit, or provide overseas investment finance services, to entities located in Sanctioned Countries.

The Bank's exposure to recipients of lines of credit or overseas investment finance in Sanctioned Countries (specifically, Cuba and Syria is Rs.10,024.51 million as of March 31, 2019, which represented approximately 0.60% of the Bank's total credit exposure as of such date. The Bank has no direct exposure to the recipients of buyer's credit in such Sanctioned Countries as of March 31, 2019. The Bank has total loans outstanding to recipients of lines of credit or overseas investment finance in Cuba and Syria of approximately Rs.7,303.61 million as of March 31, 2019, which represented approximately 0.71% of the Bank's total gross outstanding loans as of such date.

The Export Development Fund (the **EDF**) is a special fund of the Bank that is administered by the Bank but over which the Bank exercises few management rights as the Government must approve all investments by the EDF. In December 2014, the EDF entered into a framework agreement with seven Iranian banks (viz. Bank Keshavarzi, Bank of Industry and Mine, Bank Pasargad, En Bank (Bank Eghtesad Novin), Karafarin Bank, Parsian Bank and Saman Bank) for a buyer's credit facility of Rs.9,000 million for financing the export of goods and services from India to Iran. In September 2015, the Government approved in principle a guarantee of Rs.30,000 million for the EDF under the Fiscal Responsibility and Budget Management Act of 2003. On May 4, 2016, the EDF amended the Framework Agreement to increase the aforementioned buyer's credit facility from Rs.9,000 million to Rs.30,000 million. The Government's Department of Financial Services, Ministry of Finance has directed the Bank to raise the funds as an interim measure through appropriate market instruments in one or more tranches and invest the proceeds in the EDF to finance the above buyer's credit, until such time that the EDF raises resources and repays the Bank. As of March 31, 2019, an amount of Rs.7.15 billion was outstanding as loans advanced by EDF.

***The Bank has significant credit exposure to certain borrowers and industries. If a substantial portion of these loans were to become non-performing, the asset quality of the Bank's loan portfolio could be adversely affected.***

As of March 31, 2019, the Bank's total credit exposure, which comprises outstanding loans and guarantees and unutilized loan and guarantee sanctions to customers (**Credit Exposure**) was Rs.1,677.13 billion (U.S.\$24.25 billion). The ten largest individual borrowers and borrower groups of the Bank in aggregate accounted for approximately 8.69% and 11.72%, respectively, of the Bank's total Credit Exposure as of March 31, 2019. The Bank's single largest borrower accounted for 1.40% of the Bank's total Credit Exposure as of March 31, 2019. Credit losses on account of these exposures could affect the Bank's future performance, financial condition and the trading price of Notes. The Bank's major industrial Credit Exposures are to engineering procurement and construction services (12.73%) ferrous metals and metal processing (7.82%), petroleum products (6.13%), textiles and garments (6.82%), and chemicals and dyes (6.57%), which together accounted for 40.07% of the Credit Exposure (excluding exposure to banks and exposure to overseas entities under lines of credit and buyer's credit) and 18.75% of the total Credit Exposure of the Bank as of March 31, 2019. If the loans to these borrowers or sectors were to become non-performing, the Bank's future financial performance and the trading price of Notes could be adversely affected.

***The Bank has contingent liabilities.***

As of March 31, 2019, the Bank had contingent liabilities of approximately Rs.151.68 billion on account of guarantees, standby letter of credit, letters of credit, uncalled monies on partly paid investments and debentures, claims against the Bank not acknowledged as debt and disputed tax and legal claims. If the Bank's contingent liabilities materialize, this may have an adverse effect on the Bank's future financial performance and the trading price of Notes.

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

The Bank's hedging strategies and other risk management techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some methods of managing risk are based upon observed historical market behavior. As a result, these methods may not predict future risk exposures, which could be greater than the historical measures indicated. Other risk management methods depend upon an evaluation of information regarding markets, clients or other matters. This information may not in all cases be accurate, complete, up-to-date or properly evaluated. Management of operational, legal or regulatory risk requires,

among other things, policies and procedures to properly record and verify a large number of transactions and events. Although the Bank has established these policies and procedures, there can be no assurance that these policies and procedures will adequately control, or protect the Bank against, all credit, liquidity, market and other risks.

***Certain covenants relating to the borrowings of the Bank are restrictive.***

Certain of the agreements relating to the borrowings of the Bank contain restrictive covenants which preclude the Bank from undertaking any form of transfer of assets, merger or consolidation without the consent of the relevant lenders. Further, certain covenants also require the Government to hold a specified percentage of shareholding in the Bank. A breach of any of the above covenants may constitute an event of default triggering acceleration of the loan and the cross-default provisions under the various loan agreements. Any event which may result in the acceleration and prepayment of the facilities granted under the loan agreements prior to their maturity may have an adverse effect on the financial condition, future performance and the trading price of Notes.

***The Bank relies on key management and qualified personnel.***

The Bank is dependent on members of its Board of Directors and key management and qualified personnel for the implementation of its strategy. Moreover, the Bank's continued success will depend, in part, on its ability to continue to retain, motivate and attract, in cases where needed, qualified and experienced personnel. While the Bank believes it has effective staff recruitment, training and incentive programs in place, it is not possible to guarantee that constraints in human resources will not arise in the future. If the Bank loses the services of any of its existing key personnel without timely and suitable replacements, or is unable to attract and retain new personnel with suitable experience, the Bank's business, financial condition, results of operations and prospects may be materially and adversely affected.

***Risks relating to India***

***The volatility of the Rupee may adversely affect the Bank's business.***

The Rupee has depreciated against the U.S. dollar in the past few years as a result of factors such as rising crude oil prices and global trade tension. Continued depreciation in the Rupee's value may have an adverse impact on the Bank's business, prospects, financial condition, results of operations and cash flows.

According to RBI's Monetary Policy Report of April 2019, higher crude oil prices and volatility in portfolio flows could put downward pressure on the Indian rupee. A depreciation of the Indian rupee by around 5% relative to the baseline could increase inflation by around 20 bps, while providing a boost of 15 bps to growth.

***Domestic inflation may cause a rise in lending rates, which could have an adverse impact on the Bank.***

In recent months, Indian consumer prices and wholesale prices have decreased. The Indian average wholesale price inflation increased from 2.7% in fiscal year 2018 to 4.3% in fiscal year 2019. Pursuant to a correction in food prices, average inflation in terms of the consumer price index (CPI) decreased from 3.6% as of March 31, 2018 to 3.4% as of March 31, 2019.

The RBI's monetary policy statement released in April 2019 stated that the inflation path during 2019-20 is likely to be shaped by following factors: (a) low food inflation during January-February will have a bearing on the near-term inflation outlook; (b) the fall in the fuel group inflation witnessed in February 2019 has become accentuated; (c) CPI inflation excluding food and fuel in February was lower than expected, which has imparted some downward bias to headline inflation; (d) international crude oil prices have increased by around 10% since February; and (e) inflation expectations of households as well as input and output price expectations of producers polled in the RBI's surveys have further moderated. Taking into consideration these factors and assuming a normal monsoon in 2019, the CPI inflation outlook is likely to be 2.9% to 3.0% in the first half of fiscal year 2020 and 3.5% to 3.8% in the second half of fiscal year 2020, with risks broadly balanced.



Uncertainties surrounding commodity prices, monsoon and weather-related disturbances, volatility in the prices of seasonal items and external developments through exchange rate and asset price fluctuations may bring about large and unanticipated changes in inflation trends. Furthermore, any slowdown in economic growth in India as a result of a rise in inflation could result in, among others, reduced loan demand, higher defaults among corporate, retail and rural borrowers and reduced investor confidence in India's economy and financial system generally, which, in turn, would adversely affect the Bank's business, its future financial performance and the trading price of Notes.

***Any downgrading of India's debt rating by an international rating agency could have a negative impact on the Bank's business and the trading price of Notes.***

In November 2017, Moody's Investor Services Limited (**Moody's**) upgraded the Government of India's local and foreign currency issuer ratings to Baa2 from Baa3 and changed the outlook on the rating to stable from positive. Moody's also upgraded India's local currency senior unsecured rating to Baa2 from Baa3 and its short-term local currency rating to P-2 from P-3. The decision to upgrade the ratings was based on economic and institutional reforms (including goods and service tax (**GST**), improvements to the monetary policy framework, measures to address the overhang of non-performing loans in the banking system and demonetization, among others) which will enhance India's high growth potential and help finance Government debt.

There can be no assurance that these ratings will not be further revised by Moody's or S&P Global (Ratings) (S&P) or that any other global rating agency will not also downgrade the Bank's or the Indian banking system's ratings. Any such downgrade in ratings may adversely affect the Bank's business and the trading price of Notes. Further, the Bank's access to capital markets may also be limited, lowering its liquidity.

***Financial instability in other countries including the sovereign debt crisis in Europe and the referendum on the United Kingdom's membership in the European Union could disrupt Indian markets and our business.***

In 2007, and particularly during the second half of 2008, the global financial services industry and the securities markets generally were materially and adversely affected by significant declines in the values of nearly all asset classes, including mortgages, real estate assets, leveraged bank loans and equities, and by a serious lack of liquidity. In recent years, factors such as inflation or deflation, energy costs, geopolitical issues, the availability and cost of credit, sovereign debt of various countries, uncertainty as to the global impact of the current United States administration, instability within the Euro zone, and trade disputes between the United States and the PRC continue to be a cause of concern despite concerted efforts by governments and international institutions to contain the adverse effect of these events on the global economy.

Furthermore, the sovereign debt crises in Europe posed serious challenges to the stability of the global credit and financial markets. The increasingly high levels of government debt in other developed countries are also adding to the uncertainty in international financial markets. Although certain policy interventions have been undertaken, a cautious approach still needs to be taken while lending to entities in Europe, and also while providing foreign currency export credit loans to Indian companies for the purposes of export to European countries. In the event of any significant financial disruptions, this could have an adverse effect on the Bank's cost of funding, loan portfolio, business, future financial performance and the trading price of Notes.

In addition, on March 29, 2017, the United Kingdom invoked Article 50 to leave the European Union (**Brexit**). There is significant uncertainty at this stage as to the impact of Brexit on general economic conditions in the United Kingdom and the European Union, and any consequential impact on global financial markets. For example, Brexit could give rise to increased volatility in foreign exchange rate movements and the value of equity and debt investments and this may also adversely affect the Bank's ability to raise medium/long-term funding in the international capital markets.

The Indian financial markets and the Indian economy are influenced by global economic and market conditions. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in other financial systems may cause volatility in Indian

financial markets, including with respect to the movement of exchange rates and interest rates in India and, indirectly, in the Indian economy in general. Any such continuing or other significant financial disruption could have an adverse effect on the Bank's business, results of operations and financial condition.

In response to the global financial crisis, legislators and financial regulators in the United States, Europe and other jurisdictions, including India, have implemented several policy measures designed to add stability to the financial markets over the years. However, the overall impact of these and other legislative and regulatory efforts on the global financial markets is uncertain, and they may not have the intended stabilising effects. In the event that the current adverse conditions in the global credit markets continue or if there is any significant financial disruption, this could have an adverse effect on its business and future financial performance.

***The conditions of global emerging market economies may affect the Indian economy, which could have an adverse impact on the Bank.***

According to the IMF, emerging markets and developing economies witnessed a slowdown in growth from 4.8% in 2017 to 4.5% in 2018. Macroeconomic stress in Argentina and Turkey, coupled with trade tensions increasingly took a toll on business confidence affecting financial market sentiment with financial conditions tightening for vulnerable emerging markets in the spring of 2018. China witnessed a decline in growth from 6.8% in 2017 to 6.6% in 2018 and is further projected to grow at a slower rate of 6.3% in 2019. The weakening import demand of China in last few years appeared to have impacted partner exports in Asia and Europe. Economic growth in India remained robust at 7.1% in 2018 marginally easing from 7.2% 2017 due to relatively slower growth in private consumption, fixed investments and exports. The slow global recovery over the course of fiscal years 2018 and 2019 so far has warranted successive downward adjustments to economic forecasts regarding emerging market economies, raising concerns of stagnation which can in turn have a negative impact on the Bank's business, its future financial performance and the trading price of Notes.

***Substantially all of the Bank's operations and assets are based in India. A slowdown in economic growth in India could cause the Bank's business to suffer.***

Any slowdown in the Indian economy, India's export growth or future volatility of global commodity prices could adversely affect the Bank's borrowers and contractual counterparties and could result in lower credit demand and higher defaults among corporate, retail and rural borrowers, which could adversely impact the Bank's business, financial performance, shareholders' funds, its abilities to implement its business strategies and the trading price of Notes.

***Any significant increase in the prices of crude oil and other commodities could adversely affect the Indian economy, which could adversely affect the Bank's business.***

India imports 83.7% of its requirements of crude oil, which comprised approximately 22.2% of total imports in fiscal year 2019. Accordingly, a significant increase from current levels in the price of crude oil could adversely affect the Indian economy. Since 2004, there have been several periods of sharp increase in global crude oil prices due to increased demand and speculation and pressure on production and refinery capacity, and political and military tensions in key oil-producing regions, among other factors. A sharp increase in global crude oil prices during calendar year 2010 caused the Indian wholesale price index to peak at 10.9% in April 2010. In June 2010, the Government eliminated subsidies on petroleum products, which significantly increased the price of gasoline. In June 2011, the Government raised retail fuel prices and cut customs and excise duties on petroleum products to limit under-recovery at oil companies and followed up with a further increase in May 2012. However, since June 2014, there has been a sharp fall in oil prices due to a large increase in supply of oil in North America, as a result of the unexpected decision by the Organization of the Petroleum Exporting Countries not to reduce its output of crude oil and a multi-year slowing in demand for crude oil which has resulted in a decrease in proportion of oil to total imports. Furthermore, the Government has also deregulated the prices of certain oil products, including diesel, resulting in greater pass-through of international crude prices to domestic oil prices. Also, the price of crude oil increased from U.S.\$46.17 per barrel for the fiscal year 2016 to U.S.\$47.56 per barrel for the fiscal year 2017 to U.S.\$56.43 in for the fiscal year 2018 and further to U.S.\$69.88 for the fiscal year 2019. Crude oil prices (Indian basket) declined sharply from their peak of around U.S.\$85 a barrel in early October 2018 to a low of around U.S.\$52 at the end of December 2018 on the back of higher supplies and a slowdown in global demand. Prices edged higher after the



Organisation of the Petroleum Exporting Countries and Russia cut production beginning January 2019, and production was disrupted in Venezuela. Given the current demand-supply assessment and signals extracted from the futures market, imports are estimated at average price of Indian basket crude oil U.S.\$66/bbl and average exchange rate for Rs.71/U.S.\$ in fiscal year 2020. Any increase or volatility in oil prices and the pass-through of such increases to Indian consumers could have a material adverse impact on the Indian economy and on the Indian banking and financial system in particular, including through a rise in inflation and market interest rates and this would create negative consequences for the Bank's business. However, since India is a large crude oil importer, the country's economy and financial institutions would not face as large increases in capital outflows, reserve losses or sharp depreciations as oil-exporting countries would due to lower oil prices.

***A significant change in the Government's economic liberalization and deregulation policies could disrupt the Bank's business.***

With the advent of the liberalization policies of the Government in 1991, the Indian economy has progressed steadily over the years and has made a mark in the global economy. The Government has worked with various sectors of the economy to make them more competitive and productive. Given the global financial crisis, the Government as well as the RBI is expected to be cautious in its approach towards the wider opening up of the banking and insurance segments. The current Government has continued India's economic liberalization and deregulation programs. However, there can be no assurances that these liberalization policies will continue in the future. Any significant change in the Government's economic liberalization and deregulation policies could adversely affect business and economic conditions in India and could also adversely affect the Bank's business, its future financial performance and the trading price of Notes.

***The increasing disintermediation in the Indian banking system could affect the Bank's business and the trading price of Notes.***

Pursuant to the global financial situation, the extent of disintermediation in financial intermediaries has decreased and investors are preferring to keep their funds in the banks rather than investing in the markets. The gross domestic saving in India as a percentage of gross national disposable income stood at 29.90% in fiscal year 2019 and is projected to rise marginally to 30.20% in fiscal year 2020. Any reversal of the current situation may affect the Bank's business, its future financial performance and the trading price of Notes.

***A decline in the external trade environment could affect the Bank's business and the trading price of Notes.***

India's contribution to global trade was approximately 2.1% in 2018. In prior periods, there have been declines in the external trade environment that have led to declines in Indian exports. Exports from India declined by 15.47% to U.S.\$262.3 billion in fiscal year 2016 but they subsequently increased by 5.17% to U.S.\$275.9 billion in fiscal year 2017. Further, exports went up 10.02% year on year in fiscal year 2018 to U.S.\$303.5 billion. In fiscal year 2019, exports grew at 8.58% to U.S.\$329.5 billion.

In fiscal year 2016, services exports decreased by 2.40% to U.S.\$154.3 billion and increased by 6.41% to U.S.\$164.2 billion in fiscal year 2017. The services exports went up by 18.82% year on year to U.S.\$195.1 billion for the fiscal year 2018. In fiscal year 2019, services export grew at 5.48% to be at U.S.\$205.8 billion. Global activity and trade have been shedding momentum, posing downside risks to trade outlook. While international crude oil prices have declined sharply from their October 2018 highs, they continue to be volatile. Protracted trade tensions, along with recent protectionist trends, and uncertainty surrounding Brexit have eroded business and consumer confidence in major countries and regions. The foregoing factors may create some setbacks in the external trade environment, which may have an adverse impact on the Bank's financial performance and the trading price of Notes.

***Downturn in the international commodity price cycle could reverse, which may affect the Indian economy and which in turn could have an adverse impact on the Bank.***

The ongoing downturn in the international commodity price cycle, which commenced in the year 2012, may reverse, given occasional signs of oil prices reviving. The volatile geopolitical environment may hasten the process of revival of oil prices, thereby leading to a resurgence of inflationary pressures on the nascent conditions facilitating the recovery of the global economy. This, in turn, may affect the growth of the Indian economy which may adversely affect the Bank's business, its future financial performance and the trading price of Notes.

***A significant decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy which could have an adverse impact on the Bank.***

As of March, 31, 2017, 2018 and 2019, foreign exchange reserves stood at U.S.\$369.95 billion, U.S.\$424.54 billion and U.S.\$412.87 billion, respectively. As of March 31, 2019, reserves were at a level, which was equivalent to 9.5 months of imports and 182% of short-term external debt (by residual maturity). With developed countries also trying to stabilize their economies, a significant decline in India's foreign exchange reserves could have an adverse effect on the Bank's business, its future financial performance and the trading price of Notes.

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

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

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

The Bank was established as a corporation under the Export-Import Bank of India Act, 1981, as amended. Substantially all of the Bank's Directors and executive officers are residents of India and a substantial portion of the assets of the Bank and such persons are located in India. As a result, it may not be possible for investors to effect service of process on the Bank or such persons in jurisdictions outside of India, or to enforce against them judgments obtained in courts outside of India predicated upon civil liabilities of the Bank or such directors and executive officers under laws other than Indian Law.

In addition, India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments is provided for under section 13 and section 44A of the Indian Code of Civil Procedure, 1908, as amended from time to time (the **Code**). Section 44A of the Code provides that where a foreign judgment has been rendered by a superior court within the meaning of that section in any country or territory outside India that the Government of India has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, section 44A of the Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty and is not applicable to arbitration awards, save and except for any reciprocal arrangement that India has with foreign countries as notified from time to time under section 44(b) of the Arbitration and Conciliation Act, 1996, as amended from time to time.

The United Kingdom has been declared by the Government to be a reciprocating territory for the purposes of section 44A of the Code, but the United States has not been so declared as yet. Accordingly, a judgment of a court in the United States may be enforced only by a fresh suit upon the judgment and not by proceedings in execution. A judgment of a court in a jurisdiction that is not a reciprocating territory may be enforced only by a new suit upon the judgment and not by proceedings in execution. Such a suit has to be filed 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. Section 13 of the Code provides that a foreign judgment shall be conclusive as to any matter thereby directly adjudicated upon between the same parties or between the parties under whom they or any of them claim litigating under the same title, except: (i) where it has not been pronounced by a court of competent jurisdiction; (ii) where it has not been given on the merits of the case; (iii) where it appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognize the law of India in cases where such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where it has been obtained by fraud; or (vi) where it sustains a claim founded on a breach of any law in force in India.

Under section 14 of the Code, a court in India shall presume, upon 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.

The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India.

Furthermore, it is unlikely that an Indian court would enforce a foreign judgment if it viewed the amount of damages awarded as excessive or inconsistent with Indian public policy, and it is uncertain whether an Indian court would enforce foreign judgments that would contravene or violate Indian law. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI under the Foreign Exchange Management Act, 1999, to repatriate outside India any amount recovered pursuant to execution. Any judgment in a foreign currency would be converted into Indian Rupees at the rate of exchange prevalent on the date of the judgment and not as on the date of the payment. The Bank cannot predict whether a suit brought in an Indian court will be disposed of in a timely manner or be subject to considerable delays.

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

India has from time to time experienced instances of social, religious and civil unrest and hostilities between neighboring countries. Present relations between India and Pakistan continue to be fragile on the issues of terrorism, armament and Kashmir. India has also experienced terrorist attacks in some parts of the country. These hostilities, attacks and tensions could lead to political or economic instability in India and a possible adverse effect on the Bank's business, its future financial performance and the trading price of the Notes. For example, the recent attack on the Central Reserve Police Force personnel in Pulwama in Kashmir has led to retaliation by India and escalated hostilities between India and Pakistan. The two countries' continuing escalations could exacerbate these regional hostilities and tensions. Further, India has also experienced social unrest in some parts of the country. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies, including the Notes.

#### **Risks relating to the structure of a particular issue of Notes**

A range of Notes may be issued under the Program. A number of these Notes may have features that contain particular risks for potential investors. Set out below is a description of the most common such features.

***If the Bank has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.***

An optional redemption feature of Notes is likely to limit their market value. During any period when the Bank may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may similarly be true prior to any redemption period.

To the extent Notes have an optional redemption feature, the Bank may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on such Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed, and may only be able to do so at a significantly lower rate (or through taking on a greater credit risk). Potential investors should consider reinvestment risk in light of other investments available at that time.

***If the Bank has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.***

Fixed/Floating Rate Notes are notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Bank has the right to effect such a conversion, this may affect the secondary market and the market value of the Notes since the Bank may

be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Bank converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favorable than the then prevailing spreads on comparable floating rate notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Bank converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than the then prevailing market rates.

***Dual Currency Notes and Notes by reference to a Relevant Factor.***

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

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

The historical experience of a Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Notes linked to a Relevant Factor and the suitability of such Notes in light of its particular circumstances.

***Partly Paid Notes.***

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

***Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.***

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

*The value of Fixed Rate Notes may be adversely affected by movements in market interest rates.*

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

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

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

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

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

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

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

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

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



## **Risks relating to the Notes generally**

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

The Bank's obligations under the Notes will constitute unsecured obligations of the Bank. The ability of the Bank to pay such obligations will depend upon, among other factors, its liquidity, overall financial strength and ability to generate asset flows, which could be affected by (inter alia) the circumstances described in these "Risk Factors".

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

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

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

***The Notes may not be a suitable investment for all investors.***

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

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

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.



***Investors should pay attention to any modifications and waivers.***

The conditions of the Notes contain provisions for calling meetings of holders of Notes to consider matters affecting their interest generally. These provisions permit defined majorities to bind all Noteholders including holders of Notes who did not attend and vote at the relevant meeting and holders of the Notes who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of holders of the Notes may be adverse to the interests of the individual holder.

***Performance of contractual obligations.***

The ability of the Bank to make payments in respect of the Notes may depend upon the due performance by the other parties to the transaction documents of the obligations thereunder including the performance by the Trustee, the Principal Paying Agent, the Paying Agents, the Transfer Agent, the Registrar and/or the Calculation Agent of their respective obligations. While the non-performance of any relevant parties will not relieve the Bank of its obligations to make payments in respect of the Notes, the Bank may not, in such circumstances, be able to fulfill its obligations to the Noteholders and the Couponholders.

***The value of the Notes could be adversely affected by a change in English law or Indian law or administrative practice after the date of the issue of the relevant Notes.***

The terms and conditions of the Notes are based on English law or Indian law (as the case may be) in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law, Indian law or administrative practice after the date of issue of the relevant Notes and any such change could materially adversely impact the value of any such Notes affected by it.

***The insolvency laws of India and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Notes are familiar.***

As the Bank is established in the Republic of India under The Export-Import Bank of India Act, 1981, any insolvency proceedings relating to the Issuer is likely to involve Indian insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

***The Notes which are Subordinated Notes or Hybrid Tier I Notes are subordinated and have only limited rights of acceleration.***

The relevant Pricing Supplement may specify that the Notes will be Subordinated Notes (as defined in Condition 3.2 of the Terms and Conditions of the Notes) or Hybrid Tier I Notes (as defined in Condition 3.3 of the Terms and Conditions of the Notes) which will be subordinated obligations of the Bank. Payments on the Subordinated Notes and the Hybrid Tier I Notes will be subordinate in right of payment upon the winding-up or liquidation of the Bank to the prior payment in full of all deposits and other liabilities of the Bank, except those liabilities which rank equally with or junior to the Subordinated Notes or (as the case may be) the Hybrid Tier I Notes. As a consequence of these subordination provisions, in the event of a winding-up of the Bank's operations, the holders of the Subordinated Notes and Hybrid Tier I Notes may recover proportionately less than the holders of the Bank's deposit liabilities or the holders of its other unsubordinated liabilities. As of March 31, 2019, all of the Bank's outstanding liabilities (including notes/bonds, deposits, borrowings, guarantees and acceptances and other liabilities, but excluding provisions) ranked senior to the Subordinated Notes and the Hybrid Tier I Notes.

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

***The Notes may not qualify as Tier II Capital.***

There is no guarantee that the Notes will qualify as Tier II capital as per the guidelines published by the RBI. The failure of the Notes to qualify as Tier II capital due to any reason (including changes in law, regulations or interpretations of the RBI or other government authorities) would adversely affect the Bank's capital adequacy ratio.

***The Hybrid Tier I Notes may not qualify as Tier I Capital.***

There is no guarantee that the Hybrid Tier I Notes will qualify as Tier I capital as per the guidelines published by the RBI. The failure of the Hybrid Tier I Notes to qualify as Tier I capital due to any reason (including changes in laws, regulations or interpretations of the RBI or other governmental authorities) would adversely affect the Bank's capital adequacy ratio.

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

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

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

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

Interest may not be paid in full, or at all, in certain situations described in Condition 3.3(c). Interest payments on the Hybrid Tier I Notes are not cumulative. Accordingly, if interest is not paid on any Interest Payment Date as a result of the foregoing, holders of the Hybrid Tier I Notes will not be entitled to receive such interest on any subsequent Interest Payment Date or any other date.

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

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

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

Investors will not be entitled to receive notice of, or attend or vote at, any meeting of shareholders of the Bank or participate in the management of the Bank, except in limited circumstances (including certain instances of failure by the Bank to make payments of amounts due in relation to the Hybrid Tier I Notes). In the event of a default in payment on the Hybrid Tier I Notes, investors will have no right to accelerate payments on the Hybrid Tier I Notes, except if a court order is made or an effective resolution is passed for the winding-up of the Bank.

***The Notes may have limited liquidity.***

The Notes will not be registered under the Securities Act or the securities or blue sky laws of any state of the United States. The Notes are being offered, and may be resold outside of the United States within the meaning of and in compliance with Regulation S under the Securities Act. The Notes may also be offered, and may be resold, within the United States to institutional investors that qualify as "qualified

institutional buyers”, within the meaning of and in compliance with Rule 144A under the Securities Act; or pursuant to another exemption from the registration requirements of the Securities Act. Consequently, the Notes are subject to restrictions on transfer and resale.

The Notes constitute a new issue of securities for which there is no existing market. Application has been made to list the Notes on the SGX-ST, the ISM and the India INX. However, if for any reason the Notes are not listed, the liquidity of the Notes may be negatively impacted. The offer and sale of the Notes is not conditioned on obtaining a listing of the Notes on the SGX-ST, the ISM or the India INX or any other exchange. Although the Dealers have advised the Bank that they currently intend to make a market in the Notes, they are not obligated to do so, and any market-making activity with respect to the Notes, if commenced, may be discontinued at any time without notice in their sole discretion. For a further discussion of the Initial Purchasers’ planned market-making activities, see “*Subscription and Sale and Transfer and Selling Restrictions*”. No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, the Notes. If an active trading market for the Notes does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the price at which the Notes are issued depending on many factors, including:

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

***Transfers of interests in the Notes will be subject to certain restrictions and interests in Global Notes can only be held through a clearing system.***

The Notes have not been and are not expected to be registered: (a) under the Securities Act or any applicable state’s or other jurisdiction’s securities laws; or (b) with the U.S. Securities and Exchange Commission or any other applicable state’s or other jurisdiction’s regulatory authorities. The offering of the Notes will be made pursuant to exemptions from the registration requirements of the Securities Act and from other securities laws. Prospective investors may not offer or sell any Notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Similar restrictions will apply in other jurisdictions. Notes may not be offered, sold or otherwise transferred except in transactions that will not cause the Bank to become required to be registered as an investment company under the Investment Company Act of 1940, as amended (the **Investment Company Act**). Accordingly, reoffers, resales, pledges and other transfers of interests in the Notes will be subject to certain transfer restrictions. Each investor is advised to consult its legal advisers in connection with any such reoffer, resale, pledge or other transfer. See “*Subscription and Sale and Transfer and Selling Restrictions*”.

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

***Noteholders are required to rely on the procedures of the relevant clearing system and its participants while the Notes are cleared through the relevant clearing system.***

Notes issued under the Program will be represented on issue by one or more Global Notes that may be deposited with a common depositary for Euroclear and Clearstream. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and Clearstream and their respective Direct and Indirect Participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective Participants.

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

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

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

***Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued.***

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

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

***If an investor holds Notes which are not denominated in the investor's home currency, then such an investor will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.***

The Bank will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (a) the Investor's Currency-equivalent yield on the Notes, (b) the Investor's Currency-equivalent value of the principal payable on the Notes, and (c) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Bank to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal. An investor may also not be able to convert (at a reasonable exchange rate or at all) amounts received in the Specified Currency into the Investor's Currency, which could materially adversely affect the market value of the Notes. There may also be tax consequences for investors.

***The Bank has not registered, and will not register, as an “investment company” under the Investment Company Act.***

The Bank will seek to qualify for an exemption from the definition of “investment company” under the Investment Company Act and will not register as an investment company in the United States under the Investment Company Act. The Investment Company Act provides certain protections to investors and imposes certain restrictions on registered investment companies, none of which will be applicable to the Bank or its investors.

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

The United States Hiring Incentives to Restore Employment Act imposes a 30.00% withholding tax on amounts attributable to U.S.-source dividends that are paid or “deemed paid” under certain financial instruments if certain conditions are met. If the Bank or any withholding agent determines that withholding is required, neither the Bank nor any withholding agent will be required to pay any additional amounts with respect to amounts so withheld. Additionally, the Bank may withhold the full 30.00% tax on any payment on the Notes subject to such withholding regardless of any exemption from, or reduction in, such withholding otherwise available under applicable law (including, for the avoidance of doubt, where a holder is eligible for a reduced rate under an applicable tax treaty with the United States). Prospective investors should refer to the section “*Taxation – United States Federal Income Tax Considerations – Hiring Incentives to Restore Employment Act*”.

#### **Risks relating to an Investment in Rupee denominated Notes**

***Rupee denominated Notes are subject to selling restrictions and may be transferred only to a limited pool of investors.***

Rupee denominated Notes can only be issued to and held by investors resident in jurisdictions which are a member of the Financial Action Task Force (FATF) or a member of a FATF-style regional body and whose securities market regulator is a signatory to the International Organization of Securities Commission's (IOSCO's) multilateral memorandum of understanding (Appendix A Signatories) or a signatory to a bilateral memorandum of understanding with the Securities and Exchange Board of India (SEBI) for information sharing arrangements. Additionally, investors should not be residents of a country identified in the public statement of the FATF as: (i) a jurisdiction having strategic anti-money laundering or combating the financing of terrorism deficiencies to which countermeasures apply; or (ii) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the FATF to address the deficiencies.

***Rupee denominated Notes are subject to exchange rate risks and exchange controls.***

India maintains a managed floating exchange rate system under which market forces determine the exchange rate for INR. Under RBI's policies, the RBI may, however, intervene in the market to maintain orderly market conditions and limit sharp fluctuations in the exchange rate. Interventions by the RBI have taken the form of transparent measures and have included clearly delineated periods and amounts involved, as well as the explanations for these actions. RBI's foreign exchange policy objectives include maintaining price stability, promoting and maintaining monetary stability and the convertibility of the INR, protecting its international reserves during times of impending or ongoing exchange crises or national emergencies.

Rupee denominated Notes are denominated in INR and payable in foreign currency. This entails risks which are not associated with a similar investment in a foreign currency-denominated security. Such risks include, without limitation, the possibility of significant changes in the exchange rate between INR and the relevant foreign currency if such currency risk is unhedged by an investor or the possibility of



imposition or modification of exchange controls by the RBI. Such risks are usually dependent on various economic and political events over which the Issuer does not have any control. Recently, exchange rates have been volatile and such volatility is expected in the near future as well, so the risk pertaining to exchange rate fluctuation persists. However, the recent fluctuations in exchange rates are not indicative in nature. If INR depreciates against the relevant foreign currency the effective yield on the Rupee denominated Notes will decrease below the interest rate on the global bonds, and the amount payable on maturity may be less than the investment made by the investors. This could result in a total or substantial loss of the investment made by the investor towards the Rupee denominated Notes. Rates of exchange between the foreign currency and INR may be significantly varied over time. However, historical trends do not necessarily indicate future fluctuations in rates, and should not be relied upon as indicative of future trends. Political, economic or stock exchange developments in India or elsewhere could lead to significant and sudden changes in the exchange rate between INR and the relevant foreign currency.

Furthermore, the overseas investors are eligible to hedge the above-mentioned exchange rate risk only by way of permitted derivative products with: (i) AD Category Banks in India; (ii) the offshore branches or subsidiaries of Indian Banks; or (iii) branches of foreign banks having a presence in India.

#### ***INR “Non-convertibility”.***

The convertibility of a currency is dependent, inter alia, on international and domestic political and economic factors, and on measures taken by governments and central banks. Such measures include, without limitation, imposition of regulatory controls or taxes, issuance of a new currency to replace an existing currency, alteration of the exchange rate or exchange characteristics by revaluation or devaluation of a currency, or imposition of exchange controls with respect to the exchange or transfer of a specified currency that would affect exchange rates and the availability of a specified currency. The taking of any one or more of such measures could adversely affect the value of the Notes as well as any amount which may be payable upon redemption of the Notes.

***Early redemption of Rupee denominated Notes prior to its stated average maturity or its stated maturity requires prior RBI or AD Bank approval, as the case may be.***

Any early redemption of the Rupee denominated Notes (whether as a result of an event of default or any early redemption event) may require the prior approval of the RBI or the AD Bank. Compliance with any conditions specified in any such RBI or AD Bank approval will be required. There can be no assurance that the RBI or the AD Bank will provide such approval in a timely manner or at all.

#### **Risks relating to the market generally**

***The Bank may face certain risks associated with exchange rate fluctuations and any modifications to exchange controls.***

The Bank will pay principal and interest on the Notes in the currency specified (the **Settlement Currency**). This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the **Investor’s Currency**) other than the Settlement Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Settlement Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Settlement Currency would decrease:

- the Investor’s Currency-equivalent yield on the Notes;
- the Investor’s Currency-equivalent value of the principal yield payable on the Notes; and
- the Investor’s Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.



***The market value of the Notes may fluctuate.***

Trading prices of the Notes are influenced by numerous factors, including the operating results, business and/or financial conditions of the Bank, political, economic, financial and any other factors that can affect the capital markets, the business or the Bank. Adverse economic developments, acts of war and health hazards in countries in which Bank operates in could have a material adverse effect on the Bank's operations, operating results, business, financial position and performance. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. There can be no assurance that these developments will not occur in the future.

***Inflation risk.***

Noteholders may suffer erosion on the return of their investments due to inflation. Noteholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Notes. An unexpected increase in inflation could reduce the actual returns.

***Legal investment considerations may restrict certain investments.***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent the:

- Notes are legal investments for it;
- Notes can be used as collateral for various types of borrowings; and
- other restrictions apply to its purchase or pledge of any Notes.

Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

**Risks relating to Renminbi-denominated Notes**

Notes denominated in Renminbi may be issued under the Program. RMB Notes contain particular risks for potential investors, including:

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

Renminbi is not completely freely convertible at present. The PRC government continues to regulate conversion between the Renminbi and foreign currencies despite the significant reduction over the years by the PRC government of control over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions under current accounts.

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

Although starting from October 1, 2016, the Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC government will continue to liberalize control over cross border remittance of Renminbi in the future or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Bank to source Renminbi to finance its obligations under the Notes.

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

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited.

While the People's Bank of China (**PBOC**) has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the "**RMB Clearing Banks**"), including but not limited to Hong Kong (the "**Settlement Agreements**"), and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi-denominated financial assets outside the PRC is limited.

Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC. The relevant RMB Clearing Bank only has access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions. The relevant RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from outside the PRC to square such open positions.

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

***Investment in the Notes is subject to exchange rate risks.***

The value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. All payments of interest and principal with respect to the Renminbi Notes will be made in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the market place. If the value of the Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of the investment in U.S. dollar or other applicable foreign currency terms will decline.

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

The PRC government has gradually liberalized the regulation of interest rates in recent years. Further liberalization may increase interest rate volatility. The Renminbi Notes may carry a fixed interest rate. Consequently, the trading price of such Renminbi Notes will vary with fluctuations in interest rates. If a holder of Renminbi Notes tries to sell any Renminbi Notes before their maturity, they may receive an offer that is less than the amount invested.

***Payments in respect of the Notes will only be made to investors in the manner specified in the Notes.***

Investors may be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong.

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

## CAPITALIZATION OF THE BANK

The following table sets forth the capitalization and indebtedness of the Bank as of March 31, 2019. This table should be read in conjunction with the Bank's financial statements as of March 31, 2019 and the schedules and notes presented elsewhere herein.

	<b>As of March 31, 2019</b>	
	<b>(Rs. in million)</b>	<b>(U.S.\$ in million)<sup>(1)</sup></b>
	<b>(audited)</b>	
<b>Short-Term Debt<sup>(2)(3)</sup>:</b>		
Short-Term Debt (Rupee) . . . . .	76,258.28	1,102.72
Short-Term Debt (Foreign Currency) . . . . .	42,424.85	613.47
Total Short-Term Debts (a) . . . . .	118,683.13	1,716.19
<b>Long-Term Debt:</b>		
Long-Term Debt (Rupee) . . . . .	267,026.03	3,861.27
Long-Term Debt (Foreign Currency) . . . . .	537,331.96	7,769.97
Total Long-Term Debts (b) . . . . .	804,357.99	11,631.24
Total Debt (c) = (a+b) <sup>(4)</sup> . . . . .	923,041.12	13,347.43
<b>Capital and Reserves:</b>		
Paid-up Capital . . . . .	123,593.66	1,787.20
Reserve Fund . . . . .	7,547.35	109.14
General Reserve . . . . .	1,955.32	28.27
Special Reserve . . . . .	13,640.00	197.24
<b>Total Capital and Reserves (d) . . . . .</b>	<b>146,736.33</b>	<b>2,121.85</b>
<b>Total Capitalization<sup>(5)</sup> = (b) + (d) . . . . .</b>	<b>951,094.32</b>	<b>13,753.09</b>

*Notes:*

- (1) For figures as of March 31, 2019, U.S. dollar translations have been made using the exchange rate reported by the Foreign Exchange Dealer's Association of India on March 31, 2019, which was Rs. 69.1550 = U.S.\$1.00.
- (2) In case of rupee borrowings, short-term debt relates to debt raised with original maturity up to one year.
- (3) In case of foreign currency borrowings, short-term debt is defined as debt raised with original maturity of up to three years.
- (4) As of March 31, 2019, the Bank's total borrowings amounted to Rs. 923,041.12 million (U.S.\$13,347.43 million).
- (5) Capitalization excludes short-term debt.

## SELECTED FINANCIAL INFORMATION

The following selected financial information has been derived from the financial statements of the Bank contained elsewhere in this Offering Circular, and is qualified in its entirety by reference to such financial statements, including the notes thereto (see “*Index to Financial Statements of Export-Import Bank of India*”). The audited annual financial statements which were prepared as per formats prescribed in the Export-Import Bank of India General Regulations, 1982, in accordance with Indian GAAP, which differs in some respects from U.S. GAAP. See “*Index to Financial Statements of Export-Import Bank of India*” for further information about Indian GAAP. A summary of the differences between the Indian GAAP and U.S. GAAP is contained in this Offering Circular under the heading “*Summary of Significant Differences between Indian GAAP and U.S. GAAP*”.

### Presentation of Financial Information

This Offering Circular contains the audited financial statements of the Bank as of and for the financial years ended March 31, 2017, 2018 and 2019 (see “*Index to Financial Statements of Export-Import Bank of India*”).

The financial data mentioned in this Offering Circular pertains to the General Fund of the Bank, in which the Bank’s entire business is accounted for. The Bank also administers the Export Development Fund (“EDF”), which was established by the Government in accordance with Section 15 of the Export-Import Bank of India Act, 1981 (the Act) to extend financing to entities that are not likely to obtain funding from other institutions in their ordinary course of business. The Bank must obtain the prior approval of the Government before granting any loans or advances or entering into any arrangement with respect to the EDF. The financial data pertaining to the EDF appears only in Appendix B of the “*Index to Financial Statements of Export-Import Bank of India*”.

### Statutory Auditors of the Bank

In terms of Section 24(1) of the Act, the accounts of the Bank are required to be audited by auditors qualified to act as auditors under sub-section (1) of Section 226 of the Companies Act, 1956, who shall be appointed by the Government for such term and on such remuneration as the Government may decide. In the past, the Government has generally changed its recommended panel at least once every three years. In respect of the financial years ended March 31, 2017 and 2018 the statutory auditors of the Bank were Sorab S. Engineer & Company, Chartered Accountants, Mumbai. In respect of the financial year ended March 31, 2019, the statutory auditors of the Bank were JCR & Co. Chartered Accountants, Mumbai.

### Selected Financial Information<sup>(1)</sup>

	As of/for the financial year ended March <sup>(2)(3)</sup>			
	2017	2018	2019	
	(Rs. million)		(Rs. million)	(U.S.\$ in million) <sup>(2)(4)</sup>
<b>Income Statement Data</b>				
Interest Income <sup>(2)</sup> . . . . .	84,410.89	82,383.63	87,265.63	1,261.88
Interest Expenses <sup>(3)</sup> . . . . .	65,022.31	65,862.99	67,567.21	977.04
Net Interest Income . . . . .	19,388.58	16,520.64	19,698.42	284.84
Non-interest Income <sup>(4)</sup> . . . . .	7,942.47	5,399.14	3,700.11	53.50
Income (Net Interest + Non-Interest) . . . . .	27,331.05	21,919.78	23,398.53	338.35
Non-interest Expenses <sup>(5)</sup> . . . . .	2,524.69	2,608.37	2,717.61	39.30
Provisions/Write-offs <sup>(6)</sup> . . . . .	21,679.97	61,609.57	18,806.01	271.94
Provision for Tax . . . . .	2,714.26	(13,060.86)	1,058.44	15.31
Net Income . . . . .	412.12	(29,237.30)	816.48	11.81

As of/for the financial year ended March <sup>(2)(3)</sup>				
	2017	2018	2019	
	(Rs. million)		(Rs. million)	(U.S.\$ in million) <sup>(2)(4)</sup>
<b>Balance Sheet Data</b>				
Cash and Bank Balances . . . . .	36,908.87	28,155.00	42,119.52	609.06
Investments . . . . .	51,029.29	56,969.22	93,273.85	1,348.77
Loans and advances <sup>(7)</sup> . . . . .	1,026,409.98	1,075,320.57	936,171.51	13,537.29
Others <sup>(8)</sup> . . . . .	57,725.55	74,744.79	74,689.60	1,080.03
Total Assets . . . . .	1,172,073.69	1,235,189.58	1,146,254.48	16,575.15
Total Shareholders' Equity <sup>(9)</sup> . . . . .	120,238.86	96,001.56	146,736.34	2,121.85
Deposits . . . . .	3,726.43	2,860.51	2,527.60	36.55
Borrowings from Government of India . . . . .	—	—	—	—
Profit & Loss Account <sup>(10)</sup> . . . . .	41.30	—	81.70	1.18
Other Borrowings <sup>(11)</sup> . . . . .	957,002.33	1,038,790.12	920,513.52	13,310.87
Current liabilities and provisions for contingencies . . . . .	46,637.55	57,705.07	32,992.88	477.09
Others . . . . .	44,427.21	39,832.32	43,402.46	627.61
<b>Total Liabilities</b> . . . . .	<b>1,172,073.69</b>	<b>1,235,189.58</b>	<b>1,146,254.48</b>	<b>16,575.15</b>
<b>Other Data</b> . . . . .	%	%	%	
Return on Average Assets <sup>(12)</sup> . . . . .	0.04	(2.44)	0.07	
Return on Average Equity <sup>(13)</sup> . . . . .	0.35	(24.79)	0.73	
Net Interest Margin <sup>(14)</sup> . . . . .	1.70	1.46	0.02	
Net Interest Spread <sup>(15)</sup> . . . . .	1.12	0.62	0.99	
Non-Interest Income/Income				
(Net Interest + Non-Interest) . . . . .	29.06	24.63	15.81	
Operating Expenses/Income				
(Net Interest + Non-Interest) <sup>(16)</sup> . . . . .	5.30	5.98	6.17	
Credit Loss Provisions/Income				
(Net Interest + Non-Interest) . . . . .	59.39	255.62	68.91	
Gross NPL Ratio <sup>(17)</sup> . . . . .	9.24	10.37	11.34	
Net NPL Ratio <sup>(18)</sup> . . . . .	4.68	3.75	2.44	
Loan Loss Coverage Ratio <sup>(19)</sup> . . . . .	54.54	71.26	84.72	
Equity/Assets <sup>(20)</sup> . . . . .	10.26	7.77	12.80	
Debt/Equity <sup>(21)</sup> (not in %) . . . . .	7.99	10.85	6.29	
Tier I Capital Adequacy Ratio <sup>(22)</sup> . . . . .	14.29	8.82	17.71	
Total Capital Adequacy Ratio <sup>(23)</sup> . . . . .	15.81	10.35	19.07	

*Notes:*

- (1) Excludes EDF.
- (2) Includes gross interest and discount income on loans of Rs.54,462.59 million, Rs.53,302.68 million and Rs.60,802.26 million for the financial years ended March 31, 2017, 2018 and 2019, respectively, and gross income from investments/bank balances and swap interest received of Rs.29,948.30 million, Rs.29,080.95 million and Rs.26,463.37 million for the financial years ended March 31, 2017, 2018 and 2019, respectively.
- (3) Refers to interest paid on notes, bonds and debentures, deposits, borrowings, swap interest paid etc. and excludes credit insurance, fees and charges.
- (4) Includes exchange, commission, brokerage and fees, net gain on sale of investments/land, buildings and other assets; and other income.
- (5) Includes credit insurance, fees and charges, staff salaries, directors fee, audit fees, rent/taxes, communication expenses, legal expenses, other expenses and depreciation.
- (6) Includes provisions/write-off of loans of Rs.16,232.35 million, Rs.56,031.27 million and Rs.16,124.09 million for the financial years ended March 31, 2017, 2018 and 2019, respectively, and provisions/write-off (net of write-back) of investments and others Rs.5,447.62 million, Rs.5,578.30 million and Rs.2,681.92 million for the financial years ended March 31, 2017, 2018 and 2019, respectively.

- (7) Includes loans and advances to industrial concerns, schedule banks, foreign governments and other financial institutions and bills of exchange and promissory notes discounted/rediscouted. Amounts stated are net of provisions for non-performing loans ("NPLs").
- (8) Includes premises, other fixed assets and other assets.
- (9) Includes capital and reserves.
- (10) Figures as at March 31, 2017, 2018 and 2019 figures represent balance of net profits transferable to the Central Government in terms of section 23(2) of the Exim Bank Act, 1981.
- (11) Includes notes, bonds and debentures, foreign currency borrowings and other borrowings.
- (12) Computed as the ratio of the net profit after tax to the quarterly total average total assets.
- (13) Computed as the ratio of the net profit after tax to the quarterly average net worth (capital plus reserves).
- (14) Net interest margin is the difference of interest earned and interest expended divided by the total quarterly average interest-earning assets.
- (15) Net interest spread is the difference between the average yield on total interest earning assets and the average cost on total interest-bearing liabilities.
- (16) Operating expenses excludes interest expenses, audit fees, legal expenses, other expenses, depreciation and provisions.
- (17) Computed as gross NPLs divided by gross loans and advances.
- (18) Computed as net NPLs divided by net loan assets.
- (19) Computed as provisions for NPLs divided by gross NPLs.
- (20) Computed as total shareholders' equity divided by total assets.
- (21) Computed as total debt (i.e. deposits, borrowings and notes, bonds and debentures) divided by shareholders' equity for the financial years ended March 31, 2017, 2018 and 2019, respectively.
- (22) Computed as core capital as per RBI norms, divided by the total risk-weighted assets.
- (23) Computed as total capital divided by total risk-weighted assets.
- (24) U.S. dollar translations for Balance Sheet items have been made using the exchange rate of U.S.\$1.00 = Rs.69.1550 as of March 31, 2019 (being the rate announced by the Foreign Exchange Dealer's Association of India as of March 31, 2019)
- (25) Balance sheet data as at March 31, 2017, March 31, 2018 and March 31, 2019, respectively, is a period-end balance. Yield/cost figures are not annualized.



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

*The following discussion and analysis of the Bank's financial condition and results of operations is based on the Bank's financial statements and accompanying notes, which have been prepared in accordance with Indian GAAP and are included in this Offering Circular. This discussion should be read together with the "Selected Statistical Data" and the Bank's financial statements which were prepared as per formats prescribed in the Export-Import Bank of India General Regulations, 1982, in accordance with Indian GAAP, which differs in some respects from U.S. GAAP. See also "Summary of Significant Differences Between Indian GAAP and U.S. GAAP."*

### Overview

The Bank was established on January 1, 1982 under the Export-Import Bank of India Act, 1981 (the Act) for the purpose of financing, facilitating and promoting foreign trade of India. The Act specifically mandates the Bank to provide financial assistance to Indian exporters and importers and to function as the principal financial institution for coordinating the working of institutions engaged in financing the export and import of Indian goods and services. The Bank is charged with carrying out these functions with a view to promoting India's international trade.

The Bank extends finance through a variety of lending programs and seeks to help Indian exporting firms in their endeavors by proactively assisting them in locating overseas business partners, and identifying trade and investment opportunities for them. The Bank provides financial assistance to export-oriented Indian companies by way of term loans for setting up new production facilities and expanding, modernizing and/or upgrading of existing facilities. Through the provision of lines of credit (LOCs) to overseas entities, national governments, regional financial institutions and commercial banks, the Bank has supported many projects in developing countries.

The Bank extends funded and non-funded facilities to support project exports for overseas turnkey projects, civil construction contracts, technical and consultancy service contracts as well as supplies. The Bank also extends buyers' credit and suppliers' credit to finance and promote India's exports. The Bank supplements its financing programs with a wide range of value-added information, advisory and support services, which enable exporters to evaluate international risks, exploit export opportunities and improve competitiveness, thereby helping them in their globalization efforts. In addition, the Bank has also promoted one joint venture, namely Global Procurement Consultants Limited, which is associated with a comprehensive range of procurement-related advisory services and inter-allied activities for projects in India and abroad. See "Description of the Bank".

The Bank, along with Infrastructure Leasing and Financial Services Limited, the State Bank of India and the African Development Bank launched a project development company, called Kukuza Project Development Company (Kukuza) to focus on development of infrastructure projects in Africa. Kukuza provides specialist project development expertise to African governments, utility and other private companies on infrastructure projects in Africa. Kukuza's initial authorised capital shall be U.S.\$25 million and the Bank's share in the capital is U.S.\$4.88 million. The shareholders' agreement for Kukuza was signed in July 2015. Kukuza is registered in Mauritius and has commenced operations in the financial year ended March 31, 2018.

The Bank, which has its Head Office located in Mumbai, has domestic regional offices in Ahmedabad, Bangalore, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, New Delhi and Pune, and has overseas representative offices in Abidjan, Addis Ababa, Dhaka, Dubai, Johannesburg, Singapore, Washington, D.C. and Yangon as well as an overseas branch in London.

As of March 31, 2019, the total amount of outstanding gross loans provided by the Bank was Rs. 1,030.07 billion (U.S.\$14.90 billion), including Rs. 579.15 billion (U.S.\$8.38 billion) in outstanding export credit loans and Rs. 450.92 billion (U.S.\$6.52 billion) in outstanding export capability creation. As of March 31, 2019, the total amount of outstanding non-funded facilities issued by the Bank was Rs. 140.96 billion (U.S.\$2.04 billion).

For the year ended March 31, 2019, the Bank's net profit after tax amounted to Rs. 816.48 million (U.S.\$11.81 million), which was an increase of Rs. 30,053.78 million, or 102.79%, from the loss of Rs. 29,237.30 million for the year ended March 31, 2018. The increase in profits was primarily on account of recovery of interest income from major accounts resolved under NCLT and interest recovery from other NPA accounts during fiscal year 2019.

### **Basis of Preparation**

The Bank's financial statements have been prepared in accordance with the generally accepted accounting principles followed in India. The financial statements have been prepared under the historical cost convention on an accrual basis unless otherwise stated. The accounting policies that are applied by the Bank are consistent with those used in the previous years. The form and manner in which the Bank's financial statements are prepared have been provided in the Export-Import Bank of India, General Regulations, 1982 approved by the Board of Directors with the previous approval of the Government of India under Section 39(2) of Export-Import Bank of India Act, 1981 (28 of 1981). Certain important financial ratios/data are disclosed as part of the "Notes to Accounts" in terms of RBI Master Direction DBR.FID.No.108/01.02.000/2015-16 dated June 23, 2016 and thereafter.

### **Factors Affecting the Bank's Business, Financial Condition, Results of Operations and Prospects**

The Bank's business, financial condition, results of operations and prospects have been, and are expected to be, influenced by numerous factors, including but not limited to those described below and those described under "*Risk Factors*". These are expected to affect the overall growth prospects of the Bank, including the level of credit disbursed by the Bank, the value of its asset portfolio and its ability to implement its strategy.

#### ***Indian economy***

As a development financial institution with a significant portion of its operations in India (approximately 37.30% of the Bank's gross loan assets were located in India as of March 31, 2019), the Bank's business, results of operations, financial condition and prospects have been and will continue to be significantly affected by Indian political and economic factors, including overall economic growth, real sector development, export performance, rate of inflation and fluctuations in exchange and interest rates. See "*Risk Factors – Risks relating to the business of the Bank*" and "*Risk Factors – Risks relating to India*."

#### ***Economic Growth***

According to the International Monetary Fund (IMF), India is currently the seventh largest economy globally (and the third largest globally when adjusted for purchasing power parity) with a nominal gross domestic product (GDP) size of over U.S.\$2.7 trillion, and the second most populous country in the world with a population of 1.3 billion people in 2018. According to the IMF, after witnessing a strong growth in 2017 and early 2018, global economic activity slowed notably in the second half of last year, reflecting a confluence of factors affecting major economies. Global growth, which peaked at 3.8% in 2017 after 2011, softened to 3.6% in 2018, and is projected to decline further to 3.3% in 2019. The escalation of US-China trade tensions, macroeconomic stress in Argentina and Turkey, disruptions to the auto sector in Germany, tighter credit policies in China, and financial tightening alongside the normalization of monetary policy in the larger advanced economies have all contributed to a significantly weakened global expansion. While advanced economies slowed down from 2.4% in 2017 to 2.2% in 2018, growth in emerging markets and developing economies also witnessed a decline from 4.8% in 2017 to 4.5% in 2018. Economic growth in India stood at 7.1% in 2018, marginally easing from 7.2% in 2017 due to relatively slower growth in private consumption, fixed investments and exports. India is projected to grow at 7.3% in 2019 supported by the continued recovery of investments and robust private consumption.

According to the Central Statistics Office (the CSO), Ministry of Statistics and Programme Implementation, the Indian economy grew at a rate of 7.0% during fiscal year 2019, moderating from 7.2% in the preceding year owing to the slowdown in certain sectors such as agriculture, forestry and fishing, mining and quarrying, trade, hotel, transport, communication and services related to broadcasting and public administration, defence and other services. Growth was mainly supported by a pick-up in activities such as manufacturing, construction and financial, real estate & professional services. The Bank believes that the economic growth will be driven by the continued recovery of investment and robust consumption in fiscal year 2020. Investment activity is expected to strengthen as the benefits of recent structural reforms begin to materialise.

According to the World Bank, India is expected to grow at 7.5% in 2019 and 2020. The Global Economic Prospects, January 2019 by World Bank cited the upswing in consumption and investment growth for driving the real GDP growth above 7%. In addition, India has sharply curtailed its current account deficit from 4.8% of GDP during fiscal year 2013 to 2.6% of GDP during April to December of fiscal year 2019. In addition, ongoing fiscal consolidation has helped in lowering India's fiscal deficit to 3.4% of GDP during fiscal year 2019 from a high of 6.5% of GDP in fiscal year 2010. The growth of the Indian economy has impacted and could continue to impact the Bank's ability to sustain profitable interest margins given that such economic growth could increase the demand for the Bank's loans and other products, or encourage diversification of the Bank's loan portfolio.

### ***Real Sector Development***

The Indian economy witnessed a moderation in growth across various sectors during the fiscal year 2019. The agricultural sector, for instance, grew at a rate of 2.7% in fiscal year 2019 compared to a growth rate of 5.0% achieved the previous year due to weaker Kharif and Rabi output compared to the last year. The industrial sector however picked up from a growth of 5.9% in fiscal year 2018 to 7.7% in fiscal year 2019 majorly driven by the manufacturing sector (from 5.9% in fiscal year 2018 to 8.1% in fiscal year 2019) and construction (from 5.6% in fiscal year 2018 to 8.9% in fiscal year 2019) sectors. Mining & quarrying slowed down from 5.1% in fiscal year 2018 to 1.2% in fiscal year 2019 whereas electricity, gas & water supply continued to maintain a robust growth of 8% in fiscal year 2019 moderating slightly from 8.6% in fiscal year 2018. The services sector, although being the major driver of the Indian economy, registered a declining growth of 7.4% in fiscal year 2019 from 8.1% in fiscal year 2018, mainly reflecting a slowdown in sectors such as trade, hotels, transport, communication and services related to broadcasting (from 7.8% in fiscal year 2018 to 6.8% in fiscal year 2019) and public administration, defence and other services (from 11.9% in fiscal year 2018 to 8.5% in fiscal year 2019).

### ***Export Performance***

As the main activities of the Bank include providing a range of export credit services, developments in the export sector impact the Bank's business. Merchandise exports and imports of India in fiscal year 2019 stood at U.S.\$329.50 billion and U.S.\$513.1 billion, respectively. India's greater integration with the world economy was reflected by the trade openness indicator, merchandise trade to GDP, which increased from 13.9% in fiscal year 1992, to 27% in fiscal year 2005 and further to 41% in fiscal year 2014. However, it moderated to 37.1% in fiscal year 2015, and further to 30.9% in fiscal year 2016 and further down to 29.2% in fiscal 2017 as a result of subdued exports and imports. It increased to 29.3% in the fiscal year 2018 and 30.3% in fiscal year 2019 as a result of the recovery in global trade.

Since late 2015, India's merchandise exports, in terms of value, have been declining as a result of subdued economic conditions and downward crude oil prices. However, India's merchandise exports saw a revival in fiscal year 2017 by increasing 5.4% compared to the fiscal year 2016. It grew for the third consecutive year at a rate of 8.6% in fiscal year 2019 compared to the previous fiscal year, mainly driven by sectors such as chemicals and related products, petroleum crude and products, base metals, agriculture and allied products, machinery, plastic and rubber articles and machinery. These sectors have a significant share in the export basket of India. India's imports also increased from U.S.\$465.5 billion in fiscal year 2018 to U.S.\$513.1 billion in fiscal year 2019, principally as a result of increased importation of petroleum products, electronic items, chemical products and machinery among others. Global crude oil prices have also gone up by approximately 24% in dollar terms compared to the previous fiscal year. As a result, India's trade deficit widened from U.S.\$162.2 billion in fiscal year 2018 to U.S.\$183.6 billion in fiscal year 2019. India emerged as the 19th largest exporter in the world in 2018, with a share of 2.1% in global merchandise trade according to the international trade and market access online database of the World Trade Organization (WTO).

India's top 10 export sectors are petroleum products, chemicals and related products, gems and jewellery, textiles and allied products, machinery, agriculture and allied products, transport equipment, base metals, plastic and rubber articles, and electronic items which together accounted for 89.5% of total exports in fiscal year 2019 (compared to 81% in 2011). The sectors which registered a strong growth include electronic items (38.3%), plastic & rubber articles (24.7%), petroleum crude and products (23.8%), machinery (18.1%) and chemical and related products (16.5%), as compared to fiscal year 2018.

In terms of direction of trade, share of exports to Europe declined from 22.7% in fiscal year 2009 to 19.5% in fiscal year 2019. Share of exports to North America (comprising USA and Canada) have increased to 16.8% in fiscal year 2019 from 12.2% in fiscal year 2009. In addition, share of exports to the Commonwealth of Independent States (which includes Russia) and Baltics increased marginally from 1.0% in fiscal year 2008 to 1.1% in fiscal year 2019. Share of exports to Africa increased from 8.0% in fiscal year 2009 to 8.7% in fiscal year 2019 and that to Latin America and Caribbean increased from 3.3% in fiscal year 2009 to 4.1% in fiscal year 2019. On the other hand, there was a decline in share of exports to Asia from 50.3% in fiscal year 2009 to 48.8% in fiscal year 2019.

### ***Inflation***

High inflation rates in the Indian economy have impacted and could continue to impact the Bank's ability to sustain profitable interest margins given that such high rates could lower demand for the Bank's loans.

The inflation rate based on the Wholesale Price Index (**WPI**) which was at 2.7% in fiscal year 2018 picked up by 4.3% in fiscal year 2019. This trend is on the back of rising global commodity and energy prices. India's retail price inflation rate rose to 3.05% year-on-year in May 2019 from 2.99% in April 2019. That was the highest rate since October 2018, mainly due to higher food prices. However, inflation still remained below the Reserve Bank of India's medium-term target of 4% for ten consecutive months.

The base year for calculating WPI has been revised from 2004-05 to 2011-12 by the CSO to conform to the structure of the economy in 2011-12. In total, 199 new items have been added and 146 old items have been dropped. In the new WPI series, indirect tax is not included in the prices to remove the impact of fiscal policy. This complies with the international practices and will make the new WPI conceptually closer to "Producer Price Index". In January 2012, inflation numbers based on the new consumer price index (**CPI**) were released by the CSO, which included all rural and urban workers in India, and a base year of 2010. Since December 2012, inflation measured by the CPI remained in the double digits even as WPI inflation moderated, leading to the widening of a gap between the two measures. This was due to higher weighting of food items in the CPI (47.6% in CPI compared to 24.3% in WPI). Following the revision of the CPI, with a revised base year at 2012 and the reduced weightage of food items, inflation measured by the CPI moderated from 10.1% in 2013 to 9.3% in 2014, to 5.8% in 2015 and further to 3.6% in 2018. During fiscal year 2017, CPI inflation (annual average) eased further to 3.4%. Moderation in CPI inflation was supported by lower inflation of food items.

In February 2015, the RBI and the Ministry of Finance had agreed upon the Monetary Policy Framework Agreement (**MPFA**), which was conceived as a "modern monetary policy framework to meet the challenge of an increasingly complex economy". In May 2016, the RBI Act, 1934 was amended to provide a statutory basis for the implementation of the flexible inflation targeting framework. The amended RBI Act also provides for the inflation target to be set by the Government of India, in consultation with the RBI, once in every five years. Accordingly, the Central Government has notified in the Official Gazette, CPI inflation target of 4% for the period from August 5, 2016 to March 31, 2021 with the upper tolerance limit of 6% and the lower tolerance limit of 2%.

### ***Changes in interest rates***

One of the primary factors affecting the Bank's profitability is the level of, and fluctuations in, interest rates in India as well as global interest rates over time, which in turn (along with volume) influence the interest income generated by the Bank's assets (primarily loans and advances) and the interest expense associated with its liabilities. See "*Selected Statistical Data*".

Interest rates in India are primarily determined by market forces, which results in increased interest rate risk exposure for all banks and financial intermediaries in India. The Bank's results of operations are substantially dependent upon the level of net interest margins. Changes in interest rates could affect the interest rates charged on interest-earning assets and the interest rates paid on interest bearing liabilities in different ways. As a result, the Bank's results of operations could be affected by changes in interest rates and the interest rate mismatch of its assets and liabilities. Further, volatility in interest rates could adversely affect the Bank's business, its future financial performance and the pricing of the Notes.

Easing of inflationary pressures has enabled the RBI to reduce policy rates, in order to stimulate economic activity. The table below sets out the bank rate, repo rate and reverse repo rate, as determined by the RBI, for the periods indicated.

As of March 31,	Bank Rate	Repo Rate	Reverse Repo
2011 .....	6.00	6.75	5.75
2012 .....	9.50	8.50	7.50
2013 .....	8.50	7.50	6.50
2014 .....	9.00	8.00	7.00
2015 .....	8.50	7.50	6.50
2016 .....	7.00	6.50	6.00
2017 .....	6.75	6.25	5.75
2018 .....	6.25	6.00	5.75
2019 (As of June 2019) .....	6.00	5.75	5.50

Source: RBI.

Market borrowings constituted 100% of the total borrowings of the Bank and 88% of its total Lendable resources as of March 31, 2019. The Bank extends loans and advances to its clients both in Rupee and foreign currency. The Bank, being a development financial institution, measures such as the cash reserve ratio (**CRR**), statutory liquidity ratio (**SLR**), priority sector lending, current account and savings account, among others, which are applicable to commercial banks, are not applicable to the Bank. Both the Bank's funding and loan pricing dynamics are therefore different from commercial banks due to its nature of activities and mandate. The monetary policy of the RBI have and would continue to have bearing on the Bank's Rupee cost of funds as it generally follows the direction of the interest rates set by RBI for its commercial portfolio.

The Bank's net interest income is affected by a number of factors including the general level of interest rates, its ability to allocate its funds to assets that provide high interest rates and its cost of funding. While the Bank's Rupee and foreign currency loans are funded by its borrowings which are based on market dynamics, the yield on its lines of credit portfolio is intentionally kept low, since it does not seek to maximize profits, given its government mandate to support exports and also as the exposures are backed by sovereign guarantee from the Government of India. The foreign currency advances are predominantly funded by foreign currency borrowings, to insulate the portfolio from basis and re-pricing risks. Fixed-rate FC borrowings are converted into floating-rate liabilities by means of currency/interest rate swaps (unless the funds are required for extending fixed-rate FC loan assets, if any), so that both the lending and borrowing rates are based on the same benchmark, LIBOR. Consequently, changes in LIBOR, as well as changes in the spreads charged by the Bank for its various FC lending products, result in changes in its interest rates charged on newly originated FC loans and outstanding medium-term and long-term FC loans, which ultimately affects its interest income. In addition, as the Bank borrows in foreign currencies to fund its foreign currency lending activities, changes in market rates also affect its interest expense.

### **Forex Reserves**

A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy which could have an adverse impact on the Bank's business.

According to the RBI's Weekly Statistical Statement, India's foreign exchange reserves stand at a robust level of approximately US\$412.9 billion, as of March 31, 2019, equivalent to approximately 9.5 months of imports. India's net foreign direct investment during the fiscal year 2019 stood at U.S.\$34.6 billion as against U.S.\$30.3 billion in the previous fiscal year. According to the RBI's foreign investment flows data, India's net portfolio investment during the fiscal year 2019 stood at (U.S.\$2.1 billion) as compared to an inflow of U.S.\$22.1 billion in the previous year as a result of the increase in federal interest rates and rupee depreciation during April to September of fiscal year 2019. The ratio of short-term debt to foreign exchange reserves was approximately 26.4%, as of December 2018. As a percentage of foreign exchange reserves, volatile capital flows, defined to include cumulative portfolio inflows and short-term debt, declined from a high of 94% in 2013 to 88.7% as of December 2018.



## ***Sovereign Ratings of India***

A change in sovereign ratings of India may affect the Bank's business, liquidity position and the cost of funds as the Bank's ratings are on par with the sovereign ratings of the country. On September 26, 2014, S&P also reversed its opinion about the Indian economy and upgraded India's rating outlook to stable from negative while maintaining its credit rating at BBB-, citing improvement in the Government's ability to implement reforms and encourage growth, which in turn would lead to improving the country's fiscal performance. On 16 November 2017, Moody's Investors Service (**Moody's**) upgraded India's credit rating from Baa3 (Positive) to Baa2 (Stable) based on its view that there is an increasing probability that actions by policy makers will enhance the country's economic strength and, in turn, the sovereign's financial strength in the next few years.

According to the Government of India's Economic Survey 2017-18 (the **GoI Economic Survey**), India managed to achieve robust growth in Fiscal Year 2018 recovering from the aftermath of demonetization and the transitional impact of the GST implemented in July 2017. The growth has been achieved along with a macro-economic environment of relatively lower inflation (unlike a generally higher inflation in the previous instances of high growth), moderate current account deficit coupled with a broadly stable Rupee-US dollar exchange rate and the economy treading decisively on the fiscal consolidation path. Significant steps have been undertaken towards resolution of stressed assets, liberalization of foreign direct investment and strengthening of exports. In the Global Competitiveness Report published by the World Economic Forum, which assesses the competitiveness landscape of 140 economies and provides insight into the drivers of their productivity and prosperity based on 12 pillars, India has moved up 16 spots from 63rd out of 135 in 2017 to 58th out of 140 in 2018. Furthermore, in the "Doing Business 2019" survey conducted by the World Bank, which measures the regulations that enhance business activities and those which constrain it, India was ranked 77th, up from its 100th ranking in the previous year, improving in six parameters, namely, construction permits, trading across borders, starting a business, getting credit, getting electricity and enforcing contracts.

## ***Global Economy***

According to the IMF, after witnessing growth in 2017 and early 2018, global economic activity slowed notably in the second half of 2018, reflecting a combination of factors affecting major economies. China's growth declined following a combination of regulatory tightening to control shadow banking and increasing trade tensions with the United States. The euro area economy lost impetus for growth as consumer and business confidence weakened and car production in Germany was disrupted by the introduction of new emission standards. Investment dropped in Italy as sovereign spreads widened; and external demand, especially from emerging Asia, softened. Natural disasters hurt activity in Japan. Trade tensions increasingly took a toll on business confidence affecting financial market sentiment with financial conditions tightening for vulnerable emerging markets in the first half of 2018 and then in advanced economies later in the year, weighing on global demand. Global growth, which peaked at 3.8% in 2017, moderated to 3.6% in 2018, and is projected to decline further to 3.3% in 2019. Advanced economies are expected to grow at 1.8% in 2019 slowing down from 2.2% in 2018 whereas emerging market and developing economies are expected to grow at 4.4% in 2019 easing from 4.5% in 2018. China witnessed a decline in growth from 6.8% in 2017 to 6.6% in 2018 and is projected to grow at a slower rate of 6.3% in 2019. The weakening in import demand of China appeared to have impacts on trading partner exports in Asia and Europe. Fiscal year 2019 has been a year of slow yet steady recovery. The global merchandise trade continued to face strong headwinds after witnessing a slower than expected growth rate of 3%, by volume, in 2018 compared to 4.6% in 2017. The WTO expects merchandise trade volume growth to fall to 2.6% in 2019 due to rising trade tensions and increased economic uncertainty. Indian exports continued to grow for the third consecutive year in fiscal year 2019 after two years of decline in fiscal years 2015 and 2016. The Bank is also expected to gain as a result of this.

## ***Credit risk and provisioning for impaired loans***

Managing the risk that a counterparty to a financial contract with the Bank will fail to perform according to the terms and conditions of the contract and cause the Bank to suffer a loss, or "credit risk", is a key aspect of the Bank's financing and investment activities. See "*Risk Management*" for further information.



As per RBI guidelines, the Bank classifies advances to borrowers as “performing” or “non-performing” assets based on the recovery of principal and interest. NPAs are further classified as sub-standard, doubtful and loss assets. Provisioning requirements for NPAs is governed as per the RBI guidelines. As of March 31, 2019, the Bank had a provision coverage ratio of 84.72% compared to 71.26% as of March 31, 2018 and 54.54% as of March 31, 2017. The Bank believes its current level of provisions is adequate for the level of credit risk to which the Bank is exposed. The Bank’s provisions towards non-performing loans (NPLs) as of March 31, 2019 was Rs. 93,900 million (U.S.\$1,357.82 million). The Bank’s provision for NPLs to gross NPLs as of March 31, 2019 was 80.41%. As of March 31, 2019, provisions for NPLs increased by 18.14% to Rs. 93,900 million (U.S.\$1,357.82 million) compared to Rs. 79,485.00 million as of March 31, 2018, primarily on account of 11 accounts aggregating to Rs. 28,350 million slipping into the NPA category. These accounts included two accounts of Videocon Group forming part of the group’s overseas hydrocarbon business aggregating Rs. 22,940 million, representing about 81% of the net slippages, which have been provided to the extent of 100% as of March 31, 2019.

As of March 31, 2017, 2018 and 2019, gross NPLs amounted to Rs. 99,619.82 million, Rs. 119,761.99 million and Rs. 116,779.88 million, respectively. The incremental slippages were mainly on account of failure of earlier restructurings in certain large exposures in the oil and gas, shipping and offshore services and mining and minerals sectors. As of March 31, 2017, 2018 and 2019, the proportion of the Bank’s gross NPLs to gross loans and advances was 9.24%, 10.37% and 11.34%, respectively.

### ***Indian Banking Sector Policies and Regulations***

The Indian banking industry is regulated by the RBI and operates within a framework that provides guidelines on capital adequacy, corporate governance, management, anti-money laundering and provisioning for NPAs. The RBI can alter any of these policies at any time and can introduce new regulations to control any particular line of business. The RBI’s ability to cause an increase in capital requirements could in turn have an impact on the Bank’s results of operations.

There has been a closer coordination between the Government and the RBI in formulating policies and in regulations. In fact, the agreement on monetary policy framework signed between the Government and the RBI in February 2015 has shaped the monetary policy stance in 2016. In May 2016, the RBI Act, 1934 was amended to provide a statutory basis for the implementation of the flexible inflation targeting framework. The amended RBI Act also provides for the inflation target to be set by the Government of India, in consultation with the RBI, once in every five years. Accordingly, the Central Government has notified in the Official Gazette, CPI inflation target of 4% for the period from August 5, 2016 to March 31, 2021 with the upper tolerance limit of 6% and the lower tolerance limit of 2%.

Government monetary policy is heavily influenced by the condition of the Indian economy, and changes in monetary policy will affect the interest rates on loans as well as bond prices in the financial sector. The RBI responds to fluctuating levels of economic growth, concerns about banks’ liquidity position and inflationary pressures in the economy by adjusting the required CRR and repo rate. The RBI has also instituted several prudential measures to moderate credit growth including increase in risk weights for capital adequacy computation and general provisioning for various asset classes.

Pursuant to the Banking Regulation (Amendment) Ordinance 2017 passed in May 2017, and the Banking Regulation (Amendment) Bill passed in July 2017, the Government of India had authorized RBI to direct banking companies to resolve specific stressed assets by initiating insolvency resolution process, where required. The amendments to the Banking Regulation Act, 1949, introduced through the Ordinance, and the notification issued thereafter by the Central Government empowered RBI to issue directions to any banking company or banking companies to initiate insolvency resolution process in respect of a default, under the provisions of the Insolvency and Bankruptcy Code, 2016 (IBC). It also enables the RBI to issue directions with respect to stressed assets and specify one or more authorities or committees with such members as the Bank may appoint or approve for appointment to advise banking companies on resolution of stressed assets.

However, RBI's circular dated February 12, 2018 in relation to stressed assets gave default companies 180 days to agree on a resolution plan with lenders or be taken to bankruptcy court to recover debt of Rs. 20,000 million and above was struck down by the order of the Supreme court on April 2, 2019. The circular underscored the IBC's status as the cornerstone of India's bad-loan resolution framework, scrapping all previous mechanisms, such as corporate debt restructuring, strategic debt restructuring and the scheme for sustainable structuring of stressed assets. The order of the Supreme Court mandates RBI to exercise its powers under Section 35AA of the Banking Regulation Act, 1949 in respect of specific defaults by specific debtors. The order came as a relief to companies in stressed sectors such as power, shipping, steel, telecom, infrastructure, sugar and fertiliser.

Pursuant to the RBI's circular on prudential framework for resolution of stressed assets guidelines dated June 7, 2019, in the event of a default by a borrower, all lenders to the borrower are required to put in place a resolution plan (**RP**) within 30 days of such default (**Review Period**). During this 30-day Review Period, the lenders would decide on a resolution strategy, which includes sale of the loan, legal action for debt recovery, immediate referral to NCLT, restructuring or change in ownership. In the event a RP is implemented, the lenders are required to enter into an intercreditor agreement (**ICA**) during the review period. The ICA shall provide that any decision agreed by lenders representing 75% by value of total outstanding credit facilities (fund based as well non-fund based) and 60% of the lenders by number shall be binding upon all the lenders. In addition, the ICA would provide for rights and duties of majority lenders, duties and protection of rights of dissenting lenders and treatment of lenders with priority in cash flows and differential security interest. In particular, the RPs shall provide for payment not less than the liquidation value due to the dissenting lenders. In respect of accounts with aggregate exposure above a threshold with the lenders (large borrowers), on or after the 'reference date', the RP shall be implemented within 180 days from the end of Review Period. (Source: RBI)

### ***Exchange Rates***

Exchange rates determine Rupees earned per U.S. dollar of exports (and Rupees paid per U.S. dollar of imports). Thus, exchange rates shape the price competitiveness of India's exports in the international market and the profitability of exports for Indian companies. It also influences the relative profitability of exports, compared with sales in the domestic market, which is particularly important in India because most exports are products that can be sold either in the international market or in the domestic market. Since a major portion of the Bank's assets and liabilities are dominated in foreign currencies, particularly in U.S. dollars, changes in exchange rates can impact the Bank's results of operations and financial condition, subject to the Bank's foreign exchange strategy.

The real effective exchange rate (**REER**) is an important indicator of export competitiveness as it takes into account the level of inflation differences across countries apart from the basket of nominal exchange rates of partners. According to an IMF study, a 10% real effective exchange rate depreciation in an economy comes with a rise in real net exports of, on average, 1.5% of GDP. In another study, it has been observed that one percentage point appreciation of the REER reduces the average firm's export to sales ratio by 6.3%. Firms that export relatively less are apparently more adversely affected by appreciation. According to the Monetary Policy Report published by the RBI in April 2017, in terms of both nominal effective exchange rate (**NEER**) and REER, the Rupee appreciated by 6.3% and 7.9%, respectively, between end-March 2017 and end-March 2016. 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 a result of the FPI inflows, especially equity.

The Economic Survey 2016-17 has constructed a new real exchange rate index that focuses on India's manufacturing competitors by giving higher weightage to those countries that have become highly competitive in manufacturing since 2010, measured by their change in global export market share. This is unlike the weightage given by RBI's REER to the United Arab Emirates which is a major source of India's oil imports. Both RBI and the IMF look at overall trade rather than just trade in manufactures, or even more appropriately labor-intensive manufacturing. As a result, heavy weight is given to the euro, even though the Asian countries, not Europe, are India's main competitors.

As an all-India term lending institution, the Bank maintains separate books for foreign currency transactions, and all foreign currency resources are on-lent on a back-to-back basis as foreign currency loans. The Bank does not deploy its foreign currency resources in Rupee denominated loans or vice versa, except on the basis of back-to-back swaps.

As part of its strategy to manage the impact of exchange rates and to hedge against foreign exchange exposure, the Bank enters into swap transactions and engages in hedging activities. As of March 31, 2019, the Bank entered into swap transactions involving long-term interest rate and cross currency swaps with notional amount of Rs. 699,292.53 million and short-term currency swaps (with original maturity less than one year) for liquidity and currency risk purposes with a notional amount of Rs. 15,997.87 million. The Bank has been prescribed a leverage multiple of 10 times of its net owned funds (**NOF**) by the RBI. Given that the Bank's reporting currency is in Rupees, the translation effect of any depreciation in the Rupee due to the Bank's foreign currency borrowings could potentially increase the outstanding aggregate borrowings of the Bank thereby constraining its capacity for future borrowings. As of March 31, 2019, the Bank's leverage multiple was 8.20 times its NOF.

### **Investments**

The Bank maintains an investment portfolio which consists of held to maturity securities, held for trading securities and available for sale securities. Available for sale securities include Government securities, other approved securities, shares, debentures and bonds, commercial papers and mutual fund units. The Bank maintains this investment portfolio to provide liquidity, if necessary. The Bank's investments amounted to Rs.113,397.40 million (U.S.\$1,639.75 million) as of March 31, 2019 (excluding investments technically written off and share application money paid, pending allotment); of this amount, Rs. 55,327.02 million (U.S.\$800.04 million), or 48.79%, was classified as held to maturity, Rs. 58,070.02 million (U.S.\$839.71 million), or 51.21%, was classified as available for sale. Income derived from the Bank's investment securities amounted to Rs. 3,159.67 million (U.S.\$45.69 million) for the year ended March 31, 2019, accounting for 3.62% of total interest and discount income for the period, and amounted to Rs. 2,819.78 million for the year ended March 31, 2018, accounting for 3.42% of total interest and discount income for such period. The Bank's net investments increased to 8.14% of total assets as of March 31, 2019 from 4.61% as of March 31 2018, primarily due to the Bank's subscription to special Government securities of Rs. 45,000 million.

### **Results of Operations**

#### **Results for the year ended March 31, 2019 compared to the year ended March 31, 2018**

	Year ended March 31,		
	2018	2019	% change
	(Rs. in millions, except percentages)		
Net interest income. . . . .	16,520.64	19,698.42	19.24
Non-interest income . . . . .	5,399.14	3,700.10	(31.47)
Non-interest expense. . . . .	2,608.37	2,717.59	4.19
Provisions and contingencies (including tax provision) . . . . .	48,548.71	19,864.45	(59.08)
<b>Net profit after tax . . . . .</b>	<b>(29,237.30)</b>	<b>816.48</b>	<b>(102.79)</b>

Net interest income increased by Rs. 3,177.78 million, or 19.24%, from Rs. 16,520.64 million for the year ended March 31, 2018 to Rs. 19,698.42 million for the year ended March 31, 2019, primarily due to recovery of interest income from major accounts pursuant to the resolution process under the Insolvency and Bankruptcy Code, 2016 (the **IBC**) and interest recovery from other NPA accounts during fiscal year 2019.

Non-interest income decreased by Rs. 1,699.04 million, or 31.47%, from Rs. 5,399.14 million for the year ended March 31, 2018 to Rs. 3,700.10 million for the year ended March 31, 2019, primarily as a result of decrease in profit on revaluation of investments.

Non-interest expense increased by Rs. 109.22 million, or 4.19%, from Rs. 2,608.37 million for the year ended March 31, 2018 to Rs. 2,717.59 million for the year ended March 31, 2019, primarily as a result of increased legal expenses on litigations related to NPA cases, recovery and NCLT proceedings.

Provisions and contingencies decreased by Rs. 28,684.26 million, or 59.08%, from Rs. 48,548.71 million for the year ended March 31, 2018 to Rs. 19,864.45 million for the year ended March 31, 2019, primarily as a result of a decrease in loan loss provisions due to lower slippages in fiscal year 2019. See "Selected Statistical Data".

As a result of the foregoing, the Bank's net profit/(loss) after tax decreased by Rs. 30,053.78 million, or 102.79%, from Rs. (29,237.30) million for the year ended March 31, 2018 to Rs. 816.48 million for the year ended March 31, 2019.

#### *Net Interest Income*

The following table sets forth the components of net interest income.

	Year ended March 31,		
	2018	2019	% change
	(Rs. in millions, except percentages)		
Interest and Discount on loans and advances/bills discounted/rediscounted . . . . .	53,302.68	60,802.26	14.07
Income on investments/bank balances (including swap income) . . . . .	29,080.95	26,463.37	(9.00)
Interest expense . . . . .	65,863.00	67,567.21	2.59
<b>Net interest income . . . . .</b>	<b>16,520.63</b>	<b>19,698.42</b>	<b>19.24</b>

Interest and Discount on loans and advances/bills discounted/rediscounted increased by Rs. 7,499.58 million, or 14.07%, from Rs. 53,302.68 million for the year ended March 31, 2018 to Rs. 60,802.26 million for the year ended March 31, 2019, primarily as a result of recovery of interest income from major accounts pursuant to the resolution process under the IBC and interest recovery from other NPA accounts during fiscal year 2019.

Income on investments/bank balances (including swap income) decreased by Rs. 2,617.58 million, or 9%, from Rs. 29,080.95 million for the year ended March 31, 2018 to Rs. 26,463.37 million for the year ended March 31, 2019, primarily as a result of decrease in profit on revaluation of investments.

Interest expense increased by Rs. 1,704.21 million, or 2.59%, from Rs. 65,863.00 million for the year ended March 31, 2018 to Rs. 67,567.21 million for the year ended March 31, 2019, primarily as a result of increase in interest expenses attributable to increase in average USD LIBOR and currency depreciation.

As a result of the foregoing, net interest income increased by 3,177.79 million, or 19.24%, from Rs. 16,520.63 million for the year ended March 31, 2018 to Rs. 19,698.42 million for the year ended March 31, 2019.

#### *Non-Interest Income*

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

	Year ended March 31,		
	2018	2019	% change
	(Rs. in millions, except percentages)		
Exchange, commission, brokerage and fees . . . . .	3,849.95	2,553.74	(33.67)
Net profit on sale/revaluation of investments . . . . .	1,520.03	589.72	(61.20)
Others . . . . .	29.16	556.64	1,808.95
<b>Total non-interest income . . . . .</b>	<b>5,399.14</b>	<b>3,700.10</b>	<b>(31.47)</b>

Exchange, commission, brokerage and fees decreased by Rs. 1,296.21 million, or 33.67%, from Rs. 3,849.95 million for the year ended March 31, 2018 to Rs. 2,553.74 million for the year ended March 31, 2019, primarily as a result of decrease in commission on standby letters of credit.

Net profit on sale/revaluation of investments decreased by Rs. 930.31 million, or 61.20%, from Rs. 1,520.03 million for the year ended March 31, 2018 to Rs. 589.72 million for the year ended March 31, 2019, primarily as a result of decrease in gain on trading in securities, shares and income on mutual fund units.

Other non-interest income increased by Rs. 585.80 million, or 1,808.95%, from Rs. 29.16 million for the year ended March 31, 2018 to Rs. 556.64 million for the year ended March 31, 2019, primarily as a result of profit on account of the sale of certain fixed assets/properties owned by the Bank.

As a result of the foregoing, non-interest income decreased by Rs. 1,699.04 million, or 31.47%, from Rs. 5,399.14 million for the year ended March 31, 2018 to Rs. 3,700.10 million for the year ended March 31, 2019.

### *Provisions and Contingencies*

The following table sets forth the components of provisions and contingencies.

	Year ended March 31,		
	2018	2019	% change
	(Rs. in millions, except percentages)		
Provision for income tax (including deferred tax credit) . . . . .	(13,060.86)	1,058.44	(108.10)
Provision on loans and advances . . . . .	56,031.27	16,124.09	(71.22)
Provision on investments. . . . .	5,575.90	1,487.85	(73.32)
Others . . . . .	2.40	1,194.07	49,652.80
<b>Total provisions and contingencies . . . . .</b>	<b>48,548.71</b>	<b>19,864.45</b>	<b>(59.08)</b>

Provision for income tax (including deferred tax credit) increased by Rs. 14,119.30 million, or 108.10%, from Rs. (13,060.86) million for the year ended March 31, 2018 to Rs. 1,058.44 million for the year ended March 31, 2019, primarily as a result of deferred tax liability in fiscal year 2019 as against deferred tax asset in fiscal year 2018.

Provision on loans and advances decreased by Rs. 39,907.18 million, or 71.22%, from Rs. 56,031.27 million for the year ended March 31, 2018 to Rs. 16,124.09 million for the year ended March 31, 2019, primarily due to reduction in NPAs due to recoveries made in fiscal year 2019 pursuant to the resolution process under the IBC and lower slippages in fiscal year 2019. See “*Selected Statistical Data*”.

The Bank made provision on investments amounting to Rs. 1,487.85 million for the year ended March 31, 2019 compared to provision on investments of Rs. 5,575.90 million for the year ended March 31, 2018, leading to a decrease in provisions primarily as a result of decline in the yields of government securities held by the Bank in its investment portfolio under the available-for-sale category resulting in write back of mark-to-market provisions.

Other provisions moved by Rs. 1,191.67 million, or 49,652.80%, from Rs. 2.40 million for the year ended March 31, 2018 to Rs. 1,194.07 million for the year ended March 31, 2019, primarily as a result of an increase in provisions on guarantees and country exposure risk. For further details, please see Note 3(a) (contingent liabilities) to our financial statements.

As a result of the foregoing, provisions and contingencies decreased by Rs. 28,684.26 million, or 59.08%, from Rs. 48,548.71 million for the year ended March 31, 2018 to Rs. 19,864.45 million for the year ended March 31, 2019.

## Financial Condition

### Assets

The following table shows a breakdown of the components of the Bank's assets as of March 31, 2018 and March 31, 2019.

	As of March 31,		
	2018	2019	% change
	(Rs. in millions, except percentages)		
Cash and bank balances . . . . .	28,155.00	42,119.52	49.60
Investments (net) . . . . .	56,969.22	93,273.85	63.73
Loans and advances (net of provisions) . . . . .	1,046,570.57	929,171.51	(11.22)
Bills of exchange and promissory notes discounted/rediscounted . . . . .	28,750.00	7,000.00	(75.65)
Fixed assets (net) . . . . .	1,259.02	2,274.44	80.89
Other assets . . . . .	73,485.77	72,412.16	(1.46)
<b>Total</b> . . . . .	<b>1,235,189.58</b>	<b>1,146,254.48</b>	<b>(7.20)</b>

Cash and bank balances increased by Rs. 13,694.53 million, or 49.60%, from Rs. 28,155.00 million as of March 31, 2018 to Rs. 42,119.52 million as of March 31, 2019, primarily as a result of a bond issuance of an aggregate principal amount of US.\$500 million by the Bank in March 2019, which could not be immediately deployed towards loan disbursements.

Investments (net) increased by Rs. 36,304.63 million, or 63.73%, from to Rs. 56,969.22 million as of March 31, 2018 to Rs. 93,273.85 million as of March 31, 2019, primarily as a result of investments in special GoI securities aggregating Rs. 45,000 million classified under the HTM category.

Loans and advances (net of provisions) decreased by Rs. 117,399.06 million, or 11.22%, from Rs. 1,046,570.57 million as of March 31, 2018 to Rs. 929,171.51 million as of March 31, 2019, primarily as a result of reduced refinance loan portfolio.

Bills of exchange and promissory notes discounted/rediscounted/decreased by Rs. 21,750 million, or 75.65%, from Rs. 28,750.00 million as of March 31, 2018 to Rs. 7,000.00 million as of March 31, 2019, in the ordinary course of business.

Fixed assets (net) increased by Rs. 1,018.42 million, or 80.89%, from Rs. 1,259.02 million as of March 31, 2018 to Rs. 2,277.44 million as of March 31, 2019, primarily as a result of addition of the Bank's office premises in New Delhi.

Other assets decreased by Rs. 1,073.61 million, or 1.46%, from Rs. 73,485.77 million as of March 31, 2018 to Rs. 72,412.16 million as of March 31, 2019, primarily as a result of reduction in deferred tax asset.

As a result of the foregoing, the Bank's total assets decreased by Rs. 88,935.10 million, or 7.20%, from Rs. 1,235,189.58 million as of March 31, 2018 to Rs. 1,146,254.48 million as of March 31, 2019.



## Liabilities

The following table shows a breakdown of the components of the Bank's liabilities as of March 31, 2018 and March 31, 2019.

	As of March 31,		
	2018	2019	% change
	(Rs. in millions, except percentages)		
Capital . . . . .	73,593.66	123,593.66	67.94
Reserves . . . . .	22,407.90	23,142.67	3.28
Profit and loss account . . . . .	—	81.70	100.00
Notes, bonds and debentures . . . . .	865,817.47	779,195.63	(10.00)
Bills payable . . . . .	—	—	—
Deposits . . . . .	2,860.51	2,527.60	(11.64)
Borrowings . . . . .	172,972.65	141,317.89	(18.30)
Current liabilities and provisions for contingencies . . . . .	57,705.07	32,992.88	(42.82)
Other liabilities . . . . .	39,832.32	43,402.46	8.96
<b>Total . . . . .</b>	<b>1,235,189.58</b>	<b>1,146,254.48</b>	<b>(7.20)</b>

Capital increased by Rs. 50,000 million, or 67.94%, from Rs. 73,593.66 million as of March 31, 2018 to Rs. 123,593.66 million as of March 31, 2019, primarily as a result of capital infusion of Rs. 50,000 million by the Government of India in fiscal year 2019.

Reserves increased by Rs. 734.78 million, or 3.28%, from Rs. 22,407.90 million as of March 31, 2018 to Rs. 23,142.67 million as of March 31, 2019, primarily as a result of net profit of Rs. 816.48 million for fiscal year 2019.

Profit and loss account (the balance of the net profits transferable to the Central Government in terms of Section 23(2) of the Exim Bank Act, 1981) increased by Rs. 81.70 million, from Nil as of March 31, 2018 to Rs. 81.70 million as of March 31, 2019, primarily due to net profit of Rs. 816.48 million for fiscal year 2019 of which Rs. 81.7 million shall be paid to the Central Government by way of transfer of balance profits representing 10% of profit after tax for fiscal year 2019.

Notes, bonds and debentures decreased by Rs. 86,621.84 million, or 10%, from Rs. 865,817.47 million as of March 31, 2018 to Rs. 779,195.63 million as of March 31, 2019, primarily as a result of repayment of outstanding bonds and debentures.

There were no bills payable as of March 31, 2018 or as of March 31, 2019, which have fallen due for payment.

Deposits decreased by Rs. 332.92 million, or 11.64%, from Rs. 2,860.51 million as of March 31, 2018 to Rs. 2,527.60 million as of March 31, 2019, primarily as a result of repayment of deposits.

Borrowings decreased by Rs. 31,654.76 million, or 18.30%, from Rs. 172,972.65 million as of March 31, 2018 to Rs. 141,317.89 million as of March 31, 2019, primarily as a result of repayment of outstanding borrowings.

Current liabilities and provisions for contingencies (which relates to provisions on standard loans) decreased by Rs. 24,712.19 million, or 42.82%, from Rs. 57,705.07 million as of March 31, 2018 to Rs. 32,992.88 million as of March 31, 2019, primarily as a result of a decrease in provision for contingencies, on account of transfer of certain provisions from standard loans to provisions for NPAs.

Other liabilities increased by Rs. 3,570.14 million, or 8.96%, from Rs. 39,832.32 million as of March 31, 2018 to Rs. 43,402.46 million as of March 31, 2019, primarily as a result of an increase in other miscellaneous liabilities.

As a result of the foregoing, the Bank's total liabilities decreased by Rs. 88,935.10 million, or 7.20%, from Rs. 1,235,189.58 million as of March 31, 2018 to Rs. 1,146,254.48 million as of March 31, 2019.

**Results for the year ended March 31, 2017 compared to the year ended March 31, 2018**

	Year ended March 31,		
	2017	2018	% change
	(Rs. in millions, except percentages)		
Net interest income. . . . .	19,388.58	16,520.64	(14.79)
Non-interest income. . . . .	7,942.47	5,399.14	(32.02)
Non-interest expense. . . . .	2,524.69	2,608.37	3.31
Provisions and contingencies. . . . .	24,394.23	48,548.71	99.02
<b>Net profit after tax. . . . .</b>	<b>412.12</b>	<b>(29,237.30)</b>	<b>(7,194.37)</b>

Net interest income decreased by Rs. 2,867.94 million, or 14.79%, from Rs. 19,388.58 million for the year ended March 31, 2017 to Rs. 16,520.64 million for the year ended March 31, 2018, primarily due to a decrease in interest income coupled with an increase in interest expenses. The growth in interest income has been relatively lower due to an increase in NPAs, the interest for which is accounted only on a cash basis and not on an accrual basis.

Non-interest income decreased by Rs. 2,543.33 million, or 32.02%, from Rs. 7,942.47 million for the year ended March 31, 2017 to Rs. 5,399.14 million for the year ended March 31, 2018, primarily as a result of lower income on account of sale/revaluation of investments.

Non-interest expense increased by Rs. 83.67 million, or 3.31%, from Rs. 2,524.70 million for the year ended March 31, 2017 to Rs. 2,608.37 million for the year ended March 31, 2018, primarily as a result of an increase in rent, taxes, electricity and insurance premia and repairs and maintenance.

Provisions and contingencies increased by Rs. 24,154.48 million, or 99.02%, from Rs. 24,394.23 million for the year ended March 31, 2017 to Rs. 48,548.71 million for the year ended March 31, 2018, primarily as a result of an increase in loan loss provisions on account of increased NPAs. See "Selected Statistical Data".

As a result of the foregoing, the Bank's net profit/(loss) after tax decreased by Rs. 29,649.42 million, or 7,194.37%, from Rs. 412.12 million for the year ended March 31, 2017 to Rs. (29,237.30) million for the year ended March 31, 2018.

**Net Interest Income**

The following table sets forth the components of net interest income.

	Year ended March 31,		
	2017	2018	% change
	(Rs. in millions, except percentages)		
Interest and Discount on loans and advances/bills discounted/rediscounted. . . . .	54,462.59	53,302.68	(2.13)
Income on investments/bank balances (including swap income) . . . . .	29,948.31	29,080.95	(2.90)
Interest expense. . . . .	65,022.31	65,863.00	1.29
<b>Net interest income. . . . .</b>	<b>19,388.59</b>	<b>16,520.63</b>	<b>(14.79)</b>

Interest and Discount on loans and advances/bills discounted/rediscounted decreased by Rs. 1,159.91 million, or 2.13%, from Rs. 54,462.59 million for the year ended March 31, 2017 to Rs. 53,302.68 million for the year ended March 31, 2018, primarily as a result of an increase in NPAs, the interest for which is accounted only on a cash basis and not on an accrual basis.

Income on investments/bank balances (including swap income) decreased by Rs. 867.36 million, or 2.90%, from Rs. 29,948.31 million for the year ended March 31, 2017 to Rs. 29,080.95 million for the year ended March 31, 2018, primarily as a result of a decrease in income on account of sale and revaluation of investments.

Interest expense increased by Rs. 840.69 million, or 1.29%, from Rs. 65,022.31 million for the year ended March 31, 2017 to Rs. 65,863.00 million for the year ended March 31, 2018, primarily as a result of an increase in interest bearing liabilities.

As a result of the foregoing, net interest income decreased by Rs. 2,867.96 million, or 14.79%, from Rs. 19,388.59 million for the year ended March 31, 2017 to Rs. 16,520.63 million for the year ended March 31, 2018.

#### *Non-Interest Income*

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

	Year ended March 31,		
	2017	2018	% change
	(Rs. in millions, except percentages)		
Exchange, commission, brokerage and fees . . . . .	4,687.97	3,849.95	(17.88)
Net profit on sale/revaluation of investments . . . . .	3,108.55	1,520.03	(51.10)
Others . . . . .	145.95	29.16	(80.02)
<b>Total non-interest income . . . . .</b>	<b>7,942.47</b>	<b>5,399.14</b>	<b>(32.02)</b>

Exchange, commission, brokerage and fees decreased by Rs. 838.02 million, or 17.88%, from Rs. 4,687.97 million for the year ended March 31, 2017 to Rs. 3,849.95 million for the year ended March 31, 2018, primarily as a result of a decrease in guarantee and letter of credit commission and services charges received by the Bank.

Net profit on sale/revaluation of investments decreased by Rs. 1,588.52 million, or 51.10%, from Rs. 3,108.55 million for the year ended March 31, 2017 to Rs. 1,520.03 million for the year ended March 31, 2018, primarily as a result of a decrease in gain on sale of securities and mutual funds.

Other non-interest income decreased by Rs. 116.79 million, or 80.02%, from Rs. 145.95 million for the year ended March 31, 2017 to Rs. 29.16 million for the year ended March 31, 2018, primarily as a result of a decrease in income on account of miscellaneous receipts.

As a result of the foregoing, non-interest income decreased by Rs. 2,543.33 million, or 32.02%, from Rs. 7,942.47 million for the year ended March 31, 2017 to Rs. 5,399.14 million for the year ended March 31, 2018.

#### *Provisions and Contingencies*

The following table sets forth the components of provisions and contingencies.

	Year ended March 31,		
	2017	2018	% change
	(Rs. in millions, except percentages)		
Provision for income tax			
(including deferred tax credit) . . . . .	2,714.26	(13,060.86)	(581.19)
Provision on loans and advances . . . . .	16,232.35	56,031.27	245.18
Provision on investments . . . . .	5,519.64	5,575.90	1.02
Others . . . . .	(72.02)	2.40	(103.33)
<b>Total provisions and contingencies . . . . .</b>	<b>24,394.23</b>	<b>48,548.71</b>	<b>99.02</b>

Provision for income tax (including deferred tax credit) decreased by Rs. 15,775.12 million, or 581.19%, from Rs. 2,714.26 million for the year ended March 31, 2017 to Rs. (13,060.86) million for the year ended March 31, 2018, primarily as a result of an increase in deferred tax assets of the Bank.

Provision on loans and advances increased by Rs. 39,798.92 million, or 245.18%, from Rs. 16,232.35 million for the year ended March 31, 2017 to Rs. 56,031.27 million for the year ended March 31, 2018, primarily as a result of an increase in overall provision coverage for NPAs. See “*Selected Statistical Data*”.

The Bank made provision on investments amounting to Rs. 5,575.90 million for the year ended March 31, 2018 compared to provision on investments of Rs. 5,519.64 million for the year ended March 31, 2017, leading to an increase in provisions primarily as a result of an increase in amortisation of loss on maturity of Government securities.

Other provisions moved by Rs. 74.42 million, or 103.33%, from Rs. (72.02) million for the year ended March 31, 2017 to Rs. 2.40 million for the year ended March 31, 2018, primarily as a result of an increase in provisions on guarantees.

As a result of the foregoing, provisions and contingencies increased by Rs. 24,154.48 million, or 99.02%, from Rs. 24,394.23 million for the year ended March 31, 2017 to Rs. 48,548.71 million for the year ended March 31, 2018.

### ***Financial Condition***

#### ***Assets***

The following table shows a breakdown of the components of the Bank’s assets as of March 31, 2017 and March 31, 2018.

	Year ended March 31,		
	2017	2018	% change
	(Rs. in millions, except percentages)		
Cash & bank balances . . . . .	36,908.87	28,155.00	(23.72)
Investments (net) . . . . .	51,029.29	56,969.22	11.64
Loans and advances (net of provisions) . . . . .	1,017,159.98	1,046,570.57	2.89
Bills of exchange and promissory notes discounted/rediscouted . . . . .	9,250.00	28,750.00	210.81
Fixed assets (net) . . . . .	1,298.37	1,259.02	(3.03)
Other assets . . . . .	56,427.18	73,485.77	30.23
<b>Total</b> . . . . .	<b>1,172,073.69</b>	<b>1,235,189.58</b>	<b>5.38</b>

Cash and bank balances decreased by Rs. 8,753.87 million, or 23.72%, from Rs. 36,908.87 million as of March 31, 2017 to Rs. 28,155.00 million as of March 31, 2018, primarily as a result of a decrease in bank balances held by the Bank outside India and deployment in other income generating assets.

Investments (net) increased by Rs. 5,939.93 million, or 11.64%, from Rs. 51,029.29 million as of March 31, 2017 to Rs. 56,969.22 million as of March 31, 2018, primarily as a result of an increase in net outstanding investments in equity shares and stock and Government securities.

Loans and advances (net of provisions) increased by Rs. 29,410.59 million, or 2.89%, from Rs. 1,017,159.98 million as of March 31, 2017 to Rs. 1,046,570.57 million as of March 31, 2018, primarily as a result of a higher increase in the Bank’s loans assets as compared to the increase in provisions.

Bills of exchange and promissory notes discounted/rediscouted increased by Rs. 19,500.00 million, or 210.81%, from Rs. 9,250.00 million as of March 31, 2017 to Rs. 28,750.00 million as of March 31, 2018, primarily as a result of regular business operations.

Fixed assets (net) decreased by Rs. 39.35 million, or 3.03%, from Rs. 1,298.37 million as of March 31, 2017 to Rs. 1,259.02 million as of March 31, 2018, primarily as a result of an increase in accumulated depreciation.

Other assets increased by Rs. 17,058.59 million, or 30.23%, from Rs. 56,427.18 million as of March 31, 2017 to Rs. 73,485.77 million as of March 31, 2018, primarily as a result of an increase in deferred tax assets.

As a result of the foregoing, the Bank's total assets increased by Rs. 63,115.89 million, or 5.38%, from Rs. 1,172,073.69 million as of March 31, 2017 to Rs. 1,235,189.58 million as of March 31, 2018.

#### *Liabilities*

The following table shows a breakdown of the components of the Bank's liabilities as of March 31, 2017 and March 31, 2018.

	Year ended March 31,		
	2017	2018	% change
	(Rs. in millions, except percentages)		
Capital . . . . .	68,593.66	73,593.66	7.29
Reserves . . . . .	51,645.20	22,407.90	(56.61)
Profit and loss account . . . . .	41.30	—	(100)
Notes, bonds and debentures . . . . .	806,929.55	865,817.47	7.30
Bills payable . . . . .	—	—	—
Deposits . . . . .	3,726.43	2,860.51	(23.24)
Borrowings . . . . .	150,072.78	172,972.65	15.26
Current liabilities and provisions for contingencies . . .	46,637.55	57,705.07	23.73
Other liabilities . . . . .	44,427.22	39,832.32	(10.34)
<b>Total . . . . .</b>	<b>1,172,073.69</b>	<b>1,235,189.58</b>	<b>5.38</b>

Capital increased by Rs. 5,000.00 million, or 7.29%, from Rs. 68,593.66 million as of March 31, 2017 to Rs. 73,593.66 million as of March 31, 2018, primarily as a result of capital infusion of Rs. 5,000 million by the Government of India.

Reserves decreased by Rs. 29,237.30 million, or 56.61%, from Rs. 51,645.20 million as of March 31, 2017 to Rs. 22,407.90 million as of March 31, 2018, primarily as a result of loss incurred by the Bank. Profit and loss account (the balance of the net profits transferable to the Central Government in terms of Section 23(2) of the Exim Bank Act, 1981) decreased by Rs. 41.30 million, or 100%, from Rs. 41.30 million as of March 31, 2017 to Nil as of March 31, 2018, primarily due to loss incurred by the Bank.

Notes, bonds and debentures increased by Rs. 58,887.92 million, or 7.30%, from Rs. 806,929.55 million as of March 31, 2017 to Rs. 865,817.47 million as of March 31, 2018, primarily as a result of an increase in Rupee bond issuances in the domestic market as well as an increase in foreign currency-denominated issuances in the international market by the Bank.

There were no bills payable as of March 31, 2017 or as of March 31, 2018, which have fallen due for payment.

Deposits decreased by Rs. 865.92 million, or 23.24%, from Rs. 3,726.43 million as of March 31, 2017 to Rs. 2,860.51 million as of March 31, 2018, primarily as a result of repayment of deposits.

Borrowings increased by Rs. 22,899.87 million, or 15.26%, from Rs. 150,072.78 million as of March 31, 2017 to Rs. 172,972.65 million as of March 31, 2018, primarily as a result of an increase in US dollar borrowings and borrowings under collateralised borrowing and lending obligation by the Bank.

Current liabilities and provisions for contingencies increased by Rs. 11,067.52 million, or 23.73%, from Rs. 46,637.55 million as of March 31, 2017 to Rs. 57,705.07 million as of March 31, 2018, primarily as a result of an increase in provision for contingencies.

Other liabilities decreased by Rs. 4,594.90 million, or 10.34%, from Rs. 44,427.22 million as of March 31, 2017 to Rs. 39,832.32 million as of March 31, 2018, primarily as a result of a decrease in other miscellaneous liabilities.

As a result of the foregoing, the Bank's total liabilities increased by Rs. 63,115.89 million, or 5.38%, from Rs. 1,172,073.69 million as of March 31, 2017 to Rs. 1,235,189.58 million as of March 31, 2018.

## Liquidity

The following table sets forth the Bank's cash flows for each of the periods indicated:

	Year ended March 31,		
	2017	2018	2019
	(Rs. in millions)		
Cash flow statement data . . . . .			
Net cash flow (used in)/raised from operating activities . . . . .	(19,658.01)	(41,058.60)	(19,863.36)
Net cash (used in)/raised from investing activities . . .	5,168.06	(4,547.30)	(36,566.15)
Net cash (used in)/raised from financing activities . . .	(3,038.95)	36,852.00	70,394.04
Net increase/(decrease) in cash & cash equivalents . . .	(17,528.90)	(8,753.90)	13,964.53
Opening cash and cash equivalents . . . . .	54,437.70	36,908.80	28,155.00
Closing cash and cash equivalents . . . . .	36,908.80	28,155.00	42,119.52

### Operating activities

The Bank's operations used net cash of Rs. 19,863.36 million (U.S.\$287.23 million) during the year ended March 31, 2019 as against used net cash of Rs. 41,058.60 million during the year ended March 31, 2018, primarily as a result of increase in profit before tax, as adjusted for net decrease in provisions for loans, investments and other provisions.

Net cash flow used in operating activities for the year ended March 31, 2018 was Rs. 41,058.60 million. This resulted primarily from loss before tax, and an increase in provisions for loan losses/contingencies and other provisions during the year which was partially offset by an increase in profit on sale of investments.

Net cash flow used in operating activities for the year ended March 31, 2017 was Rs. 19,658.01 million. This resulted primarily from lower profit before tax, adjustments relating to current liabilities, and an increase in provisions for loan losses/contingencies and other provisions during the year which was partially offset by an increase in profit on sale of investments.

### Investing activities

Net cash used in investing activities was Rs. 36,566.15 million (U.S.\$528.68 million) for the year ended March 31, 2019. This resulted primarily from investment in special GOI securities of Rs. 45,000 million.

Net cash used in investing activities for the year ended March 31, 2018 was Rs. 4,547.30 million. This resulted primarily from an increase in investments.

Net cash generated in investing activities for the year ended March 31, 2017 was Rs. 5,168.06 million. This resulted primarily from inflow from a change in position of investments.

### Financing activities

Net cash generated from financing activities was Rs. 70,394.04 million (U.S.\$1,017.92 million) for the year ended March 31, 2019. This primarily resulted from a capital infusion in the amount of Rs. 50,000 million by the Government of India during the year ended March 31, 2019.

Net cash generated from financing activities for the year ended March 31, 2018 was Rs. 36,852.00 million, primarily from an increase in borrowings (net of repayments) during the year ended March 31, 2018.

Net cash used in financing activities for the year ended March 31, 2017 was Rs. 3,038.95 million, primarily from lower borrowings (net of repayments) during the year ended March 31, 2017.



## Contingent Liabilities

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

	As of March 31,		
	2017	2018	2019
	(Rs. in millions)		
Acceptances, guarantees, endorsements and other obligations . . . . .	78,177.71	116,927.67	130,545.76
On outstanding forward exchange contracts . . . . .	3,573.21	2,929.99	1,527.38
Uncalled liability on partly paid investments . . . . .	152.68	163.49	165.29
Claims on the Bank not acknowledged as debts . . . . .	1,971.00	2,305.30	7,216.38
Other monies for which the Bank is contingently liable . . . . .	47,274.96	15,771.73	12,223.08
<b>Total . . . . .</b>	<b>131,149.56</b>	<b>138,098.18</b>	<b>151,677.90</b>

The Bank's contingent liabilities increased by Rs. 13,579.72 million, or 10%, from Rs. 138,098.18 million as of March 31, 2018 to Rs. 151,677.90 million as of March 31, 2019. This increase was primarily due to increase in guarantees portfolio.

The Bank's contingent liabilities increased by Rs. 6,948.62 million, or 5.30%, from Rs. 131,149.56 million as of March 31, 2017 to Rs. 138,098.18 million as of March 31, 2018. This increase was primarily due to an increase in acceptances, guarantees, endorsements and other obligations.

## Guarantees

The Bank provides guarantee facilities to Indian companies in connection with their export activities which include advance payment guarantees, performance guarantees and retention money guarantees required for the execution of project export contracts, and guarantees for overseas borrowings in connection with such contracts. The Bank also provides deferred payment guarantees for the import of equipment by Indian export-oriented units and guarantees for Indian ventures overseas making local borrowings. The credit risks associated with these guarantees are similar to those relating to other types of financial instruments. The Bank extends guarantees on its own or in participation with commercial banks in India.

The Bank's guarantee portfolio (including risk participation) increased by Rs. 38.75 billion or 49.57% to Rs. 116.93 billion as of March 31, 2018 and increased by Rs. 13.61 billion or 11.65% to Rs. 130.55 billion as of March 31, 2019. The increase was largely on account of increased guarantee portfolio.

## Critical Accounting Policies

### Revenue Recognition

Income and expenditure is recognized on an accrual basis except in respect of interest on NPAs, non-performing investments and stressed assets, commitment charges and dividend, all of which are accounted on a cash basis. NPAs are determined as per RBI guidelines issued to All-India Term Lending Institutions. Discount and redemption premium offered on the Bank's bonds issued in the international markets has been amortized over the tenor of the bonds and included in interest expenses.

### Asset Classification and Provisioning

Loans and advances shown in the balance sheet comprise only principal outstanding net of provisions for NPAs. Interest receivables are grouped under "Other Assets".

Loan assets are classified into the following groups: standard assets, sub-standard assets, doubtful assets and loss assets, taking into consideration the degree of credit weaknesses and extent of dependence on collateral security for realization of dues. Classification of loan assets and provisioning are as per RBI guidelines issued to All-India Term Lending Institutions.

## ***Investments***

The entire investment portfolio is classified under three categories:

- (a) “Held to Maturity” (the securities acquired with the intention to hold them to maturity);
- (b) “Held for Trading” (the securities acquired with the intention to trade by taking advantage of, the short term price/interest rate movements, etc.); and
- (c) “Available for Sale” (the balance investments).

The investments are further classified as:

- (a) Government securities;
- (b) Other approved securities;
- (c) Shares;
- (d) Debentures and bonds; and
- (e) Subsidiaries/joint ventures; Others (commercial papers, mutual fund units, etc.).

The classification of various instruments of investments, categorization, shifting among categories, valuation and provisioning of investments are done in accordance with the norms laid down by RBI to All-India Term Lending Institutions.

## DESCRIPTION OF THE BANK

### OVERVIEW

The Bank was established on January 1, 1982 under the Act for the purpose of financing, facilitating and promoting foreign trade in India. Specifically, the Act mandates the Bank to provide financial assistance to Indian exporters and importers, and to function as the principal financial institution for coordinating the working of institutions engaged in financing the export and import of such goods and services. The Bank is charged with carrying out these functions with a view to promoting India's international trade.

The Bank is classified as a Public Financial Institution under section 4A of the Companies Act, 1956. Since its establishment, the Bank has been wholly owned by the Government. Although the Government periodically offers strategic advice to the Bank, and certain members of the Bank's Board of Directors concurrently hold positions in the Government, the Bank is vested with absolute independence in formulating its business and operational policies, which are primarily market-driven.

The Bank's primary goal is to develop commercially viable relationships with a target set of export-oriented companies by offering a comprehensive range of products and services intended to support the efforts of such companies in entering and consolidating their presence in the global markets. The main focus of the Bank is on export finance and export capability creation. Through its export credits line of business, the Bank finances the export of Indian machinery, manufactured goods, consultancy and technology services on deferred payment terms. The Bank extends lines of credit (**LOCs**) to overseas financial institutions, regional development banks, sovereign governments and other entities overseas to finance and promote the exports of Indian companies. A large majority of the LOCs are those routed through the Bank by the Government, which guarantees the repayment of principal and interest, and provides interest equalization support in respect of such LOCs. The Bank also extends buyer's credit under the National Export Insurance Account (**BC-NEIA**). BC-NEIA is a unique mechanism for promoting India's project exports to traditional as well as new markets in developing countries, which need deferred credit on a medium or long-term basis. Under this facility, the Bank facilitates project exports from India by way of extending credit to overseas sovereign governments and government-owned entities for import of Indian goods and services from India on deferred credit terms. The Bank obtains credit insurance cover under National Export Insurance Account (NEIA) through the Export Credit Guarantee Corporation of India (**ECGC**). NEIA is a trust set up by the Ministry of Commerce and administered by the Export Credit & Guarantee Corporation of India.

The Bank has diversified its lending activities to cater to the financing needs of export-oriented companies covering various stages of the business cycle, including export production, export product development, export marketing and overseas investment. Through its Finance for Export Capability Creation (**FECC**) line of business, the Bank offers financing to export-oriented Indian companies (**FECC Loans**), including loan programs for project finance, equipment finance, working capital requirements and other corporate financing requirements, and provides overseas investment finance to Indian companies investing in ventures overseas. The Bank also engages in the financing of infrastructure projects for export development.

As of March 31, 2017, 2018 and 2019, the total outstanding gross loans extended by the Bank were Rs.1,078.00 billion, Rs.1,154.81 billion and Rs.1,030.07 billion (U.S.\$14.90 billion), respectively, (including Rs.579.15 billion (U.S.\$8.38 billion) in outstanding export credit loans and Rs.450.92 billion (U.S.\$6.52 billion) in outstanding finance for export capability creation loans). As of March 31, 2017, 2018 and 2019, the total non-fund-based portfolio of the Bank was Rs.122.31 billion, Rs.132.40 billion and Rs.140.96 billion, respectively, and as of March 31, 2019, the total outstanding guarantees/non-funded facilities issued by the Bank were Rs.140.96 billion (U.S.\$2.04 billion).

In addition to finance, the Bank provides information and advisory services to enable Indian exporters to evaluate international risks and export opportunities, and to assess their competition. These services include country studies, merchant banking services, advice on international marketing and data needed for effective participation in projects funded by multilateral institutions. In addition, through its network of overseas representative offices and strategic alliances with financial institutions, trade promotion agencies and information-providers around the world, the Bank assists export-oriented Indian companies in entering or expanding their presence in overseas markets. These services include providing information on trade and investment issues, identifying technology suppliers, providing corporate finance, counselling and commercial consulting services, and promoting joint ventures.

The Bank's head office is located in Mumbai. As of the date of this Offering Circular, the Bank has domestic regional offices in Ahmedabad, Bangalore, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, New Delhi and Pune and overseas representative offices in Abidjan, Addis Ababa, Dhaka, Dubai, Johannesburg, Singapore, Washington D.C. and Yangon and an overseas branch in London.

## STRATEGY

Since its establishment on January 1, 1982, the Bank's long-term strategy has evolved from a narrow focus on export credits to an emphasis on making available a broader range of financial products aimed at promoting India's international trade. Whereas the Bank initially positioned itself as a traditional export credit agency, it later broadened its goals to encourage the creation of export capability through the arrangement of competitive financing at various stages of the export cycle. The Bank's current long-term strategic vision is to develop commercially viable relationships with a target set of export-oriented companies by offering a comprehensive range of products and services, aimed at enhancing the internationalization efforts of such companies. Accordingly, the Bank aims to provide financing to support the production and distribution of Indian exports, and to supplement these activities with value-added information and advisory services.

### The Bank's Medium Term Business Strategy

The Bank's medium-term business plans, as well as short-term initiatives for implementing these plans, are set out in its Medium-Term Business Strategy (MTBS). The MTBS outlines long-term macro-objectives as well as micro-level tactical goals. The Bank seeks to position itself as the premier source of trade finance in India covering both its traditional area of medium/long-term export credit as well as short-term export credit. Further, the Bank aims to increase its investment and treasury operations to generate non-lending income and increase its profitability. The Bank also seeks to increase its fee-based income by introducing a wider range of advisory and fee-based services.

The MTBS sets out the following specific strategic goals for the Bank:

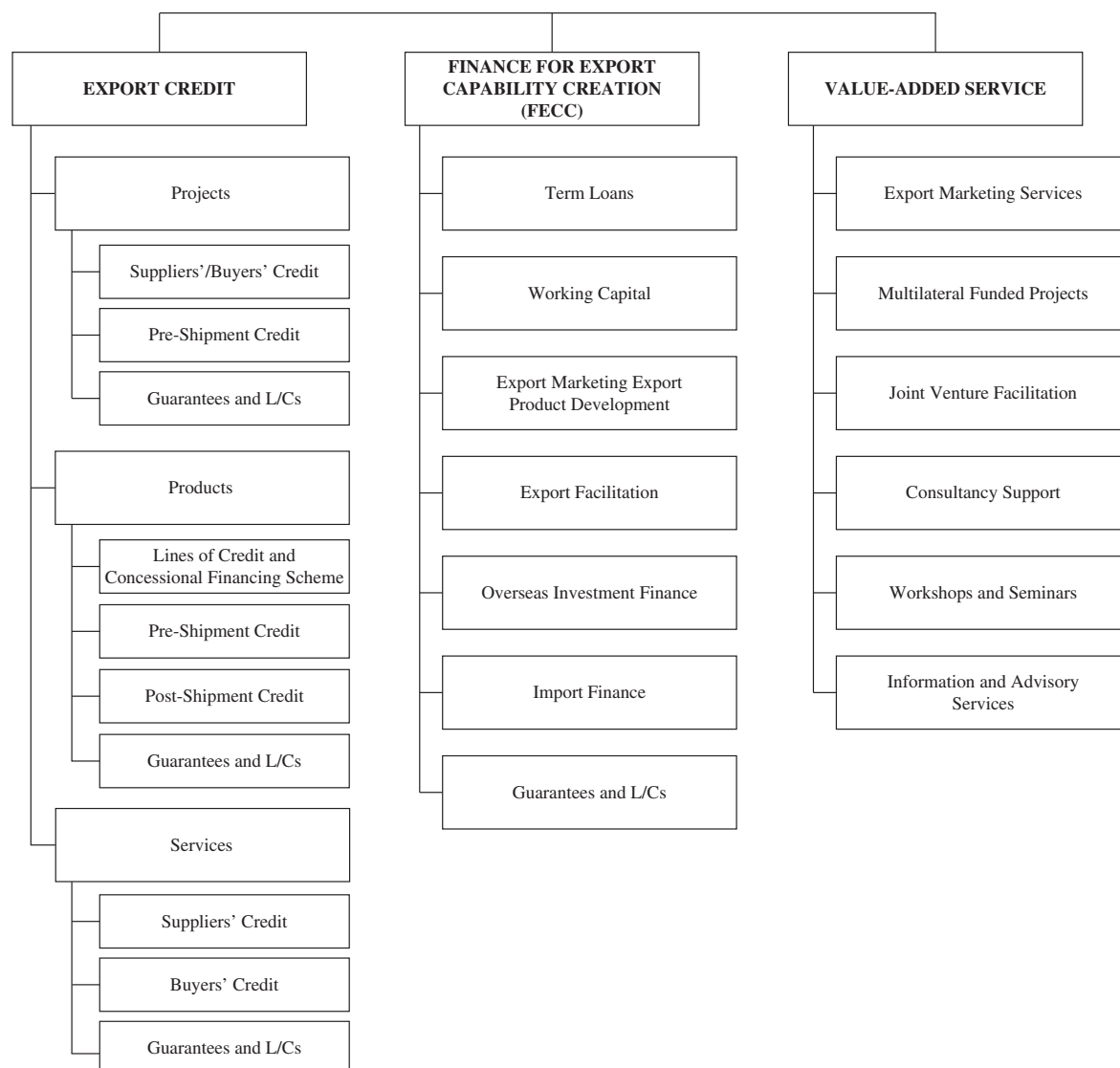
- The planned split between export credit and export-capability creating credit would be determined on the basis of the overall net interest margin in order to strengthen the Bank's profitability in the context of pressure on margins.
- Emphasis on LOCs including management of Government LOCs.
- Focus on the small and medium enterprises' (SME) business, agricultural and allied product business products, including informal and rural sectors, and foreign exchange earning companies from service sectors.
- Continued emphasis on the development of new products and financing of export funding gaps.
- Focused efforts to achieve improvement in fee based income through the Bank's non-funded business, loan/corporate/project advisory services and export marketing services.

The Bank has also initiated plans and strategies for meeting the qualitative objectives of the MTBS. These include, *inter alia*: (i) improving the loan portfolio by increasing the ratio of higher rated companies; (ii) careful selection of new clients; (iii) focus on cash recoveries from NPAs; (iv) ensuring against deterioration of standard loan assets into sub-standard loan assets; (v) churning of loan assets to generate higher returns; (vi) enhanced presence in promising, high-growth sectors (such as biotechnology, pharmaceuticals, auto and auto ancillary, food processing, engineering and electronics) and educational institutions overseas; (vii) focus on the SME sector both directly and through refinancing or LOCs; (viii) focus on export facilitation projects like ports, agricultural export zones, special economic zones, software technology parks and export logistics; and (ix) developing and introducing new products to cater to the financing gaps faced by Indian exporters.

The Bank has undertaken an exercise of engaging an external consultant, through due process in April 2019, for recommending a Medium Term Business Strategy for the Bank. The recommendations of the consultant would be placed before the Board of Directors for approval during the year.

## PRODUCTS AND SERVICES

The Bank's business is organized into two major business segments, Export Credit and FECC, and is supplemented by fee based advisory services. The following chart illustrates the various product groups within each business segment:



The principal activity of the Bank is lending, designed to offer externally-oriented Indian companies a range of products and services aimed at enhancing their internationalization efforts. In addition to the pre-shipment and post-shipment export credits traditionally associated with export-import banks, the Bank aims to offer products and services at all stages of the export cycle, from export product development and the import of technology to export production, export marketing and investments abroad.

The Bank's financing programs are offered pursuant to two operating divisions: Export Credit and FECC in India. The Bank's principal export credit products are buyer's credit under the National Export Insurance Account, supplier's credit, finance for project exports, pre-shipment credits, LOCs and guarantees, each of which are described below. The Bank's principal FECC products are loans to export-oriented units (for project finance, equipment finance or working capital), overseas investment finance, import finance and export facilitation products, each of which are described below. The Bank also provides non-fund-based assistance by way of information and advisory services to Indian exporters. In addition, the Bank has promoted a joint venture, which is associated with a comprehensive range of procurement-related advisory services and inter-allied activities for projects in India and abroad.

In the financial year ended March 31, 2019, the Bank sanctioned or committed loans of Rs.380.00 billion under various lending programs. The Bank's total disbursements amounted to Rs.366.60 billion as of March 31, 2019, an decrease of 46.51% from the Rs.685.35 billion of total disbursements as of March 31, 2018. As of March 31, 2019, the Bank sanctioned non-fund-based facilities aggregating Rs.44.99 billion and issued non-fund-based facilities amounting to Rs.40.65 billion.

The following table sets forth the total amounts of the Bank's loans sanctioned during the financial years ended March 31, 2017, 2018 and 2019, categorized by the type of credit:

	During the financial year ended 31 March					
	2017		2018		2019	
	(Rs. billion)	As a % of total	(Rs. billion)	As a % of total	(Rs. billion)	As a % of total
<b>Export Credits</b>						
Lines of Credit (including those provided under the Concessional Finance Scheme) . . . . .	256.04	39.52	391.65	40.03	160.07	42.12
Buyer's Credit (including BC-NEIA) . . . . .	41.07	6.34	31.38	3.21	2.71	0.71
Finance for Project . . . . .						
Exports/Medium-Term Supplier's Credit . . . . .	2.08	0.32	2.82	0.29	2.76	0.73
Short-Term Pre-shipment Credit . . . . .	9.44	1.46	10.22	1.04	8.44	2.22
Refinance of Export Credit to Commercial Banks . . . . .	140.55	21.70	197.69	20.21	45.12	11.88
Other Programs <sup>(1)</sup> . . . . .	5.75	0.89	87.84	8.98	77.25	20.33
<b>Total Export Credits . . . . .</b>	<b>454.93</b>	<b>70.23</b>	<b>721.61</b>	<b>73.76</b>	<b>296.35</b>	<b>77.99</b>
<b>Finance for Export Capability Creation</b>						
Loans to Export Oriented Units . . . . .	55.63	8.59	78.18	7.99	25.75	6.78
Import Finance . . . . .	29.15	4.5	30.08	3.08	17.45	4.59
Export Facilitation Program . . . . .	27.42	4.23	22.30	2.28	1.00	0.26
Overseas Investment Finance . . . . .	38.19	5.90	40.05	4.09	9.17	2.41
Other Programs <sup>(2)</sup> . . . . .	42.46	6.55	86.05	8.80	30.28	7.97
<b>Total Finance for Export Capability Creation . . . . .</b>	<b>192.85</b>	<b>29.77</b>	<b>256.66</b>	<b>26.24</b>	<b>83.65</b>	<b>22.01</b>
<b>Total Export Credits and Finance for Export Capability Creation . . . . .</b>	<b>647.78</b>	<b>100.00</b>	<b>978.26</b>	<b>100.00</b>	<b>380.00</b>	<b>100.00</b>
<b>Non-funded . . . . .</b>	<b>61.15</b>		<b>107.81</b>		<b>44.99</b>	

Notes:

(1) Includes advances under rediscounting facilities.

(2) Includes advances under Production Equipment Finance Program, Long-Term Working Capital Loan, Export Product Development and staff loans. etc.



The following table sets forth the Bank's disbursements during the financial years ended March 31, 2017, 2018 and 2019, categorized by type of credit:

	During the financial year ended 31 March					
	2017		2018		2019	
	(Rs. billion)	As a % of total	(Rs. billion)	As a % of total	(Rs. billion)	As a % of total
<b>Export Credits</b>						
Lines of Credit (including those provided under the Concessional Finance Scheme) . . . . .	34.34	7.68	39.77	5.80	51.29	13.99
Buyer's Credit (including BC-NEIA) . . . . .	27.93	6.25	51.40	7.50	43.76	11.94
Finance for Project Exports/Medium-Term Supplier's Credit . . . . .	5.87	1.31	2.48	0.36	2.07	0.56
Short-Term Pre-shipment Credit . . . . .	14.44	3.23	14.52	2.12	10.05	2.74
Refinance of Export Credit to Commercial Banks . . . . .	137.46	30.76	196.30	28.64	43.66	11.91
Other Programs <sup>(1)</sup> . . . . .	15.20	3.40	90.10	13.15	77.25	21.07
<b>Total Export Credits . . . . .</b>	<b>235.24</b>	<b>52.63</b>	<b>394.57</b>	<b>57.57</b>	<b>228.08</b>	<b>62.21</b>
<b>Finance for Export Capability Creation</b>						
Loans to Export Oriented Units . . . . .	62.64	14.02	81.73	11.93	19.82	5.41
Import Finance . . . . .	33.84	7.57	21.54	3.14	31.27	8.53
Export Facilitation Program . . . . .	22.24	4.98	11.26	1.64	4.17	1.13
Overseas Investment Finance . . . . .	50.55	11.31	25.85	3.78	20.44	5.58
Other Programs <sup>(2)</sup> . . . . .	42.43	9.49	150.40	21.94	62.82	17.14
<b>Total Finance for Export Capability Creation . . . . .</b>	<b>211.70</b>	<b>47.37</b>	<b>290.78</b>	<b>42.43</b>	<b>138.52</b>	<b>37.79</b>
<b>Total Export Credits and Finance for Export Capability Creation . . . . .</b>	<b>446.94</b>	<b>100.00</b>	<b>685.35</b>	<b>100.00</b>	<b>366.60</b>	<b>100.00</b>
<b>Non-funded . . . . .</b>	<b>52.62</b>		<b>55.87</b>		<b>40.65</b>	

Notes:

(1) Includes advances under rediscounting facilities.

(2) Includes advances under Production Equipment Finance Program, Long-Term Working Capital Loan, staff loans etc.

The following table sets forth the Bank's loan assets outstanding as of March 31, 2017, 2018 and 2019, categorized by type of credit:

	During the financial year ended 31 March					
	2017		2018		2019	
	(Rs. billion)	As a % of total	(Rs. billion)	As a % of total	(Rs. billion)	As a % of total
<b>Export Credits</b>						
Lines of Credit (including those provided under the Concessional Finance Scheme) . . . . .	337.30	31.29	358.01	31.00	408.05	39.61
Buyer's Credit (including BC-NEIA) . . . . .	42.95	3.98	72.84	6.31	96.80	9.40
Finance for Project Exports/Medium-Term Supplier's Credit . . . . .	31.00	2.88	16.45	1.42	13.10	1.27
Short-Term Pre-shipment Credit . . . . .	18.58	1.72	16.56	1.43	12.68	1.23
Refinance of Export Credit to Commercial Banks . . . . .	97.46	9.04	131.80	11.41	36.55	3.55
Other Programs <sup>(1)</sup> . . . . .	19.80	1.84	40.99	3.56	11.97	1.16
<b>Total Export Credits . . . . .</b>	<b>547.09</b>	<b>50.75</b>	<b>636.65</b>	<b>55.13</b>	<b>579.15</b>	<b>56.22</b>
<b>Finance for Export Capability Creation. . . . .</b>						
Loans to Export Oriented Units . . . . .	185.84	17.24	198.06	17.15	159.57	15.49
Import Finance . . . . .	53.69	4.98	44.45	3.85	53.61	5.21
Export Facilitation Program . . . . .	44.18	4.10	20.04	1.74	23.34	2.27
Overseas Investment Finance . . . . .	165.04	15.31	130.42	11.29	136.21	13.22
Other Programs <sup>(2)</sup> . . . . .	82.16	7.62	125.18	10.84	78.19	7.59
<b>Total Finance for Export Capability Creation. . . . .</b>	<b>530.91</b>	<b>49.25</b>	<b>518.16</b>	<b>44.87</b>	<b>450.92</b>	<b>43.78</b>
<b>Total Export Credits and Finance for Export Capability Creation. . . . .</b>	<b>1,078.00</b>	<b>100.00</b>	<b>1,154.81</b>	<b>100.00</b>	<b>1,030.07</b>	<b>100.00</b>
<b>Non-funded . . . . .</b>	<b>122.31</b>		<b>132.40</b>		<b>140.96</b>	

Notes:

(1) Includes advances under rediscounting facilities

(2) Includes advances under Production Equipment Finance Program, Long-Term Working Capital Loan, staff loans etc.

## Export Credits

Export credits are loans extended by the Bank to either domestic suppliers or foreign buyers to finance export transactions. As of March 31, 2019, export credits extended by the Bank accounted for approximately 56.22% of its total loans outstanding. For certain borrowers, repayment is secured by the escrowing of receivables or the taking of *pari passu* or exclusive security. Repayment may also be secured by way of insurance cover from the ECGC.

During the financial year ended March 31, 2019, the Bank sanctioned loans amounting to Rs.296.35 billion (U.S.\$4.29 billion) by way of export credits. In the financial year ended, March 31, 2019 the Bank's disbursements in respect of export credits amounted to Rs.228.08 billion (U.S.\$3.30 billion).

### ***Lines of Credit (including those provided under the Concessional Finance Scheme)***

The Bank extends lines of credits (**LOCs**) to overseas financial institutions, national or regional development banks, sovereign governments and other entities overseas, to finance and promote India's exports to its trading partners, particularly in developing countries. Through its LOCs, the Bank provides term credit to finance the export of equipment, goods and services from India. The Bank's LOCs are either extended directly by the Bank or are extended by the Bank at the initiative and with the support of the Government. During the financial year ended March 31, 2019, the Bank extended 18 LOCs amounting to U.S.\$2.31 billion (approximately Rs.159.75 billion) to support the export of equipment, goods and services from India. As of 31 March, 2019, 156 LOCs, extended by the Bank were available for utilization covering 58 countries and with credit commitments amounting to U.S.\$21.26 billion (approximately Rs.1,470.24 billion). The amount outstanding under LOCs as of March 31, 2019 was Rs.376.30 billion (U.S.\$5.44 billion), and outstanding of Rs.31.75 billion under the Government's Concessional Finance Scheme (**CFS**).

The LOCs that the Bank extends are financing mechanisms intended to provide a safe, non-recourse financing option to Indian exporters, especially SMEs, and to provide an effective market entry tool for such exporters. Major LOCs that the Bank extended in the financial year ended March 31, 2019 include LOCs extended to the Governments of Cuba, D.R Congo, Maldives, Mozambique, Papua New Guinea, Rwanda, Senegal, Seychelles, Suriname, Tanzania and Uzbekistan. These LOCs will finance projects such as the development of railways and related infrastructure, road projects, power generation and transmission line projects, water projects, healthcare projects, housing and social infrastructure projects, irrigation projects, development of SEZs and other developmental projects. Since 2003, the Government has routed LOCs being extended to foreign countries through the Bank. Since LOCs supported by the Government are not extended in accordance with the Bank's lending criteria, the principal and interest on these LOCs are fully guaranteed by the Government. Given that such LOCs are offered at concessional terms, the Government partly compensates the Bank by way of interest equalization support. In the financial year ended March 31, 2019, the Bank sanctioned U.S.\$2.31 billion (approximately Rs.159.75 billion) at the behest of the Government. In the financial year ended March 31, 2019, the Bank disbursed U.S.\$0.74 billion (approximately Rs.51.29 billion) under LOCs and under the CFS extended at the request of the Government.

In addition, the Bank operates the CFS, the primary objective of which is to support Indian companies bidding for strategically important infrastructure projects overseas. Under the CFS, the Bank offers concessional finance to any government or foreign government owned or controlled entity, if any Indian company succeeds in securing the contract for the execution of a project tendered by such foreign entity and the project is considered strategically important. CFS is a financing mechanism intended to provide a safe, non-recourse financing option to Indian contractors or companies and aims to provide an effective market entry tool for such entities. Financing under the CFS is supported by the Government and is not extended in accordance with the Bank's lending criteria; the principal and interest on these are fully guaranteed by the Government. Given that such credit facilities are offered at concessional terms, the Government partly compensates the Bank by way of interest equalization support.

The Bank has extended a term loan of U.S.\$1.60 billion, under the CFS to Bangladesh India Friendship Power Company Ltd., a 50:50 joint venture company of NTPC Ltd. and Bangladesh Power Development Board, at the behest of the Government for setting up the Maitree Power Project, a 1320 (2x660) MW coal-fired power project, valued approximately at U.S.\$1.80 billion, located at Rampal Upazila of Bagerhat District in Khulna, Bangladesh. The contract for the project has been awarded to BHEL. The amount outstanding under the CFS as of March 31, 2019 was U.S.\$459.16 million.

In the financial year ended March 31, 2019, the Bank disbursed U.S.\$203.91 million under the CFS scheme extended at the request of the Government.

### ***Buyer's Credit under National Export Insurance Account to Boost Project Exports from India***

The Bank's strong emphasis on increasing project exports from India has been enhanced by the introduction of buyer's credit under the Government of India's National Export Insurance Account programme (**BC-NEIA**). BC-NEIA is a unique financing mechanism that provides a safe mode of non-recourse financing to Indian exporters and serves as an effective market entry tool to traditional as well as new markets in developing countries that need deferred credit on a medium or long-term basis. The

response to the program has been encouraging, since May 2011. As of March 31, 2019, the Bank sanctioned U.S.\$2.61 billion (approximately Rs.180.49 billion), thereby supporting a total of 21 projects valued at U.S.\$2.78 billion, including projects such as (i) setting up water treatment plants and the distribution of water to reservoirs in Sri Lanka, (ii) setting up LPG storage facilities at the Beira Port in Mozambique, (iii) integrating water supply projects at Aluthgama, Mathugama and Agalawatta, Polgahawela, Pothuhera and Alawwa, and Kundasale-Haragama, in Sri Lanka, (iv) supplying vehicles and spares to Cote d'Ivoire, Senegal, and Tanzania, (v) setting up transmission line projects in Cameroon, Ethiopia, Senegal and Zambia, (vi) constructing railway line in Ghana, (vii) city decongestion project in Zambia and (viii) an irrigation project in Suriname.

As of March 31, 2019, the Bank has also given its in-principle commitment for supporting 43 projects from various sectors with an aggregate amount of U.S.\$5.32 billion under the BC-NEIA programme.

### ***Buyer's Credit, Finance for Project Exports/Medium-Term, Supplier's Credit***

The Bank's principal export credits include supplier's credit, buyer's credit and finance for project exports. Supplier's credit is term credit (in rupees or U.S. dollars) extended to an Indian exporter, which in turn extends credit, on deferred payment terms, to an overseas buyer to finance the export of its products. Under such a program, the domestic borrower is liable to repay the Bank irrespective of whether or not the overseas buyer repays the borrower.

Buyer's Credit is a programme of the Bank under which the Bank facilitates Indian project exports by way of extending credit facility to overseas buyers for financing their imports from India. Under the Buyer's Credit programme, the Bank makes payment of eligible value to Indian exporters, without recourse to them. Finance for project exports includes medium-term pre-shipment credit, post-shipment credit, financing of rupee expenditures for project-export contracts and foreign currency loans for projects and contracts overseas. In the financial year ended March 31, 2019, the Bank sanctioned Rs.50.59 billion (U.S.\$0.73 billion) by way of supplier's credit (including the refinance of export credit to commercial banks), buyer's credit (including under NEIA) and finance for project exports. Disbursements under these programs amounted to Rs.89.49 billion (U.S.\$1.29 billion) as of March 31, 2019.

### ***Pre-Shipment Credits***

The Bank's pre-shipment credit facility, in Indian Rupees as well as foreign currency, provides access to finance at the manufacturing stage, enabling exporters to purchase raw materials and other inputs. In the financial year ended March 31, 2019, the Bank sanctioned Rs.8.44 billion (U.S.\$0.12 billion) by way of short-term pre-shipment credit. Disbursement of short-term pre-shipment credits amounted to Rs.10.05 billion (U.S.\$0.15 billion) during the financial year ended March 31, 2019.

### ***Other Programs***

#### **Trade Credits**

The Bank's trade credits portfolio also includes finance for consultancy and technology services (offered to Indian companies, commercial banks and overseas entities) rediscounting facilities (offered to commercial banks in India) and relending facilities (offered to foreign importers, governments and financial institutions) and finance for deemed exports. Credit for consultancy and technology services is deferred credit to overseas buyers of Indian consultancy, technology and other services. Rediscounting facilities enable commercial banks in India to rediscount short-term export bills of their customers, including micro, small and medium enterprises (MSMEs). Refinancing of export credit allows commercial banks to obtain refinancing in respect of deferred payment loans extended for the export of eligible Indian goods. Finance for deemed exports covers potential cash flow deficits of Indian companies executing contracts within India, categorized as Deemed Exports in the Foreign Trade Policy of India or contracts secured under international competitive bidding or contracts under which payments are received in foreign currencies.

## **R&D Financing Program**

The Bank has a lending program to finance research and development (**R&D**) activities of export-oriented companies. The R&D finance provided by the Bank is in the form of a term loan or a hybrid facility of up to 80% of the cost of the R&D. Research foundations, institutions and special purpose vehicles promoted by companies are also eligible to apply for this program. The program covers both capital and revenue expenditures, such as land and buildings for R&D facilities, equipment, acquisition of technology from India and overseas, costs of regulatory approvals, surveys and technology demonstration studies.

The Indian pharmaceutical sector has increasingly been focusing on R&D activities. Opportunities have emerged in the areas of contract research and manufacturing and R&D outsourcing. Indian pharmaceutical/biopharma companies are also investing in research and development including products with New Drug Delivery System for which patents are sought to be filed in regulated markets. In view of the high R&D costs involved and investments needed for a longer period of time, there is a demand by pharmaceutical/biopharma companies for financial assistance from banks/financial institutions with longer moratorium periods. The Bank has a structured product for pharmaceutical/biopharma companies for facilitating R&D expenditure with the aim of assisting in the obtaining of approvals in regulated pharmaceutical markets. The financing by the Bank will be in the form of either term loans or equity participation or a hybrid product. The returns to the Bank may include premium paid at the time of bullet repayment or in the form of royalties from the commercialized/non-commercialized regulatory approvals/intellectual property rights. As of the date of this Offering Circular, the Bank has extended loans for purposes of R&D activities.

## ***Finance for FECC***

Although the Bank was initially established to provide export credits linked to particular export contracts, over the years it has expanded its lending activities to cover general FECC. FECC programs accounted for approximately 43.78% of the Bank's total outstanding loans as of March 31, 2019. The Bank offers financing products and services that are not export credits only to Indian export-oriented companies. The export-oriented companies financed by the Bank cover a wide range of sectors, including textiles, pharmaceuticals, computer software, engineering, leather and marine products.

In the financial year ended March 31, 2019, the Bank sanctioned loans amounting to Rs.83.65 billion (U.S.\$1.21 billion) under its FECC programs. In the financial year ended March 31, 2019, disbursements amounted to Rs.138.52 billion (U.S.\$2.00 billion) under these programs.

## ***Loans to EOUs***

Under the FECC programs, the Bank offers loans to export-oriented units (**EOUs**) to cover primarily project finance, equipment finance, working capital, research and development, technology upgrading and green field export-oriented projects. The loans provided to such EOUs are typically term loans in both rupees and/or foreign currencies. Maturities typically range from one to two years for short-term working capital loans, to seven years for project and equipment finance loans. The Bank also considers maturities beyond seven years on a selective basis. All term loans to EOUs are secured, typically, by the taking of a *pari passu* first charge on fixed assets. The Bank also refinances commercial banks for term loans sanctioned to EOUs. In the financial year ended March 31, 2019, the Bank sanctioned term loans to EOUs (including refinance to commercial banks) amounting to Rs.25.75 billion (U.S.\$0.37 billion). In the financial year ended March 31, 2019, the Bank disbursed term loans to EOUs amounting to Rs.19.82 billion (U.S.\$0.29 billion). As of March 31, 2019, Rs.19.32 billion (in addition to Rs.140.25 billion of direct loans under such EOUs) was outstanding for purpose of refinancing under various EOUs.

## ***Import Finance***

The Bank provides transaction-specific import financing to Indian companies, including companies that are not EOUs, provided the companies use such loans to import capital goods or raw materials. In the financial year ended March 31, 2019, the Bank sanctioned Rs.17.45 billion (U.S.\$0.25 billion) in import finance (including refinance). Disbursements under the program amounted to Rs.31.27 billion (U.S.\$0.45 billion) in the financial year ended March 31, 2019. While the Bank's import finance program covers the import of capital goods and related services, the Bank's bulk import finance program caters to the import of raw materials, which is in the nature of working capital.

### ***Export Facilitation Program***

Through its export facilitation program, the Bank finances export-related infrastructure projects, including minor ports, technology parks and software training institutes. As of March 31, 2019, the Bank's disbursements under the program (including refinance) amounted to Rs.4.17 billion (U.S.\$0.06 billion).

### ***Overseas Investment Finance***

In addition to term loans, under the FECC programs, the Bank provides overseas investment finance in the form of loans to Indian companies to invest in ventures overseas or to on-lend to their overseas joint ventures or wholly-owned subsidiaries. The Bank also lends directly to Indian joint ventures/wholly-owned subsidiaries overseas. The Bank's overseas investment finance takes the form of rupee term and/or foreign currency loans, with maturities of up to seven years, extended to Indian promoter companies or directly to their overseas ventures. The Bank requires security for such financing by way of a first charge over the fixed assets of the Indian promoters, a pledge over shares in the overseas ventures, assignment of equity-related receivables from the overseas ventures or assignment of overseas investment insurance cover from the ECGC or the Multilateral Investment Guarantee Agency. In the financial year ended March 31, 2019, the Bank sanctioned Rs.9.17 billion (U.S.\$0.13 billion) towards overseas investment finance. Disbursements in the financial year ended March 31, 2019, amounted to Rs.20.44 billion (U.S.\$0.30 billion).

During the fiscal year ended March 31, 2019, 13 corporates were granted funded and non-funded assistance under overseas investment finance. As of March 31, 2019, under its overseas investment finance program, the Bank has provided finance to 621 ventures set up by 467 companies in 78 countries, amounting to Rs.584.27 billion.

### ***Other FECC Programs (Other Programs under Industrial Loans)***

In addition to term loans and overseas investment financing, the Bank offers a range of other products to Indian EOUs. The Bank provides finance for export marketing and research, and development to Indian companies seeking to implement strategic export marketing plans, or to develop and upgrade or improve their products. The Bank also provides deferred payment guarantees for the import of equipment by Indian EOUs and guarantees for Indian ventures overseas making local borrowings.

### ***Non-Fund-Based Facilities***

The Bank provides non-fund-based facilities for Indian companies in connection with their business operations including guarantees (advance payment guarantees and performance guarantees required for the execution of project export contracts and guarantees for overseas borrowings in connection with such contracts), letters of credit, standby letters of credit (SBLC), comfort letters outstanding and Risk Participations with other Banks. The Bank extends guarantees on its own or in participation with commercial banks in India. The guarantees which the Bank provides may be secured by an ECGC counter-guarantee of up to 90.00% of the guarantee amount. LCs and SBLCs may be secured by a charge over fixed and current assets. In the financial year ended March 31, 2019, the Bank sanctioned non-fund-based facilities amounting to Rs.44.99 billion (U.S.\$0.65 billion).

### ***Direct Equity Participation***

In a few selected cases, the Bank takes direct equity participation in Indian overseas ventures. The Bank makes such investments in order to leverage its name and reputation to enhance the credibility and acceptability of Indian ventures overseas. Each equity investment by the Bank carries a minimum assured return with an exit option offered by the Indian promoter company. The Bank is limited by its internal policy to making a maximum direct investment of U.S.\$25 million per project and to holding its equity interests for a maximum of seven years. In the three direct equity investments in overseas ventures so far made by the Bank, it has realized a profit on exit.



### ***Value Added Services***

The Bank provides Indian companies and overseas entities with a range of information, advisory and support services, which complement its financing program. These services are offered on a fee basis and include the provision of market-related information, export marketing services, sector and feasibility studies, technology supplier identification, partner search, investment facilitation and development of joint ventures both in India and overseas.

### **Multilateral Funded Projects Overseas (MFPO)**

The Bank provides a package of information and support services to Indian companies to help improve their prospects for securing business in projects funded by Multilateral Funding Agencies such as the World Bank, Asian Development Bank (ADB), African Development Bank (AfDB) and European Bank for Reconstruction and Development (EBRD). In order to create greater awareness on the ADB's national and international business opportunities, the Bank, in partnership with ADB, organized two interactive seminars on International Business Opportunities, in Kolkata and Bengaluru during April 2018 and November 2018, respectively. For increasing effective participation by Indian companies in bidding opportunities under World Bank-funded projects, the Bank, in association with the World Bank Group, organized an Interactive Workshop on 'Business Opportunities in Externally Aided Projects' in New Delhi during November 2018, which was attended by project exporters from across various sectors. The Bank hosted a roundtable meeting for the visiting EBRD President on January 8, 2018, with select Indian companies interested in exploring business opportunities in countries of the EBRD's operation.

### **Cooperation Pact with Development Banks of BRIC Countries**

On April 15, 2010, the Bank entered into a memorandum of cooperation (**MOC**) with Brazilian Development Bank, Bank for Development and Foreign Economic Affairs of Russia (Vnesheconombank) and the China Development Bank. The MOC seeks to develop cross-border transactions and projects of common interest, strengthen and enhance trade and economic relations between BRIC (Brazil, Russia, India and China) countries and their enterprises, finance investment projects and work towards the economic development of BRIC countries.

### **BRICS Interbank Financial Cooperation Mechanism**

The Bank is a nominated member development bank under the BRICS (Brazil, Russia, India, China, and South Africa) Interbank Cooperation Mechanism. The Bank also participated in the annual meeting of the BRICS financial forum held in July 2015 at Ufa, Russia. Other nominated member development banks from BRICS nations include: Banco Nacional de Desenvolvimento Economico e Social, Brazil; the State Corporation Bank for Development and Foreign Economic Affairs, (Vnesheconombank) Russia; the China Development Bank Corporation; and the Development Bank of Southern Africa.

During the BRICS summit held in Goa, on October 15, 2016, the Bank entered into an Agreement for Cooperation with the New Development Bank, along with other member development banks of Brazil, Russia, China and South Africa. The agreement is aimed at enhancing cooperation among the BRICS development banks with the New Development Bank in the fields of resource raising, lending, co-financing and information exchange. In addition, the Bank has also entered into a bilateral Memorandum of Cooperation with Brazilian Development Bank on the sidelines of the BRICS Summit.

During the 9th BRICS Summit held in China in 2017, the Bank entered into two multilateral agreements with other member development banks of BRICS nations under the BRICS Interbank Cooperation Mechanism, namely, Interbank Local Currency Credit Line Agreement which would serve as an enabler to enter into bilateral agreements among the member banks subject to national laws, regulations and policies of the signatory institutions; and Co-operation Memorandum relating to credit ratings which would enable sharing of internal ratings amongst the BRICS development banks, and would serve as an ideal mechanism to take informed decisions for cross border lending in BRICS countries.

The 10th BRICS Summit was held in 2018 in Johannesburg, South Africa. During the Summit, the Bank entered into a multilateral co-operation agreement on 'Collaborative Research on Distributed Ledger and Block Chain Technology' in the context of the development of the digital economy, with the development banks of BRICS nations.

## **Supporting India's Trade Preference for Africa Project**

The Bank entered into a MOU with the International Trade Center (ITC) in Geneva on March 26, 2014, to cooperate with the ITC in relation to its Supporting India's Trade Preference for Africa (SITA) initiative. The project was in its inception phase during March 2014 to March 2015 where a roadmap for SITA, including the focus sectors, was defined. The implementation phase of SITA, being the period between March 2015 and March 2020, was officially launched in New Delhi, India, on March 19, 2015, in which the Bank also participated.

## **Asian Exim Banks Forum**

In 1996, the Bank took the initiative of forming Asian Exim Banks Forum (AEBF). Presently, members of AEBF include Export Credit Agencies from Australia, China, India, Japan, Korea, Malaysia, Thailand, Indonesia, Philippines, Turkey and Vietnam.

The 24th annual meeting of the AEBF was hosted by the Export-Import Bank of Thailand in Phuket, Thailand, in November 2018. The theme of the meeting was 'Industry 4.0 – Roles and Challenges for Asian Export Credit Agencies'. The meeting was chaired by Thai Exim and had representatives at the highest level from member institutions, viz., Australia, China, India, Indonesia, Japan, Korea, Malaysia, Philippines, Thailand, Turkey and Vietnam. The meeting saw the participation of Asian Development Bank, the multilateral financing institution, as a permanent invitee, as well as Observer Institutions, Russian Export Center and Export Development Canada, who were invited by the Chair. The Bank launched a brand-new website for the Forum that was developed in-house, so that the Forum is able to benefit from the best possible technological advancements.

## **Global Network of Exim Banks and Development Finance Institutions**

The Global Network of Exim Banks and Development Finance Institutions (G-NEXID) was set up in Geneva in March 2006 through the Bank's initiative and with the support of the United Nations Conference on Trade and Development. With the active support of many Exim banks and development finance institutions from developing countries, G-NEXID aims to foster enhanced trade, investment and cooperation among such developing countries. The G-NEXID held its Steering Committee Meeting in Geneva in July 2018, which was followed by the Annual General Meeting and the 3rd Exchange Program hosted by Indonesia Exim Bank in Jakarta in November 2018.

## **Kukuza Project Development Company**

The Bank along with IL&FS, the State Bank of India (SBI) and the African Development Bank (AfDB) launched a project development company, called Kukuza Project Development Company (**Kukuza**) to focus on the development of infrastructure projects in Africa. Kukuza provides specialist project development expertise to African Governments, and utility and other private companies on infrastructure projects in Africa.

Kukuza's initial capital was U.S.\$25 million and the Bank's share in the capital was U.S.\$4.88 million. The shareholders' agreement for the project development company was signed in July 2015. The company is registered in Mauritius and commenced operations in fiscal year 2018.

## **Rural Grassroots Business Initiatives**

Through its grassroots initiatives, the Bank supports the globalization of enterprises based in rural India. These initiatives of the Bank seek to address the needs of relatively disadvantaged sections of the society while creating opportunities for traditional craftsmen, artisans and rural entrepreneurs of the country. The Bank has consciously sought to establish various institutional connections and has entered into formal cooperation arrangements with select broad-based agencies in order to directly reach out to the artisans, by helping in capacity-building, technological upgrade, quality improvement, market access and training.

In the past, the Bank has supported social enterprises based in: (i) Rajasthan, which works with nearly 3,500 artisans with an objective of ensuring sustainable livelihoods for artisans and farmers, most of who come from some of the most disadvantaged communities, with very little opportunity for self-development and growth; (ii) Nilgiri in Tamilnadu, which works with 2,000 artisans, mostly from the tribal communities and promotes agro-ecological products; (iii) Bhagalpur in Bihar, which engages in sourcing off the loom products manufactured by weavers from backward communities; (iv) Kumaon, Uttarakhand, which is engaged in the production of naturally dyed ahimsa silk and wool textiles; (v) Sri-kalahasti in Andhra Pradesh, which engages in the production of wooden handicrafts and Kalamkari products; and (vi) Punjab that works with around 5000 women artisans for their empowerment and also for the revival of the languishing Phulkari art.

During fiscal year 2018-19, the Bank provided financial assistance to (i) a Maharashtra based social enterprise that promotes beekeeping to increase agricultural productivity, enhance incomes and improve the livelihoods of marginal farmers in India. The intervention by the Bank is aimed at part financing the working capital requirements of the organization, which provides direct market access to over 3,000 small beekeepers across six states of India; and to (ii) a Uttar Pradesh based firm engaged in the manufacture of silk sarees, dupattas, salwar suits, stoles, fabrics and dress materials on traditional handlooms. The firm employs more than 70 weavers, most of them from the minority and disadvantaged sections of the society.

Further, the Bank has been helping rural artisans and craftsmen in capacity building by organizing various design and development workshops, which provide a significant opportunity to artisans and craftsmen to gain the requisite knowledge and skill-sets for innovative and superior finished products in keeping with current market trends both at home and abroad. In this context, the Bank supported a Barpeta, Assam based enterprise in organizing a month long design development and technical training workshop for bamboo and cane craftsmen in the Barpeta village of Assam, along with Bamboo Cane & Development Institute (BCDI), Agartala. The workshop developed a new product range for export purpose and educated the craftsmen on the importance of treatment of raw materials to enhance their shelf life/become eligible for QC's. The Bank, in partnership with the Centre for Microfinance & Livelihood (CML), an initiative of Tata Trusts, supported Indian grassroots/social enterprises in the North Eastern region of India. A training was organized for supporting a Kauna artisan cluster in Manipur through a series of capacity building workshops, over 262 days. Post the Bank's intervention, the artisans were invited to participate in the 3rd World Bamboo Workshop held in Manipur in February, 2019. A training program was conducted for master weavers of Phalodi village, near Jodhpur, Rajasthan, aimed at improving their understanding of the latest designs and technology trends and emphasising the criticality of quality products. To support amla growers and producers of Pratapgarh district of Uttar Pradesh in skilling and training, the Bank organized a product development workshop, for 10 days involving 30 participants, in Pratapgarh district, Uttar Pradesh that produces the best quality amla in the country. The program aimed at improving production processes/developing new amla products, providing instructional training, practical training & demonstrations by expert scientists/technicians, providing hands on experience, interface with supporting system, conducting group discussions, discussing case studies and conducting field visits. Based on the tenets of 'Guru Shishya Parampara', the Bank supported a program for weavers & knitters that aimed at roping in the next generation of artisans and thereby help sustain the ancient art of weaving Pashmina wool. Due to the Bank's intervention, the organization is in the process of getting a copyright patent for a motif pattern native to the Ladakh region, proposed to be named, 'Ladakhi Pashmina Shawl'. A training program at Phalodi, Rajasthan was also conducted for 10 master artists of Urmul Marusthali Bunkar Vikas Samiti (UMBVS) on product and design development, during February – March 2019.

The Bank organized and curated two editions of 'Exim Bazaar', in Mumbai & Ahmedabad. The event brought the best of traditional and contemporary exquisite crafts under one roof. National and State awardees participated in the Bazaar amongst other skilled master craftsmen from micro & grassroots enterprises from across India that showcased their handcrafted and handmade products. The Bank funded setting up of 15 stalls at the Surajkund International Crafts Mela organized by the Government of Haryana. A seminar with Women on Wings (WoW) was organised on "It is lonely at the top" for the top management of social enterprises providing a platform for CEOs to share their experiences and be guided by the experiences of three Dutch experts of WoW. The audience included business partners of WoW as also some of the Bank's GRID clients.

The Bank has also been supporting and assisting rural artisans and craftsmen of handicraft products to gain wider domestic as well as international presence through organizing skill building and training workshops.

The Bank also received the Merit Award under the ‘Outstanding Development Project Awards’ within the ‘SME Development’ category from the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) during its 42nd Annual Meeting held in Muscat, Oman for its initiative ‘Exim Bazaar’. The Bank received two prizes for ‘Exim Bazaar’ at the 40th Public Relations Society of India (PRSI) National Awards 2018, held in Dehradun:-first prize under the ‘Best Use of Social Media in Campaign’ category; and second prize under ‘Event Management’ category.

### **Program for MSMEs**

In February 2013, the Bank entered into a MOC with IDBI Bank Ltd., wherein both institutions would, among other things, co-finance, co-arrange, syndicate rupee and foreign currency loans, and jointly finance export-oriented projects in India, as well as provide or assist with refinancing facilities in Indian rupees and/or foreign currency for extending short-term export credit and long-term capital expenditure loans to eligible Indian export-oriented companies, particularly in the MSME sector. The Bank and IDBI Bank Ltd. shall also cooperate in promotional activities, provide advisory services to assist each other’s clients and cooperate in training each other’s staff members.

The Bank has also entered into a cooperation arrangement with the International Trade Center, Geneva to implement a unique “Enterprise Management Development Services” program. This is an information technology-based facilitator to enable small enterprises to prepare business plans with a focus on the international market, backed up with support from the Bank, including support in the nature of term loans and export finance facilities.

### **Credit Line from the European Investment Bank (EIB)**

The Bank signed an agreement for a long-term loan of €150 million having a tenor of up to 20 years with EIB in March 2013. The purpose of the EIB loan is to support various projects that contribute to climate change mitigation. The borrowings under this facility will enable the Bank to, in turn, on-lend to entities engaged in electricity, heat generation, wind, solar photovoltaic, concentrated solar power, hydropower, geothermal and biomass projects. EIB has approved 19 projects aggregating €150 million as of the date of this Offering Circular. The Bank has withdrawn U.S.\$94.63 million under the line as of March 31, 2019.

### **Information Advisory Services**

The Bank provides a wide range of information, advisory and support services, which complements its financing programmes, whilst also underlining its role as a policy Bank. These services are provided to the Bank’s stakeholders including state governments, Indian public and private sector and overseas entities. During fiscal year 2019, the Bank was mandated by the Kingdom of Saudi Arabia (KSA) to tailor financing programs for the newly envisaged Saudi Exim Bank. The Bank also concluded an assignment with Ghana Export-Import Bank (Ghana Exim) for providing technical assistance across various operational areas. Ghana Exim was established in 2016, and Exim Bank, India has been instrumental in designing their organizational structure, advising on their IT infrastructure, tailoring their financial programs in detail as per the need of their economy.

The Bank has also engaged with the Government of Bihar for preparation of an export strategy paper for the State. As part of the assignment, the Bank evaluated the export performance and potential of the State, and outlined strategies for development of trade competitiveness at the State-level.

### **Research Activities**

The Bank published 19 research papers, in the form of working papers and occasional papers during the financial year ended March 31, 2019, namely:

#### ***Working Papers***

- Enhancing India’s Engagement in Healthcare Sector of CLMV Countries, May 2018
- Act East: Enhancing India’s Trade with Bangladesh and Myanmar across Border, June 2018
- Export Strategy for Madhya Pradesh, June 2018

- Deepening South-South Collaboration: An Analysis of Africa and India's Trade & Investment, July 2018
- India's Trade Relations with Russia: Recent Trends and Potential, August 2018
- Indian Handloom Industry: Potential and Prospects, September 2018
- India-LAC Trade: Recent Trends and Opportunities in Select Countries, September 2018
- Indian Investments in West Africa: Recent Trends and Prospects, October 2018
- Enhancing Exports of Technical Textiles, December 2018
- India-SADC Trade and Investment Relations: Harnessing the Potential, March 2019
- Indian Tourism Industry: Exploring Opportunities For Enhancing Growth, March 2019
- Analytical Enquiry into Inertia in India's Exports and Growth Prospects, March 2019
- Export Strategy for Punjab: Trends, Opportunities, and Policy Insight, March 2019
- Promoting Exports from Bihar: Insights and Policy Perspectives, March 2019

#### ***Occasional Papers***

- Essays on International Trade, Welfare and Inequality, July 2018
- Essays in Indian Trade Policy, August 2018
- Exchange Rate Dynamics and its Impact on India's Exports to USA and EU: An Assessment, November 2018

#### **Joint Ventures**

##### ***Global Procurement Consultants Limited***

As set out in the Bank's Audited financials for the year ended March 31, 2019, the Bank's joint venture, Global Procurement Consultants Limited (**GPCL**), recorded a total revenue of Rs.54.20 million with a net profit of Rs.9.42 million. In fiscal year 2019, GPCL secured several procurement related assignments including projects funded by the World Bank and Asian Development Bank (ADB). GPCL is a joint venture between the Bank and 10 reputed Indian private and public sector companies with expertise in diverse fields. GPCL provides procurement, technical & financial related advisory and training services both within India and abroad in various developing countries.

#### **Export Development Fund**

The Export Development Fund (**EDF**) is a special fund administered by the Bank. The EDF was set up on March 31, 1986, by a notification issued by the Government. In terms of the Export-Import Bank of India Act, 1981, the EDF is a distinct fund, separate from the General Fund of the Bank. The EDF has its own balance sheet and earnings statement, and is separately audited with a separate auditor's report. The Government in May 2016 accorded an "in principle" approval for enhancement of the buyer's credit facility from Rs.9.00 billion to Rs.30.00 billion for covering the Chabahar Port Development project in addition to the export of steel rails and related items from India to Iran. Accordingly, the EDF in May 2016 concluded an amendment agreement covering the enhancement of the buyer's credit facility from Rs.9.00 billion to Rs.30.00 billion. The modalities of utilization of the credit will be decided in accordance with a framework agreement. As of March 31, 2019, the total assets of EDF stood at Rs.7.77 billion.

Under the framework agreement, the first contract for an aggregate value of Rs.8.19 billion, for supply of 150,000 tonnes of steel rails from India to the Railway of the Islamic Republic of Iran through the Bank of Industry and Mine, Iran, was under the Buyer's Credit Facility. As of March 31, 2019, disbursements aggregating Rs.8.11 billion have been made under the contract by the EDF. The physical and financial completion has been achieved under the contract. However, financing for the balance steel rails contract, and the contract for the Chabahar Port project are at various stages of negotiation.



## **INFORMATION TECHNOLOGY SYSTEMS**

The Bank continues its initiatives to enhance the use of knowledge-based tools, authentic communication across its various constituents for better sharing of information, customer empowerment and system intelligence capabilities. The Bank is a member of the Indian Financial Network and digitally participates in the market through industry-wide systems initiated by regulatory and industry institutions such as the RBI, Clearing Corporation of India, Credit Information Bureau (India) Ltd. and SWIFT.

Systems were supported and upgraded in various areas including: those of core banking system; business intelligence; digital documentation; automatic workflows; networks; infrastructure; and security. The Bank strengthened its practices and procedures in compliance with international standards for IT governance. The Bank strongly believes in transparency across all of its activities and various initiatives were taken by the Bank's IT group to support the core value of the Bank.

The Bank's corporate website ([www.eximbankindia.in](http://www.eximbankindia.in)) continued to disseminate information in an organized manner on business opportunities and leads in international trade and also on the various research activities conducted by the Bank. Further, it also features relevant information on the Bank's various lending programs and information, and advisory services.

The Bank is a member of the AEBF and G-NEXID. The Bank maintains the websites for AEBF and BRICS Interbank Cooperation Mechanism. The Bank became a member of National e-Governance Services Limited (NeSL). NeSL is a Credit Repository which accepts, stores and makes readily available authenticated financial information submitted by the Creditors.

The Bank's business intelligence system has been fully integrated online with the FINACLE system and various alerts are being sent as per the specific requirements of core users for better management and servicing of loan assets. The Bank independently handles payments and settlements using RTGS/NEFT. Seamless integration between the Bank's core banking system and payment channels (RTGS/NEFT and SWIFT) supports better fund management and real time appropriation of funds. The system-based auto asset monitoring and early warning signals help monitor the Bank's assets and liabilities. The Bank has implemented various action based alerts and real time reporting to improve efficiency and output. The SharePoint portal is helping in the automation of the Bank's internal processes. The Bank became one of the early members of Bankchain which is a forum of Indian banks that explore the feasibility of implementation of blockchain-based technology in the Indian banking industry.

## **EXIM MITRA**

The Bank works in close coordination with multilateral and regional banks and financial institutions to promote trade between India and the rest of the world. The Bank has been both a catalyst and a key player in the promotion of cross border trade and investment. Exim Mitra is the Bank's endeavor to further its ongoing efforts towards reducing the asymmetry in information, availability of trade finance and credit insurance facilities amongst MSME entrepreneurs. The portal aims to make a concerted efforts towards fulfilling twin objectives, namely, providing information on credit availability for exporters and delivering trade related information. The portal seeks to provide information on export import intelligence, trade finance and export credit insurance.

The Bank also works closely with commercial banks and credit insurance agencies to provide information and guidance to exporters. The Bank has partnered with 17 banks/financial institutions facilitating financial services through the portal. Prospective exporters can fill and submit an online form on the portal, which captures preliminary data pertaining to loan applications. These details are then shared with participating banks. The portal therefore acts as a much needed intermediary between suppliers and users of trade finance.

The Bank recognizes that the full potential of knowledge dissemination can be achieved only through a two-way exchange of information. To facilitate this, the portal has an interactive platform which allows the Bank to better understand the needs of the exporters and address their queries. The portal also contributes towards the objective of financial inclusion by providing preliminary help to a number of exporters and importers who may not have access to an array of crucial trade related information on a single platform.



## LEGAL PROCEEDINGS

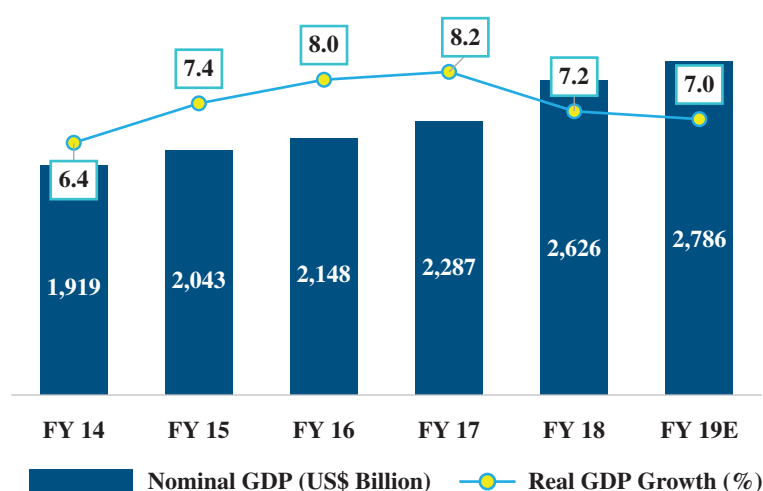
The Bank is involved in certain legal proceedings in the ordinary course of its business. However, excluding the legal proceedings discussed below, the Bank is not a party to any proceedings, and no proceedings are known to the Bank to be contemplated by governmental authorities or third parties, which, if adversely determined, would have a material adverse effect on the Bank's financial condition or results of operations.

As of March 31, 2019, 09 lawsuits have been filed against the Bank involving a total amount of U.S.\$104.42 million equivalent. Based on consultation with its legal counsels, the Bank's management believes that these lawsuits are frivolous and untenable, and that their ultimate resolution will not have a material adverse effect on the Bank's results of operations, financial condition or liquidity.

## INDIAN ECONOMIC DATA

### GDP

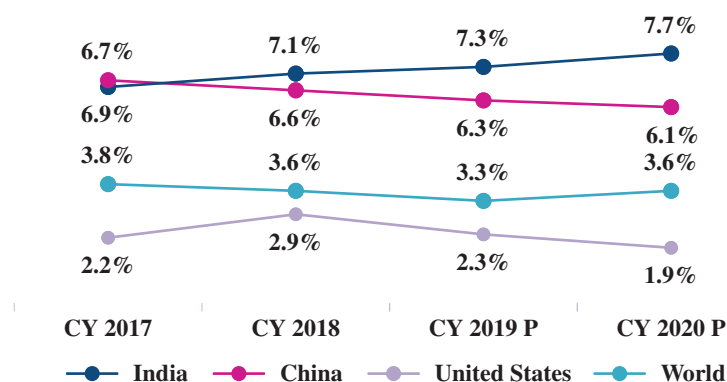
According to the Ministry of Statistics and Programme Implementation (MOSPI), India has experienced a resilient GDP growth, with an annual average growth rate of 7.4% during fiscal year 2014 to fiscal year 2019. The following graph shows India's nominal and real GDP growth between fiscal year 2014 to fiscal year 2019.



E: Estimated

Source: MOSPI & Institute of International Finance (IIF)

According to the International Monetary Fund (IMF), India's GDP also grew at a faster rate than China, the US and the world economy as shown in the chart below.



p = Projected

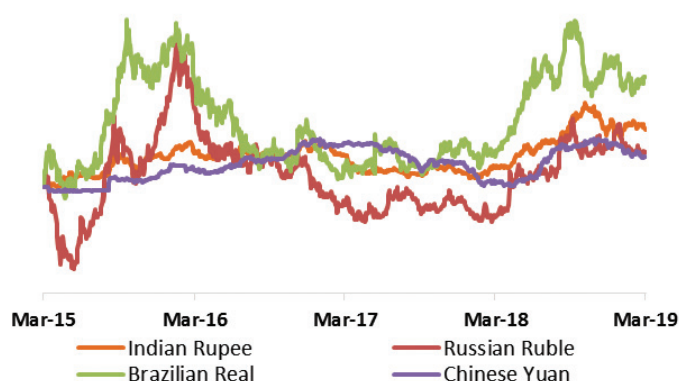
Source: IMF World Economic Outlook April 2018

In 2018, India's nominal GDP and GDP in purchasing power parity terms were U.S.\$2.7 trillion and U.S.\$10.5 trillion, respectively, according to data from the IMF's World Economic Outlook April 2019. India's resilient GDP growth is supported by, among others, its favorable demographic profile, with 66% of the population between the ages of 15 and 64 years old and strong consumption demand. India's GDP for fiscal year 2020 is projected at U.S.\$3 trillion.

### Key Economic Indicators

According to the IIF, general Government debt as a percentage of GDP stood at 67.1%, 66.6%, 68.6%, 65.2%, 68.9% and 68.3% for fiscal years 2014, 2015, 2016, 2017, 2018 and 2019, at a CAGR of 0.04% during fiscal year 2014 to fiscal year 2019. According to the RBI and Office of the Economic Adviser, Ministry of Commerce and Industry of the Government, current account deficit was U.S.\$32.3 billion, U.S.\$26.8 billion, U.S.\$22.1 billion, U.S.\$14.4 billion, U.S.\$48.7 billion and U.S.\$51.8 billion for fiscal years 2014, 2015, 2016, 2017, 2018 and 2019 (April-December), respectively, while the current account deficit as a percentage of GDP was 1.7%, 1.3%, 1.1%, 0.7%, 1.9% and 2.6% for fiscal years 2014, 2015, 2016, 2017, 2018 and 2019 (April-December), respectively. According to data from the RBI, CPI inflation rate was 9.3%, 5.8%, 4.9%, 4.5%, 3.6% and 3.4% for fiscal years 2014, 2015, 2016, 2017, 2018 and 2019, respectively.

The following graph shows the currency movement for the periods indicated.



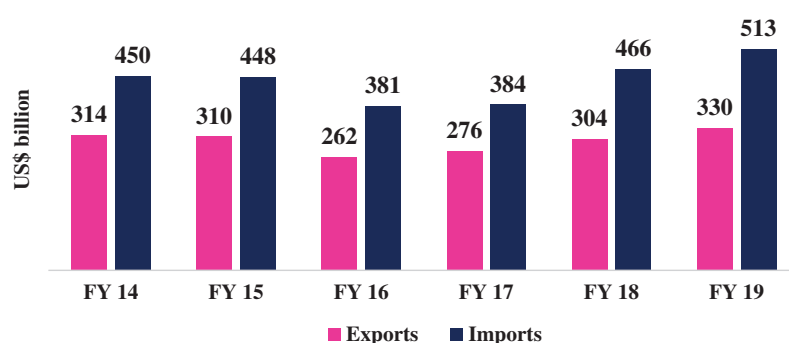
Source: Bloomberg

According to the Office of the Economic Adviser, Ministry of Commerce and Industry, India's gross domestic savings as a percentage of GDP stood at 30.5% in fiscal year 2018 compared to 32.1% in fiscal year 2014. Gross Capital Formation (Investment) as a percentage of GDP was 32.3% in fiscal year 2018 compared to 33.8% in fiscal year 2014. Equity market capitalization increased from Rs.74.2 trillion (approximately U.S.\$1.2 trillion) in fiscal year 2014 to Rs.151.1 trillion (approximately U.S.\$2.3 trillion) in fiscal year 2019. According to the RBI, the banking sector as a percentage of GDP stood at 89.2% in fiscal year 2018 compared to 97.7% in fiscal year 2014. According to RBI, the average exchange rate was Rs.67.07 = U.S.\$1 in fiscal year 2019 compared to Rs.60.50 = U.S.\$1 in fiscal year 2014.

### External Sector

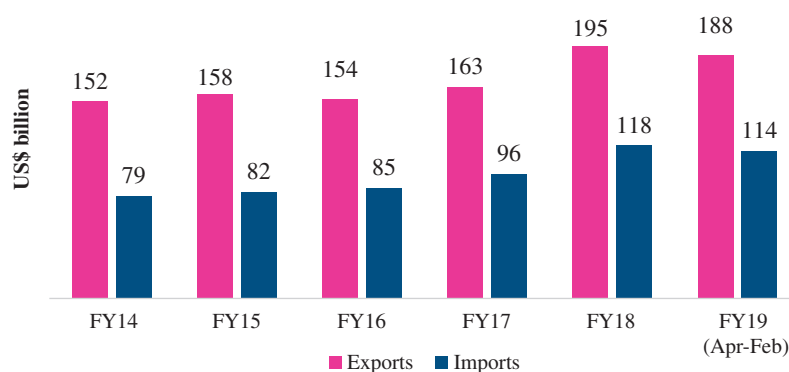
The following graphs show the trends of merchandise trade and services trades for the period indicated.

Trend of Merchandise Trade (U.S.\$ billion)



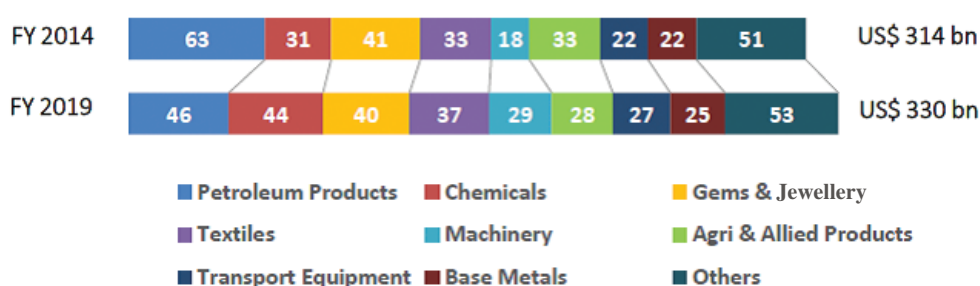
Source: Ministry of Commerce and Industry, Government of India

### Trend of Services Trade (U.S.\$ billion)



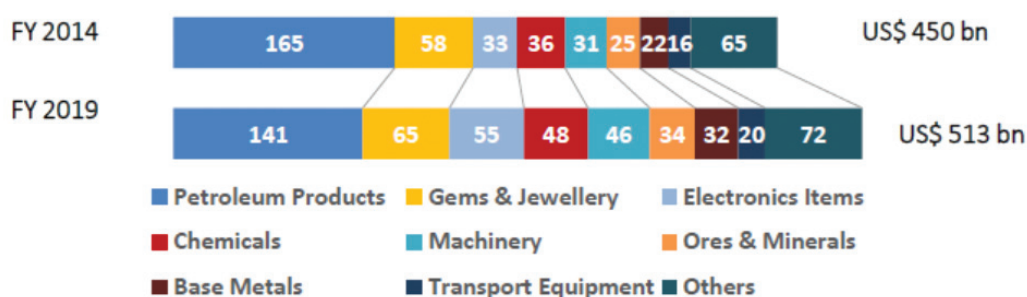
Source: Reserve Bank of India

### India's Export Pattern (U.S.\$ billion)



Source: Ministry of Commerce and Industry, Government of India

### India's Import Pattern (U.S.\$ billion)



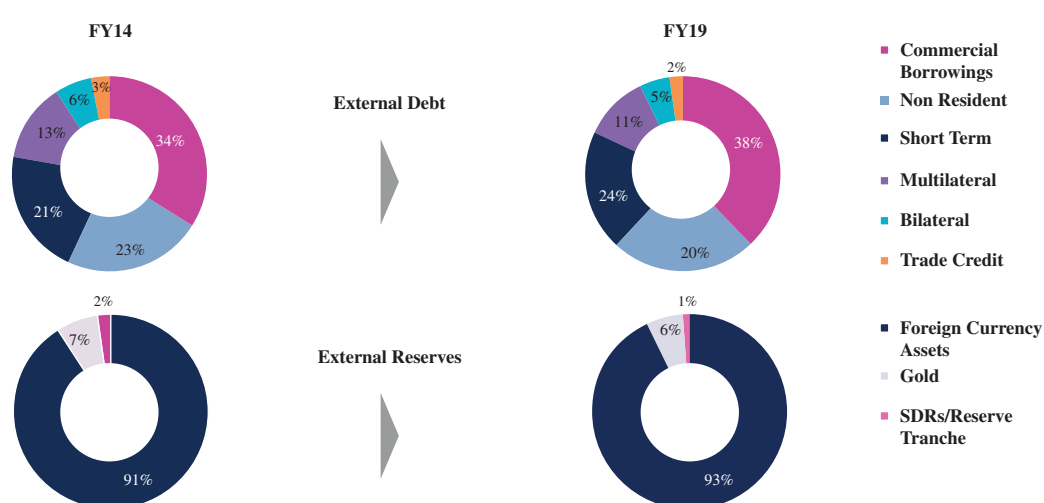
Source: Ministry of Commerce and Industry, Government of India

According to the Ministry of Commerce and Industry, merchandise trade (exports plus imports) as a percentage of GDP decreased from 39.8% in fiscal year 2014 to 30.2% in fiscal year 2019. According to the World Trade Organization, India's share in global merchandise trade stood at 2.1% in 2018. In 2018, India emerged as the 19th largest merchandise exporter, accounting for 1.7% of global merchandise exports, and the ninth largest exporter of services, accounting for 3.5% of global services exports.

## External Debt and External Reserves

According to the RBI and Ministry of Finance, in fiscal years 2014, 2015, 2016, 2017, 2018 and 2019, India's external debt stood at U.S.\$446.2 billion, U.S.\$474.7 billion, U.S.\$484.8 billion, U.S.\$471.0 billion, U.S.\$529.3 billion and U.S.\$543.0 billion, respectively. Foreign exchange reserve as a percentage of external debt stood at 68.2%, 72.0%, 74.3%, 78.5%, 80.2% and 76.0% in fiscal years 2014, 2015, 2016, 2017, 2018 and 2019, respectively. In fiscal years 2014, 2015, 2016, 2017, 2018 and 2019, foreign currency assets as a percentage of external debt was 61.9%, 66.8%, 69.3%, 73.5%, 75.4% and 71%, respectively. Foreign currency assets as a percentage of short-term debt was 301.4%, 371.1%, 403.1%, 393.1%, 390.8% and 355.5%, respectively, in fiscal years 2014, 2015, 2016, 2017, 2018 and 2019. As a percentage of foreign exchange reserves, volatile capital flows (which includes cumulative portfolio inflows and short-term debt) was 90.4%, 92.3%, 87.1%, 88.1%, 85.3% and 88.7%, respectively, for fiscal years 2014, 2015, 2016, 2017, 2018 and 2019 (end December 2018).

The following graph sets forth (for the periods indicated) information about India's external debt and foreign exchange reserves portfolio.



Source: Reserve Bank of India and Ministry of Finance, Government of India

## **RISK MANAGEMENT**

### **RISK MANAGEMENT**

As a financial institution engaged in lending, the Bank is exposed to various kinds of risk, in particular, credit risk (the potential for loss due to the failure of a counterparty or borrower to meet its financial obligations), market risk (the risk that changes in interest rates, foreign exchange rates, prices of debt securities and other financial contracts may have an adverse effect on the Bank's financial condition) and operational risk (includes risk arising from inadequate or failed operational processes, people and systems). The risk management architecture of the Bank is built around the following five main pillars:

- Organization Structure;
- Integrated Risk Management Policy, approved by the Board;
- Risk Management processes and systems;
- Management Information Systems and Human Resources Management; and
- Monitoring and Review.

A Risk Management Group (**RMG**) has been set up comprising one officer of the rank of Chief General Manager designated as Chief Risk Officer, for credit, market and operational risks. The RMG oversees the risk in the Bank's business processes and formulates the Bank's risk management strategy. Under the Bank's organizational structure, the risk management function is independent of operating groups and reports directly to the senior management. A separate risk management committee of the Board has been set up for monitoring and managing Bank-wide risks, and for overseeing the policy and strategy for integrated risk management relating to credit risk, market risk, and operational risk. The Bank is also using a sophisticated credit risk model with the assistance of a reputed consultancy firm for assessing internal credit ratings of borrowers.

A system of committees has been set in place to identify, measure, review and control risk.

### **ASSET-LIABILITY AND FUNDS MANAGEMENT COMMITTEES**

The Asset-Liability Management Committee (**ALCO**) addresses market risk. The ALCO is chaired by a Deputy Managing Director (**DMD**) and comprises Group Heads and other senior officers of Operating Groups, Treasury and Accounts Group, and Risk Management Group. ALCO meets on a monthly basis (or more often as necessary) and the minutes of the meetings are reviewed by the Managing Director. The operations of ALCO are reviewed by the Risk Management Committee on a quarterly basis. It addresses issues of asset-liability management, interest rate and exchange rate risk and liquidity risk, among others.

A Funds Management Committee (**FMC**) was constituted in 2006 to periodically review the funds flow position and to decide on actual investments/disinvestments/raising of resources. Accordingly, FMC regularly reviews the currency-wise dynamic funds position, approves individual investment/disinvestment, resource-raising and derivative transactions.

### **CREDIT RISK MANAGEMENT COMMITTEE**

The Credit Risk Management Committee (**CRMC**) addresses credit risk. The CRMC meets on a monthly basis and the minutes of the meetings are reviewed by the Managing Director. The CRMC addresses rating and pricing standards, prudential limits on various exposure categories (country, sector, single and group borrower, unsecured exposures, program-wise exposures) and sector-wise outlook, among others. It reviews exposure concentration on a monthly basis. The CRMC is chaired by a DMD and comprises Group Heads and other senior officers of the Operating Groups, Treasury and Accounts Group, and the Risk Management Group.

## **INTEGRATED RISK MANAGEMENT COMMITTEE**

The Integrated Risk Management Committee (**IRMC**) reviews the risk profile of the Bank periodically including analysis of the loan portfolio, risk concentrations, compliance with prudential limits and overseeing the operations of CRMC and ALCO. The IRMC reviews the macro aspects of various risks and is responsible for coordinating and integrating the approach to manage various risks. The IRMC also reviews the Bank's risk management policies in relation to various risks (portfolio, liquidity, interest rate and operational risks), investment policies and strategy, and regulatory and compliance issues in relation thereto. IRMC is chaired by a DMD and comprises Senior Executives who do not have direct line responsibilities. IRMC meets on a quarterly basis and the minutes of the meetings are reviewed by the Managing Director.

## **RISK MANAGEMENT COMMITTEE**

The Risk Management Committee of the Board (**RMC**) is responsible for monitoring and managing Bank-wide risks, and oversees the policy and strategy for integrated risk management relating to credit risk, market risk, and operational risk. The RMC also reviews the other policies approved by the board such as loan policies, loan monitoring and recovery policy, business continuity and disaster recovery policy, among others. The RMC is tasked with developing policies and procedures for integration of various risks at the Bank level, and following up the progress on introduction of risk measurement and/or management models for various risks introduced from time to time. It also reviews the roles and responsibilities of the other Risk Management Committees, namely, Integrated Risk Management Committee, Credit Risk Management Committee and Asset Liability Management Committee, and provides guidance or directives on the matters raised by the such committees, as may be required.

### **Credit Policies**

The two main operating divisions of the Bank, Export Credit and Export Capability Creating Credit, formulate and revise internal policies and procedures for their respective lending activities. These policies cover eligibility and financial norms for various lending programs, prudential requirements (including exposure ceilings for industry, individual/group borrowers, unsecured loans and countries), risk identification, risk grading, internal reporting and mitigation policies, credit administration, early warning system, detection and management of problem loans and credit review. Standard Operating Policies and Procedures (**SOPOPs**), which spell out the credit processes and systems are approved by the Committee of Executives (**COE**) (composed of all executives of the rank of General Manager and above, except for the Chairman/Managing Director) of the Bank. All policies and SOPOPs have been reviewed by RBI Inspection teams. All revisions in policies and procedures are carried out with the approval of the Board of Directors and COE, respectively.

### **Credit Processes**

The Bank's credit approval process involves multiple levels of loan approval authority. All loan proposals, irrespective of value, are sanctioned and disbursed at the Head Office. Regional Offices in India generate loan proposals through marketing, appraise them after obtaining preliminary clearance from the Head Office, recommend the loans for sanction and disbursements in approved loans, and monitor the loan accounts. In this manner, uniformity of credit standards and conformity with approved operating policies and procedures is ensured. If basic eligibility criteria are met and the inquiry passes an initial screening, including know-your-customer-check at the loan generating office, that office submits a preliminary appraisal note to Head Office. A two-stage process for evaluating the proposal is in place. At the first stage, proposals are initially screened by a Loan Evaluation/Project Evaluation Committee (**LEC/PEC**) at Head Office which comprises executives/officers drawn from different Groups including, inter alia, from the Planning and Research Group, for inputs on country/industry-risk aspects, so that the benefit of an interdisciplinary approach is available. Proposals cleared by LEC/PEC are considered for detailed appraisal and sanction, taking into account the risk profile of the proposal in relation to the credit risk. If the proposal is not admitted for detailed appraisal, the proposal is rejected after obtaining approval from DMD. Credit proposals that are cleared by the LEC are subject to detailed appraisal by the relevant office. Proposals that pass the detailed appraisal process are either sanctioned or rejected by authorities as per delegation of powers in place. Except for loans secured by 100.00% cash margin, which may be sanctioned by General Managers/Chief General Managers of Operating Groups and for loans secured by bank guarantees, or SBLCs, or counter-guarantees of other banks which may be sanctioned by Deputy



Managing Directors, all other proposals are sanctioned by the COE or Management Committee of the Board of Directors depending on the quantum of assistance in accordance with a scheme of delegation of financial powers approved by the Board of Directors. Decisions taken independently by the COE are reviewed by the Managing Director.

At each level of authority, loan applications are reviewed on the basis of the feasibility of the project from a technical, financial and economic point of view. In conducting such a review the following factors are considered: the borrower's profile, management structure, past financial performance and credit ratings, the Bank's exposure to the company, industrial group and/or industry in light of prudential exposure norms, industry outlook and financial projections for the borrower company and/or project. In the case of overseas financing, appraisals also include an assessment of the overseas venture in terms of commercial risk, political risk and currency risk, an assessment of the relevant international market, an analysis of the benefits from the overseas venture likely to accrue to the Indian promoter and compliance with regulatory guidelines. The Bank may also conduct a sensitivity analysis, which includes variables such as debt servicing ratios and internal rates of return.

The Bank disburses funds to a borrower strictly as per the terms of the sanction and after all necessary documentation has been executed. Specific approval must be sought from the pertinent authority before deviating from the terms of the sanction.

The Bank's policy is to require security for all loans except in the case of unsecured loans extended to borrowers rated AA and above (A and above for PSUs), short-term (not exceeding 360 days) unsecured loans to companies having high short-term rating, and refinancing to commercial banks. The security normally takes the form of a charge on assets (by way of a hypothecation or mortgage), with a minimum fixed asset cover of 1.25 times. Should the need arise, other security enhancement structures are also stipulated, including corporate and personal guarantees, pledges of shares held by promoters in the Indian borrower company or associate companies, escrows of receivables, commercial or political risk insurance assigned in favor of the Bank (in the case of an Indian company investing overseas or overseas borrowers), insurance cover from the ECGC (in the case of export credit loans) and pledges of shares held by Indian promoters (in the case of overseas investment finance). Any pledges of shares as collateral must follow RBI Guidelines on such pledges.

### **Exposure Limits**

The Bank's prudential exposure norms are in line with the norms laid down by RBI for All Indian term-lending institutions/financial institutions. As per these norms, the Bank's exposure by way of direct assistance to any single borrower may not exceed 15.00% (extendable to 20.00% in the case of infrastructure projects) of the Bank's capital funds (Tier I and Tier II capital) and the Bank's exposure to any single business group may not exceed 40.00% (extendable to 50.00% in the case of infrastructure projects) of the Bank's capital funds. An additional exposure up to 5.00% (i.e. a total exposure up to 25.00% of capital funds of the FI for Single Borrowers and 55.00% of capital funds for Borrower Groups) can be taken in exceptional circumstances, with the prior approval of Management Committee/Board.

As of March 31, 2019, none of the Bank's credit exposure to individual borrowers exceeded 1.40% of its total credit exposure (please refer to the Bank's financial statements for the year ended March 31, 2019). The RBI has advised all financial institutions to adopt internal limits on exposures to specific industry sectors to mitigate the risk of being concentrated to a limited number of sectors. The Bank has developed internal industry exposure guidelines which have been approved by the Board of Directors. Pursuant to these guidelines, the Bank's industry exposure shall not exceed 15.00% of its Total Credit Exposure. As of March 31, 2019, none of the Bank's exposure to any single industry sector exceeded 12.36% of its total industrial exposure.

The Bank's country exposure arises from LOCs, overseas buyer's credits, buyer's credit under NEIA (BC-NEIA) and assistance extended to overseas ventures of Indian entities under the Overseas Investment Programme and Direct Equity Participation program. The RBI Guidelines do not set any limits on country exposure. The Bank has developed a Country Exposure Model for setting country exposure limits. The model prescribes country exposure limits based on certain quantitative and qualitative parameters reflecting the risk and potential of the concerned countries. Quantitative parameters include Gross Domestic Product (GDP) at market prices, real GDP growth, GDP per capita, inflation rate, budget deficit as percentage of GDP, current account balance as percentage of GDP, import cover, index of sector dependence, debt service ratio, official development assistance, and imports from India as a percentage of the country's total imports. Qualitative parameters include factors such as stability of the government, internal situation, independence of policies, relations with India, payment records, geographic location, working conditions, import restrictions, political relations, and the nature and size of project markets.

In addition, a Comprehensive Exposure Model has been developed to facilitate the setting up of exposure limits to individual banks and financial institutions by way of refinancing and treasury exposure.

Adherence to prudential limits for risk concentration is reviewed on monthly basis by the Credit Risk Management Committee and reported to the Board of Directors on a quarterly (summary) and annual (detailed) basis.

### **Follow-up and Monitoring**

The Bank has devised a comprehensive system for assessing the quality of advances so as to be able to monitor and follow up advances. For purposes of internal monitoring, the various loan accounts of the Bank are classified into three categories; namely A, B and C, based on conduct and experience of each account. This method of ABC classification helps to highlight loan accounts encountering problems so that suitable remedial measures may be taken by the Bank and the borrowers to counter further incidences of NPAs. The ABC system of classification of account determines downstream monitoring imperatives like frequency of monitoring visits etc. All advances are reviewed at regular intervals, with reference to factors such as past performance, immediate and future prospects, and asset backing. The review mechanisms in place for the Bank's loan accounts include:

- Annual management reviews for large accounts;
- Quarterly review of NPAs by the Audit Committee;
- Quarterly management review of large industry sector exposures;
- Monthly review of PA Overdues (Overdues Review Committee);
- Monthly review of Stressed Assets (Stressed Assets Committee);
- Yearly review of assigned cases by Committee of Executives;
- Monthly review of all Regional Offices; and
- Quarterly and Annual Board review of credit concentrations.

In addition, the Bank has established a system to generate early warning signals for identifying potentially problematic loans based on a track record of debt servicing, financial and operational performance, and compliance with loan covenants.

While the Bank's internal audit group monitors the compliance with the policies and procedures by the operating divisions, the management information systems group gathers data on the Bank's operating groups and produces various internal and external reports.

The Bank's Board of Directors has approved a multi-pronged strategy for reducing NPAs, which encompasses:

- rigorous screening, appraisal and due diligence of credit proposals;
- close monitoring and identification of early warning signals to prevent slippage of standard assets into NPAs; and
- restructuring, intensive recovery action in respect of NPAs, including action under the Insolvency and Bankruptcy Code (the **IBC**), sale of assets through court receiver, assignment of loans to Asset Reconstruction Companies (**ARCs**) and banks, among others, negotiations, one-time settlements, possession and subsequent sale of assets under provisions of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act (the **SARFAESI Act**) and filing suit against the Company, its directors, personal and corporate guarantors before Debt Recovery Tribunal (**DRT**).

The Bank's NPAs are closely monitored by the Audit Committee, which reviews all NPA loan accounts on a quarterly basis. At the management level, reviews are carried out through two Committees, the Overdues Committee and the Stressed Assets Committee, both of which comprise officials of the Bank's different groups. These committees meet every month and carry out a detailed portfolio review with a focus on monitoring performing assets with overdue, and evaluating and recommending a course of action for recovering NPAs.

The Bank is focused on a multi-dimensional approach for resolution of its NPAs:

- (a) Upgrading – The Bank will endeavor to upgrade the relevant account to standard assets through continuous and rigorous follow-up for recovery of dues.
- (b) Restructuring – Some of the large accounts are affected by industry downturn or global economic slowdown; however, the underlying assets and business are viable in the long term. Thus, restructuring of loans, including deep restructuring, is being considered as a resolution mechanism in such cases. The Bank also remains engaged with the borrower for recovery of dues.
- (c) Resolution under the IBC – The implementation of the IBC has made the resolution of stressed assets possible within defined period and making it feasible for corporates to exit or attempt a revival of their businesses while preserving the economic value of the assets, thereby making a change in NPAs climate for the banks. A significant percentage of the Bank's NPA is under the IBC process. For cases being resolved under the IBC, the Bank plays a proactive role in Committee of Creditors meetings and ensures that its interest is not compromised.
- (d) Sale of securities – To assist banks and financial institutions in recovering their dues and to ensure financial discipline among borrowers, the Government enacted the SARFAESI Act in December 2002. The SARFESI Act provides the legal framework for the securitization of financial assets and the foreclosure of NPA accounts without the intervention of a court. The SARFAESI Act enables secured lenders, including the Bank, to take possession of assets charged as security for loans, which have become NPAs.

The Bank is also in process of recovering its dues through realization from sale of the companies' operating units, businesses, core assets, non-core assets, collateral properties, share sale, stake sale, and others which are being pursued independently and/or with the consent of the promoter(s).

- (e) Settlement or sale of assets to ARCs or other entities – In cases where restructuring or legal action has not yielded any positive results, the Bank explores the possibility of settlement with the promoter or the company for reduction in NPAs by way of cash recovery. However, as an alternative recovery measure, asset sale to ARCs or other entities is also explored to reduce NPAs and to improve recovery.
- (f) Legal action – Resolution of NPAs is also being undertaken by way of initiating legal action at the Debt Recovery Tribunal and other relevant laws (such as under section 138, winding-up and others).

The following table shows the Bank's restructured accounts (including rescheduled and renegotiated accounts) during the financial years ended March 31, 2017, 2018 and 2019 and as a percentage of the Bank's total loans as of those dates.

	During the financial years ended March 31,								
	2017			2018			2019		
	(Rs. Million)	(U.S.\$ million) <sup>(1)</sup>	(%)	(Rs. Million)	(U.S.\$ million) <sup>(1)</sup>	(%)	(Rs. Million)	(U.S.\$ million) <sup>(1)</sup>	(%)
Total of Standard loan and debenture assets which have been restructured . . .	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total of sub-standard/doubtful assets which have been restructured . . . . .	3,809.79	58.75	0.37%	4,018.20	61.65	0.35%	0.00	0.00	0.00

*Note:*

- (1) Indian rupees have been translated into U.S. dollars for the convenience of the reader at the exchange rate of Rs. 69.155 to U.S.\$1.00, which translation represents the exchange rate published by the Foreign Exchange Dealer's Association of India as of March 31, 2019.

The Bank had not restructured any standard assets during the fiscal years ended March 31, 2017, March 31, 2018 and March 31, 2019.

During the fiscal year ended March 31, 2017, the accounts of two borrowers (one each in the sub-standard and doubtful category) with an aggregate amount of Rs.3,809.79 million, (U.S.\$58.75 million) were restructured. During the fiscal year ended March 31, 2018, the Bank had restructured five doubtful assets with an aggregate amount of Rs.4,018.20 million (U.S.\$61.65 million). During the fiscal year ended March 31, 2019, no accounts were restructured by the Bank.

The Bank has set up an independent One Time Settlement (OTS) Screening Committee, which is headed by a retired High Court judge and comprises two retired senior bankers, to examine all OTS proposals/assignment of loan assets and make recommendations to the Management Committee/Board of Directors for each proposed OTS or assignment case.

In the case of lack of cooperation by a borrower, the Bank may initiate legal action to enforce security to recover the Bank's debt and will be reported to the RBI/Credit Information Companies for inclusion in a list of non-cooperative borrower. In any case, where a debtor is found to be earning profits but not clearing overdues, the case will be reported to the RBI/Credit Information Companies for inclusion in a list of wilful defaulters, while simultaneously initiating legal action.

Despite making concerted efforts to expedite recovery and reduce NPAs, the banking sector has been facing multiple challenges in India due to various legal and other challenges. The Government and RBI have responded by enacting new laws, issuing new instructions and amending some of the existing ones, wherever required.

The Bank has written off a total of Rs.8.48 billion in the past five years including the discount on account of the sale of assets to the Asset Reconstruction Companies. (ARCs).

## Asset and Liability Management

With progressive financial deregulation in India, especially after the financial sector reforms of 1991, there has been a gradual enlargement of the Bank's exposure to market risks. The Bank recognizes that these market risks, mainly liquidity, interest rate and foreign exchange risks, need to be measured, monitored and managed. The Bank has established an ALCO to manage market risk in a coordinated manner and also to ensure compliance with RBI Guidelines related to market risk. The Board of Directors has approved an Integrated Risk Management Policy for the Bank, comprising guidelines for asset-liability management in the Bank, taking into account the operational guidelines issued by RBI from time to time. The Board of Directors has set prudential limits for liquidity gaps and ratios, prudential limits for interest-rate sensitivity measured both on the basis of volatility of net-interest income (**earnings perspective**) and leverage-adjusted duration gap (**economic value perspective**) and certain conditions for stress testing. ALCO meets at least once a month to perform its delegated functions, which include:

- conducting balance sheet planning from a risk-return perspective;
- articulating strategy on the desired maturity profile and mix of incremental assets and liabilities, based on the interest-rate sensitivity analysis;
- articulating the current interest policy of the Bank; and
- Monitoring the levels of each type of market risk.

### Liquidity Risk

Liquidity risk comprises the risk of not being able to raise necessary funds from the market to meet operational and debt servicing requirements. The Bank has put in place a Board-approved Integrated Risk Management Policy, which covers Liquidity Risk Management. A key objective of this policy is to maintain an optimal asset versus liability maturity profile so as to minimize liquidity risk. To this end, the Bank's Integrated Risk Management Policy prescribes monitoring of the Bank's currency-wise structural liquidity position, ensuring compliance with prudential limits for both bucket-wise and cumulative negative gaps, monitoring liquidity ratios, stress testing and determining suitable actions for covering any anticipated liquidity shortfall. The Risk Management Committee reviews, on a quarterly basis, the Bank's currency-wise liquidity position, interest rate sensitivity position and the exceeding of any prudential limits, as well as any corrective actions taken thereto.

The Bank's resource-raising is undertaken with the twin objectives of timing such resource-raising to take advantage of favorable market opportunities and conditions, as well as meeting all funding requirements of loans and advances. ALCO actively monitors market conditions and undertakes suitable measures to address identified liquidity risk. The Bank also maintains a reasonable level of investment in liquid securities, which can be cashed at short notice.

The maturity profile of the assets and liabilities of the Bank as of March 31, 2019 is as follows<sup>(1)</sup>

	Less than or equal to 1 year	More than 1 and up to 3 years	More than 3 and up to 5 years	More than 5 and up to 7 years	More than 7 years	Total Outstanding Amount
	(Rs. billions)					
<b>Assets</b>						
Rupee Assets . . . . .	195.96	154.42	144.56	68.21	305.53	868.68
Foreign Currency Assets . . . .	243.57	236.14	210.09	175.92	272.00	1,137.72
Total Assets . . . . .	439.53	390.56	354.65	244.13	577.53	2,006.40
<b>Liabilities</b>						
Rupee Liabilities . . . . .	209.92	123.36	127.86	44.55	253.31	759.00
Foreign Currency Liabilities . .	191.88	294.06	284.09	62.79	245.97	1,078.79
Total Liabilities . . . . .	401.80	417.42	411.95	107.34	499.28	1,837.79

Note:

- (1) Includes both principal and interest payments pertaining to assets and liabilities as well as undisbursed loan commitments as of March 31, 2019.

### ***Interest Rate Risk***

Interest rate risk arises from movement in interest rate levels, which in turn may be impacted by various economic and political factors and changes in policies and regulatory framework. As a financial institution, the Bank is exposed to interest rate risk arising from a maturity mismatch or re-pricing mismatch between its assets and liabilities. The Bank addresses this risk by continuously evaluating movements in market rates and measuring interest-rate sensitivity of net interest income in addition to the traditional gap analysis, which is a key input in determining its incremental mix of assets and liabilities. The Bank's Board of Directors has approved a model for measuring the sensitivity of net interest income and net worth under different scenarios of interest rate movements. The Risk Management Committee of the Board monitors the Bank's interest rate sensitivity position on a quarterly basis. The Bank uses interest rate swaps, buy-sell swaps and currency swaps in its management of interest rate and currency risk.

### ***Foreign Exchange Risk***

As a matter of policy, the Bank maintains a currency-wise matching of assets and liabilities. The Foreign currency advances are predominantly funded by foreign currency borrowings. The lending and borrowing rates are predominantly linked to the same benchmark rate and reset with the same periodicity so as to hedge both exchange risk and basis risk.

## **OPERATIONAL RISK**

The Board approved Integrated Risk Management Policy comprises an Operational Risk Management framework for the Bank. Operational risk loss events relevant to the Bank have been identified and an external firm has been assigned the task of tracking the occurrence of these events, as well as identifying additional material risk events, if any, based on which the IRMC suggests suitable corrective actions in relation to processes and systems, as may be applicable. Capital charge for operational risk is identified as per the Basic Indicator Approach where the capital for operational risk equals the average over the previous three years of a fixed percentage of positive annual gross income. All treasury transactions loan disbursements and customer accounts are effected from/maintained at the Head Office, thus operational risks are minimized considerably. The nine regional offices in India, the London Branch and the eight overseas representative offices maintain bank accounts essentially for administrative expenditure within the approved revenue expenditure budget. The accounting system is computerized. Mechanisms for mitigating operational risk and safeguarding against technical and human errors are set in place. Internal and regulatory compliance is monitored by the Internal Audit Group. The Internal Audit Group oversees the internal/concurrent audit conducted by an external audit firm. Concurrent audit covers 100.00% of treasury transactions and 100.00% of loan transactions over a threshold limit. The Bank's staff is being trained to adequately discharge various risk management functions. A Business Continuity and Disaster Recovery Plan approved by the Board is in place, compliance with which is reported to the Risk Management Committee on an annual basis.

### **Internal Audit**

In accordance with guidelines issued by the RBI, the Board of Directors constituted an Audit Committee for the Bank as a sub-committee of the Board. The Audit Committee oversees the internal audit function in the Bank and meets at least six times in a year. The objective of the Audit Committee is to direct the total audit function of the Bank in order to enhance its effectiveness as a management tool and review the progress in follow-up on the internal audit, concurrent audit, statutory audit and RBI inspection reports.

The internal audit is conducted in terms of the procedures contained in the Audit Manual approved by the Audit Committee of the Board. The Audit Manual contains the objectives and the scope of the risk-based internal audit and concurrent audit, the procedures to be followed, documents to be verified, periodicity, scheduling and the procedure for review of follow-up actions. The risk-based internal audit reports are submitted to the Bank's management on a quarterly basis while concurrent audit reports are submitted on a monthly basis.



The scope of coverage for risk-based internal audit includes rupee investments, foreign currency fund management, Foreign Exchange Transactions (including audit of SWIFT messaging systems and its operations, checking of all SWIFT messages including LOUs issued), derivatives/interest rate swap/forward rate agreements, guarantees (including checking correctness of guarantee commission charged and collected), Loans and Advances-including inter alia Revenue Audit, letters of credit, standby letters of credit, Compliance with KYC norms, lines of credit, bank and cash, payroll, arrangements with vendors/suppliers/contractors, fixed assets, housekeeping, inter-office/units control accounts, overseas representative offices, Domestic Representative Offices, borrowings, Exim Bank bonds, term deposits, CDs/CPs/term money, other balance sheet items, maturity pattern of assets and liabilities, compliance with capital to risk assets ratio (**CRAR**) and Income Recognition and Asset Classification (**IRAC**) norms, library audit, RBI disclosure requirements, Management Information System (**MIS**) audit with special reference to returns submitted to RBI, Information System (**IS**) audit and Information Technology (**IT**) related areas, verifying the handling of export documents, fund transfer pricing, Technology Upgradation Fund Scheme (**TUFS**) audit, periodic verification of legal documents/balance confirmations from borrowers for loan/investment portfolios. The coverage of concurrent audit includes rupee investments, foreign currency fund management, Foreign Exchange Transactions (including audit of SWIFT messaging systems and its operations, checking of all SWIFT messages including LOUs issued), derivatives/interest rate swap/forward rate agreements, guarantees (including checking correctness of guarantee commission charged and collected), Loans and Advances – including inter alia Revenue Audit to assess the extent of revenue leakage in respect of collection of fees (processing, service fees, documentation fees, commitment fees, upfront fees etc.), interest, penal interest, liquidated damages, additional interest to be charged as per sanction terms on prospective or retrospective basis on account of any delay in creation of security stipulated e.g. Mortgage/escrow/pledge of shares etc., non-compliance with sanction terms, checking of principal repayment schedules in Finacle and advised to Borrowers, check the correctness of rate of interest entered in Finacle, reset details entered (spread and base rate, date of next interest reset) and interest rate related fields (inter alia LIBOR/other base rate reset frequencies are selected correctly) and/or any other income leakage, letters of credit, standby letters of credit, Compliance with KYC norms and Specific audit and certification of Lines of Credit (LOC) including, inter alia, loan documentation, compliance with conditions stipulated for government guarantee, recovery of commitment charges/management fees etc.

The observations contained in the concurrent audit and risk-based internal audit, along with compliances and responses by the Bank's business groups, are submitted to the Audit Screening Committee. The Audit Screening Committee screens the observations and then refers the same to the Committee of Executives (**COE**) for review and recommendation. After review by the COE, critical observations are submitted to the Audit Committee for its review. All audit observations are reviewed, followed up and monitored until full compliance is achieved.

## **FUNDING AND CAPITAL ADEQUACY**

### **Sources of Funding**

The Bank's principal sources of funds are the issuance of bonds in the domestic capital markets, borrowings from domestic and foreign institutions, market-related borrowings, including commercial paper and certificates of deposit, internally-generated funds and capital contributions from the Government.

The Bank relies primarily on commercial paper and long and medium-term borrowings as its source of funds. Accordingly, its costs of funds are generally higher than those of most Indian commercial banks, which predominantly rely on low-cost deposits. The Bank's average cost of borrowings (cost on quarterly average interest-bearing liabilities) was 6.88%, 6.68% and 7.15% in the fiscal years 2017, 2018 and 2019, respectively.

Each year, the Bank prepares a resources plan that is approved by the Board of Directors. The overall borrowings of the Bank are as per the Board-approved resource plan. The Bank's Funds Management Committee approves the terms and conditions for each fund-raising instrument.

Set out below is a summary of the Bank's outstanding debt as of March 31, 2017, 2018 and 2019:

	As of March 31,		
	2017	2018	2019
	(Rs. billions)		
Domestic issue of unsecured bonds . . . . .	308.37	329.12	260.85
Borrowings from and supported by the Government . . . . .	0.00	0.00	0.00
Foreign currency borrowings . . . . .	487.92	559.65	579.76
Commercial Papers and other borrowings . . . . .	164.44	152.88	82.44
<b>Total Debt Outstanding . . . . .</b>	<b>960.73</b>	<b>1041.65</b>	<b>92,305</b>

*Note:*

- (1) Indian rupees have been translated into U.S. dollars for the convenience of the reader at the exchange rate of Rs.69.155 to U.S.\$1.00, which translation represents the exchange rate published by FEDAI as of March 31, 2019.

## Rupee Borrowings

The Bank primarily raises rupee resources through market borrowings – bonds, term loans, certificates of deposit, commercial paper and collateralized borrowing and lending obligations (**CBLOs**). As of March 31, 2017, 2018 and 2019, the Bank's total outstanding rupee borrowings, including bonds, borrowings from banks, term deposits, certificates of deposit and commercial paper amounted to Rs.472.81 billion, Rs.482.00 billion and Rs.343.28 billion, respectively.

Of the respective amount, Rs.260.85 billion in unsecured bonds, Rs.24.49 billion in commercial paper and Rs.57.99 billion in certificates of deposit/term deposits/borrowings under CBLO were outstanding as of March 31, 2019.

Of the respective amount, Rs.329.12 billion in unsecured bonds, Rs.78.32 billion in commercial paper and Rs.74.56 billion in certificates of deposit/term deposits/borrowings under CBLO were outstanding as of March 31, 2018.

Of the respective amount, Rs.308.37 billion in unsecured bonds, Rs.100.89 billion in commercial paper and Rs.63.54 billion in certificates of deposit/term deposits/borrowings under CBLO were outstanding as of March 31, 2017.

In the fiscal year 2019, the Bank raised Rs.54.50 billion of commercial papers with tenors of 89 days to 311 days and Rs.32.80 billion of certificates of deposits/term deposits with tenors from 1 to 5 years. The Rupee borrowings are raised by the Bank in compliance with RBI guidelines issued from time to time.

In the fiscal year 2018, the Bank raised Rs.34.45 billion of bonds at benchmark rates for tenors from 5 to 20 years, Rs.78.32 billion of commercial paper with tenors of 30 to 184 days and Rs.43.46 billion of certificates of deposits/term deposits with tenors of 1 to 5 years. The Rupee borrowings are raised by the Bank in compliance with RBI guidelines issued from time to time.

In the fiscal year 2017, the Bank raised Rs.48.60 billion of bonds at benchmark rates for tenors from 3 to 15 years, in addition to raising Rs.5 billion AT1 bonds. Furthermore, in fiscal year 2017, the Bank raised Rs.100.89 billion of commercial paper with tenors of 52 to 277 days and Rs.33.28 billion of certificates of deposits with tenors of 1 to 3 years. The rupee borrowings are raised by the Bank in compliance with the RBI guidelines issued from time to time.

The Bank's medium and long-term domestic debt instruments are given the following ratings by either one or more of the rating agencies: CRISIL AAA by the Credit Rating Information Services of India Limited (**CRISIL**), ICRA AAA by ICRA Limited (**ICRA**) and CARE AAA by CARE Ratings Ltd (**CARE**). The Bank's commercial paper and certificate of deposits are given the following ratings by either one or more of the rating agencies: CRISIL A1+ by CRISIL and ICRA A1+ by ICRA, CARE A1+ by CARE. These are the highest ratings awarded by CRISIL, ICRA, and CARE.

## Foreign Currency Borrowings

The Bank raises foreign currency (FC) resources by issuance of FC bonds/Floating Rate Notes in international markets, medium/short-term syndicated loans including bilateral/club deals, medium/long-term rupee-dollar swaps and borrowings from onshore funds of commercial banks in India. The original maturities of the outstanding medium/long-term funds is up to 20 years.

As of March 31, 2019, the Bank's outstanding foreign currency resources amounted to approximately U.S.\$11,731.27 million, trade credit in foreign currencies and short-term loans and bonds amounted to U.S.\$613.47 million, currency swaps and deposits amounted to U.S.\$3,377.71 million and bonds and loans amounted to U.S.\$7,740.09 million.

During the fiscal year 2019, the Bank raised foreign currency resources aggregating U.S.\$1,220 million, comprising short-term funds of U.S.\$570 million, and medium-long term funds of U.S.\$650 million.

The Bank's long-term foreign currency are given the following ratings by either one or more of the rating agencies: Baa2 by Moody's, BBB- by Fitch, BBB- by S&P and BBB+ by the Japan Credit Rating agency.

## Government Capital Contributions

The Bank receives contributions of equity capital from the Government through its budgetary allocations. The Government holds the entire paid-up capital of Rs.123.59 billion of the Bank. Under the Act, the maximum authorized capital of the Bank is Rs.100 billion. The Bank's authorized capital can be further increased by an amendment to the Act by Parliament. In each of the fiscal years of 2017, 2018 and 2019, the Bank received Rs.5 billion, Rs.5 billion and Rs.50 billion (out of which Rs.45 billion through recapitalization bonds (Special GoI securities)), respectively, by way of a capital contribution from the Government. Further, a provision of Rs.15 billion of which Rs.5.50 billion by way of a capital contribution from the Government and Rs.9.50 billion through recapitalization bonds (Special GoI securities), has been made in the union budget for fiscal year 2020 towards the Bank's capital. The Bank had on July 5, 2019 received Rs.8 billion by way of a capital contribution from the Government.

## Internal Generation of Funds

The Bank generates funds internally by way of principal and interest payments on its loans from borrowing companies, fees from guarantee operations and other services, income from marketable securities held by the Bank, fees and sale of investments in shares and bonds of companies and dividends from the Bank's equity holdings.

The Bank's total income (comprising interest and fee-based income) for the financial years ended March 31, 2017, 2018 and 2019 amounted to Rs.92.35 billion, Rs.87.78 billion and Rs.90.97 billion (U.S.\$1.32 billion), respectively.

Of the total internally-generated funds for the financial year ended March 31, 2019, the Bank received Rs.87.27 billion in interest and discount, and Rs.2.55 billion in exchange, commissions, brokerage and fees.

## Capital Adequacy

As of March 31, 2019, the Bank's total Capital to Risk Assets Ratio (CRAR) was 19.07% (10.35% as of March 31, 2018 and 15.81% as of March 31, 2017) and its Tier I CRAR was 17.71% (8.82% as of March 31, 2018 and 14.29% as of March 31, 2017).

As of March 31, 2017, 2018 and 2019, the Bank's debt-to-equity ratio was 7.99, 10.85 and 6.29, respectively.

The Government of India, pursuant to its weekly Gazette Notification dated January 24, 2019, increased the authorised capital of the Issuer from Rs. 100 billion to Rs. 200 billion.

The following table sets out the key capital ratios for the Bank as of March 31, 2017, 2018 and 2019:

	As of March 31,		
	2017	2018	2019
	(Rs. billions)		
<b>Capital Ratios</b>			
Debt to Equity (:1) . . . . .	7.99	10.85	6.29
Capital to Risk Assets Adequacy Ratio (CRAR) (%) . .	15.81	10.35	19.07
Core CRAR (%) . . . . .	14.29	8.82	17.71
Supplementary CRAR (%) . . . . .	1.52	1.53	1.36

## SELECTED STATISTICAL DATA

*The following information should be read together with the Bank's financial statements included in this Offering Memorandum as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations." All amounts presented in this section have been prepared in accordance with Indian GAAP.*

### 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. 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.

Year ended March 31,								
2017			2018			2019		
Average Balance	Interest Income/ Expense <sup>(1)</sup>	Avg.Yield/ Cost (%)	Average Balance	Interest Income/ Expense <sup>(1)</sup>	Avg. Yield/ Cost (%)	Average Balance	Interest Income/ Expense <sup>(1)</sup>	Avg.Yield/ Cost (%)
(Rs. in millions, except percentages)								
<b>Interest-earning assets:</b>								
Loans and advances and bills of exchange and promissory notes								
discounted/rediscouted . . . . .	986,330.37	54,462.59	5.52	1,032,568.02	53,302.68	5.16	976,896.67	60,802.26
Investments . . . . .	58,873.37	2,748.59	4.67	56,192.60	2,819.78	5.02	63,520.84	3,159.67
Cash and bank balances . . . . .	47,064.73	27,199.72	57.79	40,458.97	26,261.17	64.91	32,167.34	23,303.70
<b>Total interest-earning assets . . . .</b>	<b>1,092,268.47</b>	<b>84,410.90</b>	<b>7.73</b>	<b>1,129,219.59</b>	<b>82,383.63</b>	<b>7.30</b>	<b>1,072,584.85</b>	<b>87,265.63</b>
<b>Non-interest earning assets:</b>								
Fixed assets . . . . .	1,228.24	–	–	1,272.30	–	–	1,758.04	–
Other assets . . . . .	67,065.76	–	–	69,790.26	–	–	76,736.47	–
<b>Total non-interest earning assets . .</b>	<b>68,294.00</b>	<b>–</b>	<b>–</b>	<b>71,062.56</b>	<b>–</b>	<b>–</b>	<b>78,494.51</b>	<b>–</b>
<b>Total assets . . . . .</b>	<b>1,160,562.47</b>	<b>84,410.90</b>	<b>7.27</b>	<b>1,200,282.15</b>	<b>82,383.63</b>	<b>6.86</b>	<b>1,151,079.36</b>	<b>87,265.63</b>
<b>Interest-bearing liabilities:</b>								
Subordinated loan . . . . .	–	–	–	–	–	–	–	–
Notes, bonds and debentures . . . .	799,912.91	49,434.26	6.18	809,406.98	48,425.29	5.98	781,102.41	44,480.82
Deposits . . . . .	16,642.10	709.59	4.26	3,054.90	225.36	7.38	2,712.68	263.15
Borrowings . . . . .	129,117.48	14,878.46	11.52	173,199.82	17,212.35	9.94	161,115.15	22,823.24
<b>Total interest-bearing liabilities . .</b>	<b>945,672.49</b>	<b>65,022.31</b>	<b>6.88</b>	<b>985,661.70</b>	<b>65,863.00</b>	<b>6.68</b>	<b>944,930.24</b>	<b>67,567.21</b>
<b>Non-interest bearing liabilities</b>								
Capital and reserves . . . . .	118,710.75	–	–	117,929.53	–	–	111,185.25	–
Bills payable . . . . .	–	–	–	–	–	–	–	–
Other liabilities . . . . .	96,179.23	–	–	96,690.91	–	–	94,963.87	–
<b>Total non-interest bearing liabilities . . . . .</b>	<b>214,889.98</b>	<b>–</b>	<b>–</b>	<b>214,620.44</b>	<b>–</b>	<b>–</b>	<b>206,149.12</b>	<b>–</b>
<b>Total liabilities . . . . .</b>	<b>1,160,562.47</b>	<b>65,022.31</b>	<b>5.60</b>	<b>1,200,282.14</b>	<b>65,863.00</b>	<b>5.49</b>	<b>1,151,079.36</b>	<b>67,567.21</b>

Notes:

- (1) Interest income includes interest and discount. Interest earned on other interest-earning assets and interest expended on other interest-bearing liabilities include interest earned and expended on swaps contracted for hedging purposes, which are off-balance sheet items.
- (2) Other liabilities includes balance of net profits (transferable to the Central Government in terms of Section 23(2) of the Exim Bank Act, 1981).

## 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,			
	2017	2018	2019	2019
	(Rs. in millions, except percentages)			(U.S.\$ in millions) <sup>(1)</sup>
Interest income on interest-earning assets . .	84,410.90	82,383.63	87,265.63	1,261.88
Interest expense on interest-bearing liabilities . . . . .	65,022.30	65,863.00	67,567.21	977.04
Average interest-earning assets . . . . .	1,092,268.50	1,129,219.59	1,072,584.85	15,509.87
Average interest-bearing liabilities . . . . .	945,672.50	985,661.70	944,930.24	13,663.95
Average total assets . . . . .	1,160,562.50	1,200,282.14	1,151,079.36	16,644.92
Average interest-earning assets as a percentage of average total assets . . . . .	94.12%	94.08%	93.18%	—
Average interest-bearing liabilities as a percentage of average total assets . . . . .	81.48%	82.12%	82.09%	—
Average interest-earning assets as a percentage of average interest-bearing liabilities . . . . .	115.50%	114.56%	113.51%	—
Yield <sup>(2)</sup> . . . . .	7.73%	7.30%	8.14%	—
Cost of funds <sup>(3)</sup> . . . . .	6.88%	6.68%	7.15%	—
Spread <sup>(4)</sup> . . . . .	0.85%	0.61%	0.99%	—
Net interest margin <sup>(5)</sup> . . . . .	1.78%	1.46%	1.84%	—

### Notes:

- (1) For the reader's convenience, U.S. dollar translations of Indian Rupee amounts have been provided at a rate of U.S.\$1.00 = Rs. 69.1550, which was the FEDAI exchange rate as of March 31, 2019.
- (2) Yield is interest income divided by average interest-earning assets.
- (3) Cost of funds is interest expense divided by interest-bearing liabilities.
- (4) Spread is the difference between yield and cost of funds.
- (5) Net interest margin is the difference of interest earned and interest expended divided by the total quarterly average interest-earning assets.



## Analysis of Changes in Interest Revenue and Interest Expense By Volume and Rate

The following table sets forth, for the periods indicated, the allocation of the changes in the

Bank's interest revenue and interest expense between average volume and changes in average rates.

	Fiscal year 2018 vs. Fiscal year 2017			Fiscal year 2019 vs. Fiscal year 2018		
	Increase (Decrease) Due to <sup>(1)</sup>			Increase (Decrease) Due to <sup>(1)</sup>		
	Net Change	Change in Average Volume	Change in Average Rate	Net Change	Change in Average Volume	Change in Average Rate
	(Rs. in millions)					
<b>Interest revenue</b>						
Advances . . . . .	(1,159.91)	2,553.12	(3,713.03)	7,499.58	(2,873.84)	10,373.42
Investments . . . . .	71.19	(125.16)	196.35	339.89	367.74	(27.85)
Cash and bank balances . . . . .	(938.55)	(3,817.61)	2,879.06	(2,957.47)	(5,381.94)	2,424.47
<b>Total interest-earning assets . . . . .</b>	<b>(2,027.27)</b>	<b>(1,389.65)</b>	<b>(637.62)</b>	<b>4,882.00</b>	<b>(7,888.05)</b>	<b>12,770.05</b>
<b>Interest expenses</b>						
Notes, bonds and debentures . . . . .	(1,008.97)	586.73	(1,595.70)	(3,944.47)	(1,693.41)	(2,251.06)
Deposits . . . . .	(484.23)	(579.33)	95.10	37.79	(25.25)	63.04
Borrowings . . . . .	2,333.89	5,079.69	(2,745.80)	5,610.89	(1,200.96)	6,811.85
<b>Total interest-bearing Liabilities . . . . .</b>	<b>840.69</b>	<b>5,087.09</b>	<b>(4,246.40)</b>	<b>1,704.21</b>	<b>(2,919.61)</b>	<b>4,623.82</b>
<b>Net interest revenue . . . . .</b>	<b>(2,867.96)</b>	<b>(6,476.73)</b>	<b>3,608.77</b>	<b>3,177.79</b>	<b>(4,968.43)</b>	<b>8,146.22</b>

Note:

- (1) The changes in interest revenue and interest expense between periods have been attributed to either volume or rate changes.

## Financial Ratios

The following table sets 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,		
	2017	2018	2019
	(percent)		
Return on average equity <sup>(1)</sup> . . . . .	0.35	(24.79)	0.73
Return on average assets <sup>(2)</sup> . . . . .	0.04	(2.44)	0.07
Dividend payout ratio <sup>(3)</sup> . . . . .	10.02	—	10.01
Cost to average assets <sup>(4)</sup> . . . . .	0.12	0.11	0.13
Tier I capital adequacy ratio . . . . .	14.29	8.82	17.71
Tier II capital adequacy ratio . . . . .	1.52	1.53	1.36
Total capital adequacy ratio . . . . .	15.81	10.35	19.07
Net non-performing assets ratio <sup>(5)</sup> . . . . .	4.68	3.75	2.44
Allowance as percentage of gross non-performing assets <sup>(6)</sup> . . . . .	54.54	71.26	84.72
Average net worth to total average assets <sup>(7)</sup> . . . . .	10.23	9.83	9.66

*Notes:*

- (1) Return on average equity is the ratio of the net profit after tax to the average net worth (capital plus reserves).
- (2) Return on average assets is the ratio of the net profit after tax to the average total assets.
- (3) Dividend payout ratio is the ratio of dividend (i.e. balance of net profits transferrable to the Central Government) to net profit after tax.
- (4) Cost to average assets is the ratio of the operating expenses (excluding interest expenses, audit fees, legal expenses, other expenses, depreciation and provisions), to the average total 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 average total assets is the ratio of average capital and reserves divided by average total assets.

### Investment Portfolio

As of March 31, 2019, the Bank's net investments comprised 8.14% of its total assets, while net total advances were 81.67% of the Bank's total assets. The Bank carries out its investment activities according to its investment 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 and duration limits.

The surplus funds of the Bank are invested by the integrated Treasury. These investments are in conformity with the Bank's policy on investments and the risk limits set by the Bank's board.

### Total Investment Portfolio

The following tables set forth, as of the dates indicated, information relating to the Bank's total investment portfolio. Domestic investments constituted 99.32% of the Bank's investment portfolio as of March 31, 2019.

	As of March 31,											
	2017				2018				2019			
	Gross Book Value	Market Value <sup>(4)</sup>	Unrealized Gain	Unrealized Loss	Gross Book Value	Market Value <sup>(4)</sup>	Unrealized Gain	Unrealized Loss	Gross Book Value	Market Value <sup>(4)</sup>	Unrealized Gain	Unrealized Loss
	(Rs. in million)											
Government securities . . . .	31,235.19	30,635.59	33.93	633.53	40,674.91	38,985.45	(1.77)	1,691.23	82,661.17	81,039.63	(5.39)	1,322.10
Other debt securities <sup>(1)</sup> . . . .	3,922.26	4,090.18	(167.92)	31.42	4,974.09	4,582.25	(139.65)	531.49	3,981.95	3,856.79	(183.43)	203.51
Total debt securities . . . .	35,157.45	34,725.77	(133.99)	664.95	45,649.00	43,567.70	(141.42)	2,222.72	86,643.12	84,896.42	(188.81)	1,525.60
Non-debt securities <sup>(2)</sup> . . . .	26,384.02	19,199.27	2,873.36	10,055.85	27,454.12	14,938.07	(2,157.48)	14,563.49	26,750.69	10,180.69	(2,573.46)	18,800.66
Subsidiaries/joint ventures – at cost <sup>(3)</sup> . . . . .	3.23	3.23	–	–	3.23	3.23	–	–	3.23	3.23	–	–
Total . . . . .	61,544.70	53,928.27	2,739.37	10,720.80	73,106.35	58,509.00	(2,298.90)	16,786.21	113,397.04	95,077.11	(2,762.28)	20,326.26

*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.
- (3) Investments classified under held to maturity are not marked to market and carried at acquisition cost as per prudential norms issued by the RBI for classification, valuation and operation of investment portfolio by banks. Market value includes market values actually available or derived as per norms.

## Available for Sale Investments

The following tables set forth, as of the dates indicated, information related to the Bank's investments available for sale.

	As of March 31,											
	2017				2018				2019			
	Gross Book Value	Market Value <sup>(4)</sup>	Unrealized Gain	Unrealized Loss	Gross Book Value	Market Value <sup>(4)</sup>	Unrealized Gain	Unrealized Loss	Gross Book Value	Market Value <sup>(4)</sup>	Unrealized Gain	Unrealized Loss
	(Rs. in million)											
Government securities . . . .	31,235.19	30,635.59	33.93	633.53	30,891.07	29,201.61	(1.77)	1,691.23	27,877.33	26,560.62	(5.39)	1,322.10
Other debt securities <sup>(1)</sup> . . .	3,878.91	4,046.83	(167.92)	31.42	4,815.74	4,423.90	(139.65)	531.49	3,824.44	3,804.36	(183.43)	203.51
Total debt securities . . . .	35,114.10	34,682.42	(133.99)	664.95	35,706.81	33,625.51	(141.42)	2,222.72	31,701.77	30,364.98	(188.81)	1,525.60
Non-debt securities <sup>(2)</sup> . . .	26,140.59	18,955.83	2,873.36	10,055.85	27,063.46	14,547.42	(2,157.48)	14,563.49	26,368.26	10,141.06	(2,573.46)	18,800.66
Subsidiaries/joint ventures – at cost <sup>(3)</sup> . . . . .	–	–	–	–	–	–	–	–	–	–	–	–
Total . . . . .	61,254.69	53,638.25	2,739.37	10,720.80	62,770.27	48,172.93	(2,298.90)	16,786.21	58,070.02	40,506.04	(2,762.28)	20,326.26

### 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.
- (3) Market value includes market values actually available or derived as per norms.
- (4) Unrealized gain/loss pertains to gain/loss at the individual level, i.e. for each investment.

## Held to Maturity Investments

The following tables set forth, as of the dates indicated, information related to the Bank's investments held to maturity.

	As of March 31,											
	2017				2018				2019			
	Gross Book Value	Market Value <sup>(4)</sup>	Unrealized Gain	Unrealized Loss	Gross Book Value	Market Value <sup>(4)</sup>	Unrealized Gain	Unrealized Loss	Gross Book Value	Market Value <sup>(4)</sup>	Unrealized Gain	Unrealized Loss
	(Rs. in million)											
Government securities . . . .	–	–	–	–	9,783.84	9,783.84	–	–	54,783.84	54,783.84	–	–
Other debt securities <sup>(1)</sup> . . .	43.35	43.35	–	–	158.35	158.35	–	–	157.51	157.51	–	–
Total debt securities . . . .	43.35	43.35	–	–	9,942.19	9,942.19	–	–	54,941.36	54,941.36	–	–
Non-debt securities <sup>(2)</sup> . . .	243.43	243.43	–	–	390.65	390.65	–	–	382.43	382.43	–	–
Subsidiaries/joint ventures – at cost <sup>(3)</sup> . . . . .	3.23	3.23	–	–	3.23	3.23	–	–	3.23	3.23	–	–
Total . . . . .	290.01	290.01	–	–	10,336.07	10,336.07	–	–	55,327.02	55,327.02	–	–

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.
- (3) Investments classified under held to maturity are not marked to market and carried at acquisition cost as per prudential norms issued by the RBI for classification, valuation and operation of investment portfolio by banks.

### **Held for Trading Investments**

The following tables set forth, as of the dates indicated, information related to the Bank's investments held for trading.

	As of March 31,											
	2017				2018				2019			
	Gross Book Value	Market Value <sup>(4)</sup>	Unrealized Gain	Unrealized Loss	Gross Book Value	Market Value <sup>(4)</sup>	Unrealized Gain	Unrealized Loss	Gross Book Value	Market Value <sup>(4)</sup>	Unrealized Gain	Unrealized Loss
	(Rs. in million)											
Government securities . . . .	-	-	-	-	-	-	-	-	-	-	-	-
Other debt securities <sup>(1)</sup> . . . .	-	-	-	-	-	-	-	-	-	-	-	-
Total debt securities . . . .	-	-	-	-	-	-	-	-	-	-	-	-
Non-debt securities <sup>(2)</sup> . . . .	-	-	-	-	-	-	-	-	-	-	-	-
Subsidiaries/joint ventures – at cost <sup>(3)</sup> . . . . .	-	-	-	-	-	-	-	-	-	-	-	-
Total . . . . .	-	-	-	-	-	-	-	-	-	-	-	-

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.
- (3) Market value includes market values actually available or derived as per norms.

## 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 March 31, 2019								
	Up to One Year		One to Five Years		Five to Ten Years		More than Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
(Rs. in millions, except percentages)								
Government securities (A) <sup>(1)</sup> . . .	–	–	311.67	6.69%	14,064.13	7.10%	12,184.82	7.20%
Corporate debt securities (B) . . .	–	–	705.96	10.84%	1,541.36	9.40%	6,264.97	0.05%
%Other debt securities (C) . . . .	256.74	11.31%	894.82	11.02%	285.18	10.55%	12.87	12.50%
Total debt securities market value (A)+(B)+(C) . . . . .	256.74	–	1,912.45	–	15,890.67	–	18,462.65	–
Gross book value . . . . .	239.50	–	1,850.75	–	16,622.16	–	34,221.33	–

Note:

(1) Refers only to Government investments calculated at market yields.

### 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 March 31, 2019								
	Up to One Year		One to Five Years		Five to Ten Years		More than Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
(Rs. in millions, except percentages)								
Government securities (A) <sup>(1)</sup> . . .	–	–	–	–	12,453.25	7.27%	42,330.59	7.38%
Corporate debt securities (B) . . .	–	–	–	–	–	–	157.51	0.91%
Total debt securities market value (A)+(B) . . . . .	–	–	–	–	12,453.25	–	42,488.11	–
Gross book value . . . . .	–	–	–	–	12,453.25	–	42,488.11	–

Note:

(1) Refers only to Government investments calculated at market yields.

### ***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 March 31, 2019								
Up to One Year		One to Five Years		Five to Ten Years		More than Ten Years		
Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	
(Rs. in millions, except percentages)								
Government securities . . . . .	-	-	-	-	-	-	-	-
Other debt securities . . . . .	-	-	-	-	-	-	-	-
Total debt securities market value . . . . .	-	-	-	-	-	-	-	-
Gross 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 borrowings through issuances of bonds and commercial papers (CPs), certificates of deposits (CDs) and loans.

### ***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 of money-market borrowings (CPs, CDs(4) and CBLO borrowings) and term deposits.

Year ended March 31,			
	2017	2018	2019
(Rs. in millions, except percentages)			
Period end balance . . . . .	162,289.62	151,992.89	76,247.14
Average balance during the period <sup>(1)</sup> . . . . .	199,371.02	161,317.05	89,278.63
Average interest rate during the period <sup>(2)</sup> . . . . .	6.96%	6.48%	6.92%
Interest at period end <sup>(3)</sup> . . . . .	13,885.76	10,457.42	6,176.00

#### ***Notes:***

- (1) Average daily balances outstanding.
- (2) Represents the ratio of interest expense on short-term borrowings to the average daily balances of short-term borrowings during the period.
- (3) Represents the total interest expense on account of short-term borrowings during the period.
- (4) CDs having original maturity of up to one year are included in the above table.



The following table sets forth, for the periods indicated, information related to the Bank's short-term foreign currency borrowings, in U.S. dollar equivalent, which are comprised primarily of short-term loans and short-term borrowings from banks.

	Year ended March 31,		
	2017	2018	2019
	(U.S.\$ in millions, except percentages)		
Period end balance <sup>(4)</sup>	1,286.26	1,052.05	613.47
Average balance during the period <sup>(1)</sup>	1,130.02	1,329.82	856.95
Average interest rate during the period <sup>(2)</sup>	1.48%	1.69%	2.36%
Interest at period end <sup>(3)</sup>	16.73	22.45	20.22

Notes:

- (1) Average daily balances outstanding.
- (2) Represents the ratio of interest expense on short-term borrowings to the average daily balances of short-term borrowings during the period.
- (3) Represents the total interest expense on account of short-term borrowings during the period.
- (4) Short-term borrowings represent borrowings with maturity of up to three years.

### Cash Flow Mismatch Analysis

The following table sets forth the Bank's structural liquidity gap position for its operations, for rupee assets and liabilities, as of March 31, 2019:

	As of March 31, 2019 <sup>(1)(2)(3)</sup>				
	Up to 3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	Total
	(Rs. in millions, except percentages)				
Cash and bank balance	4,760	—	—	—	4,760
Advances	22,382	53,560	56,866.50	24,554	157,362
Investments	77	162	1,545	91,489	93,274
Fixed assets	—	—	—	2,277	2,277
Other assets	58,365	56,653	240,568	255,419	611,005
<b>Total assets</b>	<b>85,584</b>	<b>110,376</b>	<b>298,979</b>	<b>373,739</b>	<b>868,678</b>
Capital and reserves	—	—	—	146,002	146,002
Borrowings	51,771	45,405	146,429	99,680	343,284
Other liabilities	47,570	65,170	104,794	52,174	269,708
<b>Total liabilities</b>	<b>99,341</b>	<b>110,575</b>	<b>251,223</b>	<b>297,855</b>	<b>758,994</b>
Liquidity gap	(13,757)	(199)	47,756	75,883	109,684.27
Cumulative liquidity gap	(13,757)	(13,955)	33,801	109,684	NA
Cumulative liabilities	99,341	209,915	461,138	758,994	NA
Cumulative liquidity gap as a % of cumulative liabilities	(13.85)%	(6.65)%	7.33%	14.45%	NA

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. Liabilities include contingent liabilities.
- (3) Assets and liabilities that do not mature or have ambiguous maturities are classified as per historical behavioral analysis or management judgment.

The following table sets forth the Bank's structural liquidity gap position for its operations, for foreign currency assets and liabilities, as of March 31, 2019:

As of March 31, 2019 <sup>(1)(2)(3)</sup>					
	Up to 3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	Total
(U.S.\$ in millions, except percentages)					
Cash and bank balances . . . . .	14	—	0.25	—	14
Advances . . . . .	442	976	4,657	5,186	11,262
Investments . . . . .	726	—	—	0	726
Fixed assets . . . . .	—	—	—	—	—
Other assets . . . . .	286	1,077	1,795	1,291	4,450
<b>Total assets</b> . . . . .	1,468	2,054	6,453	6,477	16,452
Capital and reserves . . . . .	—	—	—	—	—
Borrowings . . . . .	346	921	6,874	3,738	11,879
Other liabilities . . . . .	592	916	1,486	727	3,721
<b>Total liabilities</b> . . . . .	938	1,837	8,360	4,465	15,600
Liquidity gap . . . . .	530	217	(1,908)	2,012	852
Cumulative liquidity gap . . . . .	530	748	(1,160)	852	NA
Cumulative liabilities . . . . .	938	2,775	11,135	15,600	NA
Cumulative liquidity gap as a % of cumulative liabilities . . . . .	56.56%	26.94%	(10.42)%	5.46%	NA

*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. Liabilities include contingent liabilities.
- (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 March 31, 2019, the Bank's gross loan portfolio was Rs. 1,030.07 billion. As of that date, the Bank's gross non-fund based exposure was Rs. 140.96 billion. Approximately 62.70% of the Bank's gross loans assets are through exposure to overseas entities.

The Bank makes loans to Indian exporters and overseas importers, and extends lines of credit to overseas financial institutions, national or regional development banks, sovereign governments and other overseas entities to finance and promote India's exports to its trading partners, particularly in developing countries.

The following tables set forth the Bank's advances by segment as of the dates indicated.

	As of March 31,					
	2017		2018		2019	
	Rs. in billions	% of Total	Rs. in billions	% of Total	Rs. in billions	% of Total
<b>GOVERNMENT</b>						
<b>directed/guaranteed</b>						
<b>business</b>						
Lines of credit . . . . .	337.27	31.29%	341.37	29.56%	376.30	36.53%
Buyer's credit						
(BC-NEIA) . . . . .	28.23	2.62%	51.68	4.47%	69.86	6.78%
Concessional Finance						
Scheme . . . . .	0.00	0.00	16.64	1.44%	31.75	3.08%
<b>Commercial business</b>						
Lines of credit . . . . .	0.03	0.00%	0.00	0.00%	0.00	0.00%
Buyer's credit . . . . .	14.72	1.37%	21.16	1.83%	26.94	2.62%
Finance for project						
exports/ medium-term						
supplier's credit . . . . .	31.00	2.88%	16.45	1.42%	13.10	1.27%
Short-term pre-shipment						
credit . . . . .	18.58	1.72%	16.55	1.43%	12.68	1.23%
Refinance of export						
Credit to commercial						
banks . . . . .	97.46	9.04%	131.80	11.41%	36.55	3.55%
Loans to export oriented						
units . . . . .	158.28	14.68%	198.06	17.15%	159.57	15.49%
Import finance . . . . .	48.89	4.54%	44.45	3.85%	53.61	5.20%
Export facilitation						
program . . . . .	29.18	2.71%	20.04	1.74%	23.34	2.27%
Overseas investment						
finance . . . . .	161.11	14.95%	130.42	11.29%	136.21	13.22%
Other programs <sup>(1)</sup> . . . . .	153.25	14.22%	166.18	14.41%	90.16	8.75%
	1,078.00	100%	1,154.81	100%	1,030.07	100%
<b>Less provisions</b> . . . . .	51.59	—	79.49	—	93.90	—
<b>Net advances</b> . . . . .	1,026.41	—	1,075.32	—	936.17	—

Note:

- (1) Includes advances under re-discounting facilities, advances under production equipment finance program, long-term working capital loan and staff loans etc.

### Interest Rate Sensitivity Analysis

The following table sets forth the interest rate sensitivity analysis of the Bank's rupee assets and liabilities for the Bank's Indian operations as of March 31, 2019:

	<u>Up to 3 Months</u>	<u>3 Months to 1 Year</u>	<u>1 Year to 5 Years</u>	<u>Over 5 Years</u>	<u>Non Sensitive</u>	<u>Total</u>
	(Rs. in millions)					
<b>Assets</b>						
Cash and balances with						
(Rs. in millions) RBI . . .	—	—	—	—	2,968	2,968
Balances with other banks .	610	—	—	—	1,182	1,792
Advances . . . . .	79,212	64,671	14,258	(779)	—	157,362
Investments . . . . .	77	162	1,715	83,086	8,232	93,274
Fixed assets . . . . .	—	—	—	—	2,277	2,277
Other assets . . . . .	11,974	30,656	91,191	94,699	39,946	268,467
Forex swaps. . . . .	—	—	—	—	—	—
Total assets . . . . .	91,873	95,490	107,165	177,007	54,606	526,140
OBS items . . . . .	6,603	25,997	108,616	93,969	—	235,185
<b>Total RSA</b> . . . . .	98,476	121,487	215,781	270,975	54,606	761,325
<b>Liabilities</b>						
Capital and reserve . . . . .	—	—	—	—	146,002	146,002
Borrowings . . . . .	51,771	45,405	146,429	99,680	—	343,284
Other liabilities . . . . .	3,794	8,606	—	—	10,584	22,984
Repos. . . . .	—	—	—	—	—	—
Forex swaps. . . . .	13,870	—	—	—	—	13,870
Total liabilities . . . . .	69,435	54,011	146,429	99,680	156,586	526,140
OBS items . . . . .	4,316	14,310	69,140	41,590	—	129,356
<b>Total RSL</b> . . . . .	73,751	68,321	215,569	141,270	156,586	655,496

The following table sets forth the interest rate sensitivity analysis of the Bank's foreign currency assets and liabilities for the Bank's Indian operations as of March 31, 2019:

	<u>Up to 3 Months</u>	<u>3 Months to 1 Year</u>	<u>1 Year to 5 Years</u>	<u>Over 5 Years</u>	<u>Non Sensitive</u>	<u>Total</u>
	(U.S.\$ in millions)					
<b>Assets</b>						
Cash and balances with						
RBI . . . . .	—	—	—	—	—	—
Balances with other						
banks . . . . .	—	—	—	—	14	14
Advances . . . . .	5,263	5,483	17	498	—	11,262
Investments . . . . .	726	—	—	—	—	726
Fixed assets . . . . .	—	—	—	—	—	—
Other assets . . . . .	41	31	—	—	36	107
Forex swaps . . . . .	—	—	—	—	—	—
Total assets . . . . .	6,029	5,514	17	498	50	12,110
OBS items . . . . .	95	947	1,237	745	—	3,024
<b>Total RSA</b> . . . . .	6,125	6,460	1,254	1,244	50	15,133
<b>Liabilities</b>						
Capital and reserve . . . . .	—	—	—	—	—	—
Borrowings . . . . .	3,948	7,931	—	—	—	11,879
Other liabilities . . . . .	72	73	—	—	85	230
Repos . . . . .	—	—	—	—	—	—
Forex swaps . . . . .	—	—	—	—	—	—
Total liabilities . . . . .	4,020	8,004	—	—	85	12,109
OBS items . . . . .	44	308	1,179	642	—	2,172
<b>Total RSL</b> . . . . .	4,064	8,312	1,179	642	85	14,281

## Concentration of Loans and Credit Substitutes

Pursuant to RBI guidelines, exposure ceilings are 15.00% of capital funds in the case of a single borrower and 40.00% in the case of a borrower group. The single borrower exposure limit is extendable by another 5.00%, up to 20.00% of capital funds. The borrower group exposure limit is extendable by another 10.00%, up to 50.00% 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 up to a maximum of an additional 5.00% of capital funds. There are generally no restrictions in India on exposure to a particular industry. 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 “*Supervision and Regulation.*” The following tables set forth, at the dates indicated, the Bank’s gross fund-based loans outstanding, categorized by borrower industry or economic activity. The Board-approved limit for the Bank’s exposure to an industrial sector is 15.00% of the Bank’s aggregate exposure (both fund-based and non-fund based) on all industrial sectors, except financial services.

	As of March 31,					
	2017		2018		2019	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
(Rs. in millions, except percentages)						
Industry classification of loans						
FINANCIAL SERVICES <sup>(1)</sup>	156,595.66	14.53%	216,903.60	18.78%	71,285.07	6.92%
FERROUS METALS AND METAL PROCESSING	71,983.47	6.68%	71,085.90	6.16%	50,547.97	4.91%
TEXTILES AND GARMENTS	45,401.41	4.21%	44,999.14	3.90%	41,784.42	4.06%
OIL AND GAS	49,242.55	4.57%	40,979.62	3.55%	41,588.01	4.04%
CHEMICALS AND DYES	18,345.81	1.70%	27,666.89	2.40%	36,610.65	3.55%
PETROCHEMICALS	21,827.32	2.02%	30,383.60	2.63%	33,732.36	3.27%
PETROLEUM PRODUCTS	17,805.85	1.65%	37,775.66	3.27%	31,519.44	3.06%
DRUGS AND PHARMACEUTICALS	38,875.78	3.61%	33,970.18	2.94%	30,150.60	2.93%
RENEWABLE ENERGY	20,982.34	1.95%	18,926.10	1.64%	17,366.29	1.69%
SHIPPING SERVICES	17,248.88	1.60%	19,321.66	1.67%	16,213.52	1.57%
MINING AND MINERALS	18,026.53	1.67%	15,785.81	1.37%	15,957.58	1.55%
Ship building	24,496.75	2.27%	13,348.43	1.16%	14,718.12	1.43%
EPC Services	28,921.35	2.68%	24,896.22	2.16%	14,674.79	1.42%
Port & Other Infrastructure	16,570.16	1.54%	12,605.09	1.09%	14,187.60	1.38%
Agro & Food Processing	8,494.13	0.79%	10,429.26	0.90%	11,946.69	1.16%
Auto & auto components	15,414.36	1.43%	12,033.18	1.04%	10,350.49	1.00%
Others <sup>(2)</sup>	136,739.24	12.68%	106,907.92	9.26%	92,720.83	9.00%
Unclassified <sup>(3)</sup>	371,030.92	34.42%	416,787.31	36.08%	484,717.10	47.06%
<b>Grand total</b>	<b>1,078,002.51</b>	<b>100%</b>	<b>1,154,805.57</b>	<b>100%</b>	<b>1,030,071.51</b>	<b>100%</b>

### Notes:

- (1) Includes outstanding to banks by way of refinance.
- (2) Others include other industries that do not appear in the above list.
- (3) Includes advances under lines of credit, buyer’s credit under NEIA and staff loans which cannot be classified under any particular sector.

As of March 31, 2019, the aggregate exposure of the Bank’s ten largest corporate group borrowers amounted to Rs. 196.61 billion representing 264.01% of the Bank’s total capital as of March 31, 2019, which comprises Rs. 63.52 billion Tier I and Rs. 10.95 billion Tier II capital. The Bank’s exposure to the single largest corporate group borrower on such date was Rs. 35.87 billion representing 48.17% of the Bank’s Total Capital Funds.

The Bank’s exposure to its ten largest individual corporate borrowers as of March 31, 2019 was Rs. 145.70 billion, or approximately 8.69% of its total credit exposure.

## 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. See also “– *NPA Reduction Strategy*. ”

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 of Special Mention Accounts and close monitoring of such accounts, including the conduct of frequent reviews and making timely decisions to prevent slippage of such accounts;
- formation of a special group within the Bank that will focus on the reduction of further slippages of accounts which are under stress, rehabilitation of stressed accounts and strengthening of recovery measures for NPA cases;
- implementation of a multi-pronged strategy comprising of legal action, sale of assets through court receiver, negotiations, one-time settlements, possession and subsequent sale of assets under the provisions of the SARFAESI Act; and
- strengthening of staff capabilities through trainings conducted by specialized agencies and of the credit audit function, with emphasis on sharing and exchange of market information.

The Bank’s gross NPA ratio increased from 9.24 per cent as of March 31, 2017 to 10.37 per cent. as of March 31, 2018 and increased to 11.34 per cent. as of March 31, 2019. The Bank’s net NPA ratios decreased from 4.68 per cent. as of March 31, 2017 to 3.75 per cent. as of March 31, 2018 and decreased to 2.44 per cent. as of March 31, 2019. See “*Risk Factors – Risks relating to the business of the Bank – The business of lending carries the risk of default by borrowers.*”

The following table sets forth, for the periods indicated, information about the Bank’s NPA portfolio<sup>(1)</sup>.

	As of March 31,		
	2017	2018	2019
	(Rs. in millions, except percentages)		
Non-Performing Assets			
Gross NPAs	99,619.82	119,761.99	116,779.88
Specific provisions	51,592.52	79,485.00	93,900.00
Floating provisions	–	–	–
NPA net of provisions and nettable credits	48,027.30	40,276.99	22,879.88
Gross customer assets <sup>(2)</sup>	1,200,314.91	1,287,202.95	1,030,071.51
Net customer assets <sup>(2)</sup>	1,148,722.39	1,207,717.95	936,171.51
Gross NPAs/gross customer assets (%)	8.30%	9.30%	11.34%
Net NPAs/net customer assets (%)	4.18%	3.33%	2.44%
Specific provision as a percentage of gross NPAs <sup>(3)</sup>	54.54%	66.37%	80.41%
Total provisions as a percentage of gross NPAs <sup>(3)</sup>	54.54%	66.37%	80.41%
Provision cover (including prudential (write-offs))	54.54%	71.26%	84.72%

Notes:

(1) Information on provisions in this table pertains to NPA provisions only.

(2) Gross/net customer assets include the non-funded portfolio of the Bank.

(3) Computed in accordance with RBI guidelines.

The Bank’s net provisioning coverage ratio as of March 31, 2019, computed as per RBI guidelines, was 84.72%.



## Provisions for NPAs

The following table sets forth, for the periods indicated, movements in the Bank's provisions against NPAs.

	For the year ended March 31,		
	2017	2018	2019
	(Rs. in millions)		
Specific provisions:			
Specific provisions at the beginning of the period . . .	34,200.00	51,592.52	79,485.00
Additions during the period . . . . .	31,942.36	39,130.72	43,723.77
Reductions during the period on account of recovery and write-offs . . . . .	(14,549.43)	(11,238.24)	(29,308.77)
Specific provisions at the end of the period . . . . .	51,592.52	79,485.00	93,900.00
<b>Floating provisions:</b>			
Floating provisions at the beginning of the period . . .	—	—	—
Additions during the period . . . . .	—	—	—
Utilizations during the period . . . . .	—	—	—
Floating provisions at the end of the period . . . . .	—	—	—
<b>Total specific and floating provisions at the end of the period . . . . .</b>	<b>51,592.52</b>	<b>79,485.00</b>	<b>93,900.00</b>

The following table sets forth the classification of gross loan assets of the Bank at the dates indicated.

	As of March 31,		
	2017	2018	2019
	(Rs. in billions)		
Standard . . . . .	978.38	1,035.04	913.29
Non-performing assets . . . . .	99.62	119.76	116.78
Sub-standard assets . . . . .	39.40	29.89	3.66
Doubtful assets . . . . .	60.22	89.87	113.12
Loss assets . . . . .	—	—	—

The following table sets forth the Bank's NPAs for its ten largest accounts, broken down by industry, as of March 31, 2019.

	Gross Principal Outstanding
	(Rs. in millions)
Industry	
Oil and Gas . . . . .	27,122.11
EPC Services . . . . .	7,308.50
Ship building . . . . .	12,666.11
Textiles and Garments . . . . .	5,096.26
Petrochemicals . . . . .	4,621.26
Telecommunications . . . . .	4,119.80
Mining and Minerals . . . . .	4,070.46
Grand Total . . . . .	65,004.50

## 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.

Assets are classified as described below:

Standard asset . . . . .	A standard asset is one which does not disclose any problem and which does not carry more than normal risks attached to the business. Such asset is not an NPA.
Sub-standard asset . . . . .	A sub-standard asset is one which has remained an NPA for a period of less than or equal to 12 months.
Doubtful asset . . . . .	A doubtful asset is one which has remained in the sub-standard category for a period of 12 months and more.
Loss asset . . . . .	A loss asset is one where loss has been identified by the Bank or internal or external auditors or the RBI inspection, but the amount has not been written off wholly. In other words, such an asset is considered uncollectible.

The following table provides a summary of the Bank's gross loan assets as of the dates indicated, in accordance with RBI classifications.

Asset Category	As of March 31,		
	2017	2018	2019
	(Rs. in millions)		
Standard assets . . . . .	978,382.69	1,035,043.58	913,291.63
Sub-standard assets . . . . .	39,404.18	29,887.85	3,659.61
Doubtful assets . . . . .	60,215.64	89,874.13	113,120.27
Loss assets . . . . .	—	—	—

The following table sets forth the Bank's provisions for possible credit losses (provisions on NPAs) at the dates indicated.

Asset Category	As of March 31,		
	2017	2018	2019
	(Rs. in millions)		
Provision held . . . . .	51,592.52	79,485.00	93,900.00
Provision held as percentage of gross advances . . . . .	4.79%	6.88%	9.12%
Provision held as percentage of gross NPAs . . . . .	54.54%	66.37%	80.41%

### *Restructured Assets*

The RBI has issued separate guidelines for restructured assets. Recently, RBI pursuant to a notification dated 12 February 2018, substituted the existing schemes such as a corporate debt restructuring scheme, framework for revitalising distressed assets and the scheme for sustainable structuring of stressed assets, with a revised framework for resolution of stressed 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.

Until April 1, 2015, regulatory guidelines allowed regulatory forbearance on asset classification of restructured accounts subject to certain conditions, i.e. standard accounts are allowed to retain their asset classification and NPA accounts are allowed not to deteriorate further in asset classification on restructuring. The asset classification benefit is also available on the change of date of commencement of commercial operation (DCCO) for projects under the infrastructure sector as well for projects under the non-infrastructure sector. The extant asset classification benefits available on restructuring on fulfilling certain conditions has been withdrawn for all restructurings effective from April 1, 2015 with the exception of provisions related to changes in DCCO in respect of infrastructure as well as non-infrastructure project loans.

### ***Provisioning and Write-Offs***

RBI guidelines on provisioning and write-offs are as follows:

Standard asset . . . . . The general provisioning requirement for “standard advances” is 0.40%, with the exception of the banks direct advances to the agricultural and SME sectors. For specific sectors, such as commercial real estate, provisioning at 1.00% is required.

Sub-standard asset . . . . . A general provision of 15.00% on the total outstanding amount and 25.00% of the outstanding on the “unsecured exposures” identified as “sub-standard.” Unsecured exposure is an exposure where realizable value of security is not more than 10.00%, ab initio, of the outstanding exposure.

Doubtful asset . . . . . Provision at 100.00% of the extent to which the advances is not covered by realizable value of security. In regard to the secured portion, provision is to be made in accordance with the table below:

<b>Period for which advance remained in “Doubtful” category</b>	<b>Provision requirement (%)</b>
Up to one year . . . . .	25
One to three years . . . . .	40
More than three years . . . . .	100

Loss asset . . . . . The entire asset is written off or 100.00% provision is made on the outstanding amount.

See “*Supervision and Regulation – RBI Regulations.*”

### ***Floating Provisions***

In June 2006, the RBI issued prudential norms on the 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. 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 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 unclassified industry.

Name of the Industry	As of March 31,								
	2017			2018			2019		
	Gross Loans	NPA	% of NPA in Industry	Gross Loans	NPA	% of NPA in Industry	Gross Loans	NPA	% of NPA in Industry
(Rs. in millions, except percentages)									
Ship building . . . . .	24,496.75	7,057.13	29%	13,348.43	13,348.43	100%	14,718.12	14,718.12	100%
Hospitality & Tourism . . . . .	4,053.13	2,107.63	52%	2,118.19	2,118.19	100%	2,247.54	2,247.54	100%
Electronics . . . . .	1,953.54	872.11	45%	1,896.00	1,830.50	97%	868.30	868.30	100%
Glass and Glassware . . . . .	912.03	–	0%	889.12	889.12	100%	859.08	859.08	100%
Films & Entertainment . . . . .	908.25	–	0%	453.08	155.72	34%	169.32	169.32	100%
Gems and jewellery . . . . .	6,170.54	2,912.05	47%	4,656.40	3,835.66	82%	4,661.90	3,937.33	84%
Telecommunications . . . . .	4,336.37	–	0%	6,649.18	4,119.80	62%	6,002.90	4,119.80	69%
Oil and Gas . . . . .	49,242.55	9,125.46	19%	40,979.62	4,799.88	12%	41,588.01	27,997.23	67%
Construction . . . . .	11,112.14	3,246.12	29%	7,772.21	4,617.93	59%	6,741.98	4,062.81	60%
EPC Services . . . . .	28,921.35	15,862.27	55%	24,896.22	14,276.71	57%	14,674.79	7,902.55	54%
Mining and Minerals . . . . .	18,026.53	4,675.54	26%	15,785.81	8,263.62	52%	15,957.58	8,496.82	53%
Consultancy Services . . . . .	459.54	209.94	46%	466.52	231.35	50%	501.75	251.75	50%
Software & ITES/KPO . . . . .	5,460.05	3,147.04	58%	3,133.33	1,408.59	45%	1,056.14	509.67	48%
Miscellaneous . . . . .	1,772.12	694.61	39%	1,755.50	725.44	41%	1,883.91	738.20	39%
Power . . . . .	13,909.17	–	0%	9,217.98	3,482.77	38%	8,472.93	3,295.99	39%
Agro & Food Processing . . . . .	8,494.13	2,685.10	32%	10,429.26	748.73	7%	11,946.69	2,693.64	23%
Paper and paper products . . . . .	4,464.28	240.62	5%	2,906.41	239.75	8%	3,799.18	800.13	21%
FERROUS METALS AND									
METAL PROCESSING . . . . .	71,983.47	22,006.17	31%	71,085.90	24,969.52	35%	50,547.97	10,238.04	20%
Printing and publishing . . . . .	106.24	28.65	27%	98.83	28.65	29%	72.54	14.61	20%
Textiles and Garments . . . . .	45,401.41	9,325.21	21%	44,999.14	6,608.83	15%	41,784.42	7,800.30	19%
TRADING . . . . .	5,775.19	–	0%	7,519.84	1,512.76	20%	4,452.32	727.23	16%
Renewable energy . . . . .	20,982.34	2,028.72	10%	18,926.10	1,702.11	9%	17,366.29	2,438.13	14%
Petrochemicals . . . . .	21,827.32	–	0%	30,383.60	3,510.43	12%	33,732.36	4,621.26	14%
ENGINEERING GOODS . . . . .	11,455.48	172.50	2%	7,142.63	980.16	14%	6,019.04	743.59	12%
DRUGS AND									
PHARMACEUTICALS . . . . .	38,875.78	4,127.11	11%	33,970.18	3,736.73	11%	30,150.60	3,198.47	11%
PLASTIC PRODUCTS . . . . .	5,957.42	4,772.74	80%	6,201.24	4,772.74	77%	1,255.50	106.16	8%
Chemicals and Dyes . . . . .	18,345.81	–	0%	27,666.89	2,102.75	8%	36,610.65	2,150.70	6%
CONSUMER GOODS . . . . .	3,087.33	242.86	8%	3,758.33	242.86	6%	2,058.91	119.96	6%
Port services . . . . .	2,248.51	–	0%	5,094.84	–	0%	5,183.05	301.07	6%
Auto & auto components . . . . .	15,414.36	–	0%	12,033.18	509.54	4%	10,350.49	509.55	5%
NON-FERROUS METALS &									
METAL PROCESSING . . . . .	7,313.77	–	0%	4,906.95	–	0%	7,211.52	142.50	2%
Others . . . . .	624,535.61	4,080.24	0.65%	733,664.67	3,992.72	0.54%	647,125.73	–	–
Total . . . . .	1,078,002.51	99,619.82	9.24%	1,154,805.57	119,761.99	10.37%	1,030,071.51	116,779.88	11.34%

## 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 March

31, 2019. However, the net realizable value of such collateral may be substantially less, if anything. See “Risk Factors – Risks Relating to the business of the Bank – The business of lending carries the risk of default by borrowers.”

Industry	Type of Banking Arrangement (Rs. in millions)	Gross Principal Outstanding	Provisions	Principal Outstanding Net of Provisions for Credit Losses	Security
Oil and Gas . . . . .	Consortium	19,161.29	19,161.29	–	7,755.82
EPC Services . . . . .	Sole and Consortium	7,308.50	5,599.00	1,709.50	3,419.00
Ship building . . . . .	Sole; Consortium and	7,057.13	7,057.13	–	477.10
Ship building . . . . .	Multiple Arrangement	5,608.98	5,608.98	–	3,047.73
Textiles and Garments .	Sole; Consortium and Multiple Arrangement	5,096.26	4,638.36	457.90	1,087.70
Petrochemicals . . . . .	Consortium	4,621.26	1,155.31	3,465.94	5,659.26
Oil and Gas . . . . .	Multiple Arrangement	4,180.16	3,244.35	935.81	1,559.69
Telecommunications . .	Consortium	4,119.80	4,119.80	–	71.34
Mining and Minerals . .	Consortium	4,070.46	1,528.22	2,542.25	4,145.70
Oil and Gas . . . . .	Consortium	3,780.66	3,780.66	–	1,530.28
Total . . . . .		65,004.50	55,893.11	9,111.40	28,753.62

## NPA Reduction Strategy

The following are the strategies followed by the Bank to reduce the level of NPAs in cases where restructuring efforts are unsuccessful:

The Bank actively identifies Special Mention Accounts and closely monitors such accounts by conducting frequent reviews and making timely decisions to prevent slippage of such accounts. The Bank also focuses on strengthening: (i) of staff capabilities through trainings conducted by specialized agencies; and (ii) of its credit audit function, with emphasis on sharing and exchange of market information.

The Bank’s NPAs are closely monitored by the Audit Committee, which reviews all NPA loan accounts on a quarterly basis. At the management level, reviews are carried out through two Committees, the Overdues Committee and the Stressed Assets Committee, both of which comprise officials of the Bank’s different groups. These committees meet every month and carry out a detailed portfolio review with a focus on monitoring overdue performing assets, and evaluating and recommending a course of action for recovering NPAs.

The Bank implements a multi-pronged strategy to compel the defaulting borrowers to repay the Bank’s dues. This multi-pronged strategy includes restructuring, legal action, sale of assets through Court Receiver, resolution/liquidation through Insolvency & Bankruptcy Code, 2016(IBC), assignment of loans to ARCs/banks, negotiations, one-time settlements, possession and subsequent sale of assets under provisions of the SARFAESI Act. See “Risk Factors – Risks relating to the business of the Bank – The business of lending carries the risk of default by borrowers.”

## **DESCRIPTION OF THE BANK'S LONDON BRANCH**

### **Background**

The Bank opened its representative office in London, United Kingdom, in November 2005, to maintain close contact with the Bank's constituents in Europe and identify business opportunities for the Bank. After obtaining the required regulatory approvals in India and the approval of the former Financial Services Authority (the FSA), United Kingdom, the representative office was converted into a branch on September 27, 2010. The London branch was the first overseas branch of the Bank to be opened. As of March 31, 2019, the total loan assets of the London branch stood at approximately U.S.\$1,059.30 million (Rs. 73.26 billion).

The United Kingdom is an important trade partner for India. The Bank believes that London is a key international financial centre which offers access to a large pool of global businesses through transparent and highly liquid markets.

### **Key Objectives of the London Branch**

Some of the key objectives of the London branch are:

- raising resources from financial institutions such as banks, financial institutions, etc. and fund management;
- financing Indian corporates for their investment out of India and other corporates for their trade with India; and
- extending lines of credit and buyer's credit to entities outside India for financing imports from India.

### **Regulation of the London Branch**

The London branch operations are governed by the corporate policies of the Bank framed by the Head Office in India.

The London Branch had received permission from the erstwhile FSA, for undertaking the following regulated activities in the UK:

- accepting deposits (limited to wholesale business); and
- dealing in investments as principal.

Since the branch was not undertaking any of the above activities, the branch decided to surrender the authorisation to undertake the above activities and accordingly it filed an application for cancellation of the authorisation with the UK Regulators on March 31, 2015, which was accepted on December 23, 2015. Thus with effect from December 23, 2015 the London Branch is not authorised and regulated by the Prudential Regulatory Authority and the Financial Conduct Authority and is regulated only by the RBI.

The branch is registered with the FCA as an Annex I financial institution under the money laundering regulations and continues to be governed by the applicable money laundering legislations including but not limited to the Proceeds of Crime Act 2002, Terrorism Act 2000, Counter Terrorism Act 2008 and the Money Laundering Regulations 2017 of the United Kingdom.



## MANAGEMENT AND EMPLOYEES

The Bank is fully owned by the Government and is managed by a Board of Directors with representation, inter alia, from the Government, the RBI, the Industrial Development Bank of India (IDBI), the Export Credit Guarantee Corporation of India Limited (the ECGC) and other banks. The Bank's operations are organized into the following operating divisions: project exports, lines of credit, corporate banking and marketing advisory services groups, which are in turn supported by research and analysis, treasury and accounts, information technology and corporate services groups.

### Key Managerial Personnel

Name	Function	Qualification	Joining Date	Experience (in years)
Mr. David Rasquinha Managing Director . . . . .	Overall supervision of the Bank's operations and activities	B.A., MBA	February 1, 1985	34
Mr. Debasish Mallick Deputy Managing Director . . . . .	Overall supervision of the Bank's operations and activities	M.A.	July 21, 2014	36
Mr. C.P. Ravindranath Menon Chief General Manager . . . . .	Overall supervision of the Bank's legal division	B. Com., LLB	February 4, 2002	37
Mr. Mukul Sarkar Chief General Manager . . . . .	Overall supervision of the Bank's project exports divisions	B. Tech., MBA	August 24, 1998	28
Mr. Samuel Joseph Chief General Manager . . . . .	Overall supervision of the Bank's loan administration and human resources management divisions	B.E, MBA	July 20, 1998	29
Mr. David Sinate Chief General Manager . . . . .	Overall supervision of the Bank's research and analysis, and Knowledge Centre division	M.A.	October 5, 1998	27
Mr. Prahalathan Iyer Chief General Manager . . . . .	Overall supervision of the Bank's research and analysis, – export advisory services and Special Projects (Sustainability and Portal) divisions	M.A., MBA	July 20, 1998	31
Mr. Nadeem Panjetan Chief General Manager . . . . .	Overall supervision of the Bank's lines of credit division	B. Com., M.A.	July 1, 1988	37
Ms. Rima Marphatia Chief General Manager . . . . .	Overall supervision of the Bank's corporate banking division and Africa Project Development Company	ICWAI, PGDM	June 1, 1990	28
Mr. Sudatta Mandal Chief General Manager . . . . .	Overall supervision of the Bank's corporate strategy, and risk management divisions	B. Tech, PGDM	July 5, 1995	23
Ms. Harsha Bangari Chief General Manager . . . . .	Overall supervision of the Bank's treasury and accounts division	B. Com., C.A.	January 25, 1995	24

<b>Name</b>	<b>Function</b>	<b>Qualification</b>	<b>Joining Date</b>	<b>Experience (in years)</b>
Ms. Sunita Sindwani Chief General Manager . . . . .	Overall supervision of the Bank's internal audit division	B. Com., CFA, CISA, CGEIT	September 3, 1985	33
Mr. Utpal Gokhale General Manager . . . . .	Overall supervision of the Bank's management information systems, grassroots initiatives and development and marketing advisory services division	B.E., PGDM	May 4, 1995	24
Mr. Gaurav Bhandari General Manager . . . . .	Overall supervision of the Bank's loan administration division	ICWAI, PGDM	July 7, 2000	26
Ms. Deepali Agrawal General Manager . . . . .	Overall supervision of the Bank's project exports divisions	B. Com., MMS	May 25, 1995	24
Mr. Sriram Subramaniam General Manager . . . . .	Deputation to GPCL	B. Com. MBA	May 10, 2000	25
Ms. Manjiri Bhalerao General Manager . . . . .	Overall supervision of the Bank's loan administration division	B.E., MIB	May 27, 1997	22
Mr. T.D. Sivakumar General Manager . . . . .	Overall supervision of the Bank's corporate banking division	B. Tech, MBA	May 25, 2000	22
Ms. Meena Verma General Manager . . . . .	Overall supervision of the Bank's lines of credit division	B. Com., MBA	June 27, 2005	19
Mr. Tarun Sharma Regional Head and General Manager . . . . .	Overall supervision of the Bank's New Delhi Regional Office	B.E., P.G.P.M.S	May 12, 1999	20
Mr. Vikramaditya Ugra General Manager . . . . .	Overall supervision of the Bank's Corporate Communications Group and Eximius Learning Centre	B.A., MMS	June 3, 1996	23
Mr. Dharmendra Sachan General Manager . . . . .	Overall supervision of the Bank's Information Technology and Rajbhasha division	B. Com, B.L.I.Sc, M.L.I.Sc, Diploma in Computer Science	September 01, 2004	27
Mr. Sujeet Bhale General Manager . . . . .	Overall supervision of the Bank's Corporate Banking division	B.E., MBA, CAIIB	January 06, 2012	23
Ms. Shilpa Waghmare General Manager . . . . .	Overall supervision of the Bank's project exports division	B. Com, MBA, CAIIB	November 15, 2011	24
Mr. Uday Shinde General Manager . . . . .	Overall supervision of the Bank's Human Resources Management and administration divisions	B. Com., M.A. (PM & IR)	May 15, 1997	22
Mr. Lokesh Kumar Chief Executive – London and General Manager . . . . .	Overall supervision of the Bank's London Branch	B.Sc., PG Diploma in Financial Management, MBA, CAIIB	April 07, 2008	24

## ***Board of Directors***

Under section 6(1) of the Act, The Board of Directors of the Exim Bank shall consist of the following; namely:

- (a) a chairman and a managing director appointed by the Government;
- (b) two full-time directors appointed by the Government;
- (c) one director nominated by the RBI;
- (d) one director nominated by the Development Bank;
- (e) one director nominated by the Export Credit and Guarantee Corporation Limited, being a Government company within the meaning of section 617 of the Companies Act, 1956;
- (f) not more than 12 directors nominated by the Government of whom:
  - (i) five directors shall be officials of the Government;
  - (ii) not more than three directors shall be from the scheduled banks; and
  - (iii) not more than four directors shall be persons who have special knowledge of, or professional experience in, export or import or financing thereof.

As of the date of this Offering Circular, the Bank's Board of Directors are as below:

<b>Name of Director</b>	<b>Designation</b>
Mr. Ramesh Abhishek . . . . .	Secretary, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India
Mr. T.S. Tirumurti . . . . .	Secretary (ER), Ministry of External Affairs, Government of India
Mr. Bidyut Behari Swain. . . . .	Additional Secretary, Ministry of Commerce and Industry, Government of India
Mr. K. Rajaraman . . . . .	Additional Secretary(Investment), Department of Economic Affairs, Ministry of Finance, Government of India
Mr. Pankaj Jain . . . . .	Additional Secretary, Department of Financial Services, Ministry of Finance, Government of India
Dr. M.D. Patra . . . . .	Executive Director, RBI
Mr. Rajnish Kumar . . . . .	Chairman, State Bank of India
Ms. Geetha Muralidhar . . . . .	Chairman cum Managing Director, ECGC Ltd.
Mr. Rakesh Sharma . . . . .	Managing Director & CEO, IDBI Bank Ltd.
Mr. Dinabandhu Mohapatra. . . . .	Managing Director & CEO, Bank of India
Mr. Rajkiran Rai G . . . . .	Managing Director & CEO, Union Bank of India
Mr. David Rasquinha . . . . .	Managing Director, Export-Import Bank of India
Mr. Debasish Mallick . . . . .	Deputy Managing Director, Export-Import Bank of India

## ***Employees***

As of March 31, 2019, the Bank had a total staff of 337 permanent employees. The Bank's professional staff largely comprises specialists, including engineers, economists, bankers, chartered accountants, business school graduates, human resources specialists, legal experts, linguists and information technology experts. The Bank believes that it has good relations with its employees and the work environment is conducive to learning and growth. The Bank does not have a labor union and it has not entered into any collective bargaining agreements with its employees. The Bank has never experienced a strike.

## **Committees**

Under the Act, the Board of Directors may constitute such committees for such purposes as it may think fit. The Management Committee of the Board of Directors, consisting of the Chairman, Managing Director of the Bank and not more than seven directors, manages the usual business of the Bank, except for such business reserved for the control of the full Board of Directors by the Act or Regulations thereunder. Corporate governance is administered through the Bank's Audit Committee. The risk management oversight is through the Risk Management Committee of the Board. The Board of Directors has also constituted a Committee of Executives, comprising Deputy Managing Directors, Chief General Managers and General Managers, with the delegated authority to approve business and other proposals. To facilitate the effective and timely appraisal of business and other proposals, and to achieve a coordinated decision-making process across divisional groups and regional offices, the Bank has established multi-disciplinary groups in different functional areas, such as its Loan Evaluation Committee and Project Evaluation Committee.

## THE INDIAN FINANCIAL SECTOR

*The information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government and its various ministries, the RBI and the Indian Banks Association, and has not been prepared or independently verified by the Bank, the Arrangers, the Dealers, the Trustee or any of their affiliates or advisers.*

### Introduction

The RBI, the central banking and monetary authority of India, is the central regulatory and supervisory authority for Indian banks and non-banking finance companies. A variety of financial intermediaries in the public and private sectors participate in India's financial sector, including the following:

- commercial banks;
- small banks and payment banks;
- long-term lending institutions;
- non-banking financial companies, including housing finance companies;
- other specialized financial institutions and state-level financial institutions;
- insurance companies; and
- mutual funds.

Until the 1990s, the Indian financial system was strictly controlled. Interest rates were administered by the Government. Formal and informal parameters governed asset allocation and strict controls limited entry into and expansion within the financial sector. Bank profitability was low, NPAs were comparatively high, capital adequacy was diminished and operational flexibility was hindered. The Government's economic reform program, which began in 1991, encompassed the financial sector. The first phase of the reform process began with the implementation of the recommendations of the Committee on the Financial System, namely the Narasimham Committee I. Following that, reports were submitted in 1997 and 1998 by other committees, such as the second Committee on Banking Sector Reform, namely the Narasimham Committee II, and the Tarapore Committee on Capital Account Convertibility. This, in turn, led to the second phase of reforms relating to capital adequacy requirements, asset classification and provisioning, risk management and merger policies. The deregulation of interest rates, the emergence of a liberalized domestic capital market and the entry of new private sector banks have progressively intensified the competition among banks. Banks in India may be categorized as scheduled banks and non-scheduled banks, where the former are banks which are included in the second schedule to the RBI Act as amended. These banks comprise scheduled commercial banks and scheduled cooperative banks.

This discussion presents an overview of the role and activities of the RBI and of each of the major participants in the Indian financial system, with a focus on commercial banks. This is followed by a brief summary of the banking reform process along with the recommendations of various committees that have played a key role in the reform process. A brief discussion on the impact of the liberalization process on long-term lending institutions and commercial banks is then presented. Finally, reforms in the non-banking financial sector are briefly reviewed.

### The Reserve Bank of India

The RBI, established in 1935, is the central banking and monetary authority in India. The RBI manages the country's money supply and foreign exchange and also serves as a bank for the Government and for the country's commercial banks. In addition to these traditional central banking roles, the RBI undertakes certain developmental and promotional roles.

The RBI issues guidelines on exposure limits, income recognition, asset classification, provisioning for non-performing and restructured assets, investment valuation and capital adequacy for commercial banks, long-term lending institutions and non-banking financial companies. The RBI requires these institutions to furnish information relating to their businesses to it on a regular basis. For further discussion regarding the RBI's role as the regulatory and supervisory authority of India's financial system and its impact on the Bank, see "*Supervision and Regulation*".

The Preamble of the RBI describes the basic functions of the RBI as:

"to regulate the issue of Bank notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage; to have a modern monetary policy framework to meet the challenge of an increasingly complex economy, to maintain price stability while keeping in mind the objective of growth."

## **Commercial Banks**

Commercial banks in India have traditionally focused on meeting the short-term financial needs of industry, trade and agriculture. In recent years they have also focused on increasing long-term financing to sectors like infrastructure. As of March 2019, there were 147 scheduled commercial banks in the country, including 53 regional rural banks ("**RRBs**"). Scheduled commercial banks are banks that are listed in the schedule to the Reserve Bank of India Act, 1934 (the "**RBI Act**") and are further categorized as public sector banks, private sector banks and foreign banks. Scheduled commercial banks have a presence throughout India with a network of 141,756 branches, and approximately 62.89% of these branches were located in rural or semi-urban areas of the country as of March 2019. A large number of these branches belong to the public sector banks. (Commercial Banks at a Glance, Quarterly Statistics, RBI)

### ***Public Sector Banks***

Public sector banks make up the largest category in the Indian banking system. They include the State Bank of India and its seven associate banks, 19 nationalized banks (excluding IDBI Bank) and 53 RRBs. Excluding the RRBs, the remaining public sector banks have 94985 branches and accounted for 61.66% of gross bank credit and 63.07% of the aggregate deposits of the scheduled commercial banks as of March 31, 2019. The public sector banks' large network of branches enables them to fund themselves out of low-cost savings and current accounts.

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 laborers. 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 Banks Act, 1976. As part of a comprehensive restructuring program, recapitalization of the RRBs was initiated in fiscal 1995, a process which continued until fiscal 2000 and covered 187 RRBs, with an aggregate financial support of Rs.21.9 billion from the stakeholders. Simultaneously, prudential norms on income recognition, asset classification and provisioning for loan losses following customary banking benchmarks were introduced.

As of March 31, 2019 there were 21,873 branches of RRBs. As of March 31, 2019, RRBs accounted for 3.41% of aggregate deposits and 2.89% of gross bank credit outstanding of scheduled commercial banks.

### ***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. As of March 31, 2019, there was a total of 31 private banks. The Sangli Bank Limited, an unlisted “old” private sector bank, merged with ICICI Bank with effect from April 19, 2007. The Centurion Bank of Punjab merged with HDFC Bank in May 2008. The Bank of Rajasthan Limited, an “old” private sector bank, merged with ICICI Bank with effect from the close of business on August 12, 2010. On April 1, 2015, the RBI approved the merger of Kotak Mahindra Bank and ING Vysya Bank.

As of March 31, 2019, private sector banks accounted for approximately 28.75% of aggregate deposits and 33.59% of gross bank credit outstanding of the scheduled commercial banks. As of December 31, 2018, their network of 29,032 branches accounted for 20.48% of the total branch network of scheduled commercial banks in the country.

In February 2013, the RBI issued guidelines on the entry of “new” private sector banks into the banking industry, specifying that select entities or groups in the private sector, entities in the public sector or non-banking financial companies with a successful track record of at least ten years and not receiving over 10.00% of income from real estate, construction and/or broking activities are eligible to promote banks. The initial minimum capital requirement for these entities is Rs.5.0 billion, with foreign shareholding not exceeding 49.00% for the first five years, and the new banks could be set up only through a wholly owned non-operative financial holding company registered with the RBI. The business plan for the bank should cover a realistic plan for achieving financial inclusion.

On April 2, 2014, the RBI granted “in-principle” approval to two applicants (IDFC Limited and Bandhan Financial Services Private Limited) to set up banks under the New Banks Licensing Guidelines. As at the date of this Offering Circular, these two banks had started operations. In the future, the RBI intends to issue licenses on an on-going basis, subject to the RBI’s qualification criteria.

The RBI also issued guidelines in November 2014 on the entry of “Small Finance Banks” and “Payment Banks” into the private sector in the banking industry, including the eligibility criteria, structure, capital requirements, shareholding structure and corporate governance practices applicable to such proposed entities. During fiscal 2016, the RBI issued new bank licenses to “Small Finance Banks” and “Payment Banks” in the private sector, which, apart from providing an impetus to financial inclusion, is expected to intensify competition in the banking sector in the medium-term. As of December 31, 2018, six entities had functioning payment banks and in addition, ten entities had a functioning small finance bank.

### ***Foreign Banks***

As of March 31, 2019, there were 50 foreign banks operating in India with a combined total of 295 branches. As of March 31, 2019, they accounted for 4.47% of aggregate deposits and 4.13% of outstanding gross bank credit of scheduled commercial banks.

In 2009, as part of the liberalization process that accompanied the second phase of the reform process that began in 2005, the RBI began permitting foreign banks to operate more freely, subject to requirements largely similar to those imposed on domestic banks. The primary activity of most foreign banks in India has been in the corporate segment. However, some of the larger foreign banks have made retail banking a significant part of their portfolios. Most foreign banks operate in India through branches of the parent bank. Certain foreign banks also have wholly owned non-banking financial company subsidiaries or joint ventures for both corporate and retail lending. In 2004, the RBI stipulated that banks, including foreign banks operating in India, should not acquire any fresh stake in another bank’s equity shares if, by such acquisition, the investing bank’s holding would exceed 5.00% of the investee bank’s equity capital.

In February 2005, the Government and the RBI released the “Roadmap for Presence of Foreign Banks in India”, which laid out a two-track, gradual approach aimed at increasing the efficiency and stability of the banking sector in India. The first track was the consolidation of the domestic banking system, both in the private and public sectors; the second track was the gradual enhancement of the presence of foreign banks in a synchronized manner. The roadmap was divided into two phases, the first phase spanning the period from March 2005 to March 2009, and the second phase beginning in April 2009. However, the second phase was delayed due to the global financial crisis in 2009. In January 2011, the RBI released a draft discussion paper on the mode of presence of foreign banks in India. The paper indicates a preference for a wholly owned subsidiary model of presence over a branch model.

Based on the comments received, the RBI in its annual policy statement for fiscal 2012 stated that it was in the process of framing comprehensive guidelines in this regard. On July 20, 2012, the RBI revised priority sector lending guidelines for foreign banks. The RBI now requires foreign banks with 20 or more branches to achieve the same priority sector lending targets as domestic banks within the five-year period commencing on April 1, 2013. All other foreign banks will continue to be subject to the existing overall target of 32.00%.

On November 6, 2013, the RBI issued a framework for the establishment of wholly owned subsidiaries (“WOS”) by foreign banks in India. The framework requires that foreign banks must establish a WOS to operate in India if they (i) have complicated holding structures, (ii) do not provide adequate disclosure in their home jurisdiction or (iii) are from jurisdictions that give a preferential claim to depositors of its home country in a winding-up proceeding. Banks not fitting these criteria may operate as either a branch or a WOS. The framework does not require existing foreign banks (which established a presence in India before August 31, 2010) to convert into a WOS. However, foreign banks are incentivized to convert into a WOS because the regulatory regime for a WOS is similar to that for local banks. For example, a foreign bank WOS would benefit from policies such as the lifting of nearly all branch expansion restrictions. However, foreign banks converting into a WOS would have to abide by the RBI’s 40% priority sector lending requirement and increase their involvement in the financing of sectors such as agriculture and small-scale industries, following an adequate transition period.

### **Cooperative Banks**

Cooperative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban and semi-urban areas of India. The state land development banks and the primary land development banks provide long-term credit for agriculture. In response to liquidity and insolvency problems experienced by some cooperative banks in fiscal 2001, the RBI undertook several interim measures, pending formal legislative changes, including measures relating to lending against shares, borrowing in the call market and term deposits placed with other urban cooperative banks. Currently, the RBI is responsible for the supervision and regulation of urban cooperative banks, and NABARD for state cooperative banks and district central cooperative banks.

In its annual policy statement for fiscal 2010, the RBI proposed expanding the area of operation of Tier II urban cooperative banks in Grade I to the entire state of registration with the prior approval of the RBI. It also proposed reviewing the existing instructions and issuing appropriate guidelines to urban cooperative banks on internal controls, risk management systems, asset liability management and disclosure norms and applying a capital charge for market risks in respect of large-sized and systemically important urban cooperative banks with effect from April 1, 2010. Urban cooperative banks that fulfill certain eligibility criteria are allowed direct access to the negotiated dealing system (“NDS”) order matching (“OM”), subject to obtaining prior approval from the RBI. This helps deepen the bond market by increasing the number of participants.

### **Long-Term Lending Institutions**

The long-term lending institutions were established to provide medium-term and long-term financial assistance to various industries for setting up new projects and for the expansion and modernization of existing facilities. These institutions provided fund-based and non-fund-based assistance to industry in the form of loans, underwriting, direct subscription to shares, debentures and guarantees. The primary long-term lending institutions included the Industrial Development Bank of India (now “**IDBI Bank**”), IFCI Limited, the Industrial Investment Bank of India and ICICI prior to its amalgamation with ICICI Bank Limited.

The long-term lending institutions were expected to play a critical role in Indian industrial growth and, accordingly, had access to concessional Government funding. However, in recent years, the operating environment of the long-term lending institutions has changed substantially. Although the initial role of these institutions was largely limited to providing a channel for Government funding to industry, the reform process required such institutions to expand the scope of their business activities, including into:

- fee-based activities such as investment banking and advisory services; and
- short-term lending activity, including making corporate finance and working capital loans.

Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group in 1998, a working group was created in 1999 to harmonize the role and operations of long-term lending institutions and banks. The RBI, in its mid-term review of monetary and credit policy for fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms applicable to banks.

Several mergers resulted from this reform effort. In April 2002, ICICI merged with ICICI Bank. The Industrial Development Bank (Transfer of Undertaking and Repeal) Act, 2003 converted the Industrial Development Bank of India into a banking company incorporated under the Companies Act, 1956 on September 27, 2004, with exemptions from certain statutory and regulatory norms applicable to banks, including an exemption for a certain period of time from the statutory liquidity ratio (“SLR”). IDBI Bank Limited, a public sector bank that was a subsidiary of the Industrial Development Bank of India, was merged with the Industrial Development Bank of India in April 2005. The long-term funding needs of Indian companies are now primarily met by banks, the Life Insurance Corporation of India and specialized non-banking financial companies such as Infrastructure Development Finance Corporation. Indian banking companies also make bond issuances to institutional and retail investors.

In January 2019, LIC completed acquisition of 51% of IDBI Bank, making it majority shareholder in the bank. Accordingly, RBI categorized IDBI Bank as a ‘Private Sector Bank’ for regulatory purposes. The merger will pave way for improved financial health of IDBI and help it to exit from prompt corrective action (PCA) in a time-bound manner and be a future-ready, top-ranked bank. IDBI Bank has about 1.5 crore retail customers and about 18,000 employees and with this deal, LIC will have a strategic investment in a large banc assurance channel, thereby increasing its productivity and reducing distribution costs.

### **Non-Banking Financial Companies**

According to the Trends and Progress in Banking Report 2017-18, there were about 10,190 non-banking financial companies in India as of September, 2018, mostly in the private sector. All non-banking financial companies are required to register with the RBI. The non-banking financial companies may be categorized into entities which take public deposits and those which do not. The companies which take public deposits are subject to strict supervision and the capital adequacy requirements of the RBI. The RBI classifies non-banking financial companies into three categories: asset finance companies, loan companies and investment companies. In February 2010, the RBI introduced a fourth category of non-banking financial company called infrastructure finance companies and followed up in December 2011 with the announcement of a separate category of non-banking financial company-microfinance institutions.

The primary activities of the non-banking financial companies are providing consumer credit, including automobile finance, home finance and consumer durable products finance, wholesale finance products such as bill discounting for small and medium companies and infrastructure finance, and fee-based services such as investment banking and underwriting. In 2003, Kotak Mahindra Finance Limited, a large non-banking financial company, was granted a banking license by the RBI and converted itself into Kotak Mahindra Bank.

During fiscal 2006, the RBI issued guidelines on the financial regulation of systemically important non-banking financial companies and banks’ relationships with them with a view to removing the possibility of regulatory arbitrage leading to an uneven playing field and potential systemic risk.

Within non-deposit taking non-banking financial companies, the guidelines classify those with an asset size above Rs.1.0 billion according to the last audited balance sheet as systemically important. These non-banking financial companies were required to maintain a minimum capital to risk-weighted assets ratio of 10.00%, in addition to conforming to single and group exposure norms. In August 2008, the RBI issued draft guidelines covering non-deposit taking non-banking financial companies. It was proposed that non-deposit taking non-banking financial companies with an asset size of Rs.1.0 billion and above would have to maintain a capital to risk-weighted assets ratio of 12.00% instead of the current minimum of 10.00%.

The capital adequacy ratio was proposed to be increased to 15.00% from April 2009. In its 2009 annual policy statement, the RBI deferred the implementation of the capital to risk-weighted assets ratio of 12.00% requirement to March 31, 2010 and of 15.00% to March 31, 2011. In February 2011, the RBI issued guidelines mandating deposit taking non-banking financial companies to maintain a capital to risk-weighted assets ratio of 15.00%, against the current minimum of 12.00%.

With the purpose of enhancing the flow of funds to infrastructure projects, the RBI issued guidelines in November 2011 for the establishment of infrastructure debt funds. An infrastructure debt fund may be set up either as a trust or as a company. A trust-based infrastructure debt fund would be a mutual fund which would be regulated by SEBI, while a company-based infrastructure debt fund would be a non-banking financial company which would be regulated by the RBI. All non-banking financial companies, including infrastructure finance companies, may sponsor infrastructure debt funds set up as mutual funds. However, only infrastructure finance companies can sponsor infrastructure debt funds set up as non-banking financial companies. Banks are allowed to sponsor infrastructure debt funds in the form of mutual funds and non-banking financial companies with investments by the bank not exceeding 10.00% of the bank's paid-up capital. In August 2011, the RBI released a working group report on issues and concerns in the non-banking financial companies sector. Some key recommendations of the report included a minimum asset size of Rs.500 million with a minimum net owned fund of Rs.20 million for registering as a non-banking financial company, a minimum Tier I capital of 12.00% to be achieved in three years, the introduction of liquidity ratios, more stringent asset classification norms and provisioning norms, and limits on exposure to real estate. In December 2012, the RBI issued draft guidelines on the regulatory framework for non-banking financial companies based on the recommendations of the working group. The guidelines relate to entry norms, principal business criteria, prudential regulations, liquidity requirements and corporate governance of non-banking financial companies.

On April 1, 2014, the RBI temporarily suspended, for a period of one year, the issue of certificates of registration to companies proposing to conduct the business of non-banking financial institutions ("NBFI") under the terms of Section 45IA of the RBI Act. The report submitted by the Committee on Comprehensive Financial Services for Small Businesses and Low Income Households made several recommendations pertaining to NBFCs. In view of the recommendation, the RBI felt the need to review the regulatory framework and streamline the sector before allowing more entities into the sector.

On November 10, 2014, the RBI revised the regulatory framework for NBFCs by raising the capital adequacy requirement and the net owned fund limit, among others, with an objective to mitigating risks in the sector and revoked, with immediate effect, its temporary suspension on issuance of a Certificate of Registration to companies proposing to conduct the business of an NBFI. The minimum Tier I capital requirement for non-deposit taking NBFCs having an asset size of Rs.5 billion and above and all deposit taking NBFCs was raised to 10.00% from the current 7.50% in a gradual manner (8.50% by the end of March 2016 and 0.00% by the end of March 2017). The net owned fund requirement would be required to be raised in a phased manner from Rs.2.5 million to Rs.10 million by March 2016, and then further to Rs.20 million by 2017.

The RBI circular on "Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions" dated July 1, 2016 and the master direction "Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016" dated September 1, 2016 state that the minimum capital ratio consisting of Tier I and Tier II capital shall not be less than 15% of its aggregated risk-weighted assets on-balance sheet and of risk adjusted value of off-balance sheet items. The total of Tier I capital, at any time, shall not be less than 8.5% as at March 31, 2016, 10.00% as at March 31, 2017 and 12.00% as at March 31, 2020.

### ***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 Housing and Urban Development Corporation Limited are the two major financial institutions instituted through acts of Parliament to improve the availability of housing finance in India. The National Housing Bank Act provides for the securitization of housing loans, foreclosure of mortgages and setting-up of the Mortgage Credit Guarantee Scheme.

In August 2013, the IRDA relaxed the investment regulations for housing finance companies (“HFCs”), as specified in the IRDA (Investment) Regulations, 2000, as follows:

- investments in debt instruments issued by the HFCs as specified in the Investment Regulations shall be treated as exposure to the housing sector instead of exposure to “Financial and Insurance Activities”; and
- the single investee debt exposure limits in the HFCs were increased to 20.00% of equity plus free reserves from the existing 10.00% limit, with a further option of an increase by an additional 5.00% on the 20.00% limit, with prior approval from the board of the company.

## **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, Export-Import Bank of India, Small Industries Development Bank of India, Risk Capital and Technology Finance Corporation Limited, Tourism Finance Corporation of India Limited, National Housing Bank, Power Finance Corporation Limited, Infrastructure Development Finance Corporation Limited, Industrial Investment Bank of India, North Eastern Development Finance Corporation and India Infrastructure Finance Company.

### ***State-Level Financial Institutions***

State financial corporations operate at the state level and form an integral part of the institutional financing system. State financial corporations were set up to finance and promote SMEs. The state financial institutions are expected to achieve balanced regional socio-economic growth by generating employment opportunities and widening the ownership base of industry. At the state level, there are also state industrial development corporations, which provide finance primarily to medium-sized and large enterprises.

### ***Insurance Companies***

At the end of March 2018, there are 68 insurers operating in India; of which 24 are life insurers, 27 are general insurers, 6 are standalone health insurers exclusively doing health insurance business and 11 are re-insurers including foreign reinsurers branches and Lloyd’s India.

Of the 68 insurers presently in operation, eight are in the public sector and the remaining sixty are in the private sector. Two specialized insurers, namely ECGC Ltd. and Agriculture Insurance Company of India Limited (AIC), one life insurer namely LIC of India (LIC), four in general insurance and one in reinsurance namely GIC Re. are in public sector. 23 life insurers, 21 general insurers, 6 standalone health insurers and 10 reinsurers including foreign reinsurers’ branches and Lloyd’s India are in private sector.

The insurance sector in India is regulated by the Insurance Regulatory and Development Authority. In December 1999, the Indian Parliament passed the Insurance Regulatory and Development Authority Act, 1999, which amended the Insurance Act, 1938 and opened up the Indian insurance sector to foreign and private investors. The Insurance Act allows foreign equity participation in new insurance companies of up to 26.00%. A new company should have minimum paid-up equity capital of Rs. 1.0 billion to carry on the business of life insurance or general insurance or Rs.2.0 billion to carry on exclusively the business of reinsurance.

In its monetary and credit policy for fiscal 2001, the RBI issued guidelines governing the entry of banks and financial institutions into the insurance business. The guidelines permit banks and financial institutions to enter the business of insurance underwriting through joint ventures provided they meet stipulated criteria relating to their net worth, capital adequacy ratios, profitability track record, level of non-performing loans and the performance of their existing subsidiary companies. The promoters of insurance companies have to divest in a phased manner their shareholding in excess of 26.00% (or such other percentage as may be prescribed) after a period of ten years from the date of commencement of business or within such period as may be prescribed by the Government. In December 2014, the Indian Government raised the limit on foreign equity participation in private sector insurance companies from 26.1% to 49.0%.



For fiscal 2018, the life insurance industry recorded a premium income of Rs.4,588.09 billion as against a premium income of Rs.4,184.76 billion in fiscal 2017, a growth of 9.64 per cent as against 14.04 per cent in the previous fiscal. While private sector insurers posted 19.15 per cent. growth for fiscal 2018 as against 17.40 per cent. in fiscal 2017 in their premium income, LIC recorded 5.90 per cent. growth for fiscal 2018 as against a growth of 12.78 per cent. in fiscal 2017. During 2018, the market share of private players increased from 28.19 per cent. in fiscal 2017 to 30.64 per cent in fiscal 2018. While renewal premium accounted for 57.68 per cent. for fiscal 2018 of the total premium received by the life insurers, new business premium contributed the remaining 42.32 per cent.

During fiscal 2018, growth in renewal premium was 8.79 per cent. as against a growth of 6.62 per cent. in fiscal 2017. First year premium registered a growth of 10.82 per cent. in fiscal 2018 in comparison to a growth of 26.26 per cent. during 2017. (Source: *IRDAI Annual Report, 2018*)

### ***Mutual Funds***

The mutual fund industry in India started in 1963 with the formation of Unit Trust of India at the initiative of the Government and the RBI. From 1963 to 1987, Unit Trust of India was the only mutual fund operating in India. From 1987 onwards, several other public sector mutual funds entered this sector. These mutual funds were established by public sector banks, LIC and General Insurance Corporation of India. The mutual funds industry was opened up to the private sector in 1993. The industry is regulated by the SEBI (Mutual Fund) Regulation, 1996. As of May 31, 2019, there were 44 AMC's with total assets under management of Rs. 25.94 trillion, a 4x fold increase from Rs.6.64 trillion as of May 31, 2009. (Source: <https://www.amfiindia.com/indian-mutual>)

In June 2009, SEBI removed the entry load for all mutual fund schemes and directed that upfront commissions to distributors be paid directly by the investors. To enhance the reach and marketability of mutual fund schemes, in November 2009, SEBI permitted the use of stock exchange terminals to facilitate transactions in mutual fund schemes. As a result, mutual fund units can now be traded on recognized stock exchanges. In February 2010, SEBI introduced guidelines for the valuation of money market and debt securities with a view to ensuring that the value of the money market and debt securities in the portfolio of mutual funds schemes reflect the current market scenario. The valuation guidelines are effective from August 1, 2010. Further, the Union Budget for fiscal 2014 allowed mutual fund distributors to become members of the mutual fund segment of stock exchanges to enable them to leverage the stock exchange network to improve the reach and distribution of mutual fund products.

### **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. In addition to controlling interest rates and entry into the banking sector, these Government regulations also channelled lending into priority sectors. Banks were required to fund the public sector through the mandatory acquisition of low interest-bearing Government securities or SLR bonds to 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.

### ***Committee on the Financial System (Narasimham Committee I)***

The Committee on the Financial System ("**Narasimham Committee I**") was set up in August 1991 to recommend measures for reforming the financial sector. Many of the recommendations made by the committee, which addressed organizational issues, accounting practices and operating procedures, were implemented by the Government. The major recommendations that were implemented included the following:

- with fiscal stabilization and the Government increasingly resorting to market borrowing to raise resources, the SLR or the proportion of banks' net demand and time liabilities that was required to be invested in Government securities was reduced from 38.50% in the pre-reform period to 25.00% in October 1997. The RBI currently requires banking companies to maintain a liquidity ratio of 19.50% with effect from October 4, 2017;
- similarly, the cash reserve ratio ("**CRR**") or the proportion of a bank's net demand and time liabilities that was required to be deposited with the RBI was reduced from 15.00% in the pre-reform period to a low of 4.50%. The CRR effective from February 2013 is 4.00%;



- special tribunals were created to resolve bad debt problems;
- most of the restrictions on interest rates for deposits were removed. Commercial banks were allowed to set their own level of interest rates for all deposits except savings bank deposits. Subsequently, on October 25, 2011, the RBI deregulated the savings bank deposit rate, after which commercial banks were also allowed to determine their savings bank deposit rate; and
- substantial capital infusion to several state-owned banks was approved in order to bring their capital adequacy closer to internationally accepted standards. By the end of fiscal 2002, aggregate recapitalization amounted to Rs.2 17.5 billion. Stronger public sector banks were given permission to issue equity to further increase capital.

### ***Committee on Banking Sector Reform (Narasimham Committee II)***

The second Committee on Banking Sector Reform (“**Narasimham Committee II**”) submitted its report in April 1998. The major recommendations of the committee were in respect of capital adequacy requirements, asset classification and provisioning, risk management and merger policies. The RBI accepted and began implementing many of these recommendations in October 1998.

Banks have implemented new prudential accounting norms for the classification of assets, income recognition and loan loss provisioning. Following the Bank for International Settlements guidelines, capital adequacy norms have also been prescribed. To meet additional capital requirements, public sector banks have been allowed to access the market for funds. Interest rates have been deregulated, while the rate of directed lending has been progressively reduced.

### **Commercial Banking Trends**

#### ***Credit***

The aggregate deposits have increased by 9.4% while loans and advances increased by 13.08% in the period of March 31, 2018 to March 31, 2019. As at March 31, 2019, public sector banks (including RRBs) accounted for the largest share of 66.48% aggregate deposits and 61.66% in gross bank credit, followed by private sector banks with 28.75% aggregate deposits and 33.59% in gross bank credit. As of the end of March 2019, the credit-deposit ratio for scheduled commercial banks was 78.2%, compared to 75.6% in the previous year (*Source: Reserve Bank of India – Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks: March 2019*).

From March 31, 2018 to March 31, 2019, private sector banks(28.9%) and foreign banks (11.07%) indicated a higher credit growth as compared to public sector banks (5.49%).

For fiscal 2018, the growth in credit to agriculture decelerated during 2017-18 when compared to a year ago. This might be indicative of pressures in the farm sector as corroborated by agriculture debt waivers announced in some states. Credit to industry turned around from a contraction of 1.9 per cent in March 2017 to a positive 0.7 per cent in March 2018. Industrial credit, which had shrunk for most part of 2017-18, recovered from November 2017 onwards. A pick-up was witnessed across sectors such as textiles; vehicles, vehicle parts and transport equipment; engineering; food processing; and rubber, plastic and products. In contrast, credit to infrastructure, which accounted for about one-third of bank credit to industry, contracted in a broad-based manner (by 1.7 per cent in March 2018), pulled down by power, telecommunications and roads. The modest signs of recovery in infrastructure vis-à-vis the previous year’s position suggest that the power sector could benefit from improved electricity supply following better availability of coal. The base metal segment remained in stress, despite the recovery in global metal prices. The recent revival in manufacturing activity has provided some boost to base metal prices. The steel segment has improved on strong export demand and revival of domestic activity. (*Source: RBI Annual Report 2018*).

## ***Interest Rates and Inflation***

As regards the price situation, inflation eased to its lowest level in the new consumer price index (“CPI”) series in June 2017, with food prices going into deflation. Thereafter, a confluence of domestic and global developments pushed inflation up – an unseasonal spike in the prices of vegetables during October-November 2017, disbursement of house rent allowance (HRA) for central government employees under the 7th Central Pay Commission’s award and firming up of global commodity prices. The delayed softening of food prices in Q4 brought relief as it got prolonged and in the event, the year ended with the lowest annual average inflation of 3.6 per cent since 2012-13. (*Source: RBI Annual Report 2018*).

According to the most recently available data, WPI inflation stood at 4.3% for FY19. According to the Office of Economic Adviser, MOCI, GoI, as of May 2019, WPI inflation rate stood at 2.45% as compared to 4.78% in May 2018. Further, CPI inflation rate during FY 19 stood at 3.4% as compared to 3.6% in FY 18. It is projected to remain at 3.0-3.1 per cent in H1:2019-20 and 3.5-3.8 per cent for H2: 2019-20 (*Source: Monetary Policy Committee meeting June 3-6*). Earlier, in response to increased inflation, in fiscals 2011 and 2012, the RBI had increased its policy rates 15 times, enacting gradual increases in the repo rate from 5.00% on March 31, 2010 to a peak of 8.50% with effect from October 25, 2011. For fiscal 2016, the RBI had cut the repo rate by 25 basis points in June 2015 and 50 basis points in October 2015. The repo rate is currently at 5.75%. The reverse repo rate has been pegged at 0.25% below the repo rate since April 6, 2017 and thus has followed a similar trend since that time (*Source: RBI Notifications available at <http://www.rbi.org.in>*).

## ***Asset Quality***

SCBs’ gross non-performing advances (“GNPAs”) ratio declined from 11.5 per cent in March 2018 to 10.8 per cent in September 2018. Their net non-performing advances (NNPA) ratio also registered a decline during the period. The GNPA ratio in the industry sector declined from 22.8 per cent to 20.9 per cent during the same period whereas stressed advances ratio decreased from 21.8 per cent to 23.9 per cent. Within industry, the stressed advances ratio of subsectors such as ‘Mining and quarrying’, ‘Food Processing’ and Construction registered increase in September 2018 from their levels in March 2018. The asset quality of industry sector improved in September 2018 as compared to March 2018 whereas that of agriculture and retail sectors deteriorated. The provision coverage ratio increased across all bank groups in September 2018 from its level in March 2018 barring FBs. Among the bank groups, FBs had the highest provision coverage ratio (87.1 per cent) followed by PvBs (56.2 per cent) and PSBs (51.4 per cent). (*Source: Financial Stability Report December 2018*).

## ***Income and Profitability***

SCBs’ profit after tax was negative mainly due to higher risk provisions between March 2018 and September 2019. Their capital to risk-weighted assets ratio (CRAR) as well as the Tier-I leverage ratio declined marginally between March 2018 and September 2018. The share of net interest income (NII) in total operating income increased from 65.2 per cent in March 2018 to 71.1 per cent in September 2018, whereas, their other operating income (OOI) declined. Median return on assets (RoA) of SCBs improved from March 2018 in September 2018. (*Source: Financial Stability Report December 2018*).

## ***Recent Structural Reforms***

### ***Amendments to the Banking Regulation Act***

In order to provide greater operational flexibility to the RBI, as the regulator and the authority vested with the powers to conduct monetary policy through the stipulation of the holding of liquid instruments by banks, the Government promulgated the Banking Regulation (Amendment) Ordinance, 2007 (the “Ordinance”) on January 23, 2007, enabling the RBI to specify the SLR without any floor rate. The Ordinance facilitated the removal of the then existing SLR floor of 25.00%, while leaving the ceiling of 40.00% intact. On March 9, 2007, the Banking Regulation (Amendment) Bill, 2007 was introduced in Parliament seeking to replace the Ordinance and to amend Section 24 of the Banking Regulation Act to enable the RBI to specify the SLR without any floor rate. Changes were also proposed in Section 53 of the Banking Regulation Act to make it mandatory to present a draft notification before the Indian Parliament in cases of exemptions being granted to institutions, banks or branches located in special economic zones. The Ordinance has subsequently been repealed and replaced by the Banking Regulation (Amendment) Act, 2007, which received the assent of the President on March 26, 2007 and is deemed to have come into force on January 23, 2007.

In December 2012, the Indian Parliament further amended the laws governing the banking sector by way of the Banking Laws (Amendment Act), 2012. This act seeks to strengthen the regulatory powers of the RBI and to further develop the banking sector in India.

The main amendments are as follows:

- permit all private banking companies to issue preference shares that will not carry any voting rights, subject to RBI guidelines;
- make prior approval of the RBI mandatory for the acquisition of more than 5.00% of a banking company's paid-up capital or voting rights by any individual, firm or group, and empower the RBI to impose conditions while granting approval for such acquisitions;
- empower the RBI, after consultations with the Government, to supersede the board of a private sector bank for a total period not exceeding 12 months, during which time the RBI will have the power to appoint an administrator to manage the bank;
- give the RBI the right to inspect affiliates of enterprises or banking entities (affiliates include subsidiaries, holding companies or any joint ventures of banks); and
- restrict the maximum voting power exercisable by a shareholder in a private banking company to 26.00% irrespective of its total shareholding and raise the ceiling for voting rights of shareholders of a nationalized bank from 1.00% to 10.00%.

The Banking Laws (Amendment) Act, 2012 was notified in January 2013.

### ***Legislative Framework for Recovery of Debts due to Banks***

In fiscal 2003, the Indian Parliament passed the SARFAESI Act. The SARFAESI Act provides that a secured creditor may, in respect of loans classified as non-performing in accordance with RBI guidelines, give notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which the secured creditor may take possession of the assets constituting the security for the loan and exercise management rights in relation thereto, including the right to sell or otherwise dispose of the assets. The SARFAESI Act also provides for the setting-up of asset reconstruction companies regulated by the RBI to acquire assets from banks and financial institutions. The RBI has issued guidelines for asset reconstruction companies in respect of their establishment, registration and licensing by the RBI, and operations. Asset Reconstruction Company (India) Limited, set up by the Industrial Development Bank of India, State Bank of India and certain other banks and institutions, received registration from the RBI and commenced operation in August 2003. Foreign direct investment is now permitted in the equity capital of asset reconstruction companies and investment in security receipts issued by asset reconstruction companies by foreign institutional investors registered with SEBI is permitted, subject to certain conditions and restrictions.

Several petitions challenging the constitutional validity of the SARFAESI Act were filed before the Indian Supreme Court. The Supreme Court, in April 2004, upheld the constitutionality of the SARFAESI Act, other than the requirement originally included in the SARFAESI Act that the borrower deposit 75.00% of the dues with the debt recovery tribunal as a pre-condition for appeal by the borrower against the enforcement measures. In November 2004, the Government issued an ordinance amending the SARFAESI Act. The Indian Parliament has subsequently passed this ordinance as an Act. This Act, as amended, now provides that a borrower may make an objection or representation to a secured creditor after a notice is issued by the secured creditor to the borrower under the Act demanding payment of dues. The secured creditor must give reasons to the borrower for not accepting the objection or representation. The Act also introduces a deposit requirement for borrowers if they wish to appeal the decision of the debt recovery tribunal. Further, the Act permits a lender to take over the business of a borrower under the SARFAESI Act under certain circumstances (unlike the earlier provisions under which only assets could be taken over). See also "*Supervision and Regulation – Regulations Relating to Sale of Assets to Asset Reconstruction Companies*".

Earlier, following the recommendations of the Narasimham Committee, the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 was enacted. This legislation provides for the establishment of a tribunal for speedy resolution of litigation and recovery of debts owed to banks or financial institutions. The Act created tribunals before which banks or financial institutions can file a suit for recovery of the amounts due to them. However, if a scheme of reconstruction is pending before the Board for Industrial and Financial Reconstruction, under the Sick Industrial Companies (Special Provision) Act, 1985, no proceeding for recovery can be initiated or continued before the tribunals. This protection from creditor action ceases if the secured creditor takes action under the SARFAESI Act. While presenting its budget for fiscal 2002, the Government announced measures to set up additional debt recovery tribunals and the eventual repeal of the Sick Industrial Companies (Special Provision) Act, 1985. While the Indian Parliament has repealed this Act, the notification to make the repeal effective has not yet been issued.

The Central Registry of Securitization Asset Reconstruction and Security Interest of India, a Government company licensed under the Companies Act, has been incorporated to operate and maintain the “central registry” under the provisions of the SARFAESI Act. With the existence of a central registry, it would be very difficult for a borrower to raise loans twice against the same property, or to raise loans using forged documents, since the central registry holds details of all properties against which loans have been taken.

### ***Corporate Debt Restructuring Mechanism***

In order to put in place an institutional mechanism for restructuring corporate debt, the RBI devised the corporate debt restructuring (“CDR”) system guidelines, which were notified through a circular dated August 23, 2001. Detailed guidelines in this regard were issued on February 5, 2003. 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, the framework aims to preserve viable corporates that are affected by certain internal and external factors and to minimize the losses to the creditors and other stakeholders through an orderly and coordinated restructuring program. The CDR system is a non-statutory mechanism and a voluntary system based on debtor-creditor and inter-creditor agreements. Any lender with an exposure of more than 20.00% by value, or by a corporate concerned with support of the lender(s) with exposure of more than 20.00% by value, either in term loan or working capital, may make a reference to the CDR forum.

### ***Evolution of Restructuring under CDR***

During February 2003, based on the recommendation of the High Level Group under the Chairmanship of Mr. Vepa Kamesam (the then Deputy Governor of the RBI), the RBI issued new guidelines for the review of the CDR mechanism which provided for two categories of restructuring, namely: (i) standard and sub-standard accounts under Category I; and (ii) doubtful accounts under Category II. The new guidelines also provided that additional exposure as a part of the restructuring process was not to be binding on lenders in the case of Category II accounts and furthermore, for the first time, a debt to equity conversion provision was also introduced. In Category I CDR cases, if a creditor who is outside the minimum 75.00% of value and 60.00% in number threshold for any internal reason does not wish to commit additional finance, then that creditor can either: (a) arrange for its share of additional finance to be provided by a new or existing creditor; or (b) agree to the deferment of the first year’s interest due to it after the CDR package becomes effective. The first year’s deferred interest, without compounding, will be payable with the last installment of the principal due to the creditor.

Thereafter, the guidelines were further reviewed by a special group under the Chairmanship of Mrs. S. Gopinath (the then Deputy Governor of the RBI) and revised guidelines were issued in November 2005. The revised guidelines lowered the eligibility ceiling of accounts in terms of exposure, from the then existing limit of Rs.200 million to Rs.100 million. Other major changes included: (i) providing for the concept of “super majority”, by which decisions could be taken only if 75.00% of the lenders by value, and 60.00% of the lenders by number, agreed to a proposition; (ii) the concept of asset classification prevailing on the date of reference was linked to the implementation of a package within a period of four months from the date of approval of such package; and (iii) a mandate that additional finance requirements be shared by both term lenders and working capital lenders, on a pro-rata basis. Furthermore, the revised guidelines provided that borrowers classified as willful defaulters may be restructured with the approval of the Core Group. In addition, the guidelines also delegated the authority of the approval of CDR packages to the CDR Empowered Group and the RBI retained the authority to issue broad guidelines.

During August 2008, based on the recommendations of the working group constituted to review and align the existing guidelines on restructuring of advances (other than under a CDR mechanism) in line with the provisions under the revised CDR mechanism, new guidelines were issued. These guidelines prescribed that accounts of borrowers engaged in important business activities and classified as standard assets may retain their standard asset classification on restructuring subject to certain conditions.

Based on the recommendations of the working group constituted by the RBI in January 2012, under the chairmanship of Mr. B. Mahapatra (the then Executive Director of the RBI), the RBI by its letter dated February 18, 2013 withdrew the special dispensation provision in relation to the second restructuring of CDR accounts, such that if any account is further rescheduled or rephased it would not result in a reduction in the present value of principal plus interest cash flows and would not be treated as a second restructuring, provided the existing credit facilities continue to be fully secured.

On May 30, 2013, based on the recommendations of the Mahapatra Committee, the prudential guidelines on the restructuring of advances by banks and FIs were revised, the major changes being:

- the extant asset classification benefits available on restructuring on fulfillment of certain conditions will be withdrawn for all restructurings effective from April 1, 2015, with the exception of provisions relating to changes in the date of commencement of commercial operation in respect of infrastructure as well as non-infrastructure projects;
- an increase in general provision on restructured standard advances from 2.00% to 5.00% in a phased manner;
- to upgrade a restructured account, the specified period will be redefined as a period of one year from the commencement of the first payment of interest or principal, whichever is later, on the credit facility with the longest period of moratorium under the terms of the restructuring package;
- a unit designated for restructuring should achieve viability in eight years, if it is engaged in infrastructure activities, and in five years in all other cases;
- promoters' sacrifice and additional funds brought by them should be a minimum of 20.00% of the bank's sacrifice or 2.00% of the restructured debt, whichever is higher. The promoters' sacrifice should invariably be bought upfront while extending the restructuring benefits to the borrowers;
- the conversion of debt into preference shares should be made as a last resort and such conversion of debt into equity or preference shares should, in any case, be restricted to a cap (for example, 10.00% of the restructured debt). Conversion of debt into equity should be done only in the case of listed companies;
- promoters' personal guarantees should be obtained in all cases of restructuring and a corporate guarantee cannot be accepted as a substitute for a personal guarantee; and
- all restructuring packages must incorporate a "right to recompense" clause, which should be based on certain performance criteria of the borrower. In any case, a minimum of 75.00% of the recompense amount should be recovered by the lenders and, in cases where some facility under restructuring has been extended below base rate, 100.00% of the recompense amount should be recovered.

### **Recent CDR Initiatives**

In a continuous process of streamlining and updating the CDR procedures and giving clarity to various issues, CDR has recently issued the following guidelines after approval from the Core Group:

- for the reckoning of "restructured debt" for the purposes of calculating promoter contribution, the total outstanding amount under fund-based and non-fund-based facilities as on a cut-off date ("COD") should be considered. The term "upfront" in relation to promoter contribution shall mean within a period of 120 days from the date of approval of the package by the Empowered Group;



- the minimum promoters' contribution in all cases would be 25.00% of the lenders' sacrifice or 2.00% of the restructured debt, whichever is higher. However, since regulatory guidelines state a contribution of 20.00% of the lenders' sacrifice or 2.00% of restructured debt, a contribution beyond this amount may be permitted within a period of one year from the date of approval of the package;
- a 10.00% cap for conversion of debt to equity introduced by the RBI on May 30, 2013 applies to upfront conversion only. Existing conditions regarding the right to future conversion, namely: (i) the right to convert the entire amount of the funded interest term loan/working capital term loan at any time during the currency of the CDR package; and
- (ii) the right to convert into equity up to 20.00% of the term debt outstanding beyond seven years, is beyond this cap of 10.00%;
- flash reports should invariably contain complete details of the promoters' shareholding and the names of all promoters and should specify the promoters whose personal or corporate guarantees are stipulated;
- lenders need to ensure a pledge of the promoters' shareholding and the execution of personal and corporate guarantees before the implementation of an approved package. As regards the creation of other security, since it is not a condition precedent to the implementation of a package, lenders need not approach the CDR for an extension of time but should be guided by their internal guidelines;
- a holistic view of the borrower group should be taken in all cases where the borrower has more than one company. The flash report should indicate the exposure to group/associate companies, strength of management, financial position of the group, total group net worth, equity commitments and cash flows;
- corporate guarantees given by corporate borrowers in favor of their subsidiaries or group companies are to be mentioned and discussed and their likely impact is to be explored in the final package;
- final reports should clearly indicate whether or not the amounts paid by the borrower post-COD towards the servicing of debt would be refunded and lenders should invariably adhere to the treatment indicated for such amounts;
- lenders should not levy any charges other than those specified in the CDR Master Circular issued by the CDR cell on January 9, 2013. A processing fee may be levied only on additional exposure by way of a term loan or working capital. In the case of working capital facilities, additional exposure for the purposes of a processing fee would be any amount assessed in excess of sanctioned limits as on the COD;
- all lenders are to send clear mandates well in time so that minutes may be finalized within seven working days from the date of any meeting;
- all lenders are to implement the CDR package once it is approved and all legal cases are to be withdrawn;
- monitoring institutions ("MIs") are to review all cases where terms of approval have not been complied with beyond a period of 120 days from the date of approval and accordingly to inform the Empowered Group; and
- MIs are to review compliance of the condition regarding the publication of the recompense amount by the borrowers in their audited financials and accordingly to inform the Empowered Group.



## ***Framework for Recognition of Financial Distress***

In February 2014, the RBI announced the “Framework for Revitalizing Distressed Assets in the Economy”. The framework outlines a corrective action plan to incentivize the following:

- early identification of problem cases;
- timely restructuring of accounts to be viable;
- prompt steps for recovery or sale of unviable accounts;
- centralized reporting and dissemination of information on large credits;
- early formation of lenders committee, with timelines to agree to a plan for resolution in relation to distressed assets;
- better regulatory treatment of stressed assets if a resolution plan is under way;
- accelerated provision if no agreements can be reached;
- improvement of the current restructuring process: independent evaluation of large-value restructuring mandated, with a focus on viable plans and a fair sharing of losses (and future possible upside), between promoters and creditors; and
- making future borrowing more expensive for the borrowers who do not cooperate with the lenders in resolution.

## **5/25 Scheme for Infrastructure Sector**

In a big boost for the infrastructure sector, in July 2014, the RBI introduced a long-term flexible refinancing and repayment option scheme where the exposure of a lender is more than Rs.5 billion. The scheme allows banks to extend long-term loans of 20-25 years to match the cash flow of infrastructure projects, with an option of refinancing them every five to seven years.

## **Strategic Debt Restructuring Scheme by Joint Lenders Forum (JLF)**

In June 2015, the RBI introduced the Strategic Debt Restructuring Scheme by converting loans due to equity shares by JLFs. The main features of this scheme were as follows:

- the possibility of transferring equity of the company by promoters to the lenders to compensate for their losses;
- promoters infusing more equity into their companies;
- transfer of the promoter’s holding to a security trustee or an escrow arrangement until a turnaround of the company;
- during the initial restructuring, the JLF must include conditions to the restructured loan agreed with the borrower, an option to convert the entire loan (including unpaid interest) or part thereof into shares into the company in the event that the borrower is not able to achieve the liability milestone and/or adhere to “critical conditions” as stipulated in the restructuring package; and
- the decision should be documented and approved by the majority of the JLF members (a minimum of 75.00% of creditors by value and 60.00% of creditors by number).

Pursuant circular dated 12 February 2018, the RBI repealed restructuring schemes such as corporate debt restructuring, strategic debt restructuring and the joint lenders forum.

## **Prudential Framework for Resolution of Stressed Assets) Directions, 2019**

On June 7, 2019, RBI issued the 'Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2019' (**Stressed Asset Directions**). The Stressed Asset Directions have been issued by the RBI in the wake of the judgement of the Supreme Court of India (in the matter of Dharani Sugars & Chemicals Limited v. Union of India & Ors) holding the RBI circular dated 12 February 2018 on Resolution of Stressed Assets – Revised Framework (**February 12 Circular**) as ultra vires. These directions are issued with a view to providing a framework for early recognition, reporting and time bound resolution of stressed assets. These directions are issued without prejudice to issuance of specific directions, from time to time, by the RBI to banks, in terms of the provisions of Section 35AA of the Banking Regulation Act, 1949, for initiation of insolvency proceedings against specific borrowers under the Insolvency and Bankruptcy Code, 2016 (IBC).

As per the Stressed Asset Directions, in the event of a default by a borrower, all lenders to the borrower would put in place a resolution plan (**RP**) within 30 days of such default (**Review Period**). During this Review Period, the lenders would decide on a resolution strategy, which includes sale of loan, legal action for debt recovery, immediate referral to NCLT, restructuring or change in ownership. In the event a RP is implemented, the lenders would enter into an intercreditor agreement (**ICA**) during the Review Period. The ICA shall provide that any decision agreed by lenders representing 75% by value of total outstanding credit facilities (fund based as well non-fund based) and 60% of the lenders by number shall be binding upon all the lenders. In addition, the ICA would provide for rights and duties of majority lenders, duties and protection of rights of dissenting lenders and treatment of lenders with priority in cash flows and differential security interest.

### ***Universal Banking Guidelines***

Universal banking in the Indian context means the transformation of long-term lending institutions into banks. Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group, the RBI, in its mid-term review of monetary and credit policy for fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms as applicable to banks. If a long-term lending institution chose to exercise the option available to it and formally decided to convert itself into a universal bank, it could formulate a plan for the transition path and a strategy for smooth conversion into a universal bank over a specified timeframe. In May 2001, the RBI issued guidelines on several operational and regulatory issues which were required to be addressed in evolving the path for transition of a long-term lending institution into a universal bank.

### **Base Rate System**

The benchmark prime lending rate (the “**BPLR**”) system, introduced in 2003, fell short of its original objective of bringing transparency to lending rates. This was mainly because, under the BPLR system, banks could lend below the BPLR. For the same reason, it was also difficult to assess the transmission of policy rates of the RBI to lending rates of the bank. The base rate system replaced the BPLR with effect from July 1, 2010. The base rate system is aimed at enhancing transparency in lending rates of banks and enabling better assessment of transmission of monetary policy. Base rate includes all those elements of the lending rate that are common across all categories of borrowers. Banks may choose any benchmark to arrive at the base rate for a specific tenor that is required to be disclosed transparently. Banks are free to use any methodology in computing the base rate, provided it is consistent and is made available for supervisory review and scrutiny, as and when required.

Banks may determine their actual lending rates on loans and advances with reference to the base rate and by including such other customer specific charges as considered appropriate. In order to give banks some time to stabilize the system of base rate calculation, banks were permitted to change the benchmark and methodology until June 30, 2011.

On December 17, 2015, the RBI released the final guidelines on computing interest rates on advances based on the marginal cost of funds. The guidelines came into effect on 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.

The highlights of the guidelines are as follows:

- all rupee loans sanctioned and credit limits renewed with effect from April 1, 2016 will be priced with reference to the marginal cost of funds based lending rate (“MCLR”) which will be the internal benchmark for such purposes;
- the MCLR will be a tenor-linked internal benchmark;
- actual lending rates will be determined by adding the components of spread to the MCLR;
- banks will review and publish their MCLR of different maturities every month on a pre-announced date;
- banks may specify interest reset dates on their floating rate loans. They will have the option to offer loans with reset dates linked either to the date of sanction of the loan/credit limits or to the date of review of the MCLR;
- the periodicity of reset shall be one year or lower;
- the MCLR prevailing on the day the loan is sanctioned will be applicable until the next reset date, irrespective of the changes in the benchmark during the interim period;
- existing loans and credit limits linked to the Base Rate may continue until repayment or renewal, as the case may be. Existing borrowers will also have the option to move to the MCLR-linked loan on mutually acceptable terms; and
- banks will continue to review and publish the Base Rate as hitherto.

### **Credit Policy Measures**

The RBI issues an annual policy statement setting out its monetary policy stance and announcing various regulatory measures. The RBI issues a review of the annual policy statement on a bi-monthly basis.

### **Monetary Policy Statement for 2016-2017**

#### ***First Bi-Monthly Monetary Policy Statement for Fiscal 2017 held on April 5, 2016***

#### ***Monetary and Liquidity Measures***

- Reduced the policy repo rate under the LAF by 25 basis points from 6.75% to 6.5%.
- CRR remained unchanged at 4.00%. Reduced the minimum daily cash maintenance of CRR from 95.00% to 90.00% with effect from the fortnight beginning April 16, 2016.
- Narrowed the policy rate corridor from +/-100 basis points to +/-50 basis points by reducing the MSF rate by 75 basis points and increasing the reverse repo rate by 25 basis points.
- The MSF rate stood adjusted at 7.00%, the Bank Rate at 7.00% and the reverse repo rate under the LAF at 6.00%.
- The liquidity provided under term repos of seven-day and 14-day tenor remained unchanged at 0.75% of NDTL of the banking system while liquidity provided under overnight repos remained unchanged at 0.25% of bank-wise NDTL.
- Reduced the SLR by 25 basis points from 21.5% to 21.00% of the NDTL.
- Introduced MCLR for improving monetary policy transmission.

## ***Second Bi-Monthly Monetary Policy Statement for Fiscal 2017 held on June 7, 2016***

### ***Monetary and Liquidity Measures***

- The policy repo rate under the LAF remained unchanged at 6.5%.
- The MSF rate, Bank Rate and reverse repo rate remained unchanged at 7.00%, 7.00% and 6.00%, respectively.
- The liquidity provided under term repos of seven-day and 14-day tenor remained unchanged at 0.75% of NDTL of the banking system while liquidity provided under overnight repos remained unchanged at 0.25% of bank-wise NDTL.

## ***Third Bi-Monthly Monetary Policy Statement for Fiscal 2017 held on August 9, 2016***

### ***Monetary and Liquidity Measures***

- The policy repo rate under the LAF remained unchanged at 6.5%.
- The MSF rate remained unchanged at 7.00%, the Bank Rate at 7.00% and the reverse repo rate under the LAF at 6.00%.
- The liquidity provided under term repos of seven-day and 14-day tenor remained unchanged at 0.75% of NDTL of the banking system while liquidity provided under overnight repos remained unchanged at 0.25% of bank-wise NDTL.

## ***Fourth Bi-Monthly Monetary Policy Statement for Fiscal 2017 held on October 4, 2016***

### ***Monetary and Liquidity Measures***

- Reduced the policy repo rate under the LAF by 25 basis points from 6.5% to 6.25% with immediate effect.
- CRR of scheduled banks remained unchanged at 4.00% of NDTL.
- Continued to provide liquidity under overnight repos at 0.25% of bank-wise NDTL at the LAF repo rate and liquidity under 14-day term repos as well as allowed longer-term repos of up to 0.75% of NDTL of the banking system through auctions.
- Continued with daily variable rate repos and reverse repos to smoothen the liquidity.
- The reverse repo rate under the LAF stands adjusted to 5.75%, and the MSF rate and the Bank Rate to 6.75%.
- SLR adjusted to 20.75% from 21.00% with effect from October 1, 2016.

## ***Fifth Bi-Monthly Monetary Policy Statement for Fiscal 2017 held on December 7, 2016***

### ***Monetary and Liquidity Measures***

- Policy repo rate under the LAF unchanged at 6.25%.
- CRR of scheduled banks unchanged at 4.00% of NDTL.
- Continued to provide liquidity under overnight repos at 0.25% of bank-wise NDTL at the LAF repo rate and liquidity under 14-day term repos as well as allowed longer-term repos of up to 0.75% of NDTL of the banking system through auctions.
- Continued with daily variable rate repos and reverse repos to smoothen the liquidity.

- The reverse repo rate under the LAF remained unchanged at 5.75%, and the MSF rate and the Bank Rate at 6.75%.
- Withdrew the incremental CRR of 100.00% of increase in NDTL which was introduced between September 16, 2016 and November 11, 2016 to absorb excess liquidity in the system due to withdrawal of legal tender status of Rs.500 and Rs.1,000 denomination notes.

***Sixth Bi-Monthly Policy Statement for Fiscal 2017 held on February 8, 2017***

***Monetary and Liquidity Measures***

- Policy repo rate under the LAF unchanged at 6.25%.
- CRR of scheduled banks unchanged at 4.0% of NDTL.
- Continued to provide liquidity under overnight repos at 0.25% of bank-wise NDTL at the LAF repo rate and liquidity under 14-day term repos as well as longer term repos of up to 0.75% of NDTL of the banking system through auctions.
- Continued with daily variable rate repos and reverse repos to smooth liquidity.
- The reverse repo rate under the LAF remained unchanged at 5.75%, and the MSF rate and the Bank Rate at 6.75%.

***First Bi-Monthly Monetary Policy Statement for Fiscal 2018 held on April 6, 2017***

***Monetary and Liquidity Measures***

- Policy repo rate under the LAF unchanged at 6.25 per cent.
- LAF (Liquidity Adjustment Facility) policy rate corridor narrowed to 0.25 basis points.
- Consequent upon the narrowing of the LAF corridor, the reverse repo rate under the LAF at 6.0 per cent., and the marginal standing facility (MSF) rate and the Bank Rate at 6.50 per cent.

Decided to allow substitution of collateral by market participants in the term repos under the LAF which provided operational flexibility to them by enhancing liquidity of collaterals

***Second Bi-Monthly Monetary Policy Statement for Fiscal 2018 held on 7 June 2017***

***Monetary and Liquidity Measures***

- Policy repo rate under the LAF unchanged at 6.25 per cent.
- Consequently, the reverse repo rate under the LAF unchanged at 6.0 per cent., and the marginal standing facility (MSF) rate and the Bank Rate at 6.50 per cent.
- Decided to reduce the SLR from 20.5 per cent. of Net Demand and Time Liability (NDTL) to 20.0 per cent. of NDTL with effect from the fortnight beginning 24 June 2017.

Decided to reduce the risk weight on certain categories of housing loans sanctioned. Also decided to reduce the standard asset provisioning rate on such loans.

***Third Bi-Monthly Monetary Policy Statement for Fiscal 2018 held on 2 August 2017***

***Monetary and Liquidity Measures***

- Policy repo rate under the LAF cut by 25 basis points to 6.00 per cent.
- Consequently, the reverse repo rate under the LAF at 5.75 per cent., and the marginal standing facility (MSF) rate and the Bank Rate at 6.25 per cent.

- Decided that reserves held by banks incorporated in India with a foreign central bank, in excess of the reserve requirement in the host country, should be treated as High Quality Liquid Assets (HQLAs), subject to certain conditions.

***Fourth Bi-Monthly Monetary Policy Statement for Fiscal 2018 held on 4 October 2017***

*Monetary and Liquidity Measures*

- Policy repo rate under the LAF unchanged at 6.00 per cent.
- Consequently, the reverse repo rate under the LAF unchanged at 5.75 per cent., and the marginal standing facility (MSF) rate and the Bank Rate at 6.25 per cent.
- Proposed to reduce the Statutory Liquidity Ratio (SLR) by 50 basis points from 20.0 per cent. to 19.50 per cent. of banks' net demand and time liabilities (NDTL) from the fortnight commencing 14 October 2017.
- Decided to reduce ceiling on SLR securities under 'Held to Maturity' (HTM) from 20.25 per cent. to 19.50 per cent. of banks' NDTL in a phased manner i.e., 20.00 per cent. by December 31, 2017 and 19.50 per cent. by March 31, 2018.

***Fifth Bi-Monthly Monetary Policy Statement for Fiscal 2018 held on December 6, 2017***

- Policy repo rate under the LAF unchanged at 6.00 per cent.
- Consequently, the reverse repo rate under the LAF unchanged at 5.75 per cent., and the marginal standing facility (MSF) rate and the Bank Rate at 6.25 per cent.
- In the meeting, a revised MDR, aimed at achieving the twin objectives of increased usage of debit cards and ensuring sustainability of the business for the entities involved, was proposed.
- Also, allowing Overseas Branches/Subsidiaries of Indian Banks to Refinance ECBs was decided. In order to provide a level playing field, it was decided, in consultation with the Government, to permit the overseas branches/subsidiaries of Indian banks to refinance ECBs of AAA rated corporates as well as Navratna and Maharatna PSUs, by raising fresh ECBs.

***Sixth Bi-monthly Monetary Policy Statement for Fiscal 2018 held on February 6, 2018***

- Policy repo rate under the LAF unchanged at 6.00 per cent.
- Consequently, the reverse repo rate under the LAF unchanged at 5.75 per cent., and the marginal standing facility (MSF) rate and the Bank Rate at 6.25 per cent.
- The December bi-monthly resolution projected inflation in the range of 4.3-4.7 per cent in the second half of 2017-18, including the impact of increase in HRA. In terms of actual outcomes, headline inflation averaged 4.6 per cent in Q3, driven primarily by an unusual pick-up in food prices in November.

***First Bi-monthly Monetary Policy Statement for Fiscal 2019 held on April 5, 2018***

- Policy repo rate under the LAF unchanged at 6.00 per cent.
- Consequently, the reverse repo rate under the LAF unchanged at 5.75 per cent., and the marginal standing facility (MSF) rate and the Bank Rate at 6.25 per cent.
- Inflation in Q4:2017-18 projected at 4.5 per cent.



- The MPC noted that the economy is on a recovery path, including early signs of a revival of investment activity. Global demand is improving, which should help strengthen domestic investment activity. The focus of the Union Budget on the rural and infrastructure sectors is also a welcome development as it would support rural incomes and investment, and in turn provide a further push to aggregate demand and economic activity. On the downside, the deterioration in public finances risks crowding out of private financing and investment. The Committee is of the view that the nascent recovery needs to be carefully nurtured and growth put on a sustainably higher path through conducive and stable macro-financial management.

***Second Bi-monthly Monetary Policy Statement for Fiscal 2019 held on June 6, 2018***

- Policy repo rate under the LAF increased to 6.25 per cent.
- Consequently, the reverse repo rate under the LAF increased to 6.00 per cent., and the marginal standing facility (MSF) rate and the Bank Rate at 6.50 per cent.
- The MPC reiterated its commitment to achieving the medium-term target for headline inflation of 4 per cent on a durable basis.
- The MPC also noted that domestic economic activity exhibited sustained revival in recent quarters and the output gap had almost closed. Investment activity, in particular, was recovering well and could receive a further boost from swift resolution of distressed sectors of the economy under the Insolvency and Bankruptcy Code. Geo-political risks, global financial market volatility and the threat of trade protectionism pose headwinds to the domestic recovery. Adherence to budgetary targets by the Centre and the States – which appears to be the case thus far – will also ease upside risks to the inflation outlook considerably.

***Third Bi-monthly Monetary Policy Statement for Fiscal 2019 held on August 1, 2018***

- Policy repo rate under the LAF increased to 6.5 per cent.
- Consequently, the reverse repo rate under the LAF increased to 6.25 per cent., and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 per cent.
- Inflation projected at 4.6 per cent in Q2, 4.8 per cent in H2 of 2018-19 and 5.0 per cent in Q1:2019-20, with risks evenly balanced. Excluding the HRA impact, CPI inflation was projected at 4.4 per cent in Q2, 4.7-4.8 per cent in H2 and 5.0 per cent in Q1:2019-20.
- MPC noted that domestic economic activity continued to sustain momentum and the output gap had virtually closed. However, uncertainty around domestic inflation needs was to be carefully monitored in the following months. In addition, global developments had raised some concerns. Rising trade protectionism poses a grave risk to near-term and long-term global growth prospects by adversely impacting investment, disrupting global supply chains and hampering productivity. Geopolitical tensions and elevated oil prices continue to be the other sources of risk to global growth.

***Fourth Bi-monthly Monetary Policy Statement for Fiscal 2019 held on October 3-5, 2018***

- Policy repo rate under the LAF unchanged at 6.5 per cent.
- Consequently, the reverse repo rate under the LAF unchanged at 6.25 per cent., and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 per cent.
- Inflation projected 3.9-4.5 per cent in H2 of 2018-19 and 4.8 per cent in Q1:2019-20, with risks somewhat to upside. Excluding the HRA impact, CPI inflation was projected at 3.7 per cent in Q2, 3.8-4.5 per cent in H2 and 4.8 per cent in Q1:2019-20.

- MPC noted that global economic activity has remained resilient in spite of ongoing trade tensions, but is becoming uneven and the outlook is clouded by several uncertainties, economic activity in major emerging market economies (EMEs) has been facing headwinds from both global and country-specific factors and growth in global trade is weakening as reflected in export orders and automobile production and sales. MPC also notes that global headwinds in the form of escalating trade tensions, volatile and rising oil prices, and tightening of global financial conditions pose substantial risks to the growth and inflation outlook. It is, therefore, imperative to further strengthen domestic macroeconomic fundamentals. The MPC also noted that even as escalating trade tensions, tightening of global financial conditions and slowing down of global demand pose some downside risks to the domestic economy, the decline in oil prices in recent weeks, if sustained, will provide tailwinds.

***Fifth Bi-monthly Monetary Policy Statement for Fiscal 2019 held on December 3-5, 2018***

- Policy repo rate under the LAF unchanged at 6.5 per cent.
- Consequently, the reverse repo rate under the LAF unchanged at 6.25 per cent., and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 per cent.
- Inflation projected at 2.7-3.2 per cent in H2 of 2018-19 and 3.8-4.2 per cent in H1:2019-20, with risks tilted upwards. The projected inflation path remains unchanged after adjusting for the HRA impact of central government employees as this impact dissipates completely from December 2018 onwards.
- MPC noted global economic activity has shown increasing signs of weakness on rising trade tensions, Economic activity also decelerated in major emerging market economies (EMEs) in Q3, Crude oil prices have declined sharply, reflecting higher supplies and easing of geo-political tensions, Global financial markets have been driven mainly by rising policy rates in the US, volatile crude oil prices and expectations of a slowdown compared with earlier projections.

***Sixth Bi-monthly Monetary Policy Statement for Fiscal 2019 held on February 5-7, 2018***

- Policy repo rate under the LAF reduced to 6.25 per cent.
- Consequently, the reverse repo rate under the LAF reduced to 6.0 per cent., and the marginal standing facility (MSF) rate and the Bank Rate at 6.5 per cent.
- Inflation projected at 2.8 per cent in Q4, 3.2-3.4 per cent in H1 of 2019-20 and 3.9 per cent in Q3:2019-20, with risks balanced around central trajectory.
- MPC noted there has been a slowdown in global economic activitymarkets have been driven mainly by rising policy rates in the US, volatile crude oil prices and expectations of a slowdown compared with earlier projections, Economic activity also slowed in some major emerging market economies (EMEs), Crude oil prices recovered from their December lows in early January on production cuts, but remain below their peak levels in October. The MPC also notes that the output gap has opened up modestly as actual output has inched lower than potential. Investment activity is recovering but supported mainly by public spending on infrastructure. The need is to strengthen private investment activity and buttress private consumption.

***First Bi-monthly Monetary Policy Statement for Fiscal 2020 held on April 2-4, 2019***

- Policy repo rate under the LAF reduced to 6.0 per cent.
- Consequently, the reverse repo rate under the LAF reduced to 5.75 per cent., and the marginal standing facility (MSF) rate and the Bank Rate at 6.25 per cent.
- Inflation projected at 2.4 per cent in Q4, 2.9-3.0 per cent in H1 of 2019-20 and 3.5-3.8 per cent in H2:2019-20, with risks broadly balanced.

- MPC noted global economic activity has been losing pace, Economic activity also slowed down in some major emerging market economies (EMEs), Crude oil prices have risen on production cuts by OPEC and Russia as well as disruption in supplies due to US sanctions on exports from Venezuela and Financial markets continued to be driven by monetary policy stances of key central banks and movements in crude oil prices The MPC also notes that the output gap remains negative and the domestic economy is facing headwinds, especially on the global front. The need is to strengthen domestic growth impulses by spurring private investment which has remained sluggish.

### ***Second Bi-monthly Monetary Policy Statement for Fiscal 2020 held on June 3-6, 2019***

- Policy repo rate under the LAF reduced to 5.75 per cent by 25 basis points.
- Consequently, the reverse repo rate under the LAF stands adjusted to 5.50 per cent, and the marginal standing facility (MSF) rate and the Bank Rate to 6.0 per cent.
- The MPC also decided to change the stance of monetary policy from ‘neutral’ to ‘accommodative’.
- CPI inflation projections have been revised to 3.0-3.1 per cent for H1:2019-20 and to 3.4-3.7 per cent for H2:2019-20, with risks broadly balanced.
- The MPC noted that growth impulses have weakened significantly as reflected in a further widening of the output gap compared to the April 2019 policy. A sharp slowdown in investment activity along with a continuing moderation in private consumption growth is a matter of concern. The headline inflation trajectory remains below the target mandated to the MPC even after taking into account the expected transmission of the past two policy rate cuts. Hence, there is scope for the MPC to accommodate growth concerns by supporting efforts to boost aggregate demand, and in particular, reinvigorate private investment activity, while remaining consistent with its flexible inflation targeting mandate.

### **Reforms of the Non-Banking Financial Companies**

Standards relating to income recognition, provisioning and capital adequacy were prescribed for non-banking financial companies in June 1994. Registered non-banking financial companies were required to achieve a minimum capital adequacy of 6.00% by the end of fiscal 1995 and 8.00% by the end of fiscal year 1996 and to obtain a minimum credit rating. To encourage companies to comply with the regulatory framework, the RBI announced in July 1996 certain liberalization measures under which the non-banking financial companies registered with it and complying with the prudential norms and credit rating requirements were granted freedom from the ceiling on interest rates on deposits and amount of deposits. Other measures introduced include requiring non-banking financial companies to maintain a certain percentage of liquid assets and to create a reserve fund. The percentage of liquid assets to be maintained by non-banking financial companies has been revised uniformly upwards to 15.00% of public deposits since April 1999. From January 1, 2000, the requirement should not be less than 10.00% in approved securities and the remaining in unencumbered term deposits in any scheduled commercial bank, the aggregate of which shall not be less than 15.00% of the “public deposit” outstanding at the close of business on the last working day of the second preceding quarter. The maximum rate of interest that non-banking financial companies could pay on their public deposits was reduced from 12.50% per annum to 11.00% per annum effective March 4, 2003. Effective April 24, 2007, the maximum rate of interest on public deposits accepted by non-banking financial companies was increased to 12.50% per annum.

Efforts have also been made to integrate non-banking financial companies into the mainstream financial sector. The first phase of this integration covered measures relating to registrations and standards. The focus of supervision has now shifted to non-banking financial companies accepting public deposits. This is because companies accepting public deposits are required to comply with all the directions relating to public deposits, prudential norms and liquid assets. A task force on non-banking financial companies set up by the Government submitted its report in October 1998, and recommended several steps to rationalize the regulation of non-banking financial companies. Accepting these recommendations, the RBI issued new guidelines for non-banking financial companies in December 1998, which were as follows:

- a minimum net owned fund of Rs.2.5 million is mandatory before existing non-banking financial companies may accept public deposits;

- a minimum investment grade rating is compulsory for loan and investment companies accepting public deposits, even if they have the minimum net owned funds;
- permission to accept public deposits was also linked to the level of capital to risk assets ratio. Different capital to risk assets ratio levels for non-banking financial companies with different ratings were specified; and
- non-banking financial companies were advised to restrict their investments in real estate to 10.00% of their net owned funds.

In the monetary and credit policy for fiscal 2000, the RBI stipulated a minimum capital base of Rs.20 million for all new non-banking financial companies. This measure was implemented by a notification dated April 21, 1999. In this regard, draft guidelines were introduced on May 21, 2007 whereby the requirement of a minimum net owned fund of Rs.20 million was proposed to be extended to all NBFCs. Subsequent to the Government's budget for fiscal 2002, the procedures for foreign direct investment in NBFCs were substantially liberalized.

During fiscal 2003, the RBI introduced a number of measures to enhance the regulatory and supervisory standards of non-banking financial companies, especially in order to bring them in line with commercial banks, in select operations, over a period of time. Other regulatory measures adopted and subsequently revised in November 2004 included aligning interest rates in this sector with the rates prevalent in the rest of the economy, tightening prudential norms and harmonizing supervisory directions with the requirements of the Companies Act, 1956, procedural changes in nomination facilities, issuance of a Know Your Customer policy and allowing non-banking financial companies to enter the insurance agency business.

In 2005, the RBI introduced stricter regulatory measures for non-banking financial companies, including stringent reporting requirements and revised Know Your Customer guidelines.

On May 11, 2010, the RBI decided to modify the extant ECB policy in respect of IFCs. According to the extant norms, IFCs have been permitted to avail of ECBs for on-lending to the infrastructure sector, as defined in the extant ECB policy, under the approval route. As a measure of liberalization of the existing procedures, it was decided to permit the IFCs to avail of ECBs, including the outstanding ECBs, up to 50.00% of their owned funds under the automatic route, subject to their compliance with the prudential guidelines already in place. ECBs incurred by IFCs in excess of 50.0% of their owned funds would require the approval of the RBI and would, therefore, be considered under the approval route. All other aspects of ECB policy remained unchanged.

In February 2011, the RBI decided to align the minimum capital ratio of all deposit-taking as well as systemically important non-deposit taking NBFCs to 15.00%. Accordingly, all deposit-taking NBFCs were required to maintain a minimum capital ratio consisting of Tier I and Tier II capital, which shall not be less than 15.00% of its aggregate risk-weighted assets on balance sheet and risk adjusted value of off-balance sheet items with effect from March 31, 2012.

In March 2011, the RBI decided to prohibit NBFCs from contributing capital to any partnership firm or to be partners in partnership firms in view of the risks involved in NBFCs associating themselves with partnership firms. In the case of existing partnerships, NBFCs may seek early retirement from the partnership firms.

In November 2014, the RBI introduced a revised regulatory framework for NBFCs in view of the increasing complexities of services offered by NBFCs, making it mandatory for all NBFCs to attain a minimum net-owned fund ("NOF") of Rs.20 million by the end of March 2017 in a phased manner, with a minimum NOF of Rs.10 million by March 2016 and Rs.20 million by March 2017. The RBI amended disclosure requirements in the financial statements applicable to all NBFCs and all non-deposit taking NBFCs. In addition, the RBI made changes to the prudential norms, board committees of the NBFCs, criteria for the appointment of directors, offsite reporting and exemptions.

## **Guidelines on Liquidity Risk Management and Basel III Framework on Liquidity Standards**

To address the deficiencies witnessed in liquidity risk management in the recent crisis and to strengthen liquidity risk management in banks, the Basel Committee on Banking Supervision (“BCBS”) published “Principles for Sound Liquidity Risk Management and Supervision” in September 2008. This was followed by the publication of “Basel III: International Framework for Liquidity Risk Measurement, Standards and Monitoring” in December 2010, i.e. the Basel III rules text on liquidity prescribing two minimum global regulatory standards, namely the liquidity coverage ratio (“LCR”) and the net stable funding ratio for liquidity risk and a set of five monitoring tools.

In accordance with this, the RBI, being a member of the B CBS, released draft guidelines entitled “Liquidity Risk Management and Basel III Framework on Liquidity Standards” in February 2012. The final guidelines on the Basel III capital regulations were issued on May 2, 2012. These guidelines were scheduled to be implemented on January 1, 2013 in a phased manner and were scheduled to be fully implemented on March 31, 2018. Subsequently, the implementation date for the Basel III capital regulations was changed from January 1, 2013 to April 1, 2013 to align the implementation date with the Indian financial year.

### ***Compliance with Basel II and Basel III Requirements***

In April 2011, the RBI issued guidelines to banks in relation to moving towards the “Advanced Measurement Approach” (“AMA”) for computing capital for operational risk. According to the AMA guidelines, banks are required to submit their letter of intent to migrate to the AMA followed by a detailed application to the RBI for migrating to the advanced measurement approach. The Bank had submitted its letter of intent for migration to the AMA in September 2012. On the basis of the RBI’s permission, the Bank had made its final application to move to the AMA in September 2014. The RBI had undertaken an offsite and onsite assessment of the Bank’s preparedness and had granted approval to the Bank to migrate to the AMA on a parallel run basis in June 2015.

In April 2010 and March 2012, the RBI issued guidelines relating to switching over to (i) the “Internal Model Approach” for computing capital for market risk and (ii) the “Internal Ratings-Based Approach” (“IRB”) for computing capital for credit risk, respectively.

The Bank has constituted a Basel Credit Risk Committee which comprises the deputy managing director, the chief risk officer and the group head of finance and audit functions, which meets on a quarterly basis to oversee the progress of the preparation for the IRB. The committee is also responsible for approving various IRB related policies which are presented to it from time to time. Further, the committee also reviews the capital impact as per the IRB approach and provides guidance on reviews of the methodology used from time to time.

The Bank had completed a self-assessment of its preparation to migrate to the IRB approach and, with the approval of the Risk Policy and Monitoring Committee of the Board, submitted a letter of intent to the RBI for migrating to the IRB approach. Following the submission of additional information and further interaction with RBI officials, the Bank has been allowed by the RBI to participate in the parallel run process for the Foundation IRB approach for regulatory capital calculation for credit risk, subject to certain conditions. During the parallel run period, the Bank is required to provide data and/or information as per prescribed returns to the RBI on a quarterly basis. Quantitative disclosures in line with pillar 3 disclosures under the Basel III guidelines as mandated by the RBI for commercial banks are disclosed in the Regulatory Disclosure Section of the Bank’s website on a quarterly basis.

With regard to market risk capital charge, the Bank currently follows the standardized approach (being the standardized measurement methodology (“SMM”)) prescribed by the regulator and has further put in place a risk analytics system to develop capability for adopting an internal model approach. The Basel III guidelines have been introduced with a view to improving the banking sector’s ability to absorb shocks arising from any financial and economic stress from whatever source and with the aim of supplementing the risk-based capital requirement with a leverage ratio that requires capital for all “on and off balance sheet” items, thus shifting the focus towards common equity capital.



During fiscal 2014, the Bank made concurrent qualified institutional placements and a public offering of American depositary shares each representing three equity shares. The aggregate funds received from these issuances was Rs.97,661 million. Further, the Bank takes continuous measures to be in compliance with the phasing in of capital and leverage ratio requirements under the Basel III guidelines as per the schedule prescribed by the RBI.

### **Small Finance Banks and Payment Banks**

On July 17, 2014, the RBI issued draft guidelines for the licensing of payment banks and on November 27, 2014 issued guidelines for small finance banks in the private sector. The primary objective of setting up the payment banks and small finance banks was to further financial inclusion by providing (i) small savings accounts and (ii) payments/remittance services to a migrant labor workforce, low income households, small businesses, other unorganized sector entities and other users, by enabling high-volume low-value transactions in deposits and payments/remittance services in a secured technology driven environment. The RBI received 72 applications for small finance banks and 41 applications for payment banks. In August 2015, 11 entities were granted “in-principle” approval from the RBI for the setting up of payment banks while ten entities were provided “in-principle” approval for the setting up of small finance banks. However, as at the date of this Offering Circular, there were 6 operating payment banks with 642 branches cumulatively and 10 functioning small finance banks with 2,818 branches cumulatively.

Key features of the Small Finance Bank guidelines are as follows:

#### ***Eligible promoters***

Resident individuals/professionals with ten years of experience in banking and finance and companies and societies “owned and controlled by residents” will be eligible to set up small finance banks. Existing NBFCs, microfinance institutions and local area banks that are “owned and controlled by residents” can also opt for conversion into small finance banks. Promoter/promoter groups should be “fit and proper”, with a sound track record of professional experience or of running their businesses for a period of at least five years in order to be eligible to promote small finance banks.

#### ***Scope of activities***

- The small finance banks shall primarily undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections, including small business units, small and marginal farmers, micro and small industries and unorganized sector entities.
- There will not be any restriction in the area of operations of small finance banks.

#### ***Capital requirement***

The minimum paid-up equity capital for small finance banks shall be Rs.100 million.

#### ***Promoter’s contribution***

The promoter’s minimum initial contribution to the paid-up equity capital of such small finance bank shall be at least 40.00% and shall gradually be brought down to 26.00% within 12 years from the date of commencement of business of the bank.

#### ***Foreign shareholding***

The foreign shareholding in small finance banks would be according to the Foreign Direct Investment (“FDI”) policy for private sector banks as amended from time to time.



### ***Prudential norms***

- The small finance banks will be subject to all prudential norms and regulations of the RBI as applicable to existing commercial banks, including the requirement of maintenance of CRR and SLR. No forbearance would be provided for complying with the statutory provisions.
- The small finance banks will be required to extend 75.00% of their ANBC to the sectors eligible for classification as PSL by the RBI.
- At least 50.00% of their loan portfolio should constitute loans and advances of up to Rs.2.5 million.

### ***Transition path***

If a small finance bank aspires to transit to a universal bank, such transition will not be automatic, but would be subject to fulfilling the minimum paid-up capital/net worth requirement as applicable to universal banks, its satisfactory track record of performance as a small finance bank and the outcome of the RBI's due diligence exercise.

Key features of the Payment Banks guidelines are as follows:

### ***Eligible promoters***

- Existing non-bank pre-paid payment instrument issuers and other entities such as individuals/professionals, NBFCs, corporate Business Correspondents (“BCs”), mobile telephone companies, supermarket chains, companies, real sector cooperatives that are “owned and controlled by residents” and public sector entities may apply to set up payment banks.
- A promoter/promoter group can have a joint venture with an existing scheduled commercial bank to set up a payment bank. However, a scheduled commercial bank can take an equity stake in a payment bank only to the extent permitted under Section 19(2) of the Banking Regulation Act, 1949.
- Promoter/promoter groups should be “fit and proper”, with a sound track record of professional experience or of running their businesses for a period of at least five years in order to be eligible to promote payment banks.

### ***Scope of activities***

- Acceptance of demand deposits. Payment banks will initially be restricted to holding a maximum balance of Rs. 100,000 per individual customer.
- Issuance of ATM/debit cards. Payment banks, however, cannot issue credit cards.
- Payments and remittance services through various channels.
- BC of another bank, subject to the RBI guidelines on BCs.
- Distribution of non-risk-sharing simple financial products such as mutual fund units and insurance products etc.

### ***Deployment of funds***

- The payment banks cannot undertake lending activities.
- Apart from amounts maintained as CRR with the RBI on its outside demand and time liabilities, payment banks will be required to invest a minimum of 75.00% of their “demand deposit balances” in SLR eligible Government securities/treasury bills with a maturity up to one year and to hold a maximum of 25.00% in current and time/fixed deposits with other scheduled commercial banks for operational purposes and liquidity management.

### ***Capital requirement***

- The minimum paid-up equity capital for payment banks shall be Rs.100 million.
- The payment banks should have a leverage ratio of not less than 3.00%, i.e. their outside liabilities should not exceed 33.33 times their net worth (paid-up capital and reserves).

### ***Promoter's contribution***

The promoter's minimum initial contribution to the paid-up equity capital of such payment bank shall be at least 40.00% for the first five years from the commencement of its business.

### ***Foreign shareholding***

The foreign shareholding in the payment banks would be limited according to the FDI policy for private sector banks as amended from time to time.

### ***Other conditions***

- The operations of the banks should be fully networked and technology driven from the beginning, conforming to generally accepted standards and norms.
- The banks should have a high-powered customer grievances department to handle customer complaints.

## **Developments in the Banking Sector**

### ***Implementation of the Basel III Capital Regulations***

In December 2010, the BCBS issued a comprehensive reform package of capital regulations, known as Basel III. The objective of the reform package is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, thus reducing the risk of spillover 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, 2013*).

Under Basel III, the total capital of a bank in India must be at least 9.00% of RWAs (8.00% as specified by the BCBS), Tier I capital must be at least 7.00% of RWAs (6.00% as specified by the BCBS) and Common Equity Tier I capital must be at least 5.50% of RWAs (4.50% as specified by the BCBS). Due to the transitional arrangements, the capital requirements of banks may be lower during the initial periods and higher during later years. Therefore, banks have been advised to do their capital planning accordingly. In addition to the minimum requirements as indicated above, banks are required to maintain a capital conservation buffer ("CCB") in the form of common equity of 2.50% of RWAs. Under the RBI Basel III Guidelines, total capital with CCB has been fixed at 11.50% of RWAs. In July 2014, the RBI released the "Final Report of the Internal Working Group on Implementation of Counter-cyclical Capital Buffer (CCCB)", which requires banks to maintain a buffer of up to 2.50% of RWAs in periods of high credit growth as a precaution for downturn.

Furthermore, under Basel III, a simple, transparent, non-risk-based leverage ratio has been introduced. The BCBS will test a minimum Tier I leverage ratio of 3.00% during a parallel run period from January 1, 2013 to January 1, 2017. The RBI has prescribed that during this parallel run period banks should strive to maintain their existing leverage ratios, but in no case should a bank's leverage ratio fall below 4.50%. Banks whose leverage is below 4.50% have been advised to achieve this target as early as possible. This leverage ratio requirement is yet to be finalized and will be finalized taking into account the final proposals of the BCBS (*Source: RBI Annual Report 2011-2012*). Additionally, in June 2014, the RBI released guidelines for a LCR as part of the Basel III framework on liquidity standards, which will require minimum LCRs starting at 60.00% as of January 1, 2015, increasing in equal annual steps to 100% by January 1, 2019.

Furthermore, Additional Tier I non-equity capital instruments under Basel III are expected to provide additional features such as full coupon discretion, and principal loss absorption when the common equity ratio of a bank falls below 6.125% 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 State Bank of India and ICICI Bank Ltd. as domestic systemically important banks (“**D-SIBs**”). Based on the methodology provided in the D-SIB framework and data collected from banks as on March 31, 2015, the State Bank of India and ICICI Bank Ltd. will have to provide Additional Common Equity Tier 1 (CET1) requirements as a percentage of risk-weighted assets of 0.60% and 0.20%, 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 capital conservation buffer.

As per RBI’s List of 2018 Domestic Systemically Important Banks (D-SIBs) dated March 14, 2019, SBI, ICICI Bank, and HDFC Bank continue to be identified as Domestic Systemically Important Banks (D-SIBs). The additional Common Equity Tier 1 (CET1) requirement for D-SIBs has already been phased-in from April 1, 2016 and became fully effective from April 1, 2019. The additional CET1 requirement would be in addition to the capital conservation buffer. To ensure financial stability and with a view to moving further towards harmonisation with Basel III standards, it has been decided that the minimum LR should be 4% for Domestic Systemically Important Banks (DSIBs) and 3.5% for other banks. (Source: Statement on Development and Regulatory Policies, Jun 6, 2019, RBI Press Release)

The RBI has put in place frameworks on countercyclical capital buffer (CCCB), leverage ratio, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) which are to be implemented by April 1, 2020. For better management of concentration risks and in order to align Indian banks with the international norms, the Reserve Bank proposed guidelines on large exposures, which became effective from April 1, 2019. The latest round of reforms published by the Basel committee on Banking Supervision (BCBS) in December 2017 have implementation timelines stretching up to 2022. The Reserve Bank is expected to come up with the draft guidelines by 2020 for consultations. (Source: Indian Banking Sector: Current Status and the Way Forward, Speech of Shaktikanta Das, Governor, Reserve Bank of India – June 8, 2019)

In April 2017, the RBI issued a Revised Prompt Corrective Action (PCA) framework to maintain financial health of banks. Under this framework, Banks were identified on the basis of certain risk thresholds in the areas of capital, asset quality and/or profitability, in order to undertake corrective measures and restore their financial health. As on February 2019, there are 5 PSB banks under RBI’s PCA Framework, from the earlier 11 PSBs and one private bank.

### ***Dynamic Provisioning Guidelines***

At present, banks generally make two types of provisions: general provisions on standard assets; and specific provisions on NPAs. Since the level of NPAs varies through the economic cycle, the resultant level of specific provisions also behaves cyclically. Consequently, lower provisions during upturns and higher provisions during downturns have a pro-cyclical effect on the real economy.

To address the pro-cyclicality of capital and provisioning, efforts at an international level are being made to introduce countercyclical capital and provisioning buffers. The RBI has prepared a discussion paper on a countercyclical (dynamic) provisioning (“**DP**”) framework.

The DP framework is based on the concept of expected loss (“**EL**”), which is the average level of losses a bank can reasonably expect to experience, and is considered the cost of doing business. It is generally covered by provisioning and pricing. The objective of DP is to soften the impact of incurred losses on the results of operations through the economic cycle, and not to provide a general provisioning cushion for EL. More specifically, the DP created during a year will be the difference between the long run average EL of the portfolio for one year and the incremental specific provisions made during the year.

The parameters of the model suggested in the discussion paper are calibrated based on the data of Indian banks. Banks that have the capability to calibrate their own parameters may, with the prior approval of the RBI, introduce a DP framework using the theoretical model indicated by the RBI. Other banks will have to use the standardized calibration provided by the RBI (*Source: RBI Annual Report 2011-2012 and Discussion Paper on Introduction of Dynamic Loan Loss Provisioning Framework for Banks in India dated March 30, 2012*).

The RBI, in its circular dated March 30, 2015, has decided that, as a countercyclical measure, a bank may utilize up to 50.00% of the countercyclical provisioning buffer/floating provisions held by it as of December 31, 2014 for making specific provisions for non-performing assets, according to the policy approved by the bank's Board of Directors. The RBI further clarified that the use of the countercyclical provisioning buffer/floating provisions under this measure may be over and above the use of the countercyclical provisioning buffer/floating provisions as proposed in the RBI's circular of February 26, 2014 on "Framework for Revitalizing Distressed Assets in the Economy-Refinancing of Project Loans, Sale of NPA and Other Regulatory Measures". The February 2014 circular also emphasizes that all banks should develop the necessary capabilities to have a dynamic loan loss provisioning framework in place which would enable them to build up a "DP account" during good times and utilize the same during a downturn.

The Master Direction issued by the RBI on May 12, 2016 titled "Master Direction-Ownership in Private Sector Banks, Directions, 2016" provides the applicable shareholding ceilings in private sector banks to various categories of shareholders. It states that the ownership limits for all shareholders in the long run shall be based on categorization of the shareholders under two broad categories, namely (i) natural persons (individuals) and (ii) legal persons (entities or institutions). Further, non-financial and financial institutions and, among financial institutions, diversified and non-diversified financial institutions shall have separate limits for shareholding, as below:

- in the case of individuals and non-financial entities (other than promoters or promoter groups), the limit shall be 10% of the paid-up capital. However, in the case of promoters being individuals and non-financial entities in existing banks, the permitted promoter or promoter group shareholding shall be in line with the permitted level in the February 22, 2013 guidelines on the licensing of universal banks at 15.00%;
- in the case of entities from the financial sector, other than regulated or diversified or listed entities, the limit shall be 15.00% of the paid-up capital;
- in the case of "regulated, well diversified, listed entities from the financial sector" and shareholdings by supranational institutions or public sector undertakings or the Government, a uniform limit of up to 40.00% of the paid-up capital is permitted for promoters, promoter groups and non-promoters; and
- higher stake or strategic investment by promoters, non-promoters through capital infusion by domestic or foreign entities or institutions shall be permitted on a case-by-case basis under circumstances, among others, such as relinquishment by existing promoters, rehabilitation, restructuring of problems, weak banks, entrenchment of existing promoters, or if it is in the interests of the bank or in the interests of consolidation in the banking sector.

### ***Future Outlook and Key Trends***

Going forward, banks will need to move towards the mandated higher capital standards, stricter liquidity and leverage ratios and a more cautious approach to risk. This implies that Indian banks will need to improve efficiency even as their costs of doing business increase. They will need to refine their risk management skills for enterprise-wide risk management. In addition, banks need to have in place a fair and differentiated risk pricing of products and services, since capital comes at a cost. This involves costing, a quantitative assessment of revenue streams from each product and service, and an efficient transfer-pricing mechanism that would determine capital allocation.

During fiscals 2015, 2016, 2017, NPAs rose and remained flat during fiscal 2018. The slippage ratio of the banking system, which showed a declining trend during fiscals 2005 to 2008, further increased during fiscals 2009 to 2016. Banks need to not only utilize effectively the various measures put in place by the RBI and the Government for the resolution and recovery of bad loans, but also strengthen their due diligence, credit appraisal and post-sanction loan monitoring systems to minimize and mitigate the problem of increasing NPAs in fiscal 2019 and beyond. Further, the Government had cleared an ordinance to amend the Banking Regulation Act to empower the RBI to push banks to drive insolvency against defaulters and to set up oversight committees to approve various loan resolution packages. This is an important first step in the resolution of stressed loans by leveraging the RBI's position and offering bankers immunity against investigations.

- As per the Banking Regulation (Amendment) Ordinance 2017 passed in May 2017, and the Banking Regulation (Amendment) Bill passed in July 2017, the Union Government had authorized RBI to direct banking companies to resolve specific stressed assets by initiating insolvency resolution process, where required. The Bill empowers the Reserve Bank of India (RBI) to give directions to banks to act against loan defaulters.
- The amendments to the BR Act 1949, introduced through the Ordinance, and the notification issued thereafter by the Central Government empower RBI to issue directions to any banking company or banking companies to initiate insolvency resolution process in respect of a default, under the provisions of the Insolvency and Bankruptcy Code, 2016 (IBC). It also enables the Reserve Bank to issue directions with respect to stressed assets and specify one or more authorities or committees with such members as the Bank may appoint or approve for appointment to advise banking companies on resolution of stressed assets.
- However the 12th February 2018 circular of RBI on stressed assets that gave default companies 180 days to agree on a resolution plan with lenders or be taken to bankruptcy court to recover debt of '2,000 crore and above was struck down by the Supreme court on April 2nd, 2019. The order of the Supreme Court mandates RBI to exercise its powers under Section 35AA of the Banking Regulation Act in respect of specific defaults by specific debtors. The order came as a relief to companies in stressed sectors such as power, shipping, steel, telecom, infrastructure, sugar and fertiliser.
- The February 2018 circular had directed lenders to refer any loan account over '2,000 crore to the bankruptcy process if it was not resolved within 180 days of default. It also underscored the IBC's status as the cornerstone of India's bad-loan resolution framework, scrapping all previous mechanisms, such as corporate debt restructuring, strategic debt restructuring and the scheme for sustainable structuring of stressed assets. The circular also imposed a one-day default rule – a company was treated as a defaulter even if it missed one day of the repayment schedule.

As per the new guidelines of June 7, 2019, RBI circular on prudential framework for resolution of stressed assets, in the event of a borrower defaulting to any lender, all lenders to the borrower would put in place a resolution plan (RP) within 30 days of such default. During this 30-day review period, lenders would decide on a resolution strategy (sale of loan, legal action for debt recovery, immediate referral to NCLT etc) that could also include restructuring and change in ownership as well. In case a RP is implemented, the lenders would enter into an inter creditor agreement (ICA) during the review period. The ICA shall provide that any decision agreed by lenders representing 75 per cent by value of total outstanding credit facilities (fund based as well non-fund based) and 60 per cent of lenders by number shall be binding upon all the lenders. Additionally, the ICA would provide for rights and duties of majority lenders, duties and protection of rights of dissenting lenders, treatment of lenders with priority in cash flows/differential security interest, etc. In particular, the RPs shall provide for payment not less than the liquidation value<sup>6</sup> due to the dissenting lenders. In respect of accounts with aggregate exposure above a threshold with the lenders (large borrowers), on or after the 'reference date', RP shall be implemented within 180 days from the end of review period. (Source: <https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11580&Mode=0>)



## SUPERVISION AND REGULATION

### Export-Import Bank of India Act, 1981

The Bank's functions and business are governed by the Export-Import Bank of India Act, 1981, as amended from time to time (the **Act**) (see "*Description of the Bank – Overview*" above).

Under section 4(2) of the Act, the issued capital of the Bank is wholly subscribed to by the Government.

Under section 5(1) of the Act, the general powers of superintendence, direction and management of the affairs and business of the Bank is vested in the Board of Directors, which may exercise all powers and do all acts and things which may be exercised or done by the Bank. Under section 7(1) of the Act, the Board of Directors have the power to constitute committees for such purposes as it may deem fit. The Audit Committee, the Management Committee, the Risk Management Committee, the Integrated Risk Management Committee, the Asset Liability Management Committee, the Funds Management Committee and the Credit Risk Management Committee are some of the key committees of the Bank.

Under section 6(1) of the Act, the Board of Directors of the Bank shall consist of a chairman and a managing director, appointed by the Central Government (provided that the same person may be appointed to function both as the chairman and as the managing director of the Bank), two whole-time directors appointed by the Central Government, one director nominated by the RBI, one director nominated by IDBI Bank Limited, one director nominated by ECGC Ltd., not more than 12 directors nominated by the Central Government of whom five directors shall be officials of the Central Government, not more than three directors shall be from the scheduled banks and not more than four directors shall be persons who have special knowledge of, or professional experience in, export or import or financing thereof.

Under section 10(1) of the Act, the Bank may grant, in or outside India, loans and advances by itself or in participation with any bank or financial institution, whether in or outside India, for the purposes of export or import and shall also function as the principal financial institution for coordinating the working of institutions engaged in financing of export and import in such manner as it may deem appropriate. The Bank may also carry on and transact such other related businesses as prescribed under the Act.

The Bank, under section 12 of the Act, can issue and sell bonds and debentures with or without the guarantee of the Central Government and borrow money from the RBI subject to certain conditions prescribed under the Act. In accordance with section 13 of the Act, the Bank may also, for the purpose of granting loans and advances under the Act, borrow with the previous consent of the Central Government, foreign currency from any foreign State or from any bank or financial institution in any foreign country.

The Bank's statutory auditors are appointed by the Central Government under section 24(1) of the Act. The appointment of the statutory auditor of the Bank is for a term and remuneration as may be fixed by the Central Government. For the financial year ended March 31, 2019, the Bank's statutory auditors were M/s JCR & Co., Chartered Accountants, Mumbai.

Under section 24(5) of the Act, the Bank furnishes to the Central Government within four months from the date on which its accounts are closed and balanced, a copy of its balance sheet and accounts together with a copy of the auditor's report and a report of the working of the Bank during the relevant year; these documents are laid before each House of Parliament by the Central Government.

According to section 36 of the Act, the provisions of the Banking Regulation Act, 1949 (except section 34A that deals with "Production of documents of confidential nature" and section 36AD that deals with "Punishments for certain activities in relating to banking companies") do not apply to the Bank.

Under section 38 of the Act, no provision of any law relating to the winding-up of companies or corporations shall apply to the Bank and the Bank shall not be placed in liquidation, save by an order of the Central Government and in such manner as it may direct.

The Bank's balance sheet, the profit and loss account and the cash flow statement have been prepared in accordance with the accounting principles followed in India, which are also generally consistent with international accounting standards. The form and manner in which the balance sheet and the profit and loss account are prepared is provided in the Export-Import Bank of India General Regulations, 1982 (as amended from time to time), made by the Board of Directors with prior approval of the Central Government as per section 39(2) of the Act.



## **RBI Regulations**

As a financial institution, the Bank is subject to regulatory supervision by the RBI.

Section 45L of the Reserve Bank of India Act, 1934, as amended from time to time, empowers the RBI to call for information from any financial institution, relating to its business, and to give to such financial institution directions relating to the conduct of its business. The statements, information or particulars to be furnished by financial institutions to the RBI may relate to matters such as paid-up capital, reserves or other liabilities, investments in government securities or otherwise, the persons to whom, and the purposes and periods for which, finance is provided and the terms and conditions, including the rates of interest, on which it is provided.

In November 1994, the RBI set up a Board for Financial Supervision as a committee constituted by Central Board of Directors of Reserve Bank of India under the Board for Financial Supervision Regulations, 1994 under the chairmanship of the Governor of the RBI. Under the guidance of the Board for Financial Supervision, the Department of Banking Supervision of the RBI supervises financial institutions and commercial banks. The Department of Banking Supervision also undertakes off-site surveillance and on-site inspection over such banks and financial institutions. As part of such surveillance, the RBI carries out periodic inspections of the Bank.

The RBI issues detailed guidelines to financial institutions, including the Bank, on asset classification, income recognition and provisioning, capital adequacy and asset liability management, as may be amended from time to time. Under its detailed guidelines, the RBI has also prescribed credit exposure limits, including adoption of internal limits of exposure to specific industry sectors. The Bank adheres to all such guidelines and submits necessary information to the RBI as per the guidelines.

Under the current RBI guidelines, applicable to financial institutions including the Bank, loan assets in respect of which interest and principal are received regularly and where arrears of interest and/or principal, if any, do not exceed 90 days, are classified as performing assets (standard assets).

The RBI requirements of maintaining cash reserve ratio and statutory liquidity ratio, which are applicable to commercial banks, are not applicable to the Bank.

## **ECB Guidelines of India**

External commercial borrowings (“ECBs”) are commercial loans raised by eligible resident borrowers from recognised non-resident entities. ECBs are principally governed by the Master Direction – External Commercial Borrowings, Trade Credits and Structured Obligations dated March 26, 2019, as amended, updated, modified and supplemented from time to time (“**ECB Master Direction**”) issued by the Reserve Bank of India (“**RBI**”).

Under the ECB Master Direction, an external commercial borrowing i.e. loans or credit facilities by a foreign lender to an Indian borrower (“**ECB**”) may be availed in the form of, amongst others, (i) foreign currency denominated commercial loans or bonds, or (ii) Rupee denominated commercial loans or Rupee denominated bonds, from non-resident lenders.

ECBs can now be availed by all entities eligible to receive foreign direct investment. Additionally, port trusts, units in special economic zones, Small Industries Development Bank of India (SIDBI), and EXIM Bank of India are eligible borrowers, as specified in the ECB Master Direction.

The ECB Master Direction set out that any resident of Financial Action Task Force or International Organization of Securities Commission compliant country can provide ECBs to eligible Indian borrowers. Further, (i) multilateral and regional financial institutions, where India is a member country, will be recognized lenders under the ECB Master Direction, (ii) individuals as lenders can only be permitted if they are foreign equity holders or subscribers to bonds or debentures listed abroad, and (iii) foreign branches/subsidiaries of Indian banks continue to be recognized lenders for foreign currency denominated-ECBs.

ECBs are required to be in compliance with the restrictions imposed under the ECB Master Direction in relation to, *inter alia*, their amounts, average maturity and all-in-cost ceilings.

Under the ECB Master Direction, the negative list, for which the ECB proceeds cannot be utilised, include the following: (a) real estate activities; (b) investment in capital market; (c) equity investment; (d) working capital purposes except from foreign equity holder; (e) general corporate purposes except from foreign equity holder and (f) repayment of Rupee loans except from foreign equity holder.

Additionally, the ECB Master Direction prescribe that all eligible borrowers can raise ECB upto USD750 million or equivalent per financial year under the automatic route.

## **Lines of Credit at the behest of Government of India**

### ***Indian Development and Economic Assistance Scheme (IDEAS)***

The Department of Economic Affairs, Ministry of Finance, Government of India, has launched the Indian Development and Economic Assistance Scheme, which was initially called the India Development Initiative, to position India as an emerging economic power; an investor country; a donor for developing countries; and a provider for debt relief to heavily indebted poor countries. It is part of an initiative for providing grants and project assistance to low and lower middle-income countries and other developing countries of the developing world with a view to also leverage and promote India's strategic economic interests abroad. The scheme has been operational since 2003-04, with the provision of Lines of Credit (LOCs) on concessional terms to other developing countries for financing export from India, and for the funding of projects, equipment, goods and services. These LOCs are extended by the Bank at the behest of, and with the support of, the Government of India, by way of repayment guarantee and interest equalization support to the Bank, to compensate the Bank for the interest differential between the Bank's normal lending rates and the concessional rates on the LOCs.

In relation to the implementation of IDEAS, the current guidelines were issued by the Bilateral Cooperation Division, Department of Economic Affairs, Ministry of Finance, Government of India on December 7, 2015. The guidelines supersede the previous guidelines dated July 23, 2010. The guidelines, inter alia, set out provisions pertaining to the terms of credit, classification of countries and monitoring mechanism along with operational guidelines as applicable for LOCs approved under IDEAS.

### ***Development Partnership Administration (DPA)***

The Ministry of External Affairs (MEA), set up the DPA division to undertake India's development assistance programs abroad, including LOCs routed through the Bank. These LOCs are increasingly being extended to partner countries for large-scale and complex projects. Recently, India's development assistance has started to cover a large number of countries and consequently, the projects being implemented by the MEA have increased substantially. Recognizing this, the DPA was created in January 2012 to effectively handle the various stages of concept, launch, execution and completion of India's many aid projects.

India's development partnership is based on the needs identified by the partner countries and the effort of the MEA has been geared towards accommodating as many of the requests received from partner countries based on technical and financial feasibility. In this regard, the DPA has started to create in-house, specialized technical, legal and financial skills in order to fast-track all stages of a project implementation. The DPA has three divisions namely, (i) DPA I which deals with project appraisal and lines of credit, (ii) DPA II which deals with capacity building schemes, disaster relief, implementation of the Indian Technical and Economic Cooperation Programme, and (iii) DPA III which deals with project implementation.

### ***The Insolvency and Bankruptcy Code, 2016***

The Insolvency and Bankruptcy Code 2016 is one of the biggest legal reforms in the economic sector and received the assent of the President and was notified in the Official Gazette on May 28, 2016. The IBC primarily consolidates the existing insolvency law, *inter alia*, relating to companies and corporate entities with the objective of providing clarity and consistency in the treatment of all the stakeholders in the insolvency process. The objective of the IBC is to promote entrepreneurship, availability of credit, and balance the interests of all stakeholders by consolidating and amending the laws relating to reorganization and insolvency resolution of corporate persons, partnership firms and individuals in a timely manner and for maximization of value of assets of such persons and matters connected therewith or incidental thereto.

The IBC classifies creditors into financial creditors and operational creditors, which includes creditors in respect of financial loans for interest and loans arising from the operational nature of the debtor, respectively. The IBC proposes to appoint specialised insolvency resolution professionals to assist companies and corporate entities through the insolvency process. The IBC provides a 180 day timeline which may be extended by an additional 90 days when dealing with insolvency resolution applications. Subsequently, the insolvency resolution plan prepared by insolvency professionals was required to be approved by 75%, and subsequent to amendments as detailed below, by 66%, of the financial creditors and further sanction from the adjudicating authority and, if rejected, the adjudicating authority will pass an order for liquidation. The National Company Law Tribunal will be the adjudicating authority with jurisdiction over companies and limited liability entities.

The Indian Parliament on January 19, 2018, passed the Insolvency and Bankruptcy Code (Amendment) Act, 2017. The amendments aim to keep out such persons from submitting resolution plans 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 the insolvency of a company.

The Indian Parliament further enacted the Insolvency and Bankruptcy Code (Second Amendment) Act, 2018 which came into force from June 6, 2018. This amendment has reviewed norms pertaining to enforcement of third party security which has to be provided by the corporate debtor. Further, the voting threshold has been brought down to 66% from 75% for all major decisions such as approval of resolution plan and extension of corporate insolvency resolution process period, among. Further, in order to facilitate the corporate debtor to continue as a going concern during the corporate insolvency resolution process, the voting threshold for routine decisions has been reduced to 51%. This amendment provides relief to home buyers who are now to be treated as financial creditors and therefore will be able to decide the future of defaulting builders alongside their lenders.

The IBC aims to consolidate the laws relating to insolvency of companies and limited liability entities (including limited liability partnerships and other entities with limited liability), unlimited liability partnerships and individuals, presently contained in a number of legislations, into a single legislation. Such consolidation will provide for a greater clarity in law and facilitate the application of consistent and coherent provisions to different stakeholders affected by business failure or inability to pay debt. The vision of the new law is to encourage entrepreneurship and innovation. The IBC is a comprehensive and systemic reform, which will have a significant effect on the functioning of the credit market.

Key features of the IBC are as follows:

- Speedy process for early identification of financial distress and insolvency resolution of companies and limited liability entities when the underlying business is found to be viable.
- Two distinct processes for re-organization and insolvency resolutions of individuals, namely – “Fresh Start” and “Insolvency Resolution”.
- Debt Recovery Tribunal and National Company Law Tribunal to act as adjudicating authority and to deal with the cases related to insolvency, liquidation and bankruptcy process in respect of individuals, unlimited partnership firms and in respect of companies and limited liabilities entities respectively.
- Establishment of an Insolvency and Bankruptcy Board of India to exercise regulatory oversight over insolvency professionals, insolvency professional agencies and any person who is registered with the Board as an information utility under section 210 of the IBC (**Information Utilities**).
- Insolvency professionals shall handle the commercial aspects of the insolvency resolution process. Insolvency professional agencies will develop professional standards, a code of ethics and be the first level regulator for insolvency professional members leading to development of a competitive industry for such professionals.
- Information Utilities shall collect, collate, authenticate and disseminate financial information to be used in insolvency, liquidation and bankruptcy proceedings.
- Specific provisions shall be implemented to deal with cross border insolvency.

### ***Banking Regulation (Amendment) Act, 2017***

The promulgation of the Banking Regulation (Amendment) **Act**, 2017 (**Amendment**) inserting two new Sections (viz. 35AA and 35AB) to follow Section 35A of the Banking Regulation Act, 1949, as amended, enables the Government of India (**GoI**) to authorize the Reserve Bank of India (**RBI**) to direct banking companies to resolve specific stressed assets by initiating the insolvency resolution process, where required. The RBI has also been empowered to issue other directions for resolution, and appoint or approve for appointment, authorities or committees to advise banking companies for stressed asset resolution. This measure will have a direct impact on effective resolution of stressed assets, particularly in consortium or multiple banking arrangements, as the RBI will be empowered to intervene in specific cases of resolution of non-performing assets, to bring them to a definite conclusion. The Amendment should lead to effective resolution of stressed assets, particularly in consortium or multiple banking arrangements.

Key features of the Amendment are as follows:

- The Amendment amends the Banking Regulation Act, 1949, as amended from time to time, to insert provisions for recovery of outstanding loans. Under these provisions, the Government may authorise the RBI to direct banks to initiate recovery proceedings against loan defaulters.
- These recovery proceedings will be under the IBC. The IBC provides for a time-bound process to resolve defaults by either (i) restructuring a loan (such as changing the repayment schedule), or (ii) liquidating the defaulter's assets.
- The RBI may from time to time issue directions to banks for resolving stressed assets. Stressed assets are loans where the borrower has defaulted on repayment, or loans which have been restructured.
- The RBI may specify authorities or committees to advise banks on resolving stressed assets. Members on these committees will be appointed or approved by the RBI.

### ***SEBI (IFSC) Guidelines, 2015***

The SEBI (IFSC) Guidelines, 2015, as amended from time to time, were promulgated to regulate financial services relating to securities in an international financial services centre (IFSC) created under Section 18(1) of the Special Economic Zones Act, 2005. The guidelines apply to any entity desirous of operating in an IFSC for rendering financial services relating to securities market, and prescribe the eligibility and shareholding limit for stock exchanges, clearing corporations and depositories. The guidelines also prescribe conditions to be complied with for issuing capital in an IFSC.

## **Recent Developments**

### ***Indian Regulatory Development***

#### ***Prudential Framework for Resolution of Stressed Assets issued by Reserve Bank of India (RBI)***

The RBI has recently issued the 'Prudential Framework For Resolution Of Stressed Assets By Banks' (the "Framework") on June 7, 2019. These directions have been issued with a view to providing a framework for early recognition, reporting and time-bound resolution of stressed assets, and these directions have been issued without prejudice to issuance of specific directions, from time to time, by the RBI to banks, in terms of the provisions of Section 35AA of the Banking Regulation Act, 1949, for initiation of insolvency proceedings against specific borrowers under the Insolvency and Bankruptcy Code, 2016 (IBC). The Hon'ble Supreme Court of India (the "SC") vide its order dated April 2, 2019, had held the RBI circular dated February 12, 2018 on Resolution of Stressed Assets as ultra vires. Accordingly, it was in this light that the RBI has issued the Framework for expeditious and effective resolution of stressed assets.

RBI has mandated that the provisions of the directions in the Framework shall apply to the following entities: (a) Scheduled Commercial Banks (excluding Regional Rural Banks); (b) All India Term Financial Institutions (NABARD, NHB, EXIM Bank, and SIDBI); (c) Small Finance Banks; and (d) Systemically Important Non-Deposit taking Non-Banking Financial Companies (NBFC-ND-SI) and Deposit-taking Non-Banking Financial Companies (NBFC-D).

The fundamental principles underlying the regulatory Framework for resolution of stressed assets are as follows: (i) early recognition and reporting of default in respect of large borrowers by banks, FIs and NBFCs; (ii) complete discretion to lenders with regard to design and implementation of resolution plans, in supersession of earlier resolution schemes (S4A, SDR, 5/25 etc.), subject to the specified timeline and independent credit evaluation; (iii) a system of disincentives in the form of additional provisioning for delay in implementation of resolution plan or initiation of insolvency proceedings; (iv) withdrawal of asset classification dispensations on restructuring and future upgrades to be contingent on a meaningful demonstration of satisfactory performance for a reasonable period; (v) for the purpose of restructuring, the definition of 'financial difficulty' to be aligned with the guidelines issued by the Basel Committee on Banking Supervision; and (vi) signing of inter-creditor agreement (ICA) by all lenders to be mandatory, which will provide for a majority decision making criteria.

The RBI has further mandated that the extant instructions on resolution of stressed assets such as Framework for Revitalising Distressed Assets, Corporate Debt Restructuring Scheme, Flexible Structuring of Existing Long-Term Project Loans, Strategic Debt Restructuring Scheme (SDR), Change in Ownership outside SDR, and Scheme for Sustainable Structuring of Stressed Assets (S4A) stand withdrawn with immediate effect. Accordingly, the Joint Lenders' Forum (JLF) as mandatory institutional mechanism for resolution of stressed accounts also stands discontinued.

## TAXATION

*The information provided below does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes. In particular, the information does not consider any specific facts or circumstances that may apply to a particular purchaser. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements do not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules.*

Prospective purchasers of Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of Notes, including the effect of any state or local taxes, under the tax laws applicable in India, the United Kingdom and each country of which they are residents.

### INDIAN TAXATION

*The following is a summary of the principal Indian tax consequences for non-resident investors of the Notes. The summary is based on taxation law and practice in force at the time of this Offering Circular and is subject to change, possibly with retrospective effect. This summary does not constitute legal or tax advice and is not intended to represent a complete analysis of the tax consequences under Indian law of the acquisition, ownership or disposition of the Notes. Furthermore, it only addresses the tax consequences for persons who are non-residents as defined in the Income Tax Act, 1961 who acquire the Notes pursuant to this Offering Circular. Additionally, in view of the number of different jurisdictions where local laws apply, this Offering Circular does not discuss the local tax law consequences to a potential investor arising from the acquisition, holding or disposition of the Notes. Prospective investors should, therefore, consult their own tax advisers on the Indian tax consequences of such acquisition, ownership or disposition of the Notes and as to any tax, exchange control legislation or other laws and regulations in force relating to the subscription, holding or disposition of the Notes at their place of residence and in the countries of which they are citizens.*

#### **Taxation of persons regarded as non-resident in India**

##### ***Taxation of Interest on Notes***

There is currently no requirement to withhold Indian tax on interest payments made on the Notes by Issuer, if the amounts raised through the Notes are utilized outside India either for (i) the purposes of a business carried out by the Issuer outside India or for (ii) the purposes of making or earning income from any other source outside India.

If and to the extent the amounts so raised are utilized in India, Indian tax consequences would be applicable.

#### **Withholding of Taxes on Interest Paid by EXIM through India**

If the proceeds of the Notes are used for the purposes of the business of the Issuer in India, non-resident investors will be liable to pay tax on the interest paid on the Notes. As of the date of this Offering Circular the rate of tax as per the provisions of Section 115A of the Income Tax Act, 1961 (the **IT Act**) is 5 per cent. (plus applicable surcharge and health and education cess). Since the interest payable on the Notes is subject to taxation in India, there is a requirement to withhold tax at the applicable rate for Notes, subject to any lower rate of tax provided by an applicable Double Taxation Avoidance Agreement (**Tax Treaty**). For the purpose of tax withholding, and /or claiming the benefit of Tax Treaty the non-resident investor shall be obliged to provide all necessary information and documents.



Interest on the Notes will be made free and clear of and without withholding or deduction on account of any present or future taxes within India unless it is required by law, in which case the Issuer will pay additional amount as may be necessary in order that the net amount received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or the deduction, subject to certain exceptions. With respect to interest on the Notes that is not subject to taxes in India (where the proceeds of the issuance of the Notes are used for the purposes of business carried on by the Issuer outside India), the Issuer may not be required to withhold tax in India.

### **Taxation of deemed Income**

As a measure to prevent laundering of unaccounted income, the IT Act provides that any person receiving certain specified assets (including the Notes) at a price less than their fair market value, shall be subject to income tax in India on the benefit accruing to him. Tax shall be payable at the rates applicable for the regular income. However, it may be noted that this provision would not be applicable if the asset is received from a relative or under a will or by way of inheritance or any other specific instances provided under section 56(2)(x) of the IT Act.

In the instant case, in case a non-resident receives Notes under the above mechanism, the taxability of the same shall also be subject to the provisions of the applicable Tax Treaty, assuming the non-resident is entitled to claim benefits of the Tax Treaty.

### ***Taxation of Gains on disposal of Rupee Denominated Notes***

Capital gains if any arising pursuant to any transfer, made outside India by a non-resident to another non-resident, of a capital asset being Rupee denominated Notes of an Indian company issued outside India are not subject to tax in India. Any gains arising to a non-resident investor from transfer of Notes held as a capital asset will generally be chargeable to income tax in India if the Notes are transferred to an Indian resident.

In the event capital gains arising on transfer of a capital asset are chargeable to tax in India, then, the rate of tax shall depend upon the residential status of the Noteholder as defined under the applicable provisions of Indian Law and the rates of tax prevailing at the time of transfer, in accordance with the relevant provisions of the IT Act.

However, in terms of the applicable provisions of the domestic tax law, it is possible for a Noteholder to opt either for the provisions of the domestic tax law or the provisions of the Tax Treaty as executed with a country of which the Noteholder is resident. The views explained above are as per the provisions of the prevailing IT Act and potential investors should, in any event, consult their own tax advisers on the tax consequences on transfer of the Notes.

If the Notes are transferred to an Indian resident upon disposition of a Note:

- (a) a non-resident investor, who has held the Notes as capital asset for a period of more than 36 months immediately preceding the date of their disposition, would be liable to pay long-term capital gains tax at the rate of 10.00% of the capital gains (plus applicable surcharge and health and education cess) in accordance with the provisions of the IT Act. These rates are subject to any beneficial provision provided for in the relevant Tax Treaty;
- (b) a non-resident investor who has held the Notes as capital asset for 36 months or less would be liable to pay capital gains tax at rates ranging up to 40.00% of the capital gains (plus applicable surcharge and health and education cess), depending on the legal status of the Non-resident Investor, and his taxable income in India; and any taxation of capital gains would also depend upon the provisions/benefits available under the relevant Tax Treaty, subject to fulfilment of the conditions prescribed under the relevant Tax Treaty as well as the IT Act;
- (c) in respect of a non-resident investor holding Rupee denominated Notes, the IT Act provides that any gains arising on account of appreciation of the Rupee against a foreign currency at the time of redemption of Rupee denominated Notes held by a Non-resident Investor, shall be ignored for the computation of full value of consideration. Accordingly, gains accruing to the Non-resident Investor due to appreciation of the Rupee against a foreign currency at the time of redemption of the Rupee denominated Notes held by such Non-resident Investor, shall not be taxable.

- (d) any surplus realized by a Non-resident Investor from a disposition of the Notes held as stock-in-trade would be subject to income tax in India to the extent, if any, that the surplus is attributable to a “business connection in India” or, where a Tax Treaty applies, to a “permanent establishment” of the Non-resident Investor in India. A Non-resident Investor would be liable to pay Indian tax on the profits which are so attributable to such “business connection” or “permanent establishment” at a rate of tax ranging up to 40.00% (plus applicable surcharge and health and education cess), depending on the legal status of the Non-resident Investor and his taxable income in India.

#### ***Taxation of gains arising on disposal of USD Denominated Notes***

Any gains arising to a non-resident investor from disposal of the Notes held (or deemed as held) as a capital asset will be chargeable to income tax in India if the Notes are regarded as property situated in India. A non-resident investor generally will not be chargeable to income tax in India from disposal of the Notes held as a capital asset provided that the Notes are regarded as being situated outside India. The issue as to where the Notes should properly be regarded as being situated is not free from doubt. The ultimate decision, however, will depend on the view taken by Indian tax authorities on the position with respect to the situs of the rights being offered in respect of the Notes. There is a possibility that the Indian tax authorities may treat the Notes as being situated in India as the Issuer is incorporated in and a resident in India.

If the Indian tax authorities treat the Notes as being located in India, as the Issuer is incorporated and resident in India, upon disposal of the Notes:

- (a) a non-resident investor who has held the Notes for a period of more than 36 months immediately preceding the date of their disposal would be liable to pay capital gains tax at rates ranging up to 10.00% of the capital gains (plus applicable surcharge and health and education cess). These rates are subject to any beneficial provisions under an applicable Tax Treaty;
- (b) a non-resident investor who has held the Notes for a period of 36 months or less would be liable to pay capital gains tax at rates ranging up to 40.00% (plus applicable surcharge and health and education cess) of capital gains depending on the legal status of the non-resident investor and his taxable income in India, subject to any lower tax implications under an applicable Tax Treaty; and
- (c) any gains arising to a non-resident investor from disposal of the Notes held as stock-in-trade would be subject to income tax in India to the extent, if any, that the gains are attributable to a “business connection in India” or, in the case where a Tax Treaty is applicable, to a “permanent establishment” of the non-resident investor in India. A non-resident investor would be liable to pay Indian tax on such gains at rates of tax ranging up to 40.00% (plus applicable surcharge and health and education cess in the case of non-resident companies and non-resident individuals) depending upon the legal status of the non-resident investor and his taxable income in India, subject to any lower rate of tax provided for by an applicable Tax Treaty. The taxation, if any, of capital gains would also depend upon the provisions/benefits available under the relevant Tax Treaty, subject to fulfilment of the conditions prescribed.

#### ***Tax withholding on gains arising from disposal of Notes***

If a non-resident investor earns any capital gains chargeable to tax in India, the IT Act requires that such tax shall be withheld by the person making any payment to such non-investor at the applicable rates.

### ***Compliance under IT Act***

A Non-resident Investor is obliged to pay such income tax in an amount equal to, or would be entitled to a refund of, as the case may be, any difference between amounts withheld in respect of interest paid on the Notes and its ultimate Indian tax liability for such interest, in accordance with provisions of the IT Act. The non-resident Investors shall provide all necessary information and documents, as may be required by the Issuer.

### **Taxation of persons ordinarily resident in India**

Any income received in respect of the Notes by a person ordinarily resident in India under the provisions of the IT Act, may generally be subject to tax in India according to the personal or corporate rate of tax, as applicable.

### ***Stamp duty***

A transfer of the Notes outside India will not give rise to any Indian stamp duty liability unless brought into India. Applicable stamp duty would be payable if the Notes are brought into India for enforcement or for any other purpose within a period of three months from the date the Notes are first received in India in accordance with the stamp duty applicable in the relevant Indian state.

### ***Wealth Tax, Gift Tax and Inheritance tax***

At present there are no taxes on wealth, gifts and inheritances which apply to the Notes held outside India.

### ***Gift Tax***

As of the date of this Offering Circular, no gift tax is payable in relation to the Notes in India.

## **UNITED KINGDOM TAXATION**

*The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue and Customs' (HMRC) practice (which may or may not be binding on HMRC) relating only to the United Kingdom withholding tax treatment of payments of interest and of annual payments (as each term is understood for United Kingdom tax purposes) in respect of the Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.*

### **Interest on the Notes**

#### ***Payment of Interest on the Notes***

Payments of interest on the Notes that do not have a United Kingdom source may be made without deduction or withholding on account of United Kingdom income tax. If interest paid on the Notes does have a United Kingdom source, then payments may be made without deduction or withholding on account of United Kingdom income tax in any of the following circumstances.

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes carry a right to interest and the Notes are and continue to be listed on a "recognized stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the "Act"). The Singapore Stock Exchange is a recognized stock exchange for these purposes. The Notes will satisfy the requirement to be listed on a "recognized stock exchange" if they are officially listed on the main Board of the SGX-ST with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Singapore Stock Exchange. Provided, therefore, that the Notes carry a right to interest and are and remain so listed on a "recognized stock exchange", interest on the Notes will be payable without deduction of or withholding on account of United Kingdom tax.

While the Notes are and continue to be admitted to trading on a multilateral trading facility operated by an EEA-regulated recognized stock exchange within the meaning of Sections 987 and 1005 the Act, payments of interest by the Issuer may be made without withholding or deduction for or on account of United Kingdom income tax. The Issuer's understanding is that The International Securities Market is currently a multilateral trading facility operated by an EEA-regulated recognized stock exchange (the London Stock Exchange) for these purposes.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the Notes is less than 365 days and those Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, where the relevant payments of interest are treated as having a United Kingdom source, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20.00%), subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

An amount may also be required to be withheld from payments on the Notes that have a United Kingdom source and are not interest, but are nevertheless treated as annual payments for United Kingdom tax purposes, an account of United Kingdom income tax at the basic rate. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay such amount to the Noteholder without deduction of tax (or for such amounts to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Where Notes are to be issued at an issue price of less than 100% of their principal amount, any discount element on any such Notes would not generally be subject to United Kingdom withholding tax pursuant to the provisions mentioned above.

Where Notes are, or may fall, to be redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest for United Kingdom tax purposes. Payments of interest may be subject to United Kingdom withholding tax unless an exemption or relief applies as outlined above.

The references to "interest" above mean "interest" as such term is understood for United Kingdom tax purposes. The statements above do not take account of any different definitions of "interest" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. Noteholders should seek their own professional advice as regards the withholding tax treatment of any payment on the Notes that does not constitute "interest" as such term is understood for United Kingdom tax purposes.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer pursuant to Condition 16 of the Notes or otherwise, and does not consider the tax consequences of any such substitution.

## **THE PROPOSED FINANCIAL TRANSACTIONS TAX (FTT)**

On February 14, 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each other than Estonia, a **participating Member States**). However, Estonia has ceased to participate.

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulations (EC) 1287/2006 are expected to be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

*The following is a general summary of certain U.S. federal income tax consequences that may be relevant with respect to the purchase, ownership and disposition of the Notes. In general, this summary assumes that holders acquire the Notes at original issuance at their issue price (as defined below) and will hold the Notes as capital assets. It does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase Notes. In particular, it does not discuss special tax considerations that may apply to certain types of taxpayers, including, without limitation, the following: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in stocks, securities, notional principal contracts or currencies; (iv) tax-exempt entities; (v) real estate investment trusts; (vi) regulated investment companies; (vii) persons that will hold the Notes as part of a "hedging" or "conversion" transaction or as a position in a "straddle" or as part of a "synthetic security" or other integrated transaction for U.S. federal income tax purposes; (viii) persons that own (or are deemed to own) 10.00% or more of the shares of the Issuer by vote or value; (ix) partnerships, pass-through entities, or persons that hold Notes through partnerships or pass-through entities; (x) U.S. Holders (as defined below) that have a "functional currency" other than the U.S. dollar; and (xi) certain U.S. expatriates and former long-term residents of the United States. In addition, this summary does not address alternative minimum tax or Medicare contribution tax consequences or the indirect effects on the holders of interests in a holder of Notes. This summary also does not describe any tax consequences arising under the laws of any taxing jurisdiction other than the U.S. federal government.*

Each prospective investor should consult its own tax adviser with respect to the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning or disposing of the Notes. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the **Code**), U.S. Treasury regulations and judicial and administrative interpretations thereof, in each case of the date of this Offering Circular. All of the foregoing is subject to change, and any such change may apply retroactively and could affect the tax consequences described below.

As used in this section, the term **U.S. Holder** means a beneficial owner of Notes that is for U.S. federal income tax purposes: (i) a citizen or individual resident of the United States; (ii) a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) any estate the income of which is subject to U.S. federal income tax regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust. If a partnership holds Notes, the tax treatment of a partner generally will depend upon the status of the partner and upon the activities of the partnership. Partners of partnerships holding Notes should consult their own tax advisers.

This discussion applies only to holders of Registered Notes. Bearer Notes are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under U.S. federal income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Code.

Under the Tax Cuts and Jobs Act of 2017, a U.S. Holder that uses an accrual method of accounting for U.S. federal income tax purposes generally would be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements. This rule generally would



be effective for tax years beginning after December 31, 2018 for Notes issued with original issue discount. The precise application of this rule is unclear at this time. Prospective investors in the Notes that use an accrual method of accounting for tax purposes or that are required to accrue original issue discount (as discussed below) are urged to consult with their tax advisers regarding the potential applicability of this rule to their particular situation.

## **Characterization of the Notes**

This summary should be read in conjunction with any discussion of U.S. federal income tax consequences to holders in the applicable Pricing Supplement. To the extent there is any inconsistency in the discussion of the U.S. federal income tax consequences to holders between this Offering Circular and the applicable Pricing Supplement, holders should rely on the tax consequences described in the applicable Pricing Supplement instead of this Offering Circular. Any special U.S. federal income tax consequences relevant to a particular issue of Notes, including Index Linked Notes, Dual Currency Notes, Installment Notes, Hybrid Tier I Notes and Partly Paid Notes may be specified in the applicable Pricing Supplement. The balance of this discussion, unless otherwise specified, assumes that the Notes will be treated as debt and will not be treated as contingent payment debt instruments for U.S. federal income tax purposes. A prospective investor in the Notes should consult its tax adviser in determining the tax consequences of an investment in the Notes, including the application of state, local or other tax laws and the proper characterization of the Notes for tax purposes.

## **Taxation of U.S. Holders of the Notes**

### ***Payments of Interest***

Interest paid on a Note, including the payment of any additional amounts whether payable in U.S. dollars or a currency other than U.S. dollars (a **foreign currency**), other than interest on a “Discount Note” that is not “qualified stated interest” (each as defined below under “Original Issue Discount”), will be taxable to a U.S. Holder as ordinary interest income at the time it is received or accrued, depending on the U.S. Holder’s method of accounting for U.S. federal income tax purposes. Interest income on the Notes, original issue discount (**OID**) if any, accrued with respect to the Notes (as described below under “Original Issue Discount”) and payments of additional amounts will be treated as foreign source income for U.S. federal income tax purposes, which may be relevant in calculating a U.S. Holder’s foreign tax credit limitation for U.S. federal income tax purposes. The U.S. foreign tax credit limitation is calculated separately with respect to specific classes of income. The foreign tax credit rules are complex, and U.S. Holders should consult their tax advisers regarding the availability of a foreign tax credit and the application of the limitation in their particular circumstances.

### ***Original Issue Discount***

*The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes issued with OID. In the event the Issuer issues contingent payment debt instruments, the applicable Pricing Supplement may describe the material U.S. federal income tax consequences thereof.*

A Note, other than a Note with a term of one year or less (a **Short-Term Note**), will be treated as issued with OID (a **Discount Note**) if the excess of the Note’s “stated redemption price at maturity” over its issue price is equal to or more than a *de minimis* amount (generally 0.25% of the Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an **installment obligation**) will be treated as a Discount Note if the excess of the Note’s stated redemption price at maturity over its issue price is equal to or greater than 0.25% of the Note’s stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note’s weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made; multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note’s stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of “qualified stated interest”. A qualified



stated interest payment is generally any one of a series of stated interest payments on a Note that is unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under “Variable Interest Rate Notes”), applied to the outstanding principal amount of the Note. Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note.

U.S. Holders of Discount Notes must generally include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note. The daily portion is determined by allocating to each day in any “accrual period” a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note’s adjusted issue price at the beginning of the accrual period and the Discount Note’s yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The “adjusted issue price” of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period, and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

### **Short-Term Notes**

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realized on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realized.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note’s stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder’s purchase price for the Short-Term Note. This election will apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the Internal Revenue Service (the **IRS**).

### **Variable Interest Rate Notes**

Notes that provide for interest at variable rates (**Variable Interest Rate Notes**) generally will bear interest at a “qualified floating rate” and thus will be treated as “variable rate debt instruments” under U.S. Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a “variable rate debt instrument” if (a) its issue price does not exceed the total non-contingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A “qualified floating rate” is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note’s issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate.

An “objective rate” is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer’s stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note’s term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note’s term. A “qualified inverse floating rate” is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note’s issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a “current value” of that rate. A “current value” of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a “variable rate debt instrument”, then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a “variable rate debt instrument” will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a “true” discount (i.e., at a price below the Note’s stated principal amount) equal to or in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Note arising from “true” discount is allocated to an accrual period using the constant-yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a “variable rate debt instrument” will be converted into an “equivalent” fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an “equivalent” fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate

Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. The proper U.S. federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt obligations may be more fully described in the applicable Pricing Supplement.

### **Notes Purchased at a Premium**

A U.S. Holder that purchases a Note for an amount in excess of its principal amount, or for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as "amortizable bond premium", in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortizable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortize bond premium will apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "Election to Treat All Interest as Original Issue Discount".

### **Election to Treat All Interest as Original Issue Discount**

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under "Original Issue Discount", with certain modifications. For purposes of this election, interest includes stated interest, OID and *de minimis* OID as adjusted by any amortizable bond premium (described above under "*Notes Purchased at a Premium*"). This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

### **Sale, Exchange or Other Disposition**

A U.S. Holder's tax basis in a Note will generally equal its cost, increased by the amount of any OID included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID included in the U.S. Holder's income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of

any amortizable bond premium applied to reduce interest on the Note. A U.S. Holder will generally recognize gain or loss on the sale, exchange or other disposition of a Note in an amount equal to the difference between the amount realized on the sale, exchange or other disposition and the tax basis in the Note. The amount realized does not include the amount attributable to accrued but unpaid qualified stated interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under “– *Short-Term Notes*” or attributable to changes in exchange rates (as discussed below), gain or loss recognized on the sale or retirement of a Note will be U.S.-source capital gain or loss and will be long-term capital gain or loss if the U.S. Holder’s holding period in the Notes exceeds one year. Prospective investors should consult their own tax advisers with respect to the treatment of capital gains (which may be taxed at lower rates than ordinary income for taxpayers who are individuals, trusts or estates that hold the Notes for more than one year) and capital losses (the deductibility of which is subject to limitations).

## **Foreign Currency Notes**

### ***Interest***

If a qualified stated interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognized by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year). Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder will generally recognize U.S.-source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

### ***OID***

The OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale or disposition of the Note), a U.S. Holder may recognize U.S.-source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

### ***Bond premium***

Bond premium on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income (or OID) in units of the foreign currency. On the date bond premium offsets interest income (or OID), a U.S. Holder may recognize U.S.-source exchange gain or loss (taxable

as ordinary income or loss) equal to the amount offset multiplied by the difference between the spot rate in effect on the date of the offset, and the spot rate in effect on the date the Notes were acquired by the U.S. Holder.

## ***Sale or Retirement***

As discussed above under “– *Sale, Exchange or Other Disposition*”, a U.S. Holder will generally recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement and its tax basis in the Note. A U.S. Holder’s tax basis in a Note that is denominated in a foreign currency will be determined by reference to the U.S. dollar cost of the Note. The U.S. dollar cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase, or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase. The amount realized on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement, or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognize U.S.-source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder’s purchase price for the Note (or, if less, the principal amount of the Note) (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realized only to the extent of total gain or loss realized on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest).

## ***Disposition of Foreign Currency***

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S.-source ordinary income or loss.

## **IRS Disclosure Reporting Requirements**

Certain U.S. Treasury regulations (the **Disclosure Regulations**) meant to require the reporting of certain tax shelter transactions (**Reportable Transactions**) could be interpreted to cover transactions generally not regarded as tax shelters. Under the Disclosure Regulations, it may be possible that certain transactions with respect to the Notes may be characterized as Reportable Transactions requiring a holder of Notes to disclose such transaction, such as a sale, exchange, retirement or other taxable disposition of a Note that results in a loss that exceeds certain thresholds and other specified conditions are met. A penalty in the amount of U.S.\$10,000 in the case of a natural person and U.S.\$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Accordingly, if a U.S. Holder realizes a loss on any Note (or, possibly, aggregate losses from the Notes) satisfying the monetary thresholds discussed above, the U.S. Holder could be required to file an information return with the IRS, and failure to do so may subject the U.S. Holder to the penalties described above. In addition, the Issuer and its advisers may also be required to disclose the transaction to the IRS, and to maintain a list of U.S. Holders, and to furnish this list and certain other information to the IRS upon written request. Prospective investors in the Notes should consult their tax advisers to determine the tax return obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Statement).

## **Foreign Financial Asset Reporting**

Certain U.S. Holders that own “specified foreign financial assets” that meet certain U.S. dollar thresholds generally are required to file an information report with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements unless the Notes are held in an account at certain financial institutions; U.S. Holders are urged to consult their tax advisers regarding the application of these disclosure requirements to their ownership of the Notes.



## Backup Withholding and Information Reporting

Backup withholding and information reporting requirements may apply to certain payments on the Notes and proceeds of the sale, exchange or other disposition of the Notes to U.S. Holders. A U.S. Holder may be subject to backup withholding if it fails to furnish (usually on IRS Form W-9) the U.S. Holder's taxpayer identification number to certify that such U.S. Holder is not subject to backup withholding, or to otherwise comply with the applicable requirements of the backup withholding rules. Certain U.S. Holders are not subject to the backup withholding and information reporting requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder generally may be claimed as a credit against such U.S. Holder's U.S. federal income tax liability or refund, provided that the required information is furnished to the IRS. Prospective investors in the Notes should consult their own tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

**THE U.S. FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. PROSPECTIVE INVESTORS IN THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAWS.**

## U.S. Withholding Taxes on Dividend Equivalent Payments

Under Section 871(m) of the Code, and the U.S. Treasury regulations thereunder (**Section 871(m)**), a "dividend equivalent" payment is treated as a dividend from sources within the United States and will be subject to U.S. withholding tax at a rate of 30.00% when paid to a non-U.S. person. A "dividend equivalent" payment generally includes a payment (or deemed payment) that is contingent upon, or determined by reference to, the payment of a U.S.-source dividend under certain financial instruments. An instrument whose economic characteristics are sufficiently similar to those of an underlying or referenced U.S. security that pays U.S.-source dividends under tests provided in applicable U.S. Treasury regulations will generally be subject to the Section 871(m) regime (such an instrument, a **Specified Transaction**). The tests applicable for determining whether an instrument is a Specified Transaction will depend on the terms of the relevant instrument and the date on which the instrument is priced, or issued or entered into (the applicable date to be determined in accordance with Section 871(m)), and may be subject to redetermination in connection with certain modifications of the instrument, or upon the rebalancing of a basket of reference assets or an index referenced by the instrument. Similarly, if additional securities of the same series are issued (or deemed issued for U.S. tax purposes, such as certain sales of securities out of inventory) after the original issue date, the IRS could treat the issue date for determining whether the existing securities are Specified Transactions as the date of such subsequent sale or issuance.

In general, Section 871(m) will not apply to certain financial instruments issued or entered into prior to January 1, 2021 if such financial instruments are not "delta one" transactions. In addition, the Section 871(m) regulations provide certain broadly applicable exceptions to characterization as Specified Transactions, in particular for certain instruments linked to certain broad-based indices. While the Issuer's determination generally is binding on holders, it is not binding on the IRS. The IRS may successfully argue that a Note is subject to withholding under Section 871(m), notwithstanding the Issuer's determination to the contrary. Further, it is possible that U.S. withholding tax could apply to the Notes under these rules if a holder enters, or has entered, into certain other transactions in respect of the underlying assets to which the Notes are linked (the **Underlying**) or the Notes. A holder that enters, or has entered, into other transactions in respect of Underlying or the Notes should consult its own tax advisor regarding the application of Section 871(m) to its Notes in the context of its other transactions.

Withholding in respect of dividend equivalents may be required on any portion of a payment or deemed payment under a Specified Transaction, including, if appropriate, the payment of the purchase price, or upon the date of maturity, lapse, disposition, settlement or other resolution to a non-U.S. person. If the underlying or referenced U.S. security or securities are expected to be treated as paying dividends during the term of the Specified Transaction, withholding generally will still be required even if the Specified Transaction does not provide for payments explicitly linked to such dividends.

In the event that any withholding would be required pursuant to Section 871(m) with respect to payments on the Notes, no person will be required to pay any additional amounts with respect to amounts so withheld. If withholding applies, the rate of any withholding may not be reduced even if the holder is otherwise eligible for a reduction under an applicable treaty, although holders that are entitled to a lower rate of withholding under a tax treaty may be able to claim a refund for any excess amounts withheld by filing a U.S. tax return. However, holders may not receive the necessary information to properly claim a refund for any withholding in excess of the applicable treaty-based amount. In addition, the IRS may not credit a holder with withholding taxes remitted in respect of its Notes for purposes of claiming a refund. Finally, a holder's resident tax jurisdiction may not permit the holder to take a credit for U.S. withholding taxes related to the dividend equivalent amount. Prospective investors should consult their tax advisers regarding the consequences to them of the potential application of Section 871(m) to the Notes, including their ability to claim refunds or credits in respect of amounts withheld, under an applicable tax treaty with the United States (although, for the avoidance of doubt, holders will not have the ability to claim back any amounts of withholding in respect of payments received by the Issuer with respect to the Underlying).

## BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream (together, the **Clearing Systems**) currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Arrangers, the Dealers, the Trustee nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The applicable pricing supplement will specify the Clearing system(s) applicable for each series.*

### Book-entry Systems

#### DTC

DTC has advised the Issuer that it is a limited purpose trust company organized under the New York Banking Law, a member of the Federal Reserve System, a “banking organization” within the meaning of the New York Banking Law, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (**Direct Participants**) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation (**DTCC**). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants** and, together with Direct Participants, **Participants**). More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org) but such information is not incorporated by reference in and does not form part of this Offering Circular.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **DTC Rules**), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system (**DTC Notes**) as described below and receives and transmits distributions of principal and interest on DTC Notes. The DTC Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (**Owners**) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC’s records. The ownership interest of each actual purchaser of each DTC Note (**Beneficial Owner**) is in turn to be recorded on the Direct Participant’s and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Issuer or the relevant agent (or such other nominee as may be requested by an authorized representative of DTC), on the relevant payment date in accordance with their respective holdings shown in DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practice, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for Definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

A Beneficial Owner shall give notice to elect to have its DTC Notes purchased or tendered, through its Participant, to the relevant agent, and shall effect delivery of such DTC Notes by causing the Direct Participant to transfer the Participant's interest in the DTC Notes, on DTC's records, to the relevant agent. The requirement for physical delivery of DTC Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the DTC Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered DTC Notes to the relevant agent's DTC account.

DTC may discontinue providing its services as depository with respect to the DTC Notes at any time by giving reasonable notice to the Issuer or the relevant agent. Under such circumstances, in the event that a successor depository is not obtained, DTC Note certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, DTC Note certificates will be printed and delivered to DTC.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

### ***Euroclear and Clearstream***

Euroclear and Clearstream each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between its accountholders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

### **Book-entry Ownership of and Payments in respect of DTC Notes**

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Each Registered Global Note accepted for clearance in DTC will have a CUSIP number. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositories of Euroclear and Clearstream. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC, unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC. None of the Principal Paying Agent, the Registrar or the Issuer will have any responsibility or liability for any aspects of the records relating to or payments made on account of converting interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such ownership interests. Payment of principal, premium (if any), and interest, if any, on Notes to DTC is the responsibility of the Issuer.



## Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a Direct Participant or Indirect Participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under “*Transfer Restrictions*”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (**Custodian**) with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (*T+3*). The customary arrangements for delivery versus payment will apply to such transfers. Cross-market transfers between accountholders in Clearstream or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Registered Note resulting in such transfer and (ii) two business days after receipt by the Principal Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Trustee, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.



## SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in an amended and restated program agreement dated July 21, 2017 (as amended and/or supplemented and/or restated from time to time, the **Program Agreement**), agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed to by it. The Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future, update of the Program the issue of Notes under the Program and for certain of their affiliates in connection with the program. The Issuer has agreed to indemnify the Dealers against certain liabilities incurred by them in connection therewith. The Program Agreement entitles the Dealers to terminate any agreement that they make to subscribe for Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

The Dealers and certain of their affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. In connection with each Tranche of Notes issued under the Program, the Dealers or certain of their affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, in the ordinary course of their business activities, the Dealers or their respective affiliates may make or hold (on their own account, on behalf of their clients or in their capacity as investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the account of their customers, and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer or its affiliates at the same time as the offer and sale of each Tranche of Notes or in secondary market transactions. Such transactions, investments and securities activities may involve securities and instruments of the Issuer or its affiliates, including Notes under the Program, and may be entered into at the same time or proximate to offers and sale of Notes or at the other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. As a result of such transactions, a Dealer or its affiliates may hold long or short positions relating to the Notes. Each of the Dealer and its affiliates may also engage in investment or commercial banking and other dealings in the ordinary course of business with the Issuer or its affiliates from time to time and may receive fees and commissions for these transactions. In addition to the transactions noted above, each Dealer and its affiliates may engage in other transactions with, and perform services for, the Issuer or its affiliates in the ordinary course of business. Each Dealer or its affiliates may also purchase Notes for asset management and/or proprietary purposes but not with a view to distribution or may hold Notes on behalf of clients or in the capacity of investment advisers. While each Dealer and its affiliates have policies and procedures to deal with conflicts of interests, any such transactions may cause a Dealer or its affiliates or its clients or counterparties to have economic interests and incentives that may conflict with those of an investor in the Notes. Each Dealer may receive returns on such transactions and has no obligation to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Notes.

### Transfer Restrictions

As a result of the following restrictions, purchasers of Notes are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or *vice versa*, will be required to acknowledge, represent and agree, and each person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (i) that either: (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A; or (b) it is a non-U.S. person (within the meaning of Regulation S) outside the United States;

- (ii) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. state securities laws and may not be offered, sold, pledged or otherwise transferred within the United States except as set forth below;
- (iii) that, unless it holds an interest in a Regulation S Global Note and is a non-U.S. person located outside the United States, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (a) to the Issuer or any affiliate thereof, (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States to a non-U.S. person in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. state securities laws;
- (iv) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iii) above, if then applicable;
- (v) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;
- (vi) that the Notes in registered form, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR WITH ANY SECURITIES REGULATORY AUTHORITY OR ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES TO A NON-U.S. PERSON IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144A FOR REALES OF THE SECURITY.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).”; and

- (vii) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make, and does make, the foregoing acknowledgements, representations and agreements on behalf of each such account.

No sale of Legended Notes in the United States to any one QIB will be for less than U.S.\$200,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$200,000 (or its foreign currency equivalent) principal amount of Registered Notes.

Each purchaser of Bearer Notes will be required to acknowledge, represent and agree:

- (i) that it is a non-U.S. person and it is located outside the United States (within the meaning of Regulation S);
- (ii) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. state securities laws and may not be offered, sold, pledged or otherwise transferred except as set forth below;
- (iii) that if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date that is one year after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (a) to the Issuer or any affiliate thereof or (b) outside the United States to a non-U.S. person in compliance with Rule 903 or Rule 904 under the Securities Act;
- (iv) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iii) above, if then applicable; and
- (v) that the Issuer and others will rely upon the trust and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer, and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make, and does make, the foregoing acknowledgements, representations and agreements on behalf of such account.

## *United States*

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each Dealer has represented and agreed and each further Dealer appointed under the Program will be required to represent and agree, that it has offered and sold any Notes, and will offer and sell any Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and certified as provided below, only in accordance with Rule 903 of Regulation S under the Securities Act or Rule 144A. Accordingly, each Dealer has further represented and agreed, and each further Dealer appointed under the Program will be required to further represent and agree, that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Note, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer who has purchased Notes of a Tranche hereunder (or, in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant Lead Manager) shall determine and certify to the Principal Paying Agent the completion of the distribution of the Notes of such Tranche. On the basis of such notification or notifications, the Principal Paying Agent has agreed to notify such Dealer/Lead Manager of the end of the distribution compliance period with respect to such Tranche. Each Dealer has also agreed, and each further Dealer appointed under the Program will be required to agree, that at or prior to confirmation of sale of Notes (other than in respect of Notes sold pursuant to Rule 144A), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S or Rule 144A under the Securities Act. Terms used above have the meanings given to them by Regulation S.”

Terms used in the preceding paragraph have the meanings given to them by Regulation S.

In addition, in respect of Bearer Notes where TEFRA D is specified in the applicable Pricing Supplement:

- (a) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (or any successor U.S. Treasury regulation section in substantially the same form) (the **D Rules**), each Dealer has represented and each further Dealer appointed under the Program will be required to represent (i) that it has not offered or sold, and agrees that during the restricted period it will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (ii) that it has not delivered and agrees that it will not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;
- (b) each Dealer has represented and each further Dealer appointed under the Programme will be required to represent, that it has and agrees that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (c) if it is a United States person, each Dealer has represented and each further Dealer appointed under the Program will be required to represent, that it is acquiring Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(6) (or any successor U.S. Treasury regulation section); and

- (d) with respect to each affiliate that acquires Notes in bearer form from a Dealer for the purpose of offering or selling such Notes during the restricted period, such Dealer repeats and confirms the representations and agreements contained in subparagraphs (a), (b) and (c) above on such affiliate's behalf.

In respect of Bearer Notes where TEFRA C is specified in the applicable Pricing Supplement, such Bearer Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, such Bearer Notes within the United States or its possessions in connection with their original issuance. Further, each Dealer has represented and agreed and each further Dealer appointed under the Program will be required to represent and agree in connection with the original issuance of such Bearer Notes that it has not knowingly communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such purchaser is within the United States or its possessions and will not otherwise involve its U.S. office in the offer or sale of such Bearer Notes.

Terms used in the paragraphs above have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and Treasury regulations thereunder, including the D Rules.

Notwithstanding anything above to the contrary, it is understood that Registered Notes may be offered and sold pursuant to a private placement in the United States, and in connection therewith each Dealer has represented, agreed and undertaken and each further Dealer appointed under the Program will be required to represent, agree and undertake, that:

- (a) offers, sales, resales and other transfers of Notes made in the United States made or approved by a Dealer (including offers, resales or other transfers made or approved by a Dealer in connection with secondary trading) shall be made with respect to Registered Notes only and shall be effected pursuant to an exemption from the registration requirements of the Securities Act;
- (b) offers, sales, resales and other transfers of Notes made in the United States will be made only in private transactions to institutional investors that are reasonably believed to qualify as qualified institutional buyers within the meaning of Rule 144A (each such institutional investor being hereinafter referred to as a QIB);
- (c) the Notes will be offered in the United States only by approaching prospective purchasers on an individual basis. No general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act will be used in connection with the offering of the Notes in the United States;
- (d) no sale of Notes in the United States to any one QIB will be for less than U.S.\$200,000 principal amount or (in each case) its equivalent rounded upwards and no Note will be issued in connection with such a sale in a smaller principal amount. If such purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$200,000 principal amount of the Notes; and
- (e) each Note sold as a part of a private placement in the United States and each Regulation S Global Note shall contain a legend in substantially the form set out on the face of such Note in the Trust Deed.

The Issuer represents and agrees that any resale or other transfer, or attempted resale or other transfer of Notes sold as part of a private placement in the United States made other than in compliance with the restrictions set out in the preceding paragraph above shall not be recognized by the Issuer or any agent of the Issuer and shall be void.

Each issue of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement. The relevant Dealer agrees that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.



## ***United Kingdom***

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

- (a) *No deposit-taking*: in relation to any Notes which have a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their business or (B) whom it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their business, where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (**FSMA**) by the Issuer;
- (b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) *General compliance*: it has complied, and will comply, with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## ***The Netherlands***

Each Dealer has represented and agreed and each further Dealer appointed under the Program will be required to represent and agree that any Notes will be offered in the Netherlands only to Qualified Investors (as defined in the Prospectus Directive), unless such offer is made in accordance with the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

Zero Coupon Notes (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into the Netherlands through the mediation of the Issuer or a member firm of Euronext Amsterdam N.V., admitted in a function on one or more markets or systems held or operated by Euronext Amsterdam N.V., in accordance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of May 21, 1985 (as amended) and its implementing regulations. No such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Global Note; (b) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals who do not act in the conduct of a business or profession; (c) in respect of the initial issue of Zero Coupon Notes in definitive form to the first holders thereof; or (d) in respect of the transfer and acceptance of such Zero Coupon Notes within, from or into the Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a Zero Coupon Note in global form) of any particular Series or Tranche are issued outside the Netherlands and are not distributed into the Netherlands in the course of initial distribution or immediately thereafter. In the event that the Savings Certificates Act applies, certain identification requirements in relation to the issue and transfer of, and payments on, Zero Coupon Notes have to be complied with. As used herein, **Zero Coupon Notes** are Notes that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.



## **India**

Each Dealer represents, agrees, and acknowledges and each further Dealer appointed under the Program will be required to represent, agree, and acknowledge that (a) this Offering Circular has not been and will not be registered, produced or published as an offer document (whether as a prospectus in respect of a public offer or information memorandum or other offering material in respect of any private placement of securities under the Companies Act, 2013, as amended and the rules framed thereunder or any other applicable Indian laws) with the Registrar of Companies or the Securities and Exchange Board of India or the RBI or any other statutory or regulatory body of a like nature in India, (b) the Notes have not been and will not be offered or sold to any person in India by means of any document other than to persons permitted under Indian laws to acquire the Notes, whether as a principal or as an agent, (c) this Offering Circular or any other offering document or material relating to the Notes have not been and will not be circulated or distributed, directly or indirectly, to any person or the public in India or any member of the public in India or otherwise generally distributed or circulated in India, and (d) this Offering Circular will not be circulated and the Notes will not be offered or sold to any prospective investor who does not meet the FATF or IOSCO Requirements. The Notes have not been offered or sold and will not be offered or sold in India in circumstances which could constitute an advertisement, invitation, offer, sale or solicitation of and an offer to subscribe for or purchase any securities in violation of applicable Indian laws. The Notes will not be offered, directly or indirectly in Gujarat International Finance Tec-City (GIFT) IFSC or to, or for the account or benefit of, any resident in GIFT IFSC.

### *Rupee denominated Notes*

Each Dealer represents and agrees that in relation to any issuance of Notes denominated in Rupees and payable in a currency other than Rupees, the Offering Circular or any other material relating to such Notes has not been and will not be circulated or distributed to: (i) any prospective investor who does not meet the FATF Requirements or IOSCO Requirements; or (ii), any person that is otherwise prohibited from investing in such Notes under any applicable law. For the purposes of this section:

**FATF Requirements** pursuant to the RBI regulations means an investor who is a resident of a country that is a member of a Financial Action Task Force (FATF) or a member of a FATF style regional body; and should not be a country identified in the public statement of the FATF as: (a) a jurisdiction having a strategic anti-money laundering or combating the financing of terrorism deficiencies to which counter measures apply; or (b) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the FATF to address the deficiencies.

**IOSCO Requirements** pursuant to the RBI regulations means an investor who is a resident of a country whose securities market regulator is a signatory to the International Organisation of Securities Commission's ("IOSCO's") Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to bilateral Memorandum of Understanding with the Securities and Exchange Board of India for information sharing arrangements.

### *Eligibility of holders of the Rupee denominated Notes*

Holders and beneficial owners of the Rupee denominated Notes shall be responsible for compliance with restrictions on the ownership of the Rupee denominated Notes imposed from time to time by applicable laws or by any regulatory authority or otherwise. In this context, holders and beneficial owners of the Rupee denominated Notes shall be deemed to have acknowledged, represented and agreed that such holders and beneficial owners are eligible to purchase the Rupee denominated Notes under applicable laws and regulations and are not prohibited under any applicable law or regulation from acquiring, owning or selling the Rupee denominated Notes.

### *Disclosure of information relating to holders of Rupee denominated Notes*

The holders and beneficial owners of Rupee denominated Notes shall be deemed to confirm that, for so long as they hold any Rupee denominated Notes, they will meet the FATF Requirements or IOSCO Requirements and the ECB Guidelines. Further, all Noteholders represent and agree that the Rupee denominated Notes will not be offered or sold on the secondary market to any person who does not meet the FATF Requirements or IOSCO Requirements and comply with the ECB Guidelines.

In relation to any issuance of Rupee denominated Notes, the holders and beneficial owners represent and agree that they will provide all information and details about themselves to the Issuer, to enable the

Issuer to provide such information to the RBI or any other statutory or regulatory authority in India as and when such information is required. The holders and beneficial owners will provide all the information and details that they have or can procure about any subsequent transferee Noteholders (and shall provide all assistance in relation thereto) to the Issuer so as to enable the Issuer to obtain the details of the transferee Noteholders or any other information pertaining to such transferee Noteholders to enable the Issuer to provide such information to the RBI or any other statutory or regulatory authority in India as and when such information is required.

To comply with applicable laws and regulations, the Issuer or its duly appointed agent may from time to time request Euroclear and Clearstream to provide them with details of the accountholders within Euroclear and Clearstream, as may be appropriate, that hold the Rupee denominated Notes and the number of Rupee denominated Notes held by each such accountholder. Euroclear and Clearstream participants which are holders of the Rupee denominated Notes or intermediaries acting on behalf of such Noteholders would be deemed to have hereby authorized Euroclear and Clearstream, as may be appropriate, to disclose such information to the Issuer or its duly appointed agent.

### *Singapore*

Each Dealer has acknowledged and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (the **MAS**). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the **SFA**)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed to or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (however so described) in that trust shall not be transferable within six months after that corporation or trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from any offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is given or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) pursuant to Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

## *Japan*

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended; (the **FIEA**). Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any 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.

## *Hong Kong*

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong Special Administrative Region of the People's Republic of China (**Hong Kong**), by means of any document, any Notes (except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**)) other than: (i) to “professional investors” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

## **Prohibition of Sales to EEA Retail Investors**

From 1 January 2018, unless the Pricing Supplement in respect of any Notes specifies the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or
  - (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the **Prospectus Directive**); and
- (b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), if the Pricing Supplement specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer represents and agrees, and each further Dealer appointed under the Program will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or pricing supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

provided that no such offer of Notes referred to in paragraphs *Error! Reference source not found.* to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in each Relevant Member State.

#### ***Dubai International Financial Center***

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered and will not offer the Notes to any person in the Dubai International Financial Center unless such offer is:

- (i) an “Exempt Offer” in accordance with the Markets Rules Module of the Dubai Financial Services Authority (the **DFSA**) rulebook; and
- (ii) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

***United Arab Emirates (excluding the Dubai International Financial Center)***

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

**General**

Each Dealer has represented, warranted and undertaken and each further Dealer appointed under the Program will be required to represent, warrant and undertake that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Trustee nor any of the other Dealers shall have any responsibility therefor.

These selling restrictions may be modified by the agreement of the Issuer and the relevant Dealer following a change in a relevant law, regulation or directive. Any such modification will be set out in the applicable Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

None of the Issuer, the Trustee, the Arrangers and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

## GENERAL INFORMATION

### Authorization

1. The establishment of the EMTN Program and the issue of Notes have been duly authorized by a resolution of the Board of Directors of the Issuer dated April 23, 2005. By its resolutions dated October 18, 2012, the Board of Directors of the Issuer authorized the increase in the size of the Program from U.S.\$2,000,000,000 to U.S.\$3,500,000,000 in respect of the Issuer acting through its Head Office in India. Further, by its resolution dated January 13, 2015, the Funds Management Committee (FMC) approved the increase in the size of the Program from U.S.\$3,500,000,000 to U.S.\$7,500,000,000, in respect of the Issuer acting through its Head Office in India. The increase in the size of the Program from U.S.\$6,000,000,000 to U.S.\$10,000,000,000 was noted by the Board of the Directors at its meeting held on January 21, 2015. The Issuer has also increased the size of the Program from U.S.\$3,500,000,000 to U.S.\$7,500,000,000 in respect of the Issuer acting through its Head Office in India which was noted by the Board of the Directors at its meeting held on January 21, 2015. In addition, by the resolutions of the Board of Directors of the Issuer dated October 18, 2012, the Issuer, acting through its London Branch, is authorized to issue Notes up to a maximum aggregate nominal amount of U.S.\$2,500,000,000. By their resolutions dated January 29, 2016, the Board of Directors of the Issuer and the resolution of the FMC dated October 20, 2015 authorized setting up of program documents under Rule 144A of the United States Securities Act of 1933, as amended, by way of conversion of the Bank's existing EMTN program into a GMTN program. Each issue of Notes will be approved by the FMC, as per powers delegated by the Board.
2. The establishment of the Program was duly authorized and approved by the RBI by its letter dated May 25, 2006. The RBI, by its letter dated August 6, 2010, approved the issue of Notes by the Issuer, acting through its Head Office, up to an amount of U.S.\$2,000,000,000 subject to compliance by the Issuer of the guidelines on external commercial borrowings issued by the RBI. The aforesaid approval required the Bank to seek a further approval of the RBI prior to issue of any Notes by the Issuer, acting through its Head Office. The RBI, by its letter dated November 7, 2012, authorized the increase in the size of the Program from U.S.\$2,000,000,000 to U.S.\$3,500,000,000 in respect of the Issuer acting through its Head Office in India. The RBI, by its letter dated June 16, 2015, has stated that since the Issuer has already been obtaining its approval at annual intervals for raising ECBs, no separate approval is required for enhancement in the size of the Program. No RBI approval is required in respect of the issue of Notes by the Issuer, acting through a foreign branch.
3. The Issuer will seek all requisite regulatory approvals for issuance of instruments, including, Senior Notes, Upper Tier II Subordinated Notes or Upper Tier I Notes which it is eligible to issue under the Program, in accordance with the provisions of the Export-Import Bank of India Act, 1981, as amended and as per the RBI Guidelines. The Issuer, acting through its Head Office, is required to comply with all relevant reporting and other statutory requirements, of the RBI and/or the Government, in this regard as the case may be.

### Listing

4. Application has been made to SGX-ST for the listing and quotation of Notes that may be issued pursuant to the Program and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List. There can be no assurance that an application to the SGX-ST will be approved. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List and quotation of any Notes on the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Program or the Notes.

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



5. Application has been made to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's the ISM. The ISM is not a regulated market for the purposes of Directive 2014/65/EU. The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the UKLA and the London Stock Exchange has not approved or verified the contents of this Offering Circular.
6. Application has been made to the India INX for the listing and quotation of Notes on the India INX. The listing of the Notes by the Issuer is in compliance with the SEBI (IFSC) Guidelines, 2015, as amended from time to time.

#### **Delisting of Notes**

7. The Trust Deed provides that if the applicable Pricing Supplement indicates that the Notes are listed on a stock exchange (the **relevant Stock Exchange**), the Bank will use its best endeavors to maintain the listing on the relevant Stock Exchange of those of the Notes which are listed on the relevant Stock Exchange or, if it is unable to do so having used its best endeavors, it may cease to maintain such listing provided that it shall use its best endeavors promptly to obtain and maintain a quotation or listing of such Notes on such other stock exchange or exchanges or securities market or markets on which it is then accepted in the sphere of international issues of debt securities to list securities such as the Notes as it may (with the approval of the Trustee (which approval of the Trustee may only be given if the Trustee has received confirmation from the relevant Dealer(s) in respect of such Notes that such other stock exchange or exchanges or securities market or markets is so accepted and which approval shall be withheld if such confirmation is not forthcoming)) decide and shall also, upon obtaining a quotation or listing of such Notes issued by it on such other stock exchange or exchanges or securities market or markets, enter into a trust deed supplemental to the Trust Deed to effect such consequential amendments to the Trust Deed as the Trustee may require or as shall be requisite to comply with the requirements of any such stock exchange or securities market.

#### **Clearing systems**

8. Notes to be issued under the Program have been accepted for clearance through Euroclear and Clearstream. The appropriate common code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream will be specified in the applicable Pricing Supplement. In addition, the Issuer may make an application for each series of Registered Notes intended to be eligible for sale pursuant to Rule 144A of such Notes to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Notes, together with the relevant ISIN and common code, will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Pricing Supplement.
9. The issuance of the Notes which would be eligible for electronic settlement, is in accordance with all applicable Indian laws and is duly authorized by the Issuer's constitutional documents as well as other applicable statutory and other consents.

#### **No significant change**

10. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Issuer since the date of the most recently published figures for the period ended March 31, 2019 and no material adverse change in the financial position or prospects of the Issuer since the date of the most recently published accounts as of March 31, 2019.

#### **Litigation**

11. Except as stated in this Offering Circular, the Bank is not involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened) of which the Issuer is aware in the 12 months preceding the date of this Offering Circular, which may have or have in such period had a significant effect on the financial position or profitability of the Issuer.

## **Accounts**

12. The current statutory auditor of the Issuer is M/S JCR & Co., Chartered Accountants, Mumbai, who audited the Issuer's non-consolidated accounts, without qualification, in accordance with the accounting policies followed by the Issuer, which conform to Generally Accepted Accounting Principles in India, for the financial year ended March 31, 2019, as stated in their reports.

## **No Conflict of Interest**

13. As of the date of this Offering Circular, there are no potential conflicts of interest between any duties owed to the Issuer by the Directors and the private interests and/or other duties owed by these individuals and there are no arrangements, known to the Issuer, the operation of which may at a subsequent date result in a change in control of the Issuer.

## **No Material Contracts Outside the Ordinary Course of Business**

14. As of the date of this Offering Circular, there are no material contracts that have been entered into outside the ordinary course of the Issuer's business, which could result in any group member being under an obligation or entitlement that would be material to the Issuer's ability to meet its obligation to the Noteholders.

## **Trustee's Reliance on Certificates**

15. The Trust Deed provides that the Trustee may rely on certificates or reports from the Auditors (as defined in the Trust Deed) or any other person in accordance with the provisions of the Trust Deed as sufficient evidence of the facts stated therein whether or not called for by or addressed to the Trustee and whether or not any such certificate, report or engagement letter or other document entered into by the Trustee and the Auditors or such other person in connection therewith contains a monetary or other limit on the liability of the Auditors or such other person. However, the Trustee will have no recourse to the Auditors or such other person in respect of such certificates or reports unless the Auditors or such other person have agreed to address such certificates or reports to the Trustee.

## **Dealers transacting with the Issuer**

16. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, the Issuer and its affiliates in the ordinary course of business.

## **Documents Available**

17. So long as Notes are capable of being issued under the Program, copies of the following documents will, when published, be available from the corporate office of the Issuer and from the specified office of the Paying Agent in London:
  - (a) the audited financial statements of the Bank in respect of the financial years ended March 31, 2017, 2018 and 2019;
  - (b) the most recently published audited annual financial statements of the Bank and the most recently published unaudited interim financial statements of the Bank (if any);
  - (c) the Program Agreement, the Trust Deed, the Agency Agreement, the Operating and Administrative Procedures Memorandum, the Deed Poll and the forms of the Temporary Bearer Global Notes, the Permanent Bearer Global Notes, the Definitive Bearer Notes, the Receipts, the Coupons, the Talons and the Regulation S Global Notes, the Rule 144A Global Notes and the Definitive Registered Notes;

- (d) a copy of this Offering Circular;
- (e) any future offering circulars, prospectuses, information memoranda and supplements, including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and
- (f) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

## SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND U.S. GAAP

*The Financial Statements of the Issuer included in this Offering Circular have been prepared in accordance with the accounting policies followed by the Issuer which conform to Generally Accepted Accounting Principles in India as applicable to the Issuer. In the Bank's opinion, the following is a general summary of certain principal differences between Indian GAAP and U.S. GAAP as applicable to the Issuer. The differences identified below are limited to those significant differences that are appropriate to the Issuer's financial statements. However, they should not be construed as being exhaustive, and no attempt has been made to identify possible future differences between Indian GAAP and U.S. GAAP as a result of prescribed changes in accounting standards nor to identify future differences that may affect the Issuer's financial statements as a result of transactions or events that may occur in the future. The financial statements reflect applicable statutory requirements, regulatory guidelines and accounting practices in India. These requirements, guidelines and practices change from time to time and may have been applied prospectively. As a result, the financial statements of the Bank on a period-by-period basis may not be directly comparable. Also, no quantitative impact has been derived by the Bank, if any, on the basis of such differences.*

### **Indian GAAP**

#### ***Financial Statements Presentation and Disclosure***

Two years' balance sheets, profit and loss account, accounting policies and notes and cash flow statements are required under Indian GAAP.

The format for presentation is as prescribed by the Export-Import Bank of India General Regulations framed under the Export-Import Bank of India Act, 1981.

#### ***Changes in accounting policies***

Impact of adjustments resulting from the change to be shown in the income statement of the period in which the change is made except as specified in certain standards where the change resulting from adoption of such standards has to be shown by an adjustment to opening retained earnings.

#### ***Revaluation of property, plant and equipment***

Use of historical cost or revalued amounts is permitted. Revaluation of an entire class of assets or of a selection of assets is required to be carried out on a systematic basis. An increase in net book value as a result of revaluation is taken directly to revaluation reserves while a decline is charged to the profit and loss account.

### **U.S. GAAP**

#### ***Financial Statements Presentation and Disclosure***

Companies filing U.S. GAAP financial statements with the SEC are required to present three years' statements of operations and stockholders' equity, and other comprehensive income and cash flow statements and two years' balance sheets.

An option is also available under Form 20-F to file consolidated financial statements under Indian GAAP, including reconciliation of net income and stockholders' equity under Indian GAAP to net income and stockholders' equity under U.S. GAAP.

#### ***Changes in accounting policies***

Retrospective application requiring the entity to adjust each affected component of equity for the earliest period presented and comparative income statement presented, except where impracticable to do so. Transition provisions are generally specified in new standards and may be different.

#### ***Revaluation of property, plant and equipment***

Upward revaluation is not permitted.

## **Indian GAAP**

### ***Unrealized gains/losses on investments***

All investments are stated in the balance sheet as five types of classifications being (a) Securities of Central and State Government, (b) Equity Shares and Stocks, (c) Preference Shares and Stocks, (d) Notes, Debentures and Bonds and (e) Others.

These investments are categorized into “Held to Maturity”, “Available for Sale” and “Held for Trading”. “Held to Maturity” securities are carried at their acquisition cost or at amortized cost if acquired at a premium over the face value. “Available for Sale” and “Held for Trading” securities are valued periodically according to the RBI guidelines. Net depreciation, if any, within each category of investments is recognized in the profit and loss account. The net appreciation, if any, under each classification is ignored.

### ***Amortization of premium/discount on the purchase of investments***

Under Indian GAAP, premium over the face value of fixed rate and floating rate investments classified under the HTM category is amortized over the period remaining to maturity on a constant yield to maturity basis.

### ***Allowances for credit losses***

All credit exposures, including overdues arising from crystallized derivative contracts, are classified according to the RBI guidelines into performing and NPAs. Furthermore, NPAs are classified into substandard, doubtful and loss assets for provisioning based on the criteria stipulated by the RBI. Provisions are made in accordance with the RBI guidelines. For restructured assets, a provision is made in accordance with the guidelines issued by the RBI, which require the diminution in the fair value of the assets to be provided at the time of restructuring.

In addition to the specific provisioning made on NPAs, the Bank maintains general provisions to cover potential credit losses of standard assets in accordance with the RBI guidelines. In case of overseas branches, general provision on standard advances is maintained at the higher of the levels stipulated by the respective overseas regulator or the RBI.

### ***Loan origination fees/costs***

Loan origination fees are recognized upfront on their becoming due. Loan origination costs are taken to the profit and loss account in the year in which they are accrued/incurred.

## **U.S. GAAP**

### ***Unrealized gains/losses on investments***

Investments are categorized into “Held to Maturity”, “Available for Sale” or “Trading” based on management’s intent and ability. While “Trading” and “Available for Sale” securities are valued at fair value, “Held to Maturity” securities are valued at cost, adjusted for amortization of premiums and accretion of discount. The unrealized gains and losses on “Trading” securities are taken to the income statement, while those of “Available for Sale” securities are reported as a separate component of stockholders’ equity, net of applicable taxes, until realized. In case a security is assessed to be other than temporarily impaired, the unrealized losses are recognized in an income statement.

### ***Amortization of premium/discount on the purchase of investments***

Premium/discount amortization is permitted for all categories of investments.

### ***Allowances for credit losses***

Loans are tested for impairment and placed on a non-accrual basis (i.e. interest income is not accrued) when based on current information and events, management estimates that the collection of outstanding interest and principal amounts are doubtful. The impairment of a loan is measured based on the present value of the loan’s discounted rate, or at the observable market price of the loan, or at the fair value of the collateral if the loan is collateral dependent. The impairment is recognized if the measured value is less than the recorded investment in the impaired loan.

The allowances on the performing portfolios are established after considering historical and projected default rates and loss severities.

### ***Loan origination fees/costs***

Loan origination fees (net of certain loan origination costs) are deferred and recognized as an adjustment to yield over the life of the loan.

## **Indian GAAP**

### ***Derivatives***

Derivatives are disclosed as off-balance sheet exposures. The derivatives are bifurcated as trading or hedge transaction. Trading derivatives are revalued at the balance sheet date with the resulting unrealized gain/loss being recognized in the profit and loss account and correspondingly in other assets or other liabilities respectively. Hedged swaps/options are accounted for on an accrual basis/at fair value pursuant to the principles of hedge accounting.

### ***Employee Benefits***

AS 15 (Revised) requires the use of projected unit credit method to determine benefit obligation. The discount rate for obligations is based on market yields of government securities.

All actuarial gains and losses have to be recognized immediately in the profit and loss account.

### ***Deferred Taxes***

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets.

Deferred tax is not created on undistributed earnings of subsidiaries and affiliates.

Deferred tax assets are recognized subject to a valuation allowance based upon management's judgment as to whether realization is considered more likely than not that the assets will be realized.

Deferred tax assets are reviewed as of each balance sheet date and written down or written up to reflect the amount that is reasonably certain to be realized.

## **U.S. GAAP**

### ***Derivatives***

All derivatives are required to be recognized as assets or liabilities on the balance sheet and measured at fair value with changes in fair value being recognized in earnings. Fair values are based on quoted market prices, or absent quoted market prices, based on valuation technique, which may take into account available current market and contractual prices of the similar instrument as well as time value underlying the positions. If a derivative qualifies as a hedge, depending on the nature of the hedge, the effective portion of the hedge's change in fair value is either offset against the change in fair value of the hedged asset, liability or firm commitment through income or held in equity until the hedge item is recognized in income. The ineffective portion of a hedge is immediately recognized in income.

### ***Employee Benefits***

Obligation for defined benefit plans must be measured using projected unit credit method.

Immediate recognition of actuarial gains or losses is not required, but is recognized as a component of Other Comprehensive Income.

### ***Deferred Taxes***

Income taxes are accounted for according to the provisions of FASB ASC 740, "Income Taxes". FASB ASC 740 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax basis of assets and liabilities, using enacted tax rates in force.

Deferred tax is created on undistributed earnings of subsidiaries and affiliates.

Deferred tax assets are recognized subject to a valuation allowance based upon management's judgment as to whether realization on assets is considered more likely than not.



## **Indian GAAP**

### ***Employee Stock Option Plan***

According to the guidance note on Accounting for Employee Share based payments, effective for all share based grants made after April 1, 2005, employee share based plans are classified into equity settled, cash settled and employee share based payments plans with cash alternatives. Any plan falling into the above categories can be accounted for adopting fair value method or intrinsic value method as of the grant date. An enterprise using the intrinsic value method is required to make fair value disclosures.

Listed companies are also to observe the specific guidance by the market regulator.

### ***Accounting for subsidiaries and affiliates***

Under Indian GAAP, the Bank is required to present both unconsolidated and consolidated financial statements. Under unconsolidated financial statements, financial position and results of operations of controlled entities are not consolidated, but are reflected on the basis of cost subject to consideration of impairment.

The Bank is also required to consolidate subsidiaries where it controls the ownership, directly or indirectly, of more than one-half of the voting power or controls the composition of the board of directors with the objective of obtaining economic benefits from their activities. The Bank accounts for investments in associates under the equity method of accounting.

### ***Accounting for Securitization***

Under Indian GAAP, the gain on a securitization transaction is recognized over the period of underlying securities issued by the special purpose vehicle as prescribed under the RBI guidelines. The losses, if any, are charged off immediately. The float income is accrued as it is earned under Indian GAAP.

## **Transition to Indian Accounting Standards (Ind AS)**

As of the date of this Offering Circular, the balance sheet and profit and loss account of the Bank's General Fund and the Export Development Fund have been prepared in the form and manner provided in the Export-Import Bank of India, General Regulations, 1982 and according to the generally accepted accounting principles in India (**Indian GAAP**).

The Bank has constituted a steering committee as advised by RBI comprising members from cross-functional areas to initiate the implementation process of the Bank's transition from Indian GAAP to Ind AS. The Bank's Ind AS implementation plan focuses on technical evaluation of GAAP differences, selection of accounting policies and choices, evaluation of system changes and data requirements, business impact analysis and skill development through regular trainings and workshops. The Bank is in process of evaluating the system changes to meet the overall information required for implementing the Ind AS. The RBI, pursuant to its letter dated May 15, 2019 addressed to the Bank, has conveyed the deferment of implementation of Ind-AS by All India Financial Institutions until further notice.

## **U.S. GAAP**

### ***Employee Stock Option Plan***

Under U.S. GAAP, share based payments are accounted for under FASB ASC 718, "Compensation – stock compensation", employee stock based compensation plans have to be accounted for in income statement using the fair value method.

### ***Accounting for subsidiaries and affiliates***

U.S. GAAP mandates preparation of consolidated financial statements.

Consolidation of subsidiaries is required where the Bank, directly or indirectly, holds more than 50.00% of the voting rights or exercises control. Entities where the Bank holds 20.00% to 50.00% of the voting rights and/or has the ability to exercise significant influence are accounted for under the equity method, and the pro rata share of their income (loss) is required to be included in the income statement. The Bank will be required to consolidate Variable Interest Entities (VIEs) where the Bank is determined to be the primary beneficiary under FASB ASC 810 and FASB ASC Topic 323.

### ***Accounting for Securitization***

Under U.S. GAAP, any gain or loss on the sale of the financial asset is accounted for in the income statement at the time of the sale according to ASC Topic 860, "Transfers and Servicing Financial Assets and Extinguishment".

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**INDEPENDENT AUDITOR'S REPORT.**

To,  
The President of India

**Report on the Financial Statements**

1. We have audited the accompanying financial statements of the General Fund of the Export-Import Bank of India ('the Bank'), which comprises of the Balance Sheet as at 31<sup>st</sup> March, 2019 and the 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.
2. Incorporated in these financial statements are the accounts of 1 foreign branch, 9 Regional offices in India and 8 Representative offices outside India. We have visited 2 Regional offices for the purpose of audit and the same including Head Office, accounts for 93% of Advances, 94% of Deposits and Borrowings, 96% of Interest expense on Deposits and Borrowings. We have not visited balance of the offices and branches and have reviewed their accounts at Head Office.

**Management's Responsibility for the Financial Statements**

3. The Management of the Bank is responsible for the preparation of the financial statements in accordance with the Export-Import Bank of India Act, 1981 ('the Act') and the Regulations framed thereunder. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements, that give a true and fair view of the financial position, financial performance and the cash flows of the Bank and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

4. Our responsibility is to express an opinion on these financial statements based on our audit.
5. 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.
6. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's Management, as well as evaluating the overall presentation of the financial statements.

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7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

8. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements, give the information in accordance with the requirements of the Act and the Regulations framed thereunder and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) In the case of the Balance Sheet, of the state of affairs of the General Fund of the Bank as at 31<sup>st</sup> March, 2019;
  - (ii) In the case of the Profit and Loss Account, of the profit for the year ended 31<sup>st</sup> March, 2019; and
  - (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended 31<sup>st</sup> March, 2019.

**Report on Other Legal and Regulatory Matters**

9. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement have been drawn up in accordance with the provisions of the Act and the Regulations framed thereunder.
10. We report that:
- (i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.
  - (ii) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
11. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India.
12. We further report that:
- (i) The Balance Sheet and Profit and Loss Account dealt with by this report, are in agreement with the books of account and the returns.
  - (ii) In our opinion, proper books of accounts as required by law have been kept by the Bank so far as appears from our examination of those books.

**For JCR & CO.**

**Chartered Accountants**

Firm Registration No. 105270W

*Rachita Salhotra*

**CA RACHITA SALHOTRA**

PARTNER

MEMBERSHIP NO. 100919

UDIN. : 19100919AAAAAJ6772

Place : Mumbai

Date : 23<sup>rd</sup> May, 2019.



Level III, Raval House, 18<sup>th</sup> Road, Khar W, Mumbai- 400052. Email: jcrcindia@gmail.com Tel: 26054593

# EXPORT-IMPORT BANK OF INDIA

## BALANCE SHEET AS AT 31ST MARCH, 2019

### GENERAL FUND

Previous year  
(As at 31.03.2018)

₹

This year  
(As at 31.03.2019)

₹

### LIABILITIES

73,593,663,881  
22,407,896,155  
-  
865,817,469,885  
-  
2,860,514,358  
172,972,652,705  
  
57,705,066,214  
39,832,319,272

1. Capital  
2. Reserves  
3. Profit & Loss Account  
4. Notes, Bonds & Debentures  
5. Bills Payable  
6. Deposits  
7. Borrowings  
8. Current Liabilities  
& Provisions for contingencies  
9. Other Liabilities

**Total**

**1,235,189,582,470**

### SCHEDULES

I 123,593,663,881  
II 23,142,671,603  
III 81,700,000  
779,195,625,139  
-  
IV 2,527,597,036  
V 141,317,894,176  
  
32,992,875,864  
43,402,455,079

**1,146,254,482,778**

### ASSETS

28,154,996,173  
56,969,220,517  
1,046,570,568,346  
  
28,750,000,000  
1,259,022,689  
73,485,774,745

1. Cash & Bank Balances  
2. Investments  
3. Loans & Advances  
4. Bills of Exchange and Promissory  
Notes Discounted/Rediscounted  
5. Fixed Assets  
6. Other Assets

**Total**

**1,235,189,582,470**

VI 42,119,521,997  
VII 93,273,853,320  
VIII 929,171,509,101  
  
IX 7,000,000,000  
X 2,277,439,560  
XI 72,412,158,800

**1,146,254,482,778**

contd ....2


<u>Previous Year</u> (As at 31.03.2018)		<u>GENERAL FUND</u> <u>This Year</u> (As at 31.03.2019)	
		<b><u>CONTINGENT LIABILITIES</u></b>	
	(i) Acceptances, Guarantees, endorsements & other obligations		130,545,759,983
116,927,666,502	(ii) On outstanding forward exchange contracts		1,527,375,944
2,929,986,250	(iii) On underwriting commitments		
	(iv) Uncalled Liability on partly paid investments		165,294,180
163,491,675	(v) Claims on the Bank not acknowledged as debts		7,216,381,446
2,305,300,000	(vi) Bills for collection		-
-	(vii) On participation certificates		-
-	(viii) Bills Discounted/Rediscounted		-
-	(ix) Other monies for which the Bank is contingently liable		12,223,083,677
15,771,727,879			
<b>138,098,172,306</b>	<b>Total</b>		<b>151,677,895,230</b>

'Notes to Accounts' attached.

For and on behalf of the Board


  
Shri Debasish Mallick  
Deputy Managing Director

  
Shri David Rasquinha  
Managing Director

  
Shri Dinabandhu Mohapatra

  
Ms. Geetha Muralidhar

  
Shri Rajnish Kumar

  
Dr. M.D. Patra

  
Shri Bidyut Behari Swain

Directors



New Delhi  
Dated: May 23, 2019

For JCR & Co.  
Chartered Accountants  
Firm Regn. No. 105270W



(FCA Rachita Salhotra)  
Partner  
M. No. 100919



# EXPORT-IMPORT BANK OF INDIA

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2019

Previous Year	EXPENDITURE	SCHEDULES	GENERAL FUND This Year
65,862,992,191	1. Interest		67,567,208,278
540,074,685	2. Credit Insurance, fees and charges		622,762,019
488,732,271	3. Staff Salaries, Allowances etc. and Terminal Benefits		583,511,306
-	4. Directors' and Committee Members' Fees and Expenses		-
1,008,000	5. Audit Fees		1,178,100
247,951,472	6. Rent, Taxes, Electricity and Insurance Premia		199,807,641
35,038,993	7. Communication expenses		37,883,597
67,774,140	8. Legal Expenses		95,803,770
1,043,004,526	9. Other Expenses	XII	920,863,831
184,786,313	10. Depreciation		255,794,954
61,609,573,457	11. Provision for loan losses/contingencies depreciation on investments		18,806,011,033
(42,298,164,654)	12. Profit carried down		1,874,913,938
<b>87,782,771,394</b>	<b>Total</b>		<b>90,965,738,467</b>
(13,060,861,683)	Provision for Income Tax [including Deferred tax of ` 511,262,518 (previous year - deferred tax credit of ` 14,706,937,458)]		1,058,438,490
(29,237,302,971)	Balance of Profit transferred to Balance Sheet		816,475,448
<b>(42,298,164,654)</b>			<b>1,874,913,938</b>
	<b>INCOME</b>		
82,383,628,713	1. Interest and Discount	XIII	87,265,632,379
3,849,952,278	2. Exchange, Commission, Brokerage and Fees		2,553,741,219
1,549,190,403	3. Other Income	XIV	1,146,364,869
<b>87,782,771,394</b>	<b>Total</b>		<b>90,965,738,467</b>
(42,298,164,654)	Profit brought down		1,874,913,938
-	Excess Income/Interest tax provision of earlier years written back		-
<b>(42,298,164,654)</b>			<b>1,874,913,938</b>

\*Notes to Accounts' attached.

For and on behalf of the Board

  
Shri Debasish Mallick  
Deputy Managing Director

  
Shri David Rasquinha  
Managing Director

  
Shri Dinabandhu Mohapatra

  
Ms. Geetha Muralidhar

  
Shri Rajnish Kumar

  
Dr. M.D. Patra

  
Shri Bidyut Behari Swain

Directors



For JCR & Co.  
Chartered Accountants  
Firm Regn. No. 105270W

  
(FCA Rachita Salhotra)  
Partner  
M. No. 100919

New Delhi  
Dated: May 23, 2019

# EXPORT-IMPORT BANK OF INDIA

## SCHEDULES TO THE BALANCE SHEET

		<b>GENERAL FUND</b>
Previous Year (As at 31.03.2018) ₹		This Year (As at 31.03.2019) ₹
<b>Schedule I :</b>	<b>Capital :</b>	
100,000,000,000	1. Authorised	200,000,000,000
73,593,663,881	2. Issued and Paid-up : (Wholly subscribed by the Central Government)	123,593,663,881
<b>Schedule II :</b>	<b>Reserves :</b>	
6,812,577,091	1. Reserve Fund	7,547,352,539
-	2. General Reserve	-
-	3. Other Reserves :	-
1,955,319,064	Investment Fluctuation Reserve	-
	Sinking Fund (Lines of Credit)	1,955,319,064
13,640,000,000	4. Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	13,640,000,000
<b>22,407,896,155</b>		<b>23,142,671,603</b>
<b>Schedule III :</b>	<b>Profit &amp; Loss Account :</b>	
(29,237,302,971)	1. Balance as per annexed accounts	816,475,448
(29,237,302,971)	2. Less: Appropriations:	
-	- Transferred to Reserve Fund	734,775,448
-	- Transferred to Investment Fluctuation Reserve	-
-	- Transferred to Sinking Fund	-
-	- Transferred to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	-
-	3. Balance of the net profits (Transferable to the Central Government in terms of Section 23(2) of the EXIM Bank Act, 1981)	81,700,000
<b>Schedule IV :</b>	<b>Deposits:</b>	
2,860,514,358	(a) In India	2,527,597,036
-	(b) Outside India	-
<b>2,860,514,358</b>		<b>2,527,597,036</b>

(2)	
Previous Year (As at 31.03.2018) ₹	This Year (As at 31.03.2019) ₹
<b>Schedule V :</b>	<b>Borrowings :</b>
	1. From Reserve Bank of India :
-	(a) Against Trustee Securities -
-	(b) Against Bills of Exchange -
-	(c) Out of the National Industrial Credit (Long Term Operations) Fund -
-	2. From Government of India -
	3. From Other Sources :
30,464,595,133	(a) In India 27,123,472,225
142,508,057,572	(b) Outside India 114,194,421,951
<b>172,972,652,705</b>	<b>141,317,894,176</b>
<b>Schedule VI :</b>	<b>Cash &amp; Bank Balances :</b>
267,322	1. Cash in Hand 302,849
1,062,376,412	2. Balance with Reserve Bank of India 196,634,111
	3. Balances with other Banks:
2,753,482,451	(a) In India
265,000,000	i) in current accounts 3,953,389,463
24,073,869,988	ii) in other deposit accounts -
-	(b) Outside India 37,359,518,285
	4. Money at call and short notice / Lending under CBLO / TREPS 609,677,289
<b>28,154,996,173</b>	<b>42,119,521,997</b>

(3)		
<u>Previous Year</u> <u>(As at 31.03.2018)</u>		<u>This Year</u> <u>(As at 31.03.2019)</u>
₹		₹
<b>Schedule VII:</b>	<b>Investments:</b> <b>(net of diminution in value, if any)</b>	
38,985,454,430	1. Securities of Central and State Governments	81,344,461,703
3,147,214,811	2. Equity Shares & Stocks	1,967,495,698
259,796,800	3. Preference Shares and Stocks	-
14,076,754,476	4. Notes, Debentures and Bonds	9,961,895,919
500,000,000	5. Others	-
<b>56,969,220,517</b>		<b>93,273,853,320</b>
<b>Schedule VIII :</b>	<b>Loans &amp; Advances:</b>	
347,918,475,333	1. Foreign Governments	396,124,617,822
	2. Banks:	
183,265,470,679	(a) In India	52,321,250,028
-	(b) Outside India	-
	3. Financial Institutions:	
-	(a) In India	-
31,726,150,308	(b) Outside India	34,620,875,511
483,660,472,026	4. Others	446,104,765,740
<b>1,046,570,568,346</b>		<b>929,171,509,101</b>
<b>Schedule IX :</b>	<b>Bills of Exchange and Promissory Notes Discounted/Rediscounted:</b>	
28,750,000,000	(a) In India	7,000,000,000
-	(b) Outside India	-
<b>28,750,000,000</b>		<b>7,000,000,000</b>

(4)	
Previous Year (As at 31.03.2018)	This Year (As at 31.03.2019)
-	-
<b>Schedule X :</b>	<b>Fixed Assets : (At cost less depreciation)</b>
	1. Premises
2,064,028,557	Gross Block b/f 2,091,500,834
29,133,407	Additions during the year 1,164,161,043
1,661,130	Disposals during the year 140,276,156
2,091,500,834	Gross Block as at the end of the year 3,115,385,721
1,008,738,347	Accumulated Depreciation 1,028,424,172
1,082,762,487	Net Block 2,086,961,549
	2. Others
1,013,059,162	Gross Block b/f 1,036,641,903
121,392,454	Additions during the year 147,843,319
97,809,713	Disposals during the year 133,071,046
1,036,641,903	Gross Block as at the end of the year 1,051,414,176
860,381,701	Accumulated Depreciation 860,936,165
176,260,202	Net Block 190,478,011
<b>1,259,022,689</b>	<b>2,277,439,560</b>
<b>Schedule XI :</b>	<b>Other Assets :</b>
	1. Accrued interest on
11,120,355,964	a) investments / bank balances 8,809,286,271
15,936,763,898	b) loans and advances 21,168,396,332
43,378,422	2. Deposits with sundry parties 48,320,978
7,095,229,016	3. Advance Income Tax paid (net) 5,883,409,567
39,290,047,445	4. Others [including Deferred tax asset of ` 32,763,418,742 (previous year - ` 33,274,681,260)] 36,502,745,652
<b>73,485,774,745</b>	<b>72,412,158,800</b>
<b>Schedule XII :</b>	<b>Other Expenses :</b>
19,460,137	1. Export Promotion Expenses 23,811,205
6,694,221	2. Expenses on and related to Data Processing 1,332,587
208,816,959	3. Repairs and Maintenance 222,008,100
13,396,427	4. Printing and Stationery 10,471,988
794,636,782	5. Others 663,239,951
<b>1,043,004,526</b>	<b>920,863,831</b>

(5)		
Previous Year (As at 31.03.2018)		This Year (As at 31.03.2019)
₹		₹
<b>Schedule XIII :</b>	<b>Interest and Discount :</b>	
53,302,677,483	1. Interest and Discount on loans and advances/bills discounted/rediscouted	60,802,258,674
29,080,951,230	2. Income on Investments/bank balances	26,463,373,705
<b>82,383,628,713</b>		<b>87,265,632,379</b>
<b>Schedule XIV :</b>	<b>Other Income :</b>	
1,520,032,565	1. Net Profit on sale/ revaluation of investments	589,720,842
18,042,191	2. Net Profit on sale of land, buildings and other assets	422,975,904
11,115,647	3. Others	133,668,123
<b>1,549,190,403</b>		<b>1,146,364,869</b>

Note : Deposits under 'Liabilities' [ref. Schedule IV (a)] include 'on shore' foreign currency deposits aggregating USD 29.88 mn. (Previous year USD 34.92 mn.) kept by counter party banks / institutions with Exim Bank against reciprocal rupee deposits / bonds.

Investments under 'Assets' [ref. Schedule VII 4.] include bonds aggregating ₹ 1.36 bn (Previous year ₹ 1.58 bn) on account of swaps.



# EXPORT-IMPORT BANK OF INDIA

Cash Flow Statement for year ended March 31, 2019		
	Amount (₹ mn)	
Particulars	Year ended March 31, 2019	Year ended March 31, 2018
	(Audited)	(Audited)
<b>Cash flow from Operating Activities</b>		
Net Profit / (Loss) before tax and extra-ordinary items	1,874.9	(42,298.2)
Adjustments for		
- (Profit)/Loss on sale of fixed assets (Net)	(423.0)	(18.0)
- (Profit)/Loss on sale of Investments (Net)	(589.7)	(1,520.0)
- Depreciation	255.8	184.8
- Discount/Expenses on bond issues written off	156.3	184.3
- Transfer from Investment Fluctuation Reserve	-	-
- Provisions/Write Off of Loans/Investments & other provisions	18,806.0	61,609.5
- Others - to specify	-	-
	20,080.3	18,142.4
Adjustments for		
- Other Assets	(659.8)	(3,254.0)
- Current liabilities	(38,897.9)	(49,785.8)
<b>Cash generated from operations</b>	<b>(19,477.4)</b>	<b>(34,897.4)</b>
Payment of income tax/interest tax	(386.0)	(6,161.2)
<b>Net cash flow from Operating activities (A)</b>	<b>(19,863.4)</b>	<b>(41,058.6)</b>
<b>Cash flow from Investing activities</b>		
- Net purchase of fixed assets	(851.2)	(127.4)
- Net change in investments	(35,714.9)	(4,419.9)
<b>Net cash used in / raised from Investing activities (B)</b>	<b>(36,566.1)</b>	<b>(4,547.3)</b>
<b>Cash Flow from Financing activities</b>		
- Equity capital infusion	50,000.0	5,000.0
- Loans borrowed (net of repayments made)	(118,755.0)	80,803.9
- Loans lent, bills discounted and rediscounted (net of repayments received)	139,149.1	(48,910.6)
- Dividend on equity shares and tax on dividend	-	(41.3)
(Balance of Net profits transferred to Central Government)		
<b>Net cash used in / raised from Financing activities (C)</b>	<b>70,394.0</b>	<b>36,852.0</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>13,964.5</b>	<b>(8,753.9)</b>
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<b>28,155.0</b>	<b>36,908.9</b>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>42,119.5</b>	<b>28,155.0</b>


For and on behalf of the Board

  
Shri Debasish Mallick  
Deputy Managing Director

  
Shri David Rasquinha  
Managing Director

  
Shri Dinabandhu Mohapatra

  
Ms. Geetha Muralidhar

  
Shri Rajnish Kumar

  
Dr. M.D. Patra

  
Shri Bidyut Behari Swain

Directors

For JCR & Co.  
Chartered Accountants  
Firm Regn. No. 105270W



  
(FCA Rachita Salhotra)  
Partner  
M. No. 100919

New Delhi  
Dated: May 23, 2019

## **EXPORT-IMPORT BANK OF INDIA**

### **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

#### **I. SIGNIFICANT ACCOUNTING POLICIES**

##### **(i) Financial Statements**

###### **a) Basis of preparation**

The Balance Sheet and Profit and Loss account of Export-Import Bank of India (Exim Bank) (General Fund and Export Development Fund) have been prepared in accordance with the accounting principles followed in India. The financial statements have been prepared under the historical cost convention on an accrual basis unless otherwise stated. The accounting policies that are applied by the Bank are consistent with those used in the previous year. The form and manner in which the Balance Sheet and the Profit and Loss Account of Exim Bank are prepared have been provided in the Export-Import Bank of India, General Regulations, 1982 approved by the Board of Directors with the previous approval of Government of India under Section 39 (2) of Export-Import Bank of India Act, 1981 (28 of 1981). Certain important financial ratios / data are disclosed as part of the "Notes to Accounts" in terms of Reserve Bank of India (RBI) Master Direction DBR.FID.No.108/01.02.000/2015-16 dated June 23, 2016.

###### **b) Use of estimates**

The preparation of financial statements in conformity with accepted accounting principles requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities and provisions (including contingent liabilities) as of the date of the financial statements and the reported income and expenses for the reporting period. The management believes that the estimates used in the preparation of the financial statements are prudent and reasonable.

##### **(ii) Revenue Recognition**

Income/Expenditure is recognised on accrual basis except in respect of interest on Non-performing Assets (NPA) / Non-performing Investments and "Stressed Assets", interest on loans under Strategic Debt Restructuring, fee income, commission, commitment charges and dividend which are accounted on cash basis. NPAs are determined as per RBI guidelines issued to All-India Financial Institutions. Discount/ redemption premium offered on Exim Bank Bonds has been amortised over the tenure of the bond and included in interest expenses.

##### **(iii) Asset Classification and Provisioning**

Loans and Advances shown in Balance Sheet comprise only principal outstanding net of provisions for Non-Performing Assets (NPA). Interest receivables are grouped under "Other Assets".

Loan Assets are classified into the following groups: Standard Assets, Sub-standard Assets, Doubtful Assets and Loss Assets, taking into consideration the degree of credit weaknesses and extent of dependence on collateral security for realisation of dues. Classification of loan assets and provisioning are as per RBI guidelines issued to All-India Financial Institutions.

##### **(iv) Investments**

The entire investment portfolio is classified under three categories:

- (a) "Held to Maturity" (the securities acquired with the intention to hold them to maturity),
- (b) "Held for Trading" (the securities acquired with the intention to trade by taking advantage of the short term price/interest rate movements, etc.), and
- (c) "Available for Sale" (the balance investments).

The investments are further classified as:

- (i) Government securities
- (ii) Other approved securities
- (iii) Shares
- (iv) Debentures and Bonds
- (v) Subsidiaries/Joint Ventures
- (vi) Others (Commercial Papers, Mutual Fund Units, etc.)

The classification of various instruments of investments, categorisation, shifting among categories, valuation and provisioning of investments are done in accordance with the norms laid down by RBI for All-India Financial Institutions.

**(v) Fixed Assets and Depreciation**

- (a) Fixed Assets are stated at historical cost less accumulated depreciation.
- (b) Depreciation is provided for on straight-line method basis at the following rates:

ASSET	DEPRECIATION RATE
Owned Buildings	5%
Furniture and Fixtures	25%
Office Equipment	25%
Other Electrical Equipment	25%
Computers and Computer Software	25%
Motor Vehicles	25%
Mobile Phones and other electronics items subject to rapid technological obsolescence	33.33%

- (c) In respect of assets acquired during the year, depreciation is provided for the entire year in the year of purchase and in respect of assets sold during the year, no depreciation is provided in the year of sale.
- (d) When a depreciable asset is disposed of, discarded, demolished or destroyed, the net surplus or deficit is adjusted in the Profit and Loss Account.

**(vi) Impairment**

The carrying amounts of assets are reviewed at each Balance Sheet date based on internal / external factors to provide for impairment in the value of the assets or reverse impairment losses recognised in previous periods, as applicable. Impairment loss is recognised when the carrying amount of an asset exceeds recoverable amount.

**(vii) Accounting for Foreign Currency Transactions**

- (a) Assets and liabilities denominated in foreign currency are translated at the exchange rate notified by the Foreign Exchange Dealers' Association of India (FEDAI) at year end.
- (b) Income and expenditure items are translated at the average rates of exchange during the year.
- (c) Outstanding foreign exchange contracts are revalued at rates of exchange notified by the FEDAI for specified maturities and the resulting profits / losses are included in the Profit and Loss account.
- (d) Contingent liabilities in respect of guarantees, acceptances, endorsements and other obligations are stated at the rates of exchange notified by FEDAI at year end.

**(viii) Guarantees**

Provisioning for guarantees is made taking into account the likely losses on projects till their completion, for uncovered portion under ECGC policies.

**(ix) Derivatives**

The Bank presently deals in derivative contracts such as Interest Rate Swaps, Currency Swaps, Cross-Currency Interest Rate Swaps and Forward Rate Agreements, for hedging its assets and liabilities. Based on RBI Guidelines, the above derivatives undertaken for hedging purposes are accounted on accrual basis. Qualitative and Quantitative disclosures pertaining to outstanding derivative contracts are reported in the "Notes to Accounts" in accordance with RBI's Master Direction on Presentation, Disclosure and Reporting norms for All India Financial Institutions on the Balance Sheet date.

**(x) Provision for Employee Benefits**

- (a) Provident Fund, Gratuity Fund and Pension Fund are defined benefit schemes administered by the Bank and the Bank's contributions to these funds are charged to the Profit and Loss Account for the year.
- (b) Gratuity and Pension are defined benefit obligations. Liabilities towards these obligations are provided for on the basis of actuarial valuation at the end of each financial year based on the projected unit credit method.
- (c) Liability towards leave encashment is provided for on the basis of actuarial valuation at year end.

**(xi) Accounting for taxes on Income**

- (a) Provision for current tax is made, based on the tax payable under the relevant statute.
- (b) Deferred tax on timing difference between taxable income and accounting income is accounted for, using the tax rates and the tax law enacted or substantially enacted as on the Balance Sheet date. Deferred tax assets are recognised only to the extent that there is a virtual certainty of realisation.

**(xii) Provisions, Contingent Liabilities and Contingent Assets**

As per AS 29 – "Provisions, Contingent Liabilities and Contingent Assets" issued by the Institute of Chartered Accountants of India (ICAI), the Bank recognises 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 liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

Contingent assets are neither recognised nor disclosed in the financial statements.

**(xiii) Deferment of Implementation of Indian Accounting Standards (Ind AS)**

In terms of Reserve Bank of India's (RBI) circular dated August 04, 2016, Indian Accounting Standards (Ind AS) was applicable to all Banks, NBFCs and AIFIs for the accounting periods beginning from April 01, 2018 onwards with comparatives for the period ending March 31, 2018. RBI vide its letter dated May 15, 2019 addressed to Exim Bank has conveyed deferment of implementation of Ind AS by the AIFIs until further notice.

## **II. NOTES TO ACCOUNTS – GENERAL FUND**

### **1. Agency Account**

As Exim Bank is acting only in the capacity of an agency to facilitate certain transactions in Iraq relating to Indian contractors, foreign currency receivables advised to the Bank equivalent to ₹ 47.53 bn (previous year ₹ 44.79 bn) held on agency account including a sum of ₹ 42.95 bn (previous year ₹ 40.48 bn) assigned to Government of India (GOI) are not included in the above Balance Sheet.

### **2. Income-Tax**

The capital of the Bank is wholly subscribed by the Central Government and the Bank does not have any share capital. The balance of profit transferable to the Central Government in accordance with Section 23 (2) of the Export-Import Bank of India Act, 1981 is not termed as dividend. Consequently, dividend distribution tax is considered not payable, in the light of the judgement passed by the Income Tax Appellate Tribunal in case no. ITA No. 2025 / Mum / 2000 on December 18, 2006 and hence, no provision has been made for the same.

### **3. (a) Contingent Liabilities**

Guarantees include expired guarantees amounting to ₹ 4.85 bn (previous year ₹ 1.24 bn), yet to be cancelled in the books. Contingent liabilities include invoked Counter Bank Guarantees aggregating USD 31.39 mn (equivalent ₹ 220 crore as on March 31, 2019) issued on behalf of Elsamex S.A., Spain, a step-down subsidiary of IL&FS. The payment has been stayed by the Hon'ble High Court of Bombay under the invoked Counter Bank Guarantees. The matter is currently subjudice. Consequently, the payment has not been made. However, as a matter of abundant caution, the Bank has made a provision for 50% of the amount against the said contingent liability.

### **(b) Claims not acknowledged as debts**

The amount of ₹ 7.22 bn (previous year ₹ 2.31 bn) shown under Contingent Liabilities as "Claims on the Bank not acknowledged as debts", pertains to claims/counter-claims filed against the Bank mostly by Bank's defaulting borrowers in response to legal action initiated against them by the Bank. None of the claims / counter-claims is considered as maintainable in the opinion of Bank's solicitors and none of them has reached the stage of final hearing. Based on professional advice, no provision is considered necessary.

### **(c) Forward Exchange Contracts, Currency / Interest rate Swaps**

- (i) The outstanding forward exchange contracts as at March 31, 2019 have been fully hedged. The Bank undertakes derivatives transactions (Interest Rate Swaps, Forward Rate Agreements and Currency-cum-interest rate swaps), for the purpose of Asset-Liability management as per RBI guidelines issued vide circular Ref. No. MPD.BC.187/07.01.279/1999-2000 dated July 7, 1999 and thereafter. The Bank also unwinds and re-enters such transactions based on requirements/market conditions. The outstanding derivative transactions are captured in the interest rate sensitivity position, which is monitored by the Asset Liability Management Committee (ALCO) and reviewed by the Board. The credit equivalent of derivatives is arrived at as per 'Current Exposure' method prescribed by RBI. The fair value and the price value of a basis point (PV01) of derivatives are disclosed separately in the 'Notes to Accounts' as stipulated by RBI. The premium or discount arising at inception of forward exchange contracts is amortized over the life of the contracts. Any profit or loss arising on cancellation of forward exchange contracts is recognized as income / expense for the year.
- (ii) The Bank is permitted to be a 'market maker' for offering long-dated Foreign Currency - Rupee Swaps to clients / non-clients.



(d) **Profit / Loss on Exchange fluctuation**

Assets and liabilities denominated in foreign currency are translated at the exchange rate notified by the Foreign Exchange Dealers' Association of India (FEDAI) at year end. Income and expenditure items are translated at the average rates of exchange during the year. The notional profit on such translation of the retained earnings on FC operations during the current year is ₹ 0.07 bn (previous year notional loss of ₹ 0.13 bn).

4. Disclosure relating to Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Act, 2006: There have been no reported cases of delayed payments to Micro, Small and Medium Enterprises

5. **ADDITIONAL INFORMATION AS REQUIRED BY RESERVE BANK OF INDIA**

5.1 (a) **Capital**

(₹ bn)

	Particulars	As on March 31, 2019	As on March 31, 2018
(i)	Common Equity	109.77	58.52
(ii)	Additional Tier 1 Capital	5.00	5.00
(iii)	Total Tier 1 Capital (i+ii)	114.77	63.52
(iv)	Tier 2 Capital	8.81	10.95
(v)	Total Capital (Tier 1 + Tier 2)	123.58	74.47
(vi)	Total Risk weighted assets (RWAs)	648.05	719.79
(vii)	Common Equity Ratio (Common Equity as a percentage of RWAs)	16.94%	8.13%
(viii)	Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	17.71%	8.82%
(ix)	Capital to Risk weighted Assets Ratio (CRAR) (Total Capital as a percentage of RWAs)	19.07%	10.35%
(x)	Percentage of the shareholding of the Government of India in the Bank	100%	100%
(xi)	Amount of equity capital infused by the Government of India	50.00	5.00
(xii)	Amount of Tier 1 capital raised; of which		
	a) Perpetual Non-Cumulative Preference Shares (PNCPS);	Nil	Nil
	b) Perpetual Debt Instruments (PDI)	Nil	Nil
(xiii)	Amount of Tier 1 capital raised; of which		
	a) Debt Capital Instruments	Nil	Nil
	b) Perpetual Non-Cumulative Preference Shares (PNCPS);	Nil	Nil
	c) Redeemable Non-Cumulative Preference Shares (RNCPS)	Nil	Nil
	d) Redeemable Cumulative Preference Shares (RCPS)	Nil	Nil

(b) The amount of subordinated debt raised and outstanding as on March 31, 2019 as Tier-II capital: ₹ NIL (previous year: ₹ NIL).

(c) **Risk weighted assets**

(₹ bn)

	Particulars	As on March 31, 2019	As on March 31, 2018
(i)	'On' balance sheet items	490.99	579.05
(ii)	'Off' balance sheet items	157.06	140.74



- (d) The share holding pattern as on the date of the balance sheet: Capital wholly subscribed by the Government of India.

- The CRAR and other related parameters have been determined as per the extant capital adequacy norms prescribed by RBI for the Financial Institutions (FIs).
- The revised Framework to be prescribed by the RBI, including the Basel III norms, is still at draft stage. The Bank will implement Basel III norms for determining CRAR from the date they become effective. However, the final notification from RBI is awaited.

## 5.2 Free Reserves and Provisions

### (a) Provisions on Standard Assets

(₹ bn)

Particulars	2018-19	2017-18
Provisions towards Standard Assets	(17.43)	14.08

### (b) Floating Provisions

(₹ bn)

Particulars	2018-19	2017-18
(a) Opening balance in the floating provisions accounts	-	-
(b) The quantum of floating provisions made in the accounting year	-	-
(c) Amount of draw down made during the accounting year	-	-
(d) Closing balance in the floating provisions account	-	-

## 5.3 Asset Quality and Specific Provisions

### (a) Non-Performing Advances

(₹ bn)

Particulars	2018-19	2017-18
(i) Net NPAs to Net Advances (%)	2.44%	3.75%
(ii) Movement of NPAs (Gross)		
(a) Opening Balance	119.76	99.62
(b) Additions during the year	33.63	43.24
(c) Reductions during the year	36.61	23.10
(d) Closing balance	116.78	119.76
(iii) Movement of Net NPAs		
(a) Opening balance	40.28	48.04
(b) Additions during the year	2.61	24.87
(c) Reductions during the year	20.01	32.63
(d) Closing balance	22.88	40.28
(iv) Movement of Provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	79.48	51.59
(b) Provisions made during the year	43.73	39.27
(c) Write off / write back of excess provisions	29.31	11.38
(d) Closing balance	93.90	79.48

### (b) Non-Performing Investments

(₹ bn)

Particulars	2018-19	2017-18
(i) Net NPIs to Net Investments (%)	0.36%	0.80%
(ii) Movement of NPIs (Gross)		
(a) Opening Balance	3.04	1.63
(b) Additions during the year	2.62	1.95
(c) Reductions during the year	0.11	0.54
(d) Closing balance	5.55	3.04

(iii)	Movement of Net NPIs		
(a)	Opening Balance	0.46	0.0042
(b)	Additions during the year	0.19	0.4554
(c)	Reductions during the year	0.31	0.0042
(d)	Closing balance	0.34	0.4554
(iv)	Movement of Provisions for NPIs (excluding provisions on standard assets)		
(a)	Opening balance	2.58	1.63
(b)	Provisions made during the year	2.71	1.51
(c)	Write off / write back of excess provisions	0.08	0.56
(d)	Closing balance	5.21	2.58

(c) **Non-Performing Assets (a+b)**

		(₹ bn)	
Particulars		2018-19	2017-18
▪	Net NPAs to Net Assets (Advances + Investments) (%)	2.26%	3.60%
(ii)	Movement of NPAs (Gross Advances + Gross Investments)		
(a)	Opening Balance	122.80	101.25
(b)	Additions during the year	36.25	45.19
(c)	Reductions during the year	36.72	23.64
(d)	Closing balance	122.33	122.80
(iii)	Movement of Net NPAs		
(a)	Opening Balance	40.74	48.0442
(b)	Additions during the year	2.80	25.3254
(c)	Reductions during the year	20.32	32.6342
(d)	Closing balance	23.22	40.7354
(iv)	Movement of Provisions for NPAs (excluding provisions on standard assets)		
(a)	Opening balance	82.06	53.22
(b)	Provisions made during the year	46.44	40.78
(c)	Write off / write back of excess provisions	29.39	11.94
(d)	Closing balance	99.11	82.06

#### 5.4 Particulars of Accounts Restructured

Sr No.	Type of Restructuring Asset Classification	Details	Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total
			Stand- ard	Sub- stan- dard	Doubt- ful	Loss	Total	Stand- ard	Sub- stan- dard	Doubt- ful	Loss	Total	Stand- ard	Sub- stan- dard	Doubt- ful	Loss	Total	
1	Restructured Accounts as on date of opening of the FY (opening figures)*	No. of borrowers Amount outstanding Provision thereon	10	-	7	-	17	1	-	2	-	3	6	2	11	-	19	39
			5.35	-	1.61	-	6.96	0.01	-	0.02	-	0.03	5.43	1.89	11.41	-	18.73	25.72
			2.28	-	1.54	-	3.82	0.002	-	0.02	-	0.02	0.49	0.48	9.54	-	10.51	14.35
2	Fresh restru- cturing / Additions during the year	No. of borrowers Amount outstanding Provision thereon	-	-	1	-	1	-	-	-	-	-	2	1	3	-	6	7
			-	-	1.20	-	1.20	-	-	-	-	-	1.96	1.14	2.40	-	5.50	6.70
			-	-	1.20	-	1.20	-	-	-	-	-	0.34	0.22	1.65	-	2.21	3.41
3	Upgradations to restructured standard category during the FY	No. of borrowers Amount outstanding Provision there- on	-	-	-	-	-	-	-	-	-	-	-	-	2	-	2	2
			-	-	-	-	-	-	-	-	-	-	-	-	2.72	-	2.72	2.72
			-	-	-	-	-	-	-	-	-	-	-	-	2.33	-	2.33	2.33