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.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the supplemental offering circular dated January 6, 2025 (together with the offering circular dated July 17, 2024, the "**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 UNITED STATES 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 THIS 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 United States 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 United States, and (2) that you consent to the delivery of this Offering Circular by electronic transmission.

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of certain offerings of Notes pursuant to this Program (each such offering a "**CMI Offering**"), including certain Dealers, may be "capital market intermediaries" ("**CMIs**") subject to Paragraph 21 of the Hong Kong Securities and Futures Commission Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" (together, the "**OCs**") for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an association ("**Association**") with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealers and/or any other third parties as may be required by the SFC Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

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.

This Offering Circular has not been and will not be registered, produced or made available to all as an offer document under applicable Indian securities laws or filed with the Reserve Bank of India ("RBI"), or the Securities and Exchange Board of India ("SEBI"), or any registrar of companies ("RoC") or any other statutory, regulatory or adjudicatory body of like nature in India or any Indian stock exchanges, save and except for any information from any part of this Offering Circular which is mandatorily required to be disclosed or filed in India under any applicable Indian securities laws, including, but not limited to, the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended from time to time, and under the listing agreements with any Indian stock exchanges pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended from time to time, or pursuant to the directives of any statutory, regulatory and adjudicatory body in India. The securities will not be offered or sold and have not been offered or sold, in India by means of any document or otherwise, whether as a principal or agent. The securities have not been offered or sold, and will not be offered or sold to any person, in India in circumstances which would constitute an advertisement, invitation, offer, sale or solicitation of an offer to subscribe for or purchase any securities (whether to the public or by way of private placement) within the meaning of the Companies Act, 2013, as amended from time to time, along with the rules framed thereunder, or any other applicable Indian securities laws for the time being in force.

Supplemental Offering Circular

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

This Supplemental Offering Circular is supplemental to, and should be read in conjunction with, the Offering Circular dated July 17, 2024 (the "**Original Offering Circular**" and, together with this Supplemental Offering Circular, the "**Offering Circular**") and all documents which are deemed to be incorporated therein by reference in relation to the U.S.$10,000,000,000 Medium Term Note Program (the "**Program**") of Export-Import Bank of India (the "**Issuer**" or the "**Bank**").

Words and expressions defined in the Original Offering Circular shall have the same meanings where used in this Supplemental Offering Circular unless the context otherwise requires or unless otherwise stated herein.

The Issuer accepts responsibility for the information contained in the Offering Circular. Having taken all reasonable care to ensure that such is the case, the information contained in the 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 enquiries, confirms that the 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 the Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in the Offering Circular are honestly held and that there are no other facts the omission of which would make the Offering Circular or any of such information or the expression of any such opinions or intentions misleading. The Issuer accepts responsibility accordingly.

To the fullest extent permitted by law, none of the Arrangers or the Dealers accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Arrangers or a Dealer or on its behalf in connection with the Issue or the issue and offering of any Notes under the Program. The Arrangers and each Dealer accordingly disclaim 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.

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

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, 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 Depositary for Euroclear and Clearstream, and registered in the name of a nominee of the Common Depositary.

Registered Notes of each Tranche may only be offered and sold in the United States 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 available 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 the Depositary Trust Company (the "**DTC**").

The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws and may not be offered or sold in the United States, except pursuant to an exemption from the registration requirements of the Securities Act and in accordance with all applicable securities laws of any State of the United States and any other jurisdiction. See "*Form of the Notes*" in the Original Offering Circular 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*" in the Original Offering Circular.

This Supplemental 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 Securities 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 from time to time, and the rules framed thereunder or any other applicable Indian securities laws. This Supplemental Offering Circular has not been and will not be reviewed or approved by any statutory, regulatory or adjudicatory 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 exchanges in India. This Supplemental Offering Circular and the Notes are not and should not be construed as an advertisement, invitation, offer or sale of any securities (whether to the public or by way of private placement) within the meaning of the Companies Act, 2013, as amended from time to time, along with the rules framed thereunder, or any other applicable Indian securities laws for the time being in force. The Notes have not been and will not be, offered or sold to any person resident in India.

The date of this Supplemental Offering Circular is January 6, 2025

Arrangers and Dealers

Citi **HSBC**

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CAPITALISATION OF THE BANK

The following table sets forth the capitalization and indebtedness of the Bank as of September 30, 2024. This table should be read in conjunction with the Bank's financial statements as of September 30, 2024 and the schedules and notes presented elsewhere herein.

	As of September 30, 2024 (unaudited)	
	(₹ in million)	*(U.S.$ in million)*[1]
Short-Term Debt[2][3]**:**		
Short-Term Debt (Rupee)	338,359.96	4,037.83
Short-Term Debt (Foreign Currency)	146,446.42	1,747.62
Total Short-Term Debts (a)	484,806.38	5,785.45
Long-Term Debt:		
Long-Term Debt (Rupee)	340,101.97	4,058.62
Long-Term Debt (Foreign Currency)	743,625.20	8,874.07
Total Long-Term Debts (b)	1,083,727.17	12,932.69
Total Debt (c) = (a+b)	1,568,533.55	18,718.14
Capital and Reserves:		
Paid-up Capital	159,093.66	1,898.55
Reserve Fund	52,272.08	623.79
Other Reserve	3,937.22	46.98
Special Reserve	13,640.00	162.77
Total Capital and Reserves (d)	228,942.96	2,732.10
Total Capitalization[4] = (b) + (d)	1,312,670.13	15,664.79

Notes:

(1) For figures as of September 30, 2024, U.S. dollar translations have been made using the exchange rate reported by the Foreign Exchange Dealer's Association of India on September 30, 2024, which was ₹83.7975=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) Capitalization excludes short-term debt.

RECENT DEVELOPMENTS

Risk Factors

The risk factor entitled "*Due to changes to Rule 15c2-11 under the Securities Exchange Act of 1934, investors may face difficulties in selling your Notes*" on page 119 of the Original Offering Circular is deleted in its entirety.

Six Months of Fiscal 2025 Performance Highlights

The following table sets forth the Bank's performance highlights for the six months ended September 30, 2024 as compared to September 30, 2023. For the figures as of and for the six months ended September 30, 2024, U.S. dollar translations have been made using the exchange rate reported by the Foreign Exchange Dealer's Association of India on September 30, 2024 which was ₹83.7975=U.S.$1.00.

	Six Months Ended September 30,		
	2023	**2024**	**% change**
	(₹ in millions, except percentages)		
Net interest income	16,875.35	16,426.45	(2.66)
Non-interest income	2,400.70	2,481.93	3.38
Non-interest expense	1,904.57	2,660.29	39.68
Operating income	19,276.05	18,908.38	(1.91)
Total income	73,418.85	91,367.26	24.45
Operating profit	17,371.49	16,248.09	(6.47)
Provisions and contingencies (including tax provision)	7,210.08	4,996.78	(30.70)
Net interest margin	2.09%	1.70%	(0.39)
Net profit after tax	**10,161.40**	**11,251.30**	**10.73**

Net Interest Income

The Bank's net interest income decreased by ₹448.90 million, or 2.66%, from ₹16,875.35 million for the six months ended September 30, 2023 to ₹16,426.45 million (U.S.$196.03 million) for the six months ended September 30, 2024, primarily as a result of higher increase in interest expense as compared to increase in interest income.

Non-Interest Income

The Bank's non-interest income increased by ₹81.23 million, or 3.38%, from ₹2,400.70 million for the six months ended September 30, 2023 to ₹2,481.93 million (U.S.$29.62 million) for the six months ended September 30, 2024, primarily as a result of gain on sale of investments.

Non-Interest Expense

The Bank's non-interest expense increased by ₹755.72 million, or 39.68%, from ₹1,904.57 million for the six months ended September 30, 2023 to ₹2,660.29 million (U.S.$31.75 million) for the six months ended September 30, 2024, primarily as a result of increase in administrative expenses and depreciation.

Operating Income

The Bank's operating income (comprising of net interest income and non-interest income) decreased by ₹367.67 million, or 1.91%, from ₹19,276.05 million for the six months ended September 30, 2023 to ₹18,908.38 million

(U.S.$225.64 million) for the six months ended September 30, 2024, primarily as a result of the reasons mentioned above.

Total Income

The Bank's total income increased by ₹17,948.41 million, or 24.45%, from ₹73,418.85 million for the six months ended September 30, 2023 to ₹91,367.26 million (U.S.$1,090.33 million) for the six months ended September 30, 2024, primarily as a result of increase in interest income from loans & advances, treasury income and other income.

Operating Profit

The Bank's operating profit (comprising net interest income and non-interest income less operating expenses) decreased by ₹1,123.39 million, or 6.47%, from ₹17,371.49 million for the six months ended September 30, 2023 to ₹16,248.09 million (U.S.$193.90 million) for the six months ended September 30, 2024, primarily as a result of higher increase in total expenditure vis-à-vis total income.

Provisions and Contingencies

The Bank's provisions and contingencies decreased by ₹2,213.30 million, or 30.70%, from ₹7,210.08 million for the six months ended September 30, 2023 to ₹4,996.78 million (U.S.$59.63 million) for the six months ended September 30, 2024, primarily as a result of reversal of proactive provision in respect of certain non-funded facilities on account of closure and recovery from stressed standard loan assets.

Net Interest Margin

The Bank's net interest margin (being interest income on loans and investments deducting interest expense over average gross earning assets (including cash and bank balances, investments, loan assets (including bills rediscounted)) decreased by 0.39% from 2.09% for the six months ended September 30, 2023 to 1.70% for the six months ended September 30, 2024, primarily as a result of a proportionately higher increase in average gross earning assets as compared to increase in net interest income.

Net Profit After Tax

As a result of the foregoing, the Bank's net profit after tax amounted to ₹11,251.30 million (U.S.$134.27 million) for the six months ended September 30, 2024 compared to a net profit after tax of ₹10,161.40 million for the six months ended September 30, 2023.

Financial Condition

Assets

The following table shows a breakdown of the components of the Bank's assets as of March 31, 2024 and September 30, 2024.

	As of March 31, 2024	**As of September 30, 2024**	**% change**
	(₹ in millions, except percentages)		
Cash and bank balances	84,288.47	53,698.47	(36.29)
Investments (net)	166,234.97	160,450.19	(3.48)
Loans and advances (net of provisions)	1,512,012.78	1,590,272.04	5.18
Bills of exchange and promissory notes discounted/rediscounted	64,010.00	35,500.00	(44.54)
Fixed assets (net)	3,638.04	3,547.16	(2.50)

	As of March 31, 2024	As of September 30, 2024	% change
	(₹ in millions, except percentages)		
Other assets	89,329.92	107,812.29	20.69
Total	**1,919,514.18**	**1,951,280.16**	**1.65**

The Bank's cash and bank balances decreased by ₹30,590.00 million, or 36.29%, from ₹84,288.47 million as of March 31, 2024 to ₹53,698.47 million (U.S.$640.81 million) as of September 30, 2024, primarily as a result of deployment of funds in earning assets.

The Bank's investments (net) decreased by ₹5,784.78 million, or 3.48%, from ₹166,234.97 million as of March 31, 2024 to ₹160,450.19 million (U.S.$1,914.74 million) as of September 30, 2024, primarily as a result of sale of investments in mutual funds and commercial papers.

The Bank's loans and advances (net of provisions) increased by ₹78,259.26 million, or 5.18%, from ₹1,512,012.78 million as of March 31, 2024 to ₹1,590,272.04 million (U.S.$18,977.56 million) as of September 30, 2024, primarily as a result of increase in commercial portfolio during the year.

The Bank's bills of exchange and promissory notes discounted/rediscounted decreased by ₹28,510.00 million, or 44.54%, from ₹64,010.00 million as of March 31, 2024 to ₹35,500.00 million (U.S.$423.64 million) as of September 30, 2024, in the ordinary course of business operations.

The Bank's fixed assets (net) decreased by ₹90.88 million, or 2.50%, from ₹3,638.04 million as of March 31, 2024 to ₹3,547.16 million (U.S.$42.33 million) as of September 30, 2024, primarily as a result of a marginal increase in accumulated depreciation on account of normal wear and tear in the fixed assets.

The Bank's other assets increased by ₹18,482.37 million, or 20.69%, from ₹89,329.92 million as of March 31, 2024 to ₹107,812.29 million (U.S.$1,286.58 million) as of September 30, 2024, primarily because on account of increase in accrued interest on loans and advances.

As a result of the foregoing, the Bank's total assets increased by ₹31,765.98 million, or 1.65%, from ₹1,919,514.18 million as of March 31, 2024 to ₹1,951,280.16 million (U.S.$23,285.66 million) as of September 30, 2024.

Liabilities

The following table shows a breakdown of the components of the Bank's liabilities as of March 31, 2024 and September 30, 2024.

	As of March 31, 2024	As of September 30, 2024	% change
	(₹ in millions, except percentages)		
Capital	159,093.66	159,093.66	-
Reserves	69,849.30	69,849.30	-
Profit and loss account	2,520.00	11,251.31	346.48
Notes, bonds and debentures	912,354.65	968,102.22	6.11
Bills payable	-	-	-

	As of March 31, 2024	As of September 30, 2024	% change
	(₹ in millions, except percentages)		
Deposits	1,133.51	1,016.37	(10.33)
Borrowings	632,618.28	599,414.96	(5.25)
Current liabilities and provisions for contingencies	90,843.23	95,708.94	5.36
Other liabilities	51,101.54	46,843.40	(8.33)
Total	**1,919,514.18**	**1,951,280.16**	1.65

The Bank’s capital remained at ₹159,093.66 million (U.S.$1,898.55 million) as of September 30, 2024.

The Bank’s reserves remained at ₹69,849.30 million (U.S.$833.55 million) as of September 30, 2024.

The Bank’s profit and loss account (the balance of the net profits transferable to the Central Government in terms of Section 23(2) of the Act) increased by ₹8,731.31 million, or 346.48%, from ₹2,520.00 million as of March 31, 2024 to ₹11,251.31 million (U.S.$134.27 million) as of September 30, 2024, primarily as a result of transfer of ₹22,624.10 million and ₹42.60 million to Reserve Fund and Investment Fluctuation Reserve respectively, subsequent to the Board's approval of the annual financial statements for FY24. The remaining balance in profit and loss account of ₹2,520.00 million were transferred to the Central Government in terms of Section 23(2) of the Act. ₹11,251.31 million represents profit for the half- year ended September 30, 2024. The appropriation to reserve fund will be effected subsequent to the Board's approval of the annual financial statements for FY25.

The Bank’s notes, bonds and debentures increased by ₹55,747.57 million, or 6.11%, from ₹912,354.65 million as of March 31, 2024 to ₹968,102.22 million (U.S.$11,552.88 million) as of September 30, 2024, primarily as a result of fresh issuances.

There were no bills payable as of September 30, 2024 which have fallen due for payment.

The Bank’s deposits decreased by ₹117.14 million, or 10.33%, from ₹1,133.51 million as of March 31, 2024 to ₹1,016.37 million (U.S.$12.13 million) as of September 30, 2024, primarily as a result of maturity of term deposits.

The Bank’s borrowings decreased by ₹33,203.32 million, or 5.25%, from ₹632,618.28 million as of March 31, 2024 to ₹599,414.96 million (U.S.$7,153.14 million) as of September 30, 2024, primarily as a result of repayment of borrowings.

The Bank’s current liabilities and provisions for contingencies (which relate to provisions on standard loans) increased by ₹4,865.71 million, or 5.36%, from ₹90,843.23 million as of March 31, 2024 to ₹95,708.94 million (U.S.$1,142.15 million) as of September 30, 2024, primarily as a result of increase in accrued interest on borrowings.

The Bank’s other liabilities decreased by ₹4,258.14 million, or 8.33%, from ₹51,101.54 million as of March 31, 2024 to ₹46,843.40 million (U.S.$559.01 million) as of September 30, 2024, in the ordinary course of business

As a result of the foregoing, the Bank’s total liabilities increased by ₹31,765.98 million, or 1.65%, from ₹1,919,514.18 million as of March 31, 2024 to ₹1,951,280.16 million (U.S.$23,285.66 million) as of September 30, 2024.

Liquidity

The following table sets forth the Bank's cash flows for each of the periods indicated:

	Six Months Ended September 30,	
	2023	2024
	(₹ in millions, except percentages)	
Cash flow statement data		
Net cash flow (used in)/raised from operating activities	49,519.42	(6,809.34)
Net cash (used in)/raised from investing activities	(3,237.66)	6,061.50
Net cash (used in)/raised from financing activities	(31,771.45)	(29,842.16)
Net increase/(decrease) in cash and cash equivalents	14,510.31	(30,590.00)
Opening cash and cash equivalents	25,220.33	84,288.47
Closing cash and cash equivalents	39,730.64	53,698.47

Operating activities

The Bank's operations used net cash of ₹6,809.34 million (U.S.$81.26 million) for the six months ended September 30, 2024 as against ₹49,519.42 million generated for the six months ended September 30, 2023, primarily as a result of increase in other assets and decrease in current liabilities, decrease in provision for contingencies partially offset by increase in profit before tax.

Investing activities

The Bank's investing activities generated net cash of ₹6,061.50 million (U.S.$72.34 million) and used ₹3,237.66 million for the six months ended September 30, 2024 and September 30, 2023, respectively, on account of net changes in fixed assets and investments.

Financing activities

The Bank's financing activities used net cash of ₹29,842.16 million (U.S.$356.12 million) and used net cash of ₹31,771.45 million for the six months ended September 30, 2024 and September 30, 2023 respectively, primarily as a result of repayment of borrowing.

Other Financial Highlights

Solvency Ratio

The solvency ratio is the ratio of capital plus reserves to net NPAs. The solvency ratios of the Bank for the periods indicated below are as follows:

Financial Year/Period	Ratio
FY22	Not applicable(1)
FY23	20.27
FY24	50.07
6MFY25	67.91

Note:

(1) The solvency ratio for FY22 is not applicable because the net NPA is nil for FY22.

Capital Infusion

The Government has allotted capital of ₹7.50 billion in FY22. Given the Bank's capital position, no capital was infused in FY23, FY24 and the six months ended September 30, 2024.

Capital Adequacy

The following table sets forth, as of the periods indicated, the Bank's capital adequacy ratios:

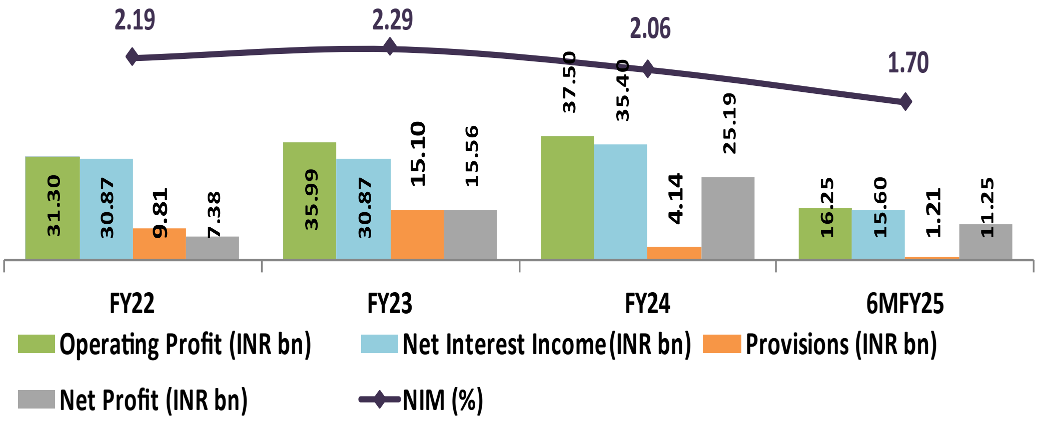
Financial Year/Period	CRAR	Tier 1 CRAR	Tier 2 CRAR
FY22	30.49%	28.58%	1.91%
FY23	25.43%	23.68%	1.75%
FY24	21.18%	19.56%	1.63%
6MFY25	29.01%	27.44%	1.56%

Total Assets and Total Loans Assets (₹ billion)

The following table sets forth, as of the periods indicated, the Bank's total assets and total loan assets:

Financial Year/Period	Total Assets	Total Loan Assets
FY22	1,367.42	1,176.19
FY23	1,614.66	1,345.23
FY24	1,919.51	1,576.02
6MFY25	1,951.28	1,625.77

Financial Ratios of the Bank



Net Interest Margin was 2.19% for FY22, 2.29% for FY23, 2.06% for FY24, and 1.70% for the six months ended September 30, 2024.

Operating Profit was ₹31.30 billion for FY22, ₹35.99 billion for FY23, 37.50 billion for FY24, and ₹16.25 billion for the six months ended September 30, 2024.

Net Interest Income was ₹30.87 billion for FY22, ₹34.56 billion for FY23, 36.11 billion for FY24, and ₹16.43 billion for the six months ended September 30, 2024.

Provisions/write-offs was ₹9.81 billion for FY22, ₹15.10 billion for FY23, 4.13 billion for FY24, and ₹1.21 billion for the six months ended September 30, 2024.

Net Profit after tax was ₹7.38 billion for FY22, ₹15.56 billion for FY23, 25.19 billion for FY24, and ₹11.25 billion for the six months ended September 30, 2024.

The return on average assets and the return on average equity as on September 30, 2024 was 1.16% and 14.14% respectively.

No significant change

Save as disclosed in this Offering Circular, there has been no significant or material adverse change in the Bank's financial or trading position since September 30, 2024.

Save as disclosed in this Supplemental Offering Circular, there has been no other significant new factor, material mistake or material inaccuracy relating to information included in the Original Offering Circular since the publication of the Original Offering Circular.

Business

Loan Portfolio and Credit Substitutes

As of September 30, 2024, the Bank's total net loan assets amounted to ₹1,625.77 billion (U.S.$19.40 billion) while outstanding gross loan assets amounted to ₹1,655.84 billion (U.S.$19.76 billion). Export finance, overseas investment finance, term loan to exporters, import finance and export facilitation program accounted for 67.95%, 4.74%, 18.16%, 8.08% and 1.07%, respectively, of the Bank's outstanding net loan assets as of September 30, 2024.

As of September 30, 2024, the Bank's gross loan portfolio was ₹1,655.84 billion (U.S.$19.76 billion). As of that date, the Bank's gross non-fund based outstanding was ₹145.95 billion (U.S.$1.74 billion). Performance guarantees, advance payment guarantees, financial guarantees, letters of credits, retention money guarantees and bid bond guarantees accounted for 43.36%, 26.01%, 15.61%, 6.53%, 5.11% and 3.38% respectively, of the Bank's outstanding non-fund-based facilities as of September 30, 2024.

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. As of September 30, 2024, 46.86% of the Bank's country exposure related to South Asia, 2.56% to Central Africa, 13.72% to East Africa, 6.40% to Southern Africa, 10.69% to West Africa, 0.55% to North Africa, 3.03% to Southeast Asia and the Pacific, 3.75% to Europe, 3.45% to the Americas, 1.98% to West Asia, 6.85% to East Asia and 0.16% to Central Asia.

The following table describes the asset quality of the performing assets exposure of the commercial portfolio of the Bank, which excludes refinancing extended to banks, as of September 30, 2024:

External Ratings	**% of Total Commercial Portfolio**
A & above	76.30%

External Ratings	% of Total Commercial Portfolio
BBB	10.19%
BB & below	8.36%
No Rating	5.14%
	100%

Concentration of Loans and Credit Substitutes

The following table sets forth the Bank's gross fund-based loans outstanding and gross NPLs (as defined hereunder) as a percentage of gross fund-based loans outstanding, categorised by borrower industry or economic activity, as of September 30, 2024. The Board-approved limit for the Bank's exposure to an industrial sector is 15% of the Bank's total industry exposure (both fund-based and non-fund based) under its commercial portfolio (excluding refinance portfolio).

Industry classification of loans	% of Gross loan outstanding	NPLs as a % of Gross NPLs
Financial services	22.54%	0.00%
Ferrous metals and metal processing	3.76%	0.00%
Petroleum products	3.34%	0.00%
Power	3.18%	13.38%
Chemicals and Dyes	2.77%	0.19%
Auto & auto components	1.56%	0.00%
Textiles and Garments	1.50%	0.36%
Drugs and pharmaceuticals	1.49%	0.00%
Non-ferrous metals & metal processing	1.21%	0.00%
Telecommunications	1.04%	0.00%
Agro & food processing	1.01%	0.93%
Construction	0.86%	10.23%
Others(2)	8.67%	26.63%
Unclassified(3)	47.06%	48.27%

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 LOCs, buyer's credit under NEIA and staff loans which cannot be classified under any particular sector.

As of September 30, 2024, the aggregate exposure of the Bank's ten largest corporate group borrowers amounted to ₹375.50 billion representing 15.16% of the Bank's total credit exposure as of September 30, 2024, The Bank's exposure to the single largest corporate group borrower on such date was ₹40.15 billion representing 19.77% of the Bank's Tier 1 capital which amounts to ₹203.05 billion.

The Bank's exposure to its ten largest individual corporate borrowers as of September 30, 2024, was ₹250.20 billion, or approximately 10.10% of its total credit exposure.

As of September 30, 2024, the Bank classifies its risk exposure as 44% GOI risk, 41% secured portfolio of corporates/banks and 15% towards corporates unsecured portfolio.

Exim Bank-Business lines

The Bank's business is classified into four categories:

- medium/long term and short-term loans;
- direct and refinance loans;
- Rupee and foreign currency loans; and
- policy and commercial business.

The following table sets forth the Bank's loan portfolio under each of the above categories over the periods mentioned:

	As of March 31,			As of September 30,
	2022	**2023**	**2024**	**2024**
		(%)		
Medium-/long-term loans (more than 1 year)	84	82	77	79
Short-term loans (up to 1 year)	16	18	23	21
Direct loans	86	86	85	85
Refinance loans	14	14	15	15
Rupee-denominated loans	23	26	31	32
Foreign currency loans	77	74	69	68
Policy (government-directed) business	51	52	44	44
Commercial business	49	48	56	56

Bank's Asset Quality

The following table sets forth, for the periods indicated, information about the Bank's gross NPA ratio, net NPA ratio, PCR, slippage ratio and credit cost ratio:

	As of March 31,			As of September 30,
	2022	**2023**	**2024**	**2024**
		(%)		
Gross NPA ratio	3.56	4.09	1.94	2.02
Net NPA ratio	0.00	0.71	0.29	0.21
PCR ratio(1)	100	94.56	96.83	97.69
Slippage ratio(2)	0.24	6.52	0.15	0.27
Credit cost ratio(3)	0.84	1.15	0.28	0.15

Notes:

(1) Computed as specific provisions on accounts classified as NPAs including any technical write-offs or gross NPAs including any technical write-offs.

(2) Computed as the ratio of new NPAs during the period to standard assets at the beginning of the year.

(3) Computed as the ratio of the provision for loan loss and contingency to average gross loans.

As of September 30, 2024, the Bank's credit watch list is ₹27.39 billion (which is nearly 1.65% of gross loans) of which non-funded portfolio is ₹11.65 billion (approximately 42.52%). There can be no assurance that the borrowers of the Bank will be able to meet their obligations under their loans or that the total amounts of the NPAs will not increase. See "*Risk Factors*" in the Original Offering Circular.

Asset Liability Management

The following table sets forth the maturity profile of the assets and liabilities of the Bank as of September 30, 2024:

	Less than or equal to 1 year	More than 1 year and up to 3 years	More than 3 years and up to 5 years	More than 5 years and up to 7 years	More than 7 years
			(₹ billion)		
Maturing Assets	1,052	892	594	514	788
Maturing Liabilities	1,135	955	463	288	476

As of September 30, 2024, foreign currency resources, Rupee resources, and share capital and reserves constituted 49.52%, 37.74% and 12.74%, respectively, of the Bank's total lendable resources. As of the same period, foreign currency total assets and Rupee total assets constituted 68% and 32%, respectively, of the Bank's total loan assets.

Non-Performing Loans (NPL)

As of September 30, 2024, the Bank's gross NPLs amounted to ₹33.44 billion (U.S.$0.40 billion). Segregation of NPAs based on the major lending programs of the Bank as of September 30, 2024 is as follows:

Lending Program	**% to Total NPL**	**% of Bank's Gross Loans**
Overseas investment finance	14.85	1.45
Term loan to exporters	8.88	0.18
Export Finance	71.61	0.30
Import Finance	4.67	0.09
Export Facilitation	0	0.00
Total	**100**	2.02

Exposure to National Company Law Tribunal Cases

Under the Insolvency and Bankruptcy Code, 2016, as amended from time to time ("**IBC**"), the National Company Law Tribunal ("**NCLT**") was constituted on June 1, 2016 under Section 408 of the Companies Act, 2013 to be the single adjudicating authority for all corporate default cases, including insolvency resolution and liquidation for corporate persons. Summary of cases under IBC as of September 30, 2024 is as follows:

Particular	Outstanding Amounts	Provision[(1)] %	Net Book Value	Expected Recovery [(1)]
			(₹ billion)	
(A) Exim Loans admitted/ referred to NCLT..	5.74	100	-	0.78
(B) Guarantors for Exim Loans	2.43	100	-	1.00
Total...	8.17	100	-	1.78

Note:

(1) The provision and expected recovery in respect of the cases under IBC have been determined based on the Bank's internal management estimate and are therefore subject to change. Such estimates are based on various key assumptions that may be affected by future market and economic conditions, as well as other exogenous factors.

Board of Directors

The following changes in the Board occurred during the period between April 1, 2024 and November 30, 2024:

- With effect from April 18, 2024, Shri Vipul Bansal, Joint Secretary, Department of Commerce, Ministry of Commerce and Industry, Government of India ceased to be the Director on the Board of the Bank.
- With effect from May 15, 2024, Shri Ashwani Kumar, MD & CEO, UCO Bank was appointed as Director on the Board of the Bank.
- With effect from May 20, 2024, Shri Siddharth Mahajan, Joint Secretary, Department of Commerce, Ministry of Commerce and Industry, Government of India was appointed as Director on the Board of the Bank.
- With effect from May 31, 2024, Shri R. Subramanian, Executive Director, RBI, ceased to be Director on the Bank's board following his superannuation.
- With effect from August 27, 2024, Shri Dinesh Kumar Khara, Chairman, State Bank of India, ceased to be Director on the Bank's board following his superannuation.
- With effect from June 28, 2024, Ms. Deepali Agrawal was appointed as Deputy Managing Director of the Bank.
- With effect from August 28, 2024, Shri Challa Sreenivasulu Setty, Chairman, State Bank of India was appointed as Director on the Board of the Bank.
- With effect from October 10, 2024, Shri. Arnab Kumar Chowdhury, Executive Director, Reserve Bank of India was appointed as Director of the Board of the Bank.

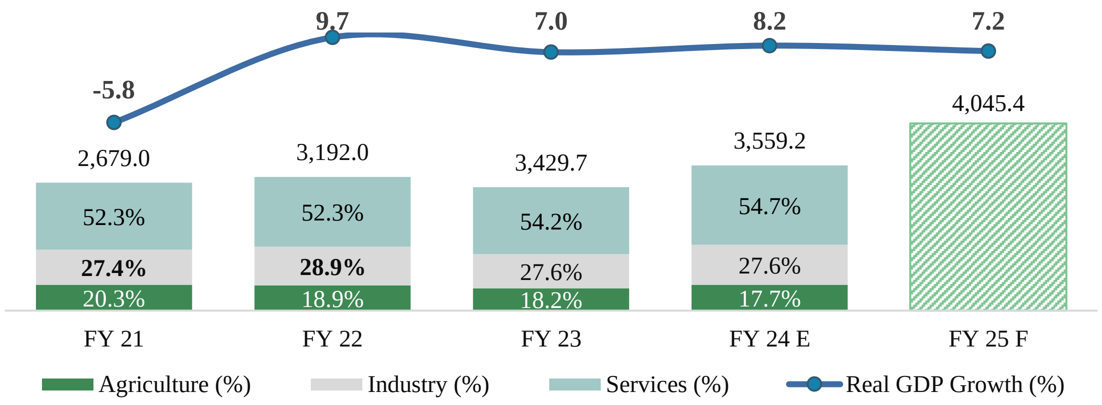
INDIAN ECONOMIC DATA

The information presented in this section has been extracted from publicly available documents, information and statistics from various sources, including officially prepared materials from the Government and its various ministries, the RBI and the Indian Banks Association, and other Indian bodies and authorities and has not been prepared or independently verified by the Bank, the Arrangers, the Dealers, the Trustee or any of their affiliates or advisers.

Growth

India has an estimated population of 1.4 billion people in fiscal year 2024. The Indian economy is the fifth largest economy in the world based on nominal GDP at U.S.$3.9 trillion for fiscal year 2024 (Source: The International Monetary Fund's World Economic Outlook, Oct 2024 Update). Real GDP growth is expected to be in the range of 7.0% (IMF data) for CY2024. According to IMF, the global real GDP growth is estimated to be at 3.2% and 3.3% in CY2024 and CY2025, respectively (Figure 2). According to Ministry of Statistics and Program Implementation ("**MOSPI**"), India's fiscal year 2024 real GVA growth is forecast at 8.2% with services, industry and agriculture constituting 54.7%, 27.6% and 17.7% of GDP, respectively (Figure 1).

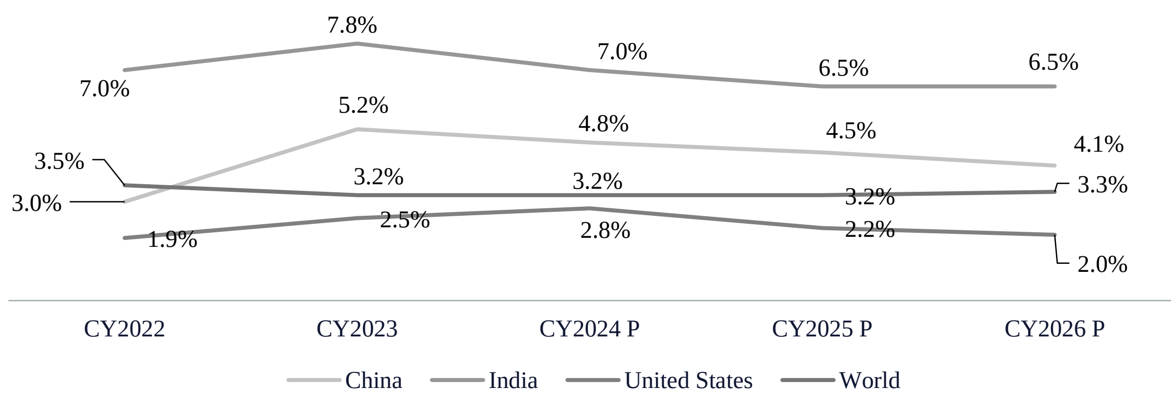
Figure 1: GDP Constituents and Growth



Note:

E: Institute of International Finance (IIF) Estimates and F: IIF Forecast
(Source: IIF and Ministry of Statistics and Programme Implementation (MOSPI))

Figure 2: Real GDP Growth



(Source: IMF World Economic Outlook October 2024)
Note:P – International Monetary Fund (IMF) Projections; Data for calendar year

Trade

India's total exports during April-October 2024 is estimated at U.S.$468 billion registering a positive growth of 7%. Total imports during April-October 2024 is estimated at U.S.$532 billion registering a growth of 7% *(Source: Foreign Trade Performance Analysis, Ministry of Commerce and Industry; and Balance of Payments Statistics, RBI)*

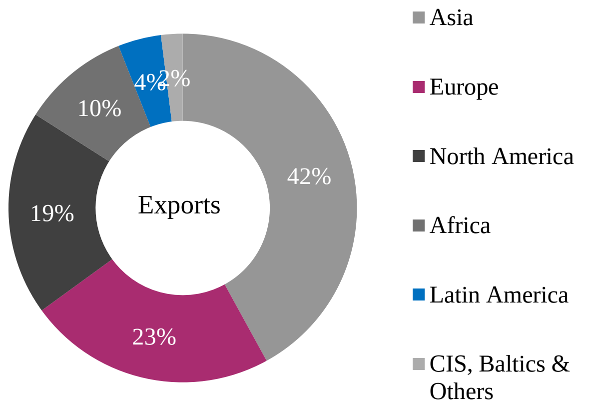
Figure 3: Trade Trends (U.S.$ billion)

(Source: MOCI and Balance of Payments Statistics, RBI)

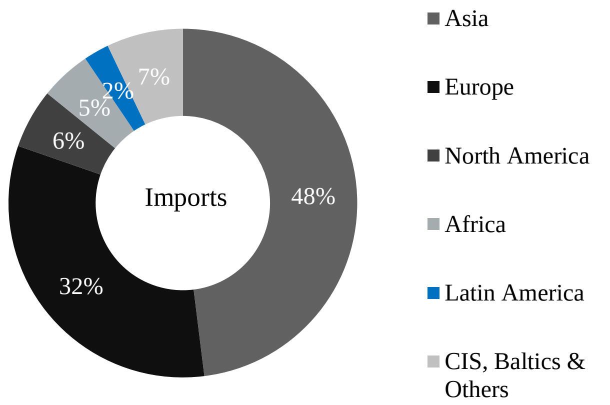
Merchandise Trade: In fiscal year 2024, exports were U.S.$437 billion and imports value stood at U.S.$675 billion. As a result, trade deficit due to merchandise trade was U.S.$240 billion. In fiscal year 2024, trade deficit due to merchandise trade was U.S.$238 billion. Petroleum crude and products was the most imported merchandise with U.S.$179 billion values of merchandise imported in fiscal year 2024. Merchandise trade deficit during April-October 2024 was U.S.$165 billion

USA and China have been the major trade partners in fiscal year 2024 with a trade volume of U.S.$118 billion each in fiscal year 2024. (Source: India Trade, Ministry of Commerce and Industry).

Figure 4: Regional Trade Direction

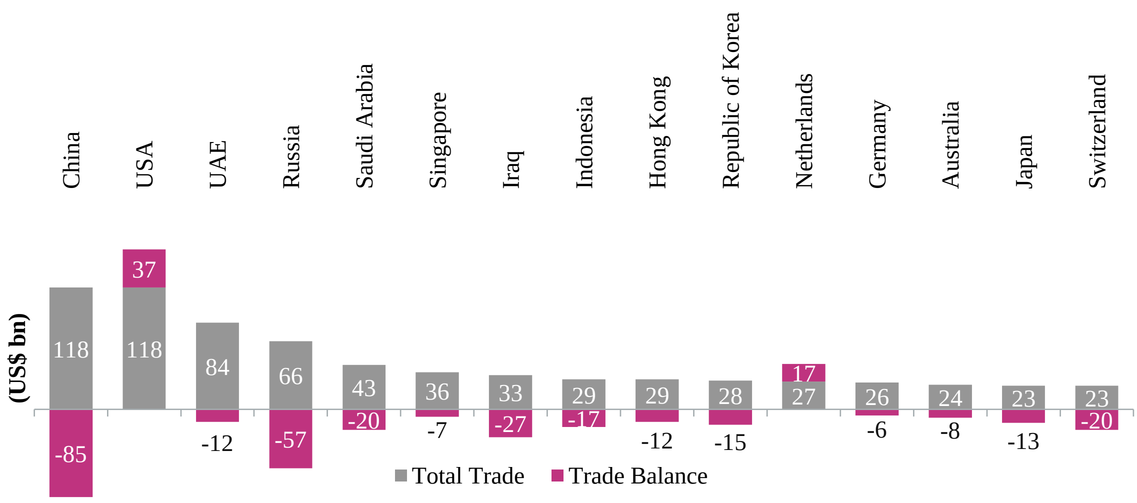


(Source: MOCI)



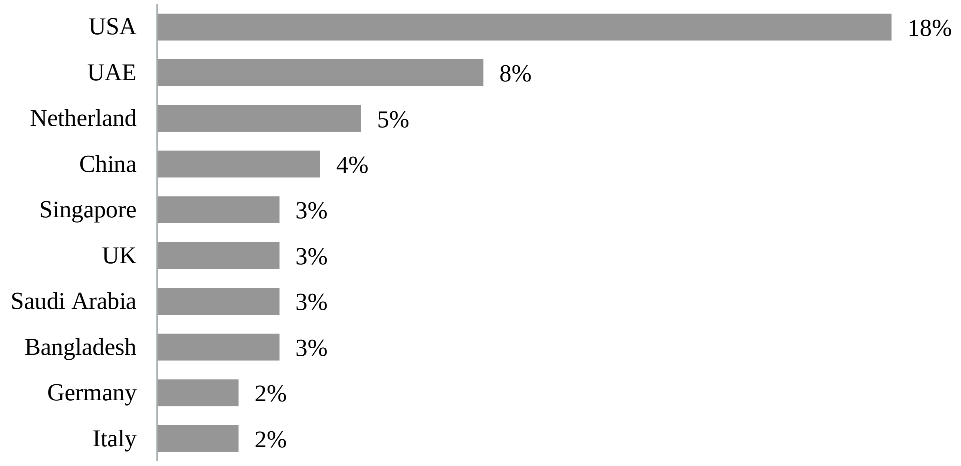
(Source: MOCI)

Figure 5: Major Trading Partners (U.S.$ billion)



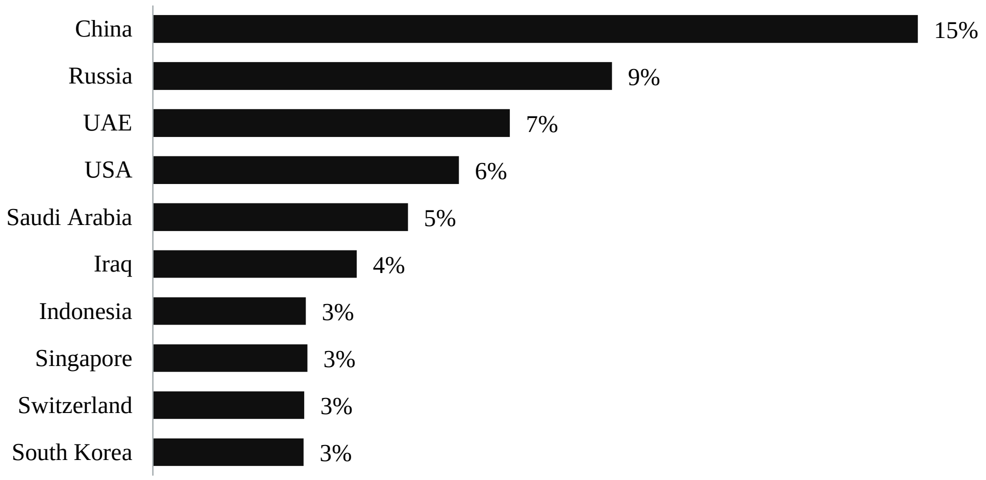
(Source: MOCI)

Figure 6: FY24 India's Export Markets (% of Total Exports)



(Source: MOCI)

Figure 7: FY24 India's Import Sources (% of Total Imports)

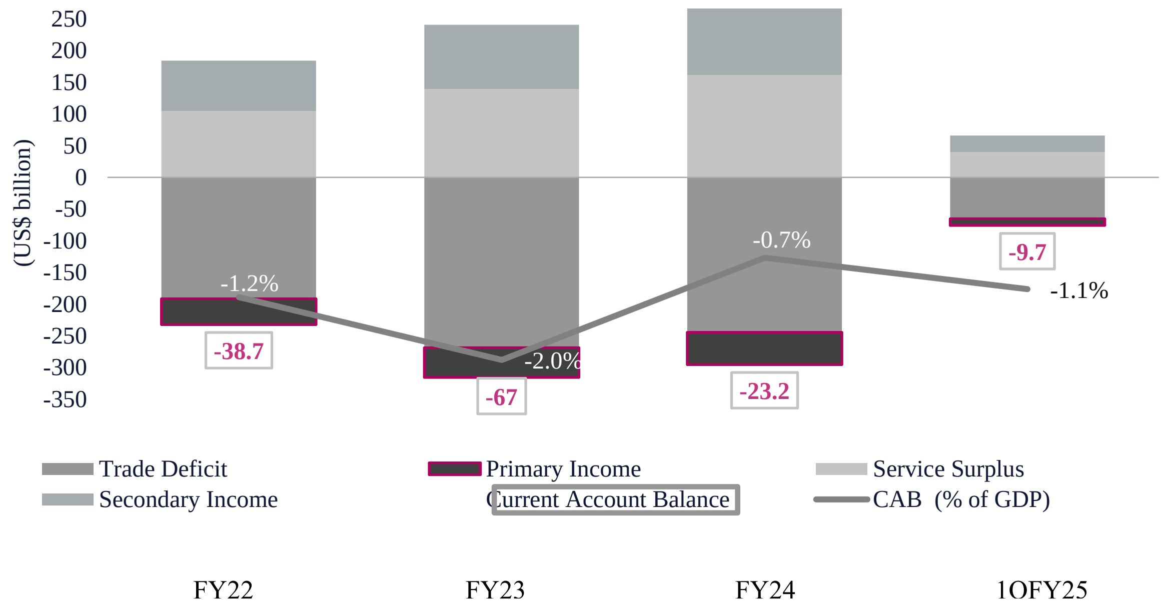


(Source: MOCI)

Services Trade: In fiscal year 2024, exports are estimated to be U.S.$341 billion. Imports are estimated to be U.S.$178 billion. Net of Services in fiscal year 2024 is U.S.$162 billion. (Source: Ministry of Commerce & Industry) Balance of Payments during 2023-2024. The services trade surplus for April-October 2024 is U.S.$101 billion

India recorded a current account deficit of 0.7% of GDP in fiscal year 2024 as against a deficit of 2.0% in fiscal year 2023 on the back of widening services trade surplus. India further recorded a current account widened marginally to U.S.$9.7 billion (1.1% of GDP) in Q1FY25 from U.S.$8.9 billion (1.0% of GDP) in Q1FY24 and against a surplus of U.S.$4.6 billion (0.5% of GDP) in Q4FY24

Figure 8: Composition of Current Account Deficit (U.S.$ billion)



(Source: RBI Data, Developments in India's Balance of Payments during the first Quarter (April-June) of 2024-25

Inflation

- Headline CPI inflation for fiscal year 2024 decreased to 5.4%, from 6.7% annual average CPI headline inflation in fiscal year 2023. CPI inflation surged above the upper tolerance level to 6.2% in October 2024 from 5.5% in September 2024 and sub-4.0% prints in July-August 2024

- Inflation increased sharply in September and October 2024 led by an unanticipated increase in food prices. Core inflation, though at subdued levels, also registered a pick-up in October.

- Fuel group remained in deflation for the 14th consecutive month in October 2024.

- In the near term, despite some softening, lingering food price pressures are likely to keep headline inflation elevated in Q3 of fiscal year 2025

- Going ahead, a good rabi season would be critical to the softening of the food inflation pressures. Early indications point to adequate soil moisture content and reservoir levels, conducive for rabi sowing. The estimates of a record kharif production should bring relief to the elevated prices of rice and tur dal. Vegetable prices are also expected to see a seasonal winter correction. On the upside, the evolving trajectory of domestic edible oil prices, following the hike in import duties and rise in their global prices, need to be closely monitored. Manufacturing and services firms surveyed by the Reserve Bank point to firming up of input costs and selling prices in Q4 of fiscal year 2025

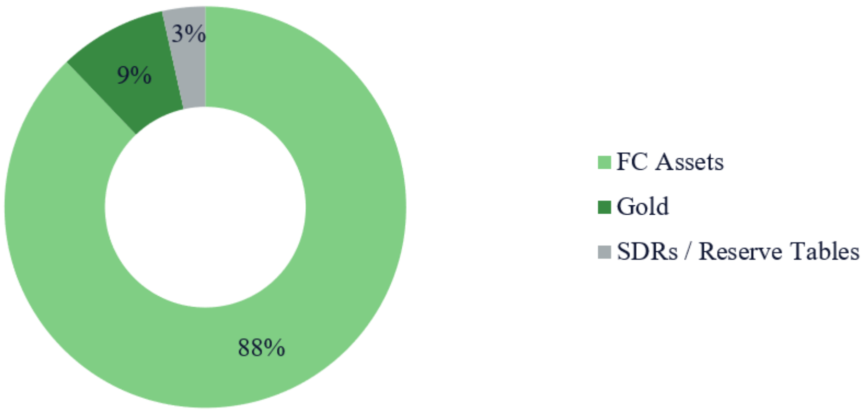
- Taking all these factors into consideration, CPI inflation for fiscal year 2025 is projected at 4.8%, with Q3 at 5.7%; and Q4 at 4.5%. CPI inflation for fiscal year 2026 is projected at 4.6%; and Q2 at 4.0% (Source: MPC Meeting, December 6, 2024)

Key Macroeconomic Metrics

- General Government Debt: Economic Survey 2023-24 states that Government debt as a % of GDP is estimated to decrease to 81.6% in fiscal year 2024 against 86.5% in fiscal year 2023. External Debt and External Reserves: As of June 30, 2024, India's external debt was placed at U.S.$682 billion, recording an increase of U.S.$54 billion its level at end-June 2023. On the other hand, external reserves increased to U.S.$652 billion in June 2024 from U.S.$595 billion in June 2023 (Source: RBI/Ministry of Finance) External Reserves to External Debt stands at 95.5% as of June 2024.

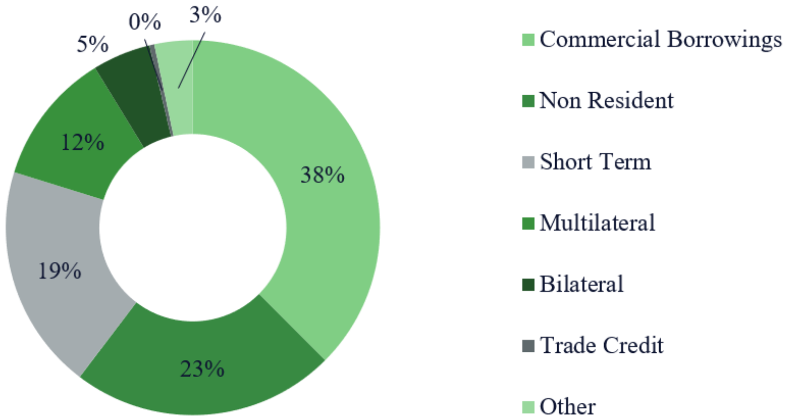
- As of June 30, 2024, 88% of the external reserves are in the form of Foreign Currency Assets, followed by 9% in the form of Gold. As of June 30, 2024, External Debt was mainly composed of Commercial borrowings (38%), non-resident (23%) and short-term (19%) (Source: RBI / Ministry of Finance)

Figure 9: Composition of External Reserves as of June 2024



(Source: RBI)

Figure 10: Composition of External Debt as of June 2024



(Source: RBI)

Key Parameters	**FY22**	**FY23**	**FY24**	**Change in bps**
Gross Fixed Capital Formation (% of GDP)(1)..	33.4	33.3	33.5	20 bps
Fiscal Deficit (% of GDP)(1)	6.8	6.4	5.6	(80 bps)
Revenue Deficit (% of GDP)(1)	4.4	3.9	2.8	(110 bps)

Key Parameters	**FY22**	**FY23**	**FY24**	**Change in bps**
FDI Inflows (U.S.$ billion)(2)	84.8	71.4	70.1	(1.8%)
Net Portfolio Investments (U.S.$ billion)(2) .	(16.8)	(5.2)	42.2	711.9%
Exchange Rate (INR/U.S.$, average)(2)	74.5	80.4	82.8	3.0%

(Sources: (1) Central Statistics Office; (2) RBI Press Releases and Online Database)

THE INDIAN FINANCIAL SECTOR

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 ("**NBFCs**"). 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;
- NBFCs, 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 NBFCs are briefly reviewed.

The following table sets forth key banking sector parameters in India for the periods indicated:

Key Banking Sector Parameters

Key Parameters (in %, unless stated otherwise)	FY22	FY23	FY24	Change
Banking Sector (% of GDP)	92.3	89.3	–	–
Credit Deposit Ratio	71	75.1	76.8	170 bps

Key Parameters (in %, unless stated otherwise)	FY22	FY23	FY24	Change
Banking Sector CRAR	16.8	17.1	16.8	(30 bps)
Banking Sector Net NPAs	1.7	0.9	0.6	(30 bps)
Provisioning Coverage Ratio	70.9	74.1	76.4	230 bps
NBFC (% of GDP)	19.3	17.3	–	–
NBFC CRAR	27.6	27.5	26.6	(90 bps)
NBFC Net NPAs	3.8	1.6	1.1	(50 bps)

(Source: RBI Financial Stability Report, and RBI Database on Indian Economy (data as of June 30, 2024))

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 NBFCs. 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 Sep 2024, there were 140 scheduled commercial banks in the country, including 43 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 156,951 branches, and approximately 63.09% of these branches were located in rural or semiurban areas of the country as of March 2024. A large number of these branches belong to the public sector banks; 84,429 branches of public sector banks as of March 31, 2024 (SCBs Basic Statistical Return, Quarterly Statistics, DBIE).

Public Sector Banks

Public sector banks make up the largest category in the Indian banking system. On August 30, 2019, the Union Finance Minister announced merger of six public sector banks ("**PSBs**") with four better performing anchor PSBs in order to streamline their operation and size. The merger has come into effect from April 1, 2020. After the merger, there are only 12 PSBs in India and 43 RRBs. Excluding the RRBs, the remaining public sector banks have accounted for 53.28% of gross bank credit and 55.94% of the aggregate deposits of the scheduled commercial banks as of March 31, 2024. The public sector banks' large network of branches enables them to fund themselves out of low-cost savings and current accounts.

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. Simultaneously, prudential norms on income recognition, asset classification and provisioning for loan losses following customary banking benchmarks were introduced.

As of March 31, 2024, RRBs accounted for 3.0% of aggregate deposits 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. 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. As of March 31, 2024, there was a total of 21 private banks.

As of March 31, 2024, private sector banks accounted for approximately 35.0% of aggregate deposits of the scheduled commercial banks.

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. In the future, the RBI intends to issue licenses on an on-going basis, subject to the RBI's qualification criteria.

In the Union Budget, the Government announced its intent to take up the privatization of two PSBs in the year and approved a policy of strategic disinvestment of public sector enterprises. The government think-tank NITI Aayog has already suggested two banks and one insurance company to the Core Group of Secretaries on Disinvestment for privatization.

As per the process, the Core Group of Secretaries, headed by the Cabinet Secretary, will send its recommendation to Alternative Mechanism ("**AM**") for its approval and eventually to the Cabinet headed by the Prime Minister for the final nod.

Foreign Banks

As of March 31, 2024, there were 44 foreign banks operating in India. As of March 31, 2024, they accounted for 4.9% of aggregate deposits 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.

Cooperative Banks

Cooperative banks cater to the financing needs of agriculture, small industry and self-employed business persons 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.

On June 27, 2020, the President of India approved the Banking Regulation (Amendment) Ordinance, 2020. This amendment would bring all urban cooperative banks and multi-state cooperative banks under the supervision of the RBI.

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 long-term funding needs of Indian companies are primarily met by banks, the Life Insurance Corporation of India ("**LIC**"), and specialized NBFCs 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 the majority shareholder in the bank. Accordingly, RBI categorized IDBI Bank as a "Private Sector Bank" for regulatory purposes.

Non-Banking Financial Companies

As of June 2024, there were about 9,306 NBFCs in India mostly in the private sector. All NBFCs are required to register with the RBI. NBFCs can be classified on the basis of (a) their asset/liability structures; (b) their systemic importance; and (c) the activities they undertake. In terms of liability structures, NBFCs are subdivided into deposit-taking NBFCs (NBFCs-D) – which accept and hold public deposits – and non-deposit taking NBFCs (NBFCs-ND); – which rely on markets and banks to raise money. Among NBFCs-ND, those with an asset size of INR 500 crore or more are classified as non-deposit taking systemically important NBFCs (NBFCs-ND-SI). Since NBFCs cater to niche areas, they are also categorized on the basis of activities they undertake. Till February 21, 2019, NBFCs were divided into 12 categories. Thereafter, these categories were harmonized in order to provide NBFCs with greater operational flexibility. As a result, asset finance companies ("**AFCs**"), loan companies ("**LCs**") and investment companies ("**ICs**") were merged into a new category called Investment and Credit Company (NBFC-ICC). The companies which take public deposits are subject to strict supervision and the capital adequacy requirements of the RBI.

The primary activities of the NBFCs 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.

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.

In order to boost credit to the needy segment of borrowers, the RBI, on August 13, 2019, decided that bank credit to registered NBFCs (other than MFIs) for on-lending will be eligible for classification as priority sector under respective categories (Agriculture, Micro & Small enterprises, and Housing) up to March 31, 2020, subject to certain conditions. This was extended to September 30, 2021, on April 7, 2021.

The regulatory framework for NBFCs was revised in October 2021 to introduce scale-based regulation. Under the new framework, NBFCs are placed in four layers, based on their size, activity, and perceived riskiness, viz., Base Layer ("**BL**"), Middle Layer ("**ML**"), Upper Layer ("**UL**") and a possible Top Layer ("**TL**"). The regulations are progressively tighter for the higher layers. Regulations for NBFCs in the Base Layer (NBFC-BL) are broadly in line with extant regulations for non-deposit taking NBFCs (NBFC-ND), except for changes in governance and prudential guidelines. NBFCs in the Middle Layer (NBFCML) will be regulated on the lines of systemically important non-deposit taking NBFCs (NBFC-ND-SI), deposit taking NBFCs (NBFC-D), core investment companies (CICs), standalone primary dealers (SPDs) and housing finance companies (HFCs), as the case may be, except for changes in capital, prudential and governance guidelines. NBFCs lying in the Upper Layer (NBFC-UL) are subject to regulations applicable to NBFCs in the Middle Layer (NBFC-ML) with additions such as introduction of common equity tier 1 of 9% of risk weighted assets and leverage requirements, mandatory listing, qualification of board members and the like. For NBFCs falling in the Top Layer (ideally vacant), while no specific regulation has been provided, they will, inter alia, be subjected to higher capital charges and enhanced supervisory engagement.

In June 2022, the RBI released provisioning norms for standard assets by upper-layer (large) non-banking financial companies (NBFC-UL). According to the regulations, these large or upper layer NBFCs will have to set aside a loan amount in the range of 0.25 – 2% for standard assets as provisions, depending on different asset categories like small and micro enterprises ("**SMEs**"), real estate, and housing loans.

Housing Finance Companies

Housing finance companies form a distinct sub-group of NBFCs. 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. 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 2019, the Central Government issued notification conferring certain powers for regulation of Housing Finance Companies ("**HFCs**") with RBI. HFCs will henceforth be treated as one of the categories of NBFCs for regulatory purposes. Given below are the major changes envisaged in the regulatory framework for HFCs:

- Defining "qualifying assets": Qualifying Assets refer to "housing finance" or "providing finance for housing" as following:
- Not less than 50% of net assets are in the nature of "qualifying assets" for HFCs, of which at least 75% should be towards individual housing.
- "Net assets" shall mean total assets other than cash and bank balances and money market instruments.
- Classifying HFCs into systemically important and non-systemically important entities for regulatory purposes.
- Harmonizing definitions of Capital (Tier I & Tier II) with that of NBFCs: The components of Tier I and Tier II capital are similar for NBFCs and HFCs except for the treatment of perpetual debt instruments ("**PDI**"). Presently PDIs are not considered as part of capital of HFCs unlike that of NBFC.

In addition to the above, RBI released a revised regulatory framework on October 22, 2020, where they stipulated that HFC's should have at least 60% of their net assets deployed in the business of providing finance for housing by March 31, 2024. RBI notified that any HFC not having 60% of its net assets deployed for housing loans must get 50% of its books utilized for such loans by March 31, 2022, 55% by March 31, 2023, and 60% by March 31, 2024.

The RBI issued a new Master Direction for HFCs on February 17, 2021, titled "Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021. According to the direction, the Minimum Net Owned Fund requirement for HFCs has been decreased from Rs. 25 crore to Rs. 20 crore. For existing HFCs the glide path would be to reach Rs. 15 crore within one year and Rs. 20 crore within two years. In January 2024, THE RBI released draft circular on "Review of regulatory framework for Housing Finance Companies ("**HFCs**") and harmonisation of regulations applicable to HFCs and Non-Banking Finance

Companies (NBFCs)". In view of this, the RBI has undertaken a review and proposes to harmonise certain regulations of HFCs with those applicable to NBFCs, including deposit directions for deposit taking HFCs, partic2ipation of HFCs in various derivative products for hedging purposes, diversification into other financial products and the adoption of technical specifications by HFCs under the account aggregator ecosystem. The draft circular also proposes to review certain directions for deposit taking NBFCs.

Small Finance Banks and Payment Banks

The RBI issued guidelines in November 2014 on the entry of "Small Finance Banks" ("**SFBs**") 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. On December 5, 2019, the RBI issued the Guidelines for "on tap" Licensing of Small Finance Banks in the Private Sector. As of latest data, six entities had functioning payment banks and in addition, eleven entities had a functioning small finance bank (RBI website).

Other Financial Institutions

Specialized Financial Institutions

Financial Institutions in India are classified under All India Financial Institutions ("**AIFIs**"), Specialized Financial Institutions, and Investment Institutions. The AIFIs include Export-Import Bank of India, NABARD, SIDBI and NHB; Specialized Financial Institutions include IFCI Venture Capital Funds ("**IVCF**") Ltd., ICICI Venture Ltd. and Tourism Finance Corporation of India Ltd. ("**TFCI**"); and Investment Institutions include GIC and LIC.

The National Bank for Financing Infrastructure and Development Bill, 2021 was introduced in Lok Sabha on March 22, 2021. The Bill seeks to establish the National Bank for Financing Infrastructure and Development ("**NBFID**") as the principal development financial institution ("**DFIs**") for infrastructure financing. DFIs are set up for providing long-term finance for such segments of the economy where the risks involved are beyond the acceptable limits of commercial banks and other ordinary financial institutions. Unlike banks, DFIs do not accept deposits from people. They source funds from the market, government, as well as multi-lateral institutions, and are often supported through government guarantees.

NBFID will be set up as a corporate body with authorized share capital of one lakh crore rupees. Shares of NBFID may be held by: (i) central government, (ii) multilateral institutions, (iii) sovereign wealth funds, (iv) pension funds, (v) insurers, (vi) financial institutions, (vii) banks, and (viii) any other institution prescribed by the central government. Initially, the central government will own 100% shares of the institution which may subsequently be reduced up to 26%.

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 2024, there are 74 insurers operating in India; of which 26 are life insurers, 27 are general insurers, 7 are standalone health insurers and 14 are re-insurers including foreign reinsurers branches and Lloyd's India.

Of the 74 insurers presently in operation, 6 are in the public sector and the remaining 64 are in the private sector. Two specialized insurers, namely ECGC and AIC, one life insurer namely LIC of India ("**LIC**"), four in general insurance and one in reinsurance namely GIC Re are in public sector. In private sector, there are 25 life insurers, 21 general insurers, 7 standalone health insurers and 13 reinsurers including foreign reinsurers' branches and Lloyd's India. In March 2021, lawmakers approved the legislation on increasing the limit on foreign direct investment in insurance companies to 74% from 49% which was set in March 2015.

The insurance sector in India is regulated by the Insurance Regulatory and Development Authority.

For fiscal 2023, the life insurance industry recorded a premium income of INR 7,825 billion as against a premium income of INR 6,930 billion in fiscal 2022, a growth of 12.9%% as against 10.2% in the previous fiscal. While private sector insurers posted 16.3% growth for fiscal 2023 as against 17.4% in fiscal 2022 in their premium income, LIC recorded 13.0% growth for fiscal 2023 as against a growth of 6.1% in fiscal 2022. Renewal premium accounted for 54.8% for fiscal 2023 of the total premium received by the life insurers, new business premium contributed the remaining 45.2%.

During fiscal 2023, growth in renewal premium was 8.9% as against a growth of 7.9% in fiscal 2022. First year premium registered a growth of 13.0% in fiscal 2022 in comparison to a decline of 21.0% during 2021. (*Source: IRDAI Annual Report, 2023*)

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 October 31, 2024, AMC's had total assets under management of INR67.2 trillion, an approximately 6x fold increase from INR 10.9 trillion as of October 31, 2014 (*Source: https://www.amfiindia.com/indian-mutual*)

The number of investor folios has gone up from 8.32 crore folios as on May 31, 2019 to 21.65 crore as on October 31, 2024, more than two fold increase within the span of five years. On average, 17.12 lakh new folios are added every month in the last five years since May 2019.

The economic impact of COVID-19 has led to redemption pressures related to closure of some debt Mutual Funds and potential contagious effects therefrom. The RBI opened a Special Liquidity Facility for Mutual Funds ("**SLF-MF**") worth INR 50,000 crore on April 27, 2020, to ease the liquidity pressures on Mutual Funds. Under the SLF-MF the RBI would conduct repo operations of 90 days tenor at the fixed repo rate.

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.

The Committee on the Financial System ("**Narasimham Committee I**") was set up in August 1991 to recommend measures for reforming the financial sector. The recommendations of the committee addressed organizational issues, accounting practices and operating procedures. 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.

Commercial Banking Trends

Credit

The aggregate deposits have increased by 13.4% in the period of March 31, 2023, to March 31, 2024. As of the end of March 2024, the credit-deposit ratio for scheduled commercial banks was 79.6%, compared to 75.8% in the previous year (*Source: SCBs Basic Statistical Return, DBIE, RBI*).

From March 31, 2023, to March 31, 2024, private sector scheduled commercial banks (27.9%) indicated a higher credit growth as compared to public sector scheduled banks (13.6%)

Interest Rates and Inflation

Headline CPI inflation surged above the upper tolerance level to 6.2% in October from 5.5% in September and sub-4.0% prints in July-August, propelled by a sharp pick-up in food inflation and an uptick in core (CPI excluding food and fuel) inflation.

The MPC in its meeting on December 6, 2024 took note of the prevailing and expected inflation-growth dynamics. The increasing incidence of adverse weather events, heightened geo-political uncertainties and financial market volatility pose upside risks to inflation. The MPC believes that only with durable price stability can strong foundations be secured for high growth. The MPC remains committed to restoring the inflation growth balance in the overall interest of the economy. Accordingly, the MPC decided to keep the policy repo rate unchanged at 6.50% in this meeting and continue with the neutral stance of monetary policy as it provides flexibility to monitor and assess the outlook on inflation and growth, and act appropriately.

Going ahead, a good rabi season would be critical to the softening of the food inflation pressures. Early indications point to adequate soil moisture content and reservoir levels, conducive for rabi sowing. The estimates of a record kharif production should bring relief to the elevated prices of rice and tur dal. Vegetable prices are also expected to see a seasonal winter correction. On the upside, the evolving trajectory of domestic edible oil prices, following the hike in import duties and rise in their global prices, need to be closely monitored. Manufacturing and services firms surveyed by the Reserve Bank point to firming up of input costs and selling prices in Q4 of fiscal year 2025. Taking all these factors into consideration, CPI inflation for fiscal year 2025 is projected at 4.8% (*Source: RBI MPC Meeting, December 6, 2024*)

Asset Quality

SCBs' gross non-performing assets ("**GNPA**") ratio continued to decline to a multi-year low of 2.7% and the net non-performing assets ("**NNPA**") ratio to 0.6% in June 2024 (*Source: Monthly Bulletin, RBI*). The provisioning coverage ratio ("**PCR**") of SCBs taken together increased from 70.1% in March 2022 to 76.4% in March 2024 (*Source: RBI Financial Stability Report, June 2024*).

Income and Profitability

The capital to risk-weighted assets ratio ("**CRAR**") and the common equity tier 1 ("**CET1**") ratio of scheduled commercial banks ("**SCBs**") stood at 16.8% and 13.9%, respectively, in March 2024. The resilience of the non-banking financial companies ("**NBFCs**") sector improved with CRAR at 26.6%.

The net interest margin ("**NIM**") of SCBs remained high in March 2024 at 3.6%. The return on assets ("**RoA**") and return on equity ("**RoE**") remained strong at 1.3% and 13.8%, respectively, in March 2024. (*Source: RBI Financial Stability Report June 2024*)

Recent Key Structural Reforms

Banking Regulation (Amendment) Ordinance, 2020

On June 27, 2020, the President of India approved the Banking Regulation (Amendment) Ordinance, 2020 ("**2020 Ordinance**"). This amendment would bring all urban cooperative banks and multi-state cooperative banks under the supervision of the RBI. The 2020 Ordinance seeks to protect the interests of depositors and strengthen cooperative banks by improving governance and oversight by extending powers already available with RBI in respect of other banks to Cooperative Banks as well for sound banking regulation, and by ensuring professionalism and enabling their access to capital.

Banking Regulation (Amendment) Act, 2020 notified for the Primary (Urban) Cooperative Banks ("**UCBs**") on September 29, 2020 and deemed to have been effective from June 29, 2020 which stipulates that UCBs will not be allowed to make, provide or renew any loans and advances or extend any other financial accommodation to or on behalf of their directors or their relatives, or to the firms/companies/concerns in which the directors or their relatives are interested.

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 new rule mandates the lenders to initiate insolvency resolution under the Bankruptcy Code if a Borrower fails to pay even at the end of the 180 days of first default. Directions are issued with a view to providing a framework for early recognition, reporting and time bound resolution of stressed assets.

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. 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.

The RBI, pursuant to a press release dated, June 8, 2023, for "Prudential Framework for Resolution of Stressed Assets" has proposed to: (i) issue a comprehensive regulatory framework governing compromise settlements and technical write-offs covering all regulated entities; and (ii) rationalize the extant prudential norms for implementation of resolution plans in respect of exposures affected by natural calamities, drawing upon the lessons from the resolution frameworks introduced during the COVID-19 pandemic.

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.

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 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; and
- the periodicity of reset shall be one year or lower.

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 Fiscal Year 2020-21 to Fiscal Year 2024-25 (to date)

The primary objective of monetary policy is to maintain price stability while keeping in mind the objective of growth. Price stability is a necessary precondition to sustainable growth. In May 2016, the Reserve Bank of India ("**RBI**") Act, 1934 was amended to provide a statutory basis for the implementation of the flexible inflation-targeting framework. Accordingly, the Central Government has notified in the Official Gazette 4% Consumer Price Index ("**CPI**") inflation as the target 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%. On Apr 7, 2021, the central government extended the same to March 31, 2026.

First Bi-monthly Monetary Policy Statement for Fiscal 2021 held on May 20-22, 2020

- Reduce the policy repo rate under the liquidity adjustment facility ("**LAF**") by 40 bps to 4.0% from 4.40% with immediate effect.
- Accordingly, the marginal standing facility ("**MSF**") rate and the Bank Rate stand reduced to 4.25% from 4.65%.
- The reverse repo rate under the LAF was reduced to 3.35% from 3.75%. Before this announcement, the RBI on April 17, 2020, reduced the reverse repo rate to 3.75% from the 4.00% announced in the seventh Bi-monthly Monetary Policy Statement for Fiscal 2020.
- The MPC also decided to continue with the accommodative stance as long as it is necessary to revive growth and mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target.
- The inflation outlook is highly uncertain. As supply lines get restored in the coming months with gradual relaxations in the lockdown, the unusual spike in food inflation in April is expected to moderate. The forecast of a normal monsoon also portends well for food inflation. The MPC noted that the macroeconomic impact of the pandemic is turning out to be more severe than initially anticipated, and various sectors of the economy are experiencing acute stress. Beyond the destruction of economic and financial activity, livelihood and health are severely affected. Even as various measures initiated by the Government and the Reserve Bank work to mitigate the adverse impact of the pandemic on the economy, it is necessary to ease financial conditions further. This will facilitate the flow of funds at affordable rates and revive animal spirits.

Second Bi-monthly Monetary Policy Statement for Fiscal 2021 held on August 4-6, 2020

- The policy repo rate under the liquidity adjustment facility ("**LAF**") was unchanged at 4.0%.

- Consequently, the reverse repo rate under the LAF remains unchanged at 3.35% and the marginal standing facility ("**MSF**") rate and the Bank Rate at 4.25%.

- The MPC also decided to continue with the accommodative stance as long as it is necessary to revive growth and mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.

- The MPC noted that the relatively moderate increases in minimum support prices ("**MSP**") for the kharif crops and monsoon are also supportive of benign inflation prospects. Nonetheless, upside risks to food prices remain. The inflation outlook of non-food categories is, however, fraught with uncertainty. Higher domestic taxes on petroleum products have resulted in elevated domestic pump price. Volatility in financial markets and rising asset prices also pose upside risks to the outlook. Taking into consideration all these factors, headline inflation may remain elevated in Q2:2020-21, but may moderate in H2:2020-21 aided by large favorable base effects. For the year 2020-21, as a whole, real GDP growth is expected to be negative.

Third Bi-monthly Monetary Policy Statement for Fiscal 2021 held on October 7-9, 2020

- The policy repo rate under the liquidity adjustment facility ("**LAF**") was unchanged at 4.0%.

- Consequently, the reverse repo rate under the LAF remains unchanged at 3.35% and the marginal standing facility ("**MSF**") rate and the Bank Rate at 4.25%.

- The MPC also decided to continue with the accommodative stance as long as necessary – at least during the current financial year and into the next financial year – to revive growth on a durable basis and mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.

- Kharif sowing portends well for food prices. Pressures on prices of key vegetables like tomatoes, onions and potatoes should also ebb by Q3 with kharif arrivals. On the other hand, prices of pulses and oilseeds are likely to remain firm due to elevated import duties. International crude oil prices have traded with a softening bias in September on a weak demand outlook, but domestic pump prices may remain elevated in the absence of any roll back of taxes. Pricing power of firms remains weak in the face of subdued demand. COVID-19-related supply disruptions, including labor shortages and high transportation costs, could continue to impose cost-push pressures, but these risks are getting mitigated by progressive easing of lockdowns and removal of restrictions on inter-state movements. Taking into consideration all these factors, CPI inflation is projected at 6.8% for Q2:2020-21, at 5.4-4.5% for H2:2020-21 and 4.3% for Q1:2021-22, with risks broadly balanced.

Fourth Bi-monthly Monetary Policy Statement for Fiscal 2021 held on December 2-4, 2020

- The policy repo rate under the liquidity adjustment facility ("**LAF**") was unchanged at 4.0%.

- Consequently, the reverse repo rate under the LAF remains unchanged at 3.35% and the marginal standing facility ("**MSF**") rate and the Bank Rate at 4.25%.

- The MPC also decided to continue with the accommodative stance as long as necessary – at least during the current financial year and into the next financial year – to revive growth on a durable basis and mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.

- CPI inflation rose sharply to 7.3% in September and further to 7.6% in October 2020, with some evidence that price pressures are spreading. Food inflation surged to double digits in October across protein-rich items including pulses, edible oils, vegetables and spices on multiple supply shocks. Core inflation, i.e., CPI excluding food and fuel, also picked up from 5.4% in September to 5.8% in October. Both three months and one year ahead inflation expectations of households have eased modestly in anticipation of the seasonal moderation of food prices in the winter and easing of supply chain disruptions.

Fifth Bi-monthly Monetary Policy Statement for Fiscal 2021 held on February 3-5, 2021

- The policy repo rate under the liquidity adjustment facility ("**LAF**") was unchanged at 4.0%.
- Consequently, the reverse repo rate under the LAF remains unchanged at 3.35% and the marginal standing facility ("**MSF**") rate and the Bank Rate at 4.25%.
- The MPC also decided to continue with the accommodative stance as long as necessary – at least during the current financial year and into the next financial year – to revive growth on a durable basis and mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.
- After breaching the upper tolerance threshold of 6% for six consecutive months (June-November 2020), CPI inflation fell to 4.6% in December on the back of easing food prices and favorable base effects. Food inflation collapsed to 3.9% in December after averaging 9.6% during the previous three months (September-November) due to a sharp correction in vegetable prices and softening of cereal prices with kharif harvest arrivals, alongside supply side interventions. On the other hand, core inflation, i.e., CPI inflation excluding food and fuel remained elevated at 5.5% in December with marginal moderation from a month ago. In the January 2021 round of the Reserve Bank's survey, inflation expectations of households softened further over a three month ahead horizon in tandem with the moderation in food inflation; one year ahead inflation expectations, however, remained unchanged.

First Bi-monthly Monetary Policy Statement for Fiscal 2022 held on April 5-7, 2021

- The policy repo rate under the liquidity adjustment facility ("**LAF**") was unchanged at 4.0%.
- Consequently, the reverse repo rate under the LAF remains unchanged at 3.35% and the marginal standing facility ("**MSF**") rate and the Bank Rate at 4.25%.
- The MPC also decided to continue with the accommodative stance as long as necessary to sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.
- Headline inflation increased to 5.0% in February after having eased to 4.1% in January 2021. Within an overall food inflation print of 4.3% in February, five out of twelve food sub-groups recorded double digit inflation. While fuel inflation pressures eased somewhat in February, core inflation registered a generalized hardening and increased by 50 basis points to touch 6%.

Second Bi-monthly Monetary Policy Statement for Fiscal 2022 held on June 2-4, 2021

- The policy repo rate under the liquidity adjustment facility ("**LAF**") was unchanged at 4.0%.
- Consequently, the reverse repo rate under the LAF remains unchanged at 3.35% and the marginal standing facility ("**MSF**") rate and the Bank Rate at 4.25%.
- The MPC also decided to continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.

- Headline inflation registered a moderation to 4.3% in April from 5.5% in March, largely on favorable base effects. Food inflation fell to 2.7% in April from 5.2% in March, with prices of cereals, vegetables and sugar continuing to decline on a y-o-y basis. While fuel inflation surged, core (CPI excluding food and fuel) inflation moderated in April across most sub-groups barring housing and health, mainly due to base effects. Inflation in transport and communication remained in double digits.

Third Bi-monthly Monetary Policy Statement for Fiscal 2022 held on August 4-6, 2021

- The policy repo rate under the liquidity adjustment facility ("**LAF**") was unchanged at 4.0%.
- Consequently, the reverse repo rate under the LAF remains unchanged at 3.35% and the marginal standing facility ("**MSF**") rate and the Bank Rate at 4.25%.
- The MPC also decided to continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.
- Headline CPI inflation plateaued at 6.3% in June after having risen by 207 basis point in May 2021. Food inflation increased in June primarily due to an uptick in inflation in edible oils, pulses, eggs, milk and prepared meals and a pick-up in vegetable prices. Fuel inflation moved into double digits during May-June 2021 as inflation in LPG, kerosene, and firewood and chips surged. After rising sharply to 6.6% in May, core inflation moderated to 6.1% in June, driven by softening of inflation in housing, health, transport and communication, recreation and amusement, footwear, pan, tobacco and other intoxicants (as the effects of the one-off post-lockdown taxes imposed a year ago waned), and personal care and effects (due to sharp reduction in inflation in gold).

Fourth Bi-monthly Monetary Policy Statement for Fiscal 2022 held on October 6-8, 2021

- The policy repo rate under the liquidity adjustment facility ("**LAF**") was unchanged at 4.0%.
- Consequently, the reverse repo rate under the LAF remains unchanged at 3.35% and the marginal standing facility ("**MSF**") rate and the Bank Rate at 4.25%.
- The MPC also decided to continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.
- Headline CPI inflation at 5.3% in August softened for the second consecutive month, declining by one percentage point from the recent peak in May-June 2021. This was primarily driven by an easing in food inflation. Fuel inflation edged up to a new high in August. Core inflation, i.e., inflation excluding food and fuel, remained elevated and sticky at 5.8% in July-August 2021.

Fifth Bi-monthly Monetary Policy Statement for Fiscal 2022 held on December 6-8, 2021

- The policy repo rate under the liquidity adjustment facility ("**LAF**") was unchanged at 4.0%.
- Consequently, the reverse repo rate under the LAF remains unchanged at 3.35% and the marginal standing facility ("**MSF**") rate and the Bank Rate at 4.25%.
- The MPC also decided to continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.
- Headline CPI inflation, which has been on a downward trajectory since June 2021, edged up to 4.5% in October from 4.3% in September on account of a spike in vegetable prices-due to crop damage from

heavy rainfalls in October in several states, and fuel inflation – driven up by international prices of liquefied petroleum gas and kerosene. In fact, fuel inflation at 14.3% in October surged to an all-time high. Core inflation or CPI inflation excluding food and fuel remained elevated at 5.9% during September-October with continuing upside pressures stemming from clothing and footwear, health, and transportation and communication sub-groups.

Sixth Bi-monthly Monetary Policy Statement for Fiscal 2022 held on February 8-10, 2022

- The policy repo rate under the liquidity adjustment facility ("**LAF**") was unchanged at 4.0%.
- Consequently, the reverse repo rate under the LAF remains unchanged at 3.35% and the marginal standing facility ("**MSF**") rate and the Bank Rate at 4.25%.
- The MPC also decided to continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.
- Headline CPI inflation edged up to 5.6% y-o-y in December from 4.9% in November due to large adverse base effects. The food group registered a significant decline in prices in December, primarily on account of vegetables, meat and fish, edible oils and fruits, but sharp adverse base effects from vegetables prices resulted in a rise in y-o-y inflation. Fuel inflation eased in December but remained in double digits. Core inflation or CPI inflation excluding food and fuel stayed elevated, though there was some moderation from 6.2% in November to 6.0% in December, driven by transportation and communication, health, housing and recreation and amusement.

First Bi-monthly Monetary Policy Statement for Fiscal 2023 held on April 6-8, 2022

- The policy repo rate under the liquidity adjustment facility ("**LAF**") was unchanged at 4.0%.
- Consequently, the marginal standing facility ("**MSF**") rate and the Bank Rate were at 4.25%. The standing deposit facility ("**SDF**") rate, which will now be the floor of the LAF corridor, was at 3.75%.
- The MPC also decided to remain accommodative while focusing on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.
- Headline CPI inflation edged up to 6.0% in January 2022 and 6.1% in February, breaching the upper tolerance threshold. Pick-up in food inflation contributed the most in headline inflation, with inflation of cereals, vegetables, spices and protein-based food items like eggs, meat and fish being the key drivers. Fuel inflation moderated on continuing deflation in electricity and steady LPG prices. Core inflation, i.e., CPI inflation excluding food and fuel remained elevated, though there was some moderation from 6.0% in January to 5.8% in February primarily due to the easing of inflation in transport and communication; pan, tobacco and intoxicants; recreation and amusement; and health.

Mid-term Monetary Policy Statement held on May 2-4, 2022

- Increase the policy repo rate under the liquidity adjustment facility ("**LAF**") by 40 basis points to 4.40% with immediate effect.
- Consequently, the standing deposit facility ("**SDF**") rate was adjusted to 4.15% and the marginal standing facility ("**MSF**") rate and the Bank Rate to 4.65%.
- The MPC also decided to remain accommodative while focusing on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.

- In March 2022, headline CPI inflation surged to 7.0% from 6.1% in February, largely reflecting the impact of geopolitical spillovers. Food inflation increased by 154 basis points to 7.5% and core inflation rose by 54 bps to 6.4%. The rapid rise in inflation is occurring in an environment in which inflationary pressures are broadening across the world. The IMF projects inflation to increase by 2.6% points to 5.8% in advanced economies in 2022 and by 2.8% points to 8.7% in emerging market and developing economies.

Second Bi-monthly Monetary Policy Statement for Fiscal 2023 held on June 6-8, 2022

- Increase the policy repo rate under the liquidity adjustment facility ("**LAF**") by 50 basis points to 5.40% with immediate effect.
- Consequently, the standing deposit facility ("**SDF**") rate was adjusted to 5.15% and the marginal standing facility ("**MSF**") rate and the Bank Rate to 5.65%.
- The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.
- CPI inflation eased to 7.0% (y-o-y) during May-June 2022 from 7.8% in April 2022, although it persisted above the upper tolerance band. Food inflation registered some moderation, especially with the softening of edible oil prices, and deepening deflation in pulses and eggs. Fuel inflation moved back to double digits in June primarily due to the rise in LPG and kerosene prices. While core inflation (i.e., CPI excluding food and fuel) moderated in May-June due to the full direct impact of the cut in excise duties on petrol and diesel pump prices, effected on May 22, 2022, it remained at elevated levels.

Third Bi-monthly Monetary Policy Statement for Fiscal 2023 held on August 3-5, 2022

- Increase the policy repo rate under the liquidity adjustment facility ("**LAF**") by 50 basis points to 5.40% with immediate effect.
- Consequently, the standing deposit facility ("**SDF**") rate was adjusted to 5.15% and the marginal standing facility ("**MSF**") rate and the Bank Rate to 5.65%.
- The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.

Fourth Bi-monthly Monetary Policy Statement for Fiscal 2023 held on September 28-30, 2022

- Increase the policy repo rate under the liquidity adjustment facility ("**LAF**") by 50 basis points to 5.90% with immediate effect.
- Consequently, the standing deposit facility ("**SDF**") rate was adjusted to 5.65% and the marginal standing facility ("**MSF**") rate and the Bank Rate to 6.15%.
- The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.
- CPI inflation rose to 7.0% (y-o-y) in August 2022 from 6.7% in July as food inflation moved higher, driven by prices of cereals, vegetables, pulses, spices and milk. Fuel inflation moderated with reduction in kerosene (PDS) prices, though it remained in double digits. Core CPI (i.e., CPI excluding food and fuel) inflation remained sticky at heightened levels, with upside pressures across various constituent goods and services.

Fifth Bi-monthly Monetary Policy Statement for Fiscal 2023 held on December 5-7, 2022

- Increase the policy repo rate under the liquidity adjustment facility ("**LAF**") by 35 basis points to 6.25% with immediate effect.
- Consequently, the standing deposit facility ("**SDF**") rate was adjusted to 6.00% and the marginal standing facility ("**MSF**") rate and the Bank Rate to 6.50%.
- The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.
- CPI inflation moderated to 6.8% (y-o-y) in October 2022 from 7.4% in September, with favorable base effects mitigating the impact of pick-up in price momentum in October. Food inflation softened, aided by easing inflation in vegetables and edible oils, despite sustained pressures from prices of cereals, milk and spices. Fuel inflation registered some easing in October, driven by softening of price inflation in LPG, kerosene (PDS) and firewood and chips. Core CPI (i.e., CPI excluding food and fuel) inflation persisted at elevated levels at 6%, with price pressures across most of its constituent sub-groups.

Sixth Bi-monthly Monetary Policy Statement for Fiscal 2023 held on February 6-8, 2023

- Increase the policy repo rate under the liquidity adjustment facility ("**LAF**") by 25 basis points to 6.50% with immediate effect.
- Consequently, the standing deposit facility ("**SDF**") rate was adjusted to 6.25% and the marginal standing facility ("**MSF**") rate and the Bank Rate to 6.75%.
- The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.
- CPI headline inflation moderated to 5.7% (y-o-y) in December 2022 – after easing to 5.9% in November – on the back of double-digit deflation in vegetable prices. On the other hand, inflationary pressures accentuated across cereals, protein-based food items and spices. Fuel inflation edged up primarily from an uptick in kerosene prices. Core CPI (i.e., CPI excluding food and fuel) inflation rose to 6.1% in December due to sustained price pressures in health, education and personal care and effects.

First Bi-monthly Monetary Policy Statement for Fiscal 2024 held on April 3-6, 2023

- Keep the policy repo rate unchanged under the liquidity adjustment facility ("**LAF**") to 6.50%.
- Consequently, the standing deposit facility ("**SDF**") rate remained unchanged at 6.25% and the marginal standing facility ("**MSF**") rate and the Bank Rate at 6.75%.
- The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.
- CPI headline inflation rose from 5.7% in December 2022 to 6.4% in February 2023 on the back of higher inflation in cereals, milk and fruits and slower deflation in vegetables prices. Fuel inflation remained elevated, though some softening was witnessed in February due to a fall in kerosene (PDS) prices and favorable base effects. Core inflation (i.e., CPI excluding food and fuel) remained elevated and was above 6% in January-February. The moderation observed in inflation in clothing and footwear, and transportation and communication were largely offset by a pick-up in inflation in personal care and effects and housing.

Second Bi-monthly Monetary Policy Statement for Fiscal 2024 held on June 6-8, 2023

- Keep the policy repo rate unchanged under the liquidity adjustment facility ("**LAF**") to 6.50%.

- Consequently, the standing deposit facility ("**SDF**") rate remained unchanged at 6.25% and the marginal standing facility ("**MSF**") rate and the Bank Rate at 6.75%.
- The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.
- CPI inflation fell sharply to 4.7% in April 2023 from 6.4% in February on the back of large favorable base effects, with softening observed across all the three major groups. Food group inflation eased, with moderation in cereals, eggs, milk, fruits, meat and fish, spices and prepared meals inflation and deepening of deflation in edible oils. In the fuel group, inflation in LPG and firewood and chips prices fell and kerosene prices slipped into deflation. Core inflation (i.e., CPI inflation excluding food and fuel) dipped, driven down by clothing and footwear, household goods and services, health, transport and communication, personal care and effects and recreation and amusement sub-groups.

Third Bi-monthly Monetary Policy Statement for Fiscal 2024 held on August 8-10, 2023

- Keep the policy repo rate unchanged under the liquidity adjustment facility ("**LAF**") to 6.50%.
- Consequently, the standing deposit facility ("**SDF**") rate remained unchanged at 6.25% and the marginal standing facility ("**MSF**") rate and the Bank Rate at 6.75%.
- The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.
- Headline CPI inflation picked up from 4.3% in May to 4.8% in June, driven largely by food group dynamics on the back of higher prices of vegetables, eggs, meat, fish, cereals, pulses and spices. Fuel inflation softened during May-June, primarily reflecting the fall in kerosene prices. Core inflation (i.e., CPI excluding food and fuel) was steady in June.

Fourth Bi-monthly Monetary Policy Statement for Fiscal 2024 held on October 4-6, 2023

- Keep the policy repo rate unchanged under the liquidity adjustment facility ("**LAF**") to 6.50%.
- Consequently, the standing deposit facility ("**SDF**") rate remained unchanged at 6.25% and the marginal standing facility ("**MSF**") rate and the Bank Rate at 6.75%.
- The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns to the target, while supporting growth.
- CPI headline inflation surged by 2.6 percentage points to 7.4% in July due to spike in vegetable prices, before moderating somewhat in August to 6.8%. Fuel inflation edged up to 4.3% in August. Core inflation (i.e., CPI excluding food and fuel) softened to 4.9% during July-August 2023.

Fifth Bi-monthly Monetary Policy Statement for Fiscal 2024 held on December 6-8, 2023

- Keep the policy repo rate unchanged under the liquidity adjustment facility ("**LAF**") to 6.50%.
- Consequently, the standing deposit facility ("**SDF**") rate remained unchanged at 6.25% and the marginal standing facility ("**MSF**") rate and the Bank Rate at 6.75%.
- The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns to the target, while supporting growth.
- CPI headline inflation fell by about 2 percentage points since the last meeting of the MPC to 4.9% in October 2023 on sharp correction in prices of certain vegetables, deflation in fuel and a broad-based moderation in core inflation (CPI inflation excluding food and fuel).

Sixth Bi-monthly Monetary Policy Statement for Fiscal 2024 held on February 6-8, 2023

- Keep the policy repo rate unchanged under the liquidity adjustment facility ("**LAF**") to 6.50%.
- Consequently, the standing deposit facility ("**SDF**") rate remained unchanged at 6.25% and the marginal standing facility ("**MSF**") rate and the Bank Rate at 6.75%.
- The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns to the target, while supporting growth.
- From its October 2023 trough of 4.9%, CPI inflation increased successively in the next two months to 5.7% by December. Food inflation, primarily y-o-y vegetable price increases, drove the pick-up in headline inflation, even as deflation in fuel deepened. Core inflation (CPI inflation excluding food and fuel) softened to a four-year low of 3.8% in December.

First Bi-monthly Monetary Policy Statement for Fiscal 2025 held on April 3-5, 2024

- Keep the policy repo rate unchanged under the liquidity adjustment facility ("**LAF**") to 6.50%.
- Consequently, the standing deposit facility ("**SDF**") rate remained unchanged at 6.25% and the marginal standing facility ("**MSF**") rate and the Bank Rate at 6.75%.
- The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns to the target, while supporting growth.
- Headline inflation softened to 5.1% during January-February 2024, from 5.7% in December. After correcting in January, food inflation edged up to 7.8% in February primarily driven by vegetables, eggs, meat and fish. Fuel prices remained in deflation for the sixth consecutive month in February. CPI core (CPI excluding food and fuel) disinflation took it down to 3.4% in February – this was one of the lowest in the current CPI series, with both goods and services components registering a fall in inflation.

Second Bi-monthly Monetary Policy Statement for Fiscal 2025 held on June 5-7, 2024

- Keep the policy repo rate unchanged under the liquidity adjustment facility ("**LAF**") to 6.50%.
- Consequently, the standing deposit facility ("**SDF**") rate remained unchanged at 6.25% and the marginal standing facility ("**MSF**") rate and the Bank Rate at 6.75%.
- The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns to the target, while supporting growth.
- Headline inflation has seen sequential moderation since February 2024, albeit in a narrow range from 5.1% in February to 4.8% in April 2024. Food inflation, however, remains elevated due to persistence of inflation pressures in vegetables, pulses, cereals, and spices. Deflation in fuel prices deepened during March-April, reflecting the cut in liquified petroleum gas (LPG) prices. Core (CPI excluding food and fuel) inflation eased further to 3.2% in April, the lowest in the current CPI series, with core services inflation also falling to historic lows.

Third Bi-monthly Monetary Policy Statement for Fiscal 2024 held on August 6-8, 2024

- Keep the policy repo rate unchanged under the liquidity adjustment facility ("**LAF**") to 6.50%.
- Consequently, the standing deposit facility ("**SDF**") rate remained unchanged at 6.25% and the marginal standing facility ("**MSF**") rate and the Bank Rate at 6.75%.
- The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns to the target, while supporting growth.

- Headline inflation increased to 5.1% in June 2024 after remaining steady at 4.8% during April-May 2024. Worsening of food inflation pressures – driven primarily by a sharp increase in prices of vegetables, pulses and edible oils along with a pick-up in inflation across cereals, milk, fruits and prepared meals – pushed up headline inflation. The fuel group remained in deflation, reflecting the cumulative impact of the sharp cuts in LPG price in August 2023 and March 2024. Core (CPI excluding food and fuel) inflation at 3.1% in May-June touched a new low in the current CPI series, with core services inflation also at its lowest in the series.

Fourth Bi-monthly Monetary Policy Statement for Fiscal 2024 held on October 7-9, 2024

- Keep the policy repo rate unchanged under the liquidity adjustment facility ("**LAF**") to 6.50%.
- Consequently, the standing deposit facility ("**SDF**") rate remained unchanged at 6.25% and the marginal standing facility ("**MSF**") rate and the Bank Rate at 6.75%.
- The MPC also decided to change the monetary policy stance to "neutral" and to remain unambiguously focused on a durable alignment of inflation with the target, while supporting growth.
- Headline inflation declined sharply to 3.6% and 3.7% in July and August respectively from 5.1% in June. Going forward, the September inflation print may see a significant pick-up as base effects turn adverse and food prices register an upturn. Food inflation, however, is expected to ease by Q4:2024-25 on better kharif arrivals and rising prospects of a good rabi season. Sowing of key kharif crops are higher than last year and the long-period average. Sufficient buffer stocks for cereals are available for ensuring food security. Adequate reservoir levels, the likelihood of a good winter and favorable soil moisture conditions augur well for the ensuing rabi season, though adverse weather events remain a risk. Firms polled in the Reserve Bank enterprise surveys expect input cost pressures to ease; however, the very recent upturn in key commodity prices, especially metals and crude oil needs to be closely monitored.

Fifth Bi-monthly Monetary Policy Statement for Fiscal 2024 held on December 4-6, 2024

- Keep the policy repo rate unchanged under the liquidity adjustment facility ("**LAF**") to 6.50%.
- Consequently, the standing deposit facility ("**SDF**") rate remained unchanged at 6.25% and the marginal standing facility ("**MSF**") rate and the Bank Rate at 6.75%.
- The MPC also decided to continue with the neutral monetary policy stance and to remain unambiguously focused on a durable alignment of inflation with the target, while supporting growth.
- Headline CPI inflation surged above the upper tolerance level to 6.2%in October from 5.5% in September and sub-4.0% prints in July-August, propelled by a sharp pick-up in food inflation and an uptick in core (CPI excluding food and fuel) inflation. Going forward, food inflation is likely to soften in Q4 with seasonal easing of vegetables prices and kharif harvest arrivals; and good soil moisture conditions along with comfortable reservoir levels auguring well for rabi production. Adverse weather events and rise in international agricultural commodity prices, however, pose upside risks to food inflation. Even though energy prices have softened in the recent past, its sustenance needs to be monitored. Businesses expect pressures from input costs to remain elevated and growth in selling prices to accelerate from Q4.

Developments in the Banking Sector

Guidelines on Liquidity Risk Management and Basel III Framework on Liquidity Standards

As part of post Global Financial Crisis ("**GFC**") reforms, Basel Committee on Banking Supervision ("**BCBS**") had introduced Liquidity Coverage Ratio ("**LCR**"), which requires banks to maintain High Quality Liquid

Assets ("**HQLAs**") to meet 30 days' net outgo under stressed conditions. This was followed by the publication of "Basel III: International Framework for Liquidity Risk Measurement, Standards and Monitoring" in December 2010, i.e., the Basel III rules text on liquidity prescribing two minimum global regulatory standards, namely the liquidity coverage ratio ("**LCR**") and the net stable funding ratio for liquidity risk and a set of five monitoring tools.

In accordance with this, the RBI, being a member of the BCBS, released draft guidelines entitled "Liquidity Risk Management and Basel III Framework on Liquidity Standards" in February 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.

At present the assets allowed as Level 1 HQLAs, inter alia, includes among others within the mandatory Statutory Liquidity Ratio ("**SLR**") requirement, Government securities to the extent allowed by RBI under (i) Marginal Standing Facility ("**MSF**") and (ii) Facility to Avail Liquidity for Liquidity Coverage Ratio ("**FALLCR**") 15% of the bank's Net Demand and Time Liabilities (NDTL) with effect from April 1, 2020. Given that SLR has now been reduced to 18% of NDTL from April 11, 2020, and with increase in MSF from 2% to 3% of the banks' NDTL (with effect from March 27, 2020 and applicable up to September 30, 2020), entire SLR-eligible assets held by banks are now permitted to be reckoned as HQLAs for meeting LCR.

Further, banks are required to maintain LCR of 100% with effect from January 1, 2019. RBI further allowed Banks' overnight SDF balances to be eligible for LCR computation. In order to accommodate the burden on banks' cash flows on account of the COVID- 19 pandemic, banks are permitted to maintain LCR as under:

From April 17, 2020 to September 30, 2020	80%
October 1, 2020 to March 31, 2021	90%
April 1, 2021 onwards	100%

In pursuance of the above, on April 18, 2022, the RBI issued a notification stating that the assets allowed as Level 1 HQLAs for the purpose of computing the LCR, *inter alia*, include (a) Government securities in excess of the mandatory SLR requirement and (b) within the mandatory SLR requirement, Government securities to the extent allowed under (i) MSF and (ii) FALLCR (15% of the banks' NDTL).

Since MSF has been reduced to 2% from 3% of NDTL from January 1, 2022, the total HQLA carve out from the mandatory SLR, which can be reckoned for meeting LCR requirement, has reduced to 17% of NDTL (2% MSF plus 15% FALLCR) from 18%.

On a review, it has been decided by the RBI to permit banks to reckon Government securities as Level 1 HQLA under FALLCR within the mandatory SLR requirement up to 16% of their NDTL. Accordingly, the total HQLA carve out from the mandatory SLR, which can be reckoned for meeting LCR requirement will be 18% of NDTL (2% MSF plus 16% FALLCR). Through a notification dated November 23, 2022, it has been advised that the overnight balances held by banks with RBI under Standing Deposit Facility shall be eligible as a Level 1 HQLA for computation of LCR.

Implementation of the Basel III Capital Regulations

In December 2010, the BCBS issued a comprehensive reform package of capital regulations, known as Basel III. On December 31, 2013, the RBI further extended the implementation of credit valuation adjustment risk to April 1, 2014, and the current deadline for full implementation of Basel III requirements to October 1, 2021. However, to free up banks and supervisors to respond to economic impact of COVID-19 pandemic, the Basel Committee on Banking Supervision (BCBS) has deferred the implementation of Basel III standards to January

1, 2023 (*Source: RBI Circular DBOD. No. BP.BC. 102/21.06.201/2013-14 dated March 27, 2013, Basel III Capital Regulations dated February 5, 2021 and RBI Annual Report 2021*).

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, 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.

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 were to be implemented by April 1, 2020. As part of COVID-19 related reforms to ensure that adequate liquidity is available to all constituents, the implementation of NSFR was delayed by six months to October 1, 2021 (Basel III Framework on Liquidity Standards, February 5, 2021).

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 January 2023. 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 2020, there are 4 PSB banks under RBI's PCA Framework, from the earlier 11 PSBs and one private bank.

As per RBI's latest annual report, as part of convergence of regulations for banks with Basel III standards, a draft Master Direction on minimum capital requirements for operational risk was issued for comments of stakeholders in December 2021. Further, draft guidelines on the other risk categories and output floor are expected to be issued by mid-2022, followed by final guidelines. The final guidelines regarding "Basel III Framework on Liquidity Standards – Net Stable Funding Ratio ("**NSFR**")" were issued on May 17, 2018, and were scheduled to come into effect from April 1, 2020. However, due to uncertainty on account of COVID-19, the implementation of these guidelines was deferred progressively till October 1, 2021. Accordingly, the guidelines on NSFR have come into effect from October 1, 2021. (RBI Annual Report 2022).

On February 17, 2023, the RBI published draft guidelines for minimum capital requirements for market risk under Basel III framework, proposing to impose a slew of curbs on a bank's trading and banking books and steeply increasing the penalties and provisioning ratios. The final guidelines after modifications will be applicable to all commercial banks, excluding local area banks, payments banks, regional rural banks small finance banks and all types of cooperative banks-urban, state and central cooperative banks and shall come into effect from April 1, 2024.

The capital requirement for both specific risk and general market risk will be 9% each of the core capital of the bank and the exposure to the specified instruments. These capital charges will also be applicable to all trading book exposures, which are exempted from capital market exposure ceilings for direct investments.

On May 12, 2023, the RBI issued a Master Circular titled "Basel III Capital Regulations consolidating all the amendments and notification under Basel III capital regulations. In this master circular, directions were issued for Commercial Banks (excluding Local Area Banks and Regional Rural Banks) regarding disclosure requirements for procuring a bank loan rating for the purpose of capital computation. According to the directions, a bank loan rating issued by External Credit Assessment Institutions without disclosing the name of the banks and the corresponding credit facilities rated by them shall not be eligible for being reckoned for the purpose of capital computation by banks. Banks shall treat such exposures as unrated and assign risk weights accordingly.

The RBI has introduced norms on the Basel III capital framework, fund raising, exposure guidelines, and norms on classification and valuation of investment portfolios for All India Financial Institutions ("**AIFIs**"), which will come into effect from April 2024.

India has five AIFIs regulated by the central bank, namely the Export-Import Bank of India ("**EXIM Bank**"), the National Bank for Agriculture and Rural Development ("**Nabard**"), the National Bank for Financing Infrastructure and Development ("**NaBFID**"), the National Housing Bank ("**NHB**"), and the Small Industries Development Bank of India (SIDBI).

According to RBI, AIFIs are increasingly being seen as key institutions to promote the flow of direct or indirect credit to the economic sectors they cater to, thus is has announced to extend the Basel III Capital framework to the AIFIs.

AIFIs will be required to maintain a minimum total capital of 9% by April 2024, wherein minimum tier-I capital will need to be at 7% and common equity tier-I ("**CET-1**") capital at 5.5%.

The central bank has capped AIFIs' investments in capital instruments of banking, financial, and insurance entities at 10% of their capital funds. AIFIs will not be allowed to acquire a fresh stake in a bank's or AIFI's equity shares if the acquisition leads to its holding exceeding 5% of the investee's equity capital.

Further, AIFIs' equity investment in a single entity cannot exceed 49% of the equity of the investee. While AIFIs can hold this entire 49% stake as a pledgee, if the acquisition is against AIFI's claims, the stake will need to be brought below 10% within three years.

Regulatory Initiatives in the Financial Sector

Climate Risk and Sustainable Finance

The Reserve Bank released a framework for acceptance of Green Deposits for Regulated Entities ("**REs**") to foster and develop green finance ecosystem in the country. The framework aims to encourage more REs to offer green deposits to customers, protect depositors' interest, address greenwashing concerns and help augment the flow of credit to green activities/projects. REs shall put in place a Board approved financing framework for effective allocation of green deposits covering eligible green activities/projects. The following sectors, adopted from the Government of India's "Framework for Sovereign Green Bonds', published in November 2022, have been identified as green activities/projects for allocation of proceeds by REs: (i) renewable energy; (ii) energy efficiency; (iii) clean transportation; (iv) climate change adaptation; (v) sustainable water and waste management; (vi) pollution prevention and control; (vii) green buildings; (viii) sustainable management of living natural resources and land use; and (ix) terrestrial and aquatic biodiversity conservation. REs shall annually undertake the impact assessment and third-party verification and the reports shall be placed on their website.

Governance, Measurement and Management of Interest Rate Risk in Banking Book ("IRRBB")

Excessive IRRBB can pose significant risk to banks' current capital base and/or future earnings, if not managed appropriately. The Reserve Bank's final guidelines on IRRBB require banks to measure, monitor and disclose their IRRBB in terms of potential change in economic value of equity and net interest income, computed on the basis of a set of prescribed interest rate shock scenarios. Banks should have a clearly defined Board approved risk appetite statement, articulated in terms of the risk to both economic value and earnings, which lays down policies and procedures for limiting and controlling IRRBB. Banks should also develop and implement an effective stress testing framework for IRRBB as part of their broader risk management and governance processes. Furthermore, banks should perform qualitative and quantitative reverse stress tests to identify interest rate scenarios that could severely threaten their capital and earnings.

Banks, which generate an EVE decline of more than 15% of their Tier 1 capital under any one of the six prescribed interest rate shock scenarios, shall be identified as outliers with undue IRRBB exposure. These outlier banks shall be required to take one or more of the following actions as determined during the Reserve Bank's supervisory review and evaluation process: (a) raise additional capital; (b) reduce IRRBB exposures (e.g., by hedging); (c) set constraints on the internal risk parameters used by the bank; and/or (d) improve the risk management framework. The extant instructions on interest rate risk management, which require banks to undertake traditional gap analysis and Duration Gap Analysis, shall be phased out post implementation of the new guidelines.

Guidelines on Default Loss Guarantee ("DLG") in Digital Lending

Certain business practices of NBFCs could create new risks as, under DLG agreements entered into by some NBFCs with Digital Lending Apps ("**DLAs**")/Fintech companies, up to 100% of the credit risk may be borne by the DLAs/Fintech companies due to the First Loss Default Guarantee provided to the NBFCs. Under such arrangements, the DLAs effectively lent their own funds to borrowers using the license of an NBFC who did not share any risk but were getting a guaranteed yield in return. Proliferation of such instances could inflate the risks associated with unregulated lending as well as delay the process of identification of stress in specific sectors/portfolios.

Considering the need to strike a balance between prudence and innovation, the Reserve Bank issued instructions permitting DLG arrangements with suitable regulatory guardrails. DLG arrangements involve lending service providers ("**LSPs**") offering to bear default losses on a loan portfolio up to a pre-determined percentage of the portfolio where the RE has an outsourcing agreement with such LSPs. REs shall ensure that total amount of DLG cover on any such portfolio shall not exceed 5% of the amount of that loan portfolio and the same can be offered only in the form of cash, fixed deposit or bank guarantee. Further, REs shall put in place a Board approved policy before entering into any DLG arrangement. Any DLG arrangement shall not act as a substitute for credit appraisal requirements. Also, in order to promote transparency, REs are required to ensure disclosure of DLG on the website of LSPs.

Master Direction on Outsourcing of Information Technology ("IT") Services

The Reserve Bank issued master direction on outsourcing of IT services to third parties to ensure effective management of financial, operational and reputational risks with the underlying principle that outsourcing arrangements neither diminish REs ability to fulfil obligations to customers nor impede effective supervision by the Reserve Bank.

The directions require REs to ensure that the service provider employs the same high standard of care in performing the services as would have been employed by the RE. Outsourcing should neither impede nor interfere with the ability of the RE to effectively oversee and manage the activities of the service provider located in India or abroad. REs shall evaluate the need for outsourcing of IT services based on a comprehensive assessment of attendant benefits, risks and availability of commensurate processes to manage those risks. Each RE shall also put in place a comprehensive Board approved outsourcing policy and a risk management framework. The directions also mandate REs to require service providers to develop and establish a robust business continuity plan and disaster recovery plan, besides putting in place a management structure to monitor and control the outsourced IT activities. The directions also specify provisions pertaining to cross-border outsourcing, exit strategy, risk management, evaluation and engagement of the service providers. They also envisage a robust grievance redressal mechanism wherein the responsibility for redressal of customers' grievances related to outsourced services shall rest with the RE.

Master Direction on Acquisition and Holding of Shares or Voting rights in Banking Companies

The Reserve Bank released the guidelines on acquisition and holding of shares or voting rights in banking companies with the intent of ensuring that the ultimate ownership and control of banking companies are well-diversified and their major shareholders are "fit and proper" on a continuing basis. The guidelines that are applicable to all banking companies, including local area banks, small finance banks and payments banks operating in India stipulate that any person who intends to make an acquisition which is likely to result in major shareholding i.e., an "aggregate holding" of 5% or more of the paid-up share capital or voting rights in a banking company, is required to seek an advance approval of the Reserve Bank. On receipt of the reference from the Reserve Bank, the board of directors of the banking company shall deliberate on the proposed acquisition and assess the "fit and proper" status of the person. The guidelines limit the shareholding to 10% for non-promoters and 26% for promoters, subject to certain conditions.

A banking company shall continuously monitor that its major shareholders and applicants are "fit and proper" on an ongoing basis. Subsequent to such acquisition, if the aggregate holding falls below 5% at any point in time, the person will be required to seek fresh approval from the Reserve Bank if the person intends to again raise the aggregate holding to 5% or more of the paid-up share capital or total voting rights of the banking company. The guidelines also clarified the concept of "indirect holding" of shares/voting rights in banks with an illustrative list of such holdings.

Framework for Compromise Settlements and Technical Write-offs

With a view to provide further impetus to resolution of stressed assets in the system, the framework on compromise settlements and technical write-offs was issued by the Reserve Bank. The framework provides clarity on the definition of technical write-off and a broad guidance on the process to be followed by REs while carrying out technical write-off. Further, it lays down guidance on important process-related matters covering board oversight, delegation of power, reporting mechanism and a cooling period for normal cases of compromise settlements. The penal measures currently applicable to borrowers classified as fraud or willful defaulter shall, however, remain in cases where banks enter into compromise settlements with such borrowers.

Applicability of State Money Lenders Acts and State Microfinance Acts on Non-banking Financial Companies ("NBFCs")

NBFCs are registered and regulated by the Reserve Bank under the Reserve Bank of India Act, 1934.

Legislations in some states (viz., State Money Lenders Acts and State Microfinance Acts) extended their applicability to include the oversight and functioning of NBFCs which are registered and regulated by the

Reserve Bank. Any duality of regulation and potentially discordant compliance requirements can disincentivize the NBFCs from operating in the state. In turn, this may drive vulnerable borrowers to informal sources for meeting their credit requirements, thus rendering them vulnerable to unfair practices. Moreover, this can also reverse the efforts of the Government and the Reserve Bank towards furthering financial inclusion. In case of major defaults by borrowers of NBFCs and, in turn, by NBFCs on loans from their upstream lenders, including banks, the risk of contagion spreading is high. In this context, the High Court of the State of Telangana in its judgement dated February 14, 2023 has held that NBFCs (registered under the Reserve Bank of India Act, 1934 and regulated by the Reserve Bank) operating in the states of Telangana and Andhra Pradesh would be excluded from the purview of the Telangana Microfinance Act and Andhra Pradesh (AP) Microfinance Act, respectively. Earlier, in its judgement dated May 10, 2022 the Supreme Court held that State Money Lenders Act will have no application to NBFCs registered under the RBI Act and regulated by the Reserve Bank. The clarity provided by these judgements on regulatory authority for NBFCs operating in a state bodes well for the financial intermediation in the country.

Single Settlement for Three Cheque Truncation System Grids

Currently, the cheque truncation system ("**CTS**") architecture comprises of three regional grids – northern, southern and western. Each grid provides clearing services to banks under its respective jurisdiction. The Payments Vision 2025 envisages migration from the current architecture of the three regional grids to a National Grid for CTS. This is expected to improve cost effectiveness and make the related operations simpler for banks and also provide the benefit of CTS clearing for outstation cheques. As a first step, single settlement for three CTS grids has been put in place from March 1, 2023. This has enhanced liquidity efficiency of the CTS and reduced the risk of default by participants.

Ringfencing India's Payment Systems

The removal of certain banks from the international card schemes and financial messaging networks since the onset of the Russia-Ukraine conflict has highlighted the necessity to have a robust domestic payments infrastructure to effectively manage the risks of disruption/discontinuity of operations and dependence on international payment system operators/service providers. The domestic card network, viz., RuPay was implemented in 2012 to ensure availability of country's own card network with global acceptance. The Reserve Bank's guidelines on mandatory storage of payments data within India are also aimed at safeguarding data and protecting customer interests.

The Indian Financial Network ("**INFINET**"), a membership-only closed user group network comprising the Reserve Bank, member banks and financial institutions, is the communication backbone whereas the Structured Financial Messaging System ("**SFMS**"), the Indian standard for domestic financial messaging is the mainstay for messaging in interbank financial transactions and centralized payment systems, viz., Real Time Gross Settlement ("RTGS") and National Electronics Funds Transfer. The National Payments Corporation of India operated payment systems are implemented by using domestic messaging solutions with final settlement in RTGS.

For cross-border payments, India is seeking to extend and leverage its domestic payment systems through bilateral interlinkages with other countries interested to establish such inter-linkages. The Fast Payment System interlinking between unified payments interface ("**UPI**") and PayNow (Singapore) in February 2023 has created digital infrastructure for instant digital payments and funds transfer between the two countries. Further, quick response code based acceptance of UPI has been facilitated in Bhutan, Singapore, and United Arab Emirates for merchant payments. On similar lines, expansion of the framework of INFINET and SFMS, to provide financial messaging platform in other jurisdictions, is required to moderate the dependence on international financial messaging platforms. These initiatives could provide alternative cross-border payment channels in the countries that adopt SFMS, INFINET and interlink with India's payment systems. Some of the targets proposed under the Payment Vision 2025 are aimed to protect the critical payment system operations while ensuring business continuity in the event of unforeseen adverse scenarios.

Customer Protection

The number of complaints received by the Offices of the Reserve Bank of India Ombudsman under the "Reserve Bank – Integrated Ombudsman Scheme ("**RB-IOS**"), 2021" indicates that the complaints relating to loans and advances, mobile/electronic banking and credit cards constituted nearly 60% of the total complaints received during Q3 and Q4 of 2022-23. Complaints relating to deposit accounts, automatic teller/cash deposit machines and debit cards also had a large share in the number of complaints.

With increasing usage of technology for availing financial services and upward adjustment in the benchmark lending rates of banks, complaints related to loans and advances, non-adherence to the Fair Practices Code and mobile/electronic banking related issues need to be addressed swiftly and holistically by REs at their end, to further enhance consumers' confidence in the financial system.

Enforcement

During the Fiscal year 2024, the Reserve Bank undertook enforcement action against REs and impose 281 penalties (16 against public banks, 12 against private banks, 215 against cooperative banks) aggregating penalty of INR 86.1crore for contraventions/non-compliance with provisions of statutes and certain directions issued by the Reserve Bank from time to time. (*Source: Annual Report FY24, RBI*)

Outlook towards Fiscal Year 2024-2025

As of latest MPC Meeting (Dec-24): Growth in real GDP in Q2 at 5.4% turned out to be much lower than anticipated. This decline in growth was led mainly by a substantial deceleration in industrial growth from 7.4% in Q1 to 2.1% in Q2 of fiscal year 2025 due to subdued performance of manufacturing companies, contraction in mining activity and lower electricity demand. The weakness in the manufacturing sector, however, was not broad-based but was limited to specific sectors such as petroleum products, iron and steel and cement.

Going forward, high frequency indicators available so far suggest that the slowdown in domestic economic activity bottomed out in Q2 of fiscal year 2025, and has since recovered, aided by strong festive demand and pick up in rural activities. Agricultural growth is supported by healthy kharif crop production, higher reservoir levels and better rabi sowing. Industrial activity is expected to normalise and recover from the lows of the previous quarter. The end of the monsoon season and the expected pick up in government capital expenditure may provide some impetus to cement and iron and steel sectors. Mining and electricity are also expected to normalise post the monsoon-related disruptions. The purchasing managers' index ("**PMI**") for manufacturing at 56.5 for November remained elevated. The supply chain pressures eased in October-November and fell below the historical average. The services sector continues to grow at a strong pace. PMI services remained steady at 58.4 in November, indicating continued expansion.

On the demand side, rural demand is trending upwards while urban demand shows some moderation on a high base. Government consumption is improving. Investment activity is also expected to improve. On the external front, merchandise exports expanded by 17.2% in October 2024, while services exports continue to post upbeat growth (22.3% in October). Taking all these factors into consideration, real GDP growth for fiscal years 2025 is now projected at 6.6%, with Q3 at 6.8%; and Q4 at 7.2%cent. Real GDP growth for Q1 of fiscal years 2026 is projected at 6.9%; and Q2 at 7.3%. The risks are evenly balanced. (*Source: MPC Press Release, Dec '24*)

RECENT INDIAN REGULATORY DEVELOPMENTS

Master Direction - Know Your Customer ("KYC") Directions, 2016 dated February 25, 2016 (updated as on November 6, 2024), as amended ("RBI KYC Directions")

The provisions of RBI KYC Directions are applicable to every entity regulated by the RBI, except where specifically mentioned otherwise. In terms of the RBI KYC Directions, every entity regulated thereunder is required to formulate a KYC policy which is duly approved by the board of directors of such entity or a duly constituted committee thereof. The KYC policy formulated in terms of the RBI KYC Directions is required to include four key elements, being customer acceptance policy, risk management, customer identification procedures and monitoring of transactions.

The RBI KYC Directions provide for an enhanced and simplified due diligence procedure. It has prescribed detailed instructions in relation to, *inter alia,* the due diligence of customers, record management, and reporting requirements to Financial Intelligence Unit — India. The RBI KYC Directions have also issued instructions on sharing of information while ensuring secrecy and confidentiality of information held by the regulated entities ("**REs**"). The REs must also adhere to the reporting requirements under Foreign Account Tax Compliance Act and common reporting standards. The RBI KYC Directions also require the REs to ensure compliance with the requirements/obligations under international agreements. The REs must also pay adequate attention to any money-laundering and financing of terrorism threats that may arise from new or developing technologies and ensure that appropriate KYC procedures issued from time to time are duly applied before introducing new products/services/technologies.

Reserve Bank of India (Access Criteria for NDS-OM) Directions, 2024 dated October 18, 2024

The aforesaid Directions permit banks to invest in Government Securities through direct access route in the Electronic Trading Platform – NDM-OM, subject to opening an SGL account with the RBI, a current account with the RBI or Designated Settlement Bank; and membership of securities settlement segment of Clearing Corporation of India Limited (CCIL).

The RBI may terminate direct access, (i) on account of cessation of eligibility for direct access; or (ii) if banks have violated a statutory provision or any rule or regulation or direction or order or instruction issued by the RBI; or (iii) the banks have committed a market abuse as defined under the Reserve Bank of India (Prevention of Market Abuse) Directions, 2019 dated March 15, 2019, as amended from time to time; or (iv) the banks has violated any of the terms or conditions stipulated by the RBI while granting access; or (v) the continuance of access is prejudicial to public interest or financial system of the country.

Interest Equalization Scheme (IES) on Pre and Post Shipment Rupee Export Credit dated October 9, 2024

The Interest Equalisation Scheme was extended for three months up to December 31, 2024. Modifications include restrictions of fiscal benefits per MSME to Rs. 5 million for the FY 2024-25, and disallowance of MSME manufacturers already availing over this limit from benefiting from the same for the three months.

The Circular is in furtherance of another circular dated September 20, 2024, which modified the scheme in the extended period of September 2024 to only be applicable to MSME manufacturer exporters. The annual net subvention amount was capped at ₹10 Crore per Importer-Exporter Code (IEC) for a given financial year, accordingly a cap of ₹5 Crore per IEC for MSME manufacturer exporters was imposed till September 30, 2024, for the financial year starting from April 1, 2024. Further, for Manufacturer Exporters and Merchant Exporters under the non-MSME category, the cap shall be ₹2.5 crore per IEC till June 30, 2024, as per the Government's Trade Notice No.17/2024-2025 dated September 17, 2024.

Master Direction on Treatment of Wilful Defaulters and Large Defaulters dated July 30, 2024

The aforesaid master direction aims to promote transparency and fairness in the classification of borrowers as wilful defaulters by lenders, and to establish a system for sharing credit information about these defaulters to alert other lenders. This directive will take effect 90 days after being published on the RBI website and applies to 'lenders' including all India financial institutions, banks, or non-banking financial company that has granted a credit facility to the borrower. Additionally, regardless of an entity's classification as a 'lender,' restrictions on further financial support to wilful defaulters and provisions for large defaulters will apply to all entities regulated by RBI. The directions set forth a detailed process for identifying the wilful defaulters, so that the penal provisions are applied in a fair manner and the scope for discretion is obviated, and require a transparent mechanism throughout the identification process, including a role for internal audits.

The aforesaid master direction also outline: (a) procedures for reporting and sharing credit information on wilful and large defaulters with CICs; (b) handling of compromise settlements with wilful defaulters; (c) treatment of defaulted loans transferred to other lenders and asset reconstruction companies; (d) approach for accounts resolved under the Insolvency and Bankruptcy Code, 2016/ resolution framework guidelines issued by RBI; and (e) preventive measures that lenders, statutory auditors, and third parties should take to prevent and identify wilful defaults.

RBI Master Directions on Fraud Risk Management in Commercial Banks (including Regional Rural Banks) and All India Financial Institutions dated July 15, 2024

The aforesaid master directions are issued with a view to providing a framework to banks for prevention, early detection and timely reporting of incidents of fraud to Law Enforcement Agencies, the RBI and NABARD and dissemination of information by the RBI and matters connected therewith or incidental thereto. The directions mandate that there shall be a Board approved policy which shall also incorporate measures for ensuring compliance with principles of natural justice approved policy on fraud risk management delineating roles and responsibilities of Board / Board Committees and Senior Management of the bank in a time bound manner. The Fraud Risk Management Policy shall be reviewed by the Board at least once in three years, or more frequently, as may be prescribed by the Board. Banks shall constitute a Committee of the Board to be known as the Special Committee of the Board for Monitoring and Follow-up of cases of Frauds ("**SCBMF**").

The Senior Management shall be responsible for implementation of the fraud risk management policy approved by the Board of the bank. Banks shall put in place a transparent mechanism to ensure that whistle-blower complaints on possible fraud cases or suspicious activities in account(s) are examined and concluded appropriately under their whistle-blower policy. Banks shall set-up an appropriate organizational structure for institutionalization of fraud risk management within their overall risk management functions / department. Banks shall have a framework for early warning signals ("**EWS**") and Red Flagging of Accounts ("**RFA**") under the overall Fraud Risk Management Policy approved by the Board.

The Risk Management Committee of the Board shall oversee the effectiveness of the framework for EWS and RFA. In case of a credit facility / loan account classified as red-flagged account, banks shall use an external audit or an internal audit as per their Board approved Policy, for further investigation in such accounts. PSBs and AIFIs shall conduct examination of staff accountability as per the guidelines issued by the Central Vigilance Commission.

Banks shall immediately report the incidents of fraud to Law Enforcement Agencies (LEAs). A private sector or foreign bank shall report incidents of fraud below INR one crore to state / union territory (UT) police and for amounts above INR one crore, they shall report in Fraud Monitoring Return (FMR) format to Serious Fraud Investigation Office (SFIO), Ministry of Corporate Affairs, Government of India in addition to state / union territory (UT) police. Further, public sector banks shall report incidents of fraud below INR six crore to state / union territory (UT) police and for amounts above INR six crore, they shall report to Central Bureau of Investigation (CBI).

To ensure uniformity and consistency while reporting incidents of fraud to the RBI through Fraud Monitoring Returns using an online portal, banks can choose categories like (i) misappropriation of funds and criminal breach of trust; (ii) fraudulent encashment through forged instruments; (iii) manipulation of books or accounts or through fictitious accounts, and conversion of property. Auditors must also report such incidents to the Audit Committee of the Board of the bank for appropriate action.

Master Circular - Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated April 2, 2024

The circular provides detailed instructions on the classification of borrower accounts into Special Mention Accounts (SMA) categories, applicable to all loans, including retail loans, irrespective of the bank's exposure size. It specifies the criteria for categorizing accounts into SMA-1 (more than 30 days and up to 60 days) and SMA-2 (more than 60 days and up to 90 days), emphasizing the importance of accurate and timely classification.

It further outlines the process for the classification of borrower accounts as SMA and Non-Performing Assets (NPA) as part of the day-end process for the relevant date. It specifies that the SMA or NPA classification date shall be the calendar date, ensuring the accuracy and consistency of asset classification. It addresses the treatment of defaults by borrowers subsequent to the upgrade in asset classification. It stipulates that any default by the borrower within the specified period subsequent to the upgrade will require a fresh restructuring plan to be implemented within specific timelines.

The circular outlines the consequences of a borrower's failure to demonstrate satisfactory performance during the monitoring period. It specifies that asset classification upgrade shall be subject to the implementation of a fresh restructuring or change in ownership, with lenders required to make an additional provision of 15% for such accounts at the end of the review period. This provision underscores the regulatory emphasis on proactive risk management and the need for decisive actions in cases of unsatisfactory borrower performance. It also details the treatment of advances covered by guarantees under various schemes. It specifies that in the event of non-performance, no provision needs to be made towards the guaranteed portion, while the amount outstanding in excess of the guaranteed portion should be provided for as per extant guidelines on provisioning for non-performing assets.

INDIAN TAXATION

This section is supplemental to, and should be read in conjunction with, the section entitled "Taxation – Indian Taxation" in the Original Offering Circular. In the event of any inconsistency, this section will prevail.

*The following is a summary of the changes to the Indian tax consequences for non-resident investors of the Notes pursuant to the amendments made to the Indian Income-tax Act, 1961 ("**IT Act**") pursuant to Finance (No. 2) Act, 2024.*

Prospective investors should 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.

The following changes have been made with respect to taxation of persons regarded as non-resident in India vide the Finance (No. 2) Act, 2024 of India:

Change in taxation of Interest on Notes

There is no change in the rates for USD Notes as per Finance (No. 2) Act, 2024.

As regards Rupee Denominated Notes, tax on interest may be paid at rates ranging up to 35% (plus applicable surcharge and health and education cess), where provisions of section 194LC read with section 115A of the IT Act are not applicable. This rate will stand reduced if the beneficial recipient is a resident of a country with which the Government of India (**GoI**) has entered into an agreement for granting relief of tax or for avoidance of double taxation (a "**Tax Treaty**") read with Multilateral Instruments ("**MLI**") (if and to the extent applicable) and the provisions of such Tax Treaty provide for the taxation in India of income by way of interest at a rate lower than that stated above.

Change in tax rates on Gains on disposal of Notes (applicable to both USD and Rupee denominated Notes)

(a) Where the Notes are listed on a stock exchange located in IFSC, a non-resident investor, who has held the Notes as capital asset for a period of more than 12 months (where the Notes are considered as 'securities' under the provisions of the Securities Contracts (Regulation) Act, 1956) or else more than 24 months (where the Notes are not considered as securities) immediately preceding the date of their disposition, would be liable to pay long-term capital gains tax at the rate of 12.50% 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 read with MLI, if and to the extent applicable.

(b) Where the Notes are listed on a stock exchange located in IFSC, a non-resident investor who has held the Notes as capital asset for 12 months or less (where the Notes are considered as 'securities' under the provisions of the Securities Contracts (Regulation) Act, 1956) or else 24 months or less (where the Notes are not considered as securities) would be liable to pay capital gains tax at rates ranging up to 35% 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 read with MLI, if and to the extent applicable, subject to fulfillment of the conditions prescribed under the relevant Tax Treaty as well as the IT Act.

(c) 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 35% (plus applicable surcharge and health and education cess), depending on the legal status of the Non-resident Investor and his taxable income in India, subject to any lower rate provided for by a tax treaty read with MLI, if and to the extent applicable.

GENERAL INFORMATION

Paragraph 13 of the section entitled "*General Information*" in the Original Offering Circular shall be deleted in its entirety and replaced with the following:

"Accounts

13.

The current statutory auditor of the Issuer is M/s MKPS & Associates.

GMJ & Co., Chartered Accountants, Mumbai, had 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 years ended March 31, 2024, March 31, 2023 and March 31, 2022, as stated in their reports.

GMJ & Co., Chartered Accountants, Mumbai, had reviewed 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, as at and for the six months ended September 30, 2024, as stated in their report."

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General Fund

Reviewed financial statements of the Bank as of and for the six months ended September 30, 2024

Export Development Fund

Reviewed financial statements of the Bank as of and for the six months ended September 30, 2024

GMJ & Co
Chartered Accountants
3rd & 4th Floor, Vaastu Darshan,
'B'wing, Above Central Bank of India,
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Mumbai - 400 069.
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Independent Auditor's Limited Review Report on Unaudited Standalone Financial Results for the half year ended September 30th, 2024 of General Fund of Export-Import Bank of India pursuant to requirement of the Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended).

To
The Board of Directors,
Export – Import Bank of India (EXIM Bank),
Center One Building, WTC,
Cuffe Parade,
Mumbai – 400 005.

We have reviewed the accompanying unaudited Balance Sheet of the **General Fund** of EXIM Bank as at 30th September, 2024 and the related statements of Profit and Loss for the half year on 30th September, 2024 and the schedules to the Balance Sheet. The Management is responsible for the preparation and fair presentation of this interim financial information in accordance with the RBI Guidelines, other accounting principles generally accepted in India, in so far as they apply to EXIM Bank under the Export – Import Bank of India Act, 1981 ("the Act") and the Regulations framed thereunder. Our responsibility is to express a conclusion on this interim financial information based on our review.

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of personnel responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do no express an audit opinion.

Based on our review as stated in paragraph above, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the statue of affairs of the General Fund of EXIM Bank as at 30th September, 2024 and its results of operations for the half-year ended on 30th September, 2024 in accordance with information required to be disclosed in terms of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), RBI Guidelines, other accounting principles generally accepted in India, in so far as they apply to EXIM Bank under the Act and the Regulations framed thereunder.

GMJ & CO · MUMBAI · FRN NO. 103429W · CHARTERED ACCOUNTANTS

Other Matters

We have reviewed the Risk Based Internal Audit Report up to the quarter ended 30th June, 2024 and Concurrent audit reports up to the month ended 30th September, 2024. We understand that the completion of the Risk Based Internal Audit for the quarter ended 30th September, 2024 is still under process and thus the same are not made available to us for our review.

Our opinion is not modified in respect of this matter.

For GMJ & Co
Chartered Accountants
FRN No. 103429W

GMJ & CO MUMBAI FRN NO. 103429W CHARTERED ACCOUNTANTS

CA Atul Jain
Partner
M No.: 037097
UDIN: 24037097BKCXJG8342

Place: Mumbai
Date: 6th November, 2024

ANNEXURE I
[Refer Para 2]

EXPORT-IMPORT BANK OF INDIA

BALANCE SHEET AS AT 30TH SEPTEMBER, 2024

GENERAL FUND Previous year (As at 30.09.2023) ₹	LIABILITIES	SCHEDULES	GENERAL FUND This year (As at 30.09.2024) ₹
1,59,09,36,63,881	1.Capital	I	1,59,09,36,63,881
47,18,25,89,124	2.Reserves	II	69,84,92,97,496
10,16,14,01,035	3.Profit & Loss Account	III	11,25,13,10,125
8,73,61,30,89,000	4.Notes, Bonds and Debentures		9,68,10,22,16,000
-	5.Bills Payable		-
1,38,48,11,082	6.Deposits	IV	1,01,63,69,374
3,94,00,90,05,008	7.Borrowings	V	5,99,41,49,59,945
73,13,72,95,787	8.Current Liabilities and Provisions for contingencies		95,70,89,42,829
58,64,01,63,261	9.Other Liabilities		46,84,33,98,949
16,17,22,20,18,178	**Total**		**19,51,28,01,58,598**
	ASSETS		
39,73,06,40,104	1. Cash & Bank Balances	VI	53,69,84,66,065
1,26,27,14,05,083	2. Investments	VII	1,60,45,01,94,047
13,09,48,20,63,603	3. Loans and Advances	VIII	15,90,27,20,41,700
50,74,00,00,000	4. Bills of Exchange and Promissory Notes Discounted/Rediscounted	IX	35,50,00,00,000
3,72,46,52,047	5. Fixed Assets	X	3,54,71,62,503
87,27,32,57,341	6. Other Assets	XI	1,07,81,22,94,283
16,17,22,20,18,178	**Total**		**19,51,28,01,58,598**

contd 2

भारतीय निर्यात-आयात बैंक / Export-Import Bank Of India

GMJ & CO • MUMBAI FRN NO. 103429W • CHARTERED ACCOUNTANTS

GENERAL FUND Previous year (As at 30.09.2023) ₹	CONTINGENT LIABILITIES	GENERAL FUND This Year (As at 30.09.2024) ₹
1,39,73,95,87,559	(i) Acceptances,Guarantees, endorsements and other obligations	1,30,70,56,36,239
2,26,35,670	(ii) On outstanding forward exchange contracts	9,45,27,68,036
-	(iii) On underwriting commitments	-
18,83,09,645	(iv) Uncalled Liability on partly paid investments	19,35,04,410
3,52,54,00,000	(v) Claims on the Bank not acknowledged as debts	3,52,76,00,000
-	(vi) Bills for collection	-
-	(vii) On participation certificates	-
-	(viii) Bills Discounted/Rediscounted	-
17,55,05,80,485	(ix) Other monies for which the Bank is contingently liable	16,16,38,12,510
1,61,02,65,13,359		**1,60,04,33,21,194**

Notes :-

1. 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 ₹57.59 bn (previous year ₹57.08 bn) held on agency account including a sum of ₹52.04 bn (previous year ₹51.57 bn) assigned to GOI are not included in the above Balance Sheet.

2. Previous year's figures have been regrouped, wherever necessary.

भारतीय निर्यात-आयात बैंक / Export-Import Bank Of India

GMJ & CO • MUMBAI FRN NO. 103429W • CHARTERED ACCOUNTANTS

EXPORT-IMPORT BANK OF INDIA

PROFIT & LOSS ACCOUNT FOR THE HALF-YEAR ENDED 30TH SEPTEMBER, 2024

GENERAL FUND Previous year ₹	EXPENDITURE	SCHEDULES	GENERAL FUND This Year ₹
54,14,28,00,043	1. Interest		72,45,88,61,626
34,81,12,821	2. Credit Insurance, fees and charges		43,10,69,928
45,09,70,068	3. Staff Salaries, Allowances etc. and Terminal Benefits		95,20,97,845
3,70,600	4. Directors' and Committee Members' Fees and Expenses		4,13,050
5,99,050	5. Audit Fees		6,34,088
15,11,44,585	6. Rent, Taxes, Electricity and Insurance Premia		18,78,17,132
1,81,62,959	7. Communication expenses		2,42,75,365
2,14,81,436	8. Legal Expenses		1,63,04,798
67,16,49,483	9. Other Expenses	XII	78,25,27,528
24,20,76,655	10. Depreciation		26,51,51,991
3,79,47,82,849	11. Provision for loan losses/contingencies depreciation on investments		1,21,28,21,318
13,57,67,02,176	12. Profit/(Loss) carried down		15,03,52,70,470
73,41,88,52,725	**Total**		**91,36,72,45,141**
3,41,53,01,141	Provision for Income Tax (Net of deferred tax)		3,78,39,60,346
10,16,14,01,035	Balance of profit/(Loss) transferred to Balance Sheet		11,25,13,10,125
13,57,67,02,176			**15,03,52,70,470**
	INCOME		
71,01,81,49,650	1. Interest and Discount	XIII	88,88,53,16,438
2,12,81,37,732	2. Exchange, Commission, Brokerage and Fees		1,92,06,35,872
27,25,65,343	3. Other Income	XIV	56,12,92,830
73,41,88,52,725	**Total**		**91,36,72,45,141**
13,57,67,02,176	Profit/(Loss) brought down		15,03,52,70,470
-	Excess Income/Interest tax provision of earlier years written back		-
13,57,67,02,176			**15,03,52,70,470**

भारतीय निर्यात-आयात बैंक / Export-Import Bank Of India

GMJ & CO • MUMBAI FRN NO. 103429W • CHARTERED ACCOUNTANTS

EXPORT-IMPORT BANK OF INDIA
SCHEDULES TO THE BALANCE SHEET

GENERAL FUND Previous year (As at 30.09.2023) ₹		GENERAL FUND This Year (As at 30.09.2024) ₹
Schedule I :	**Capital:**	
2,00,00,00,00,000	1. Authorised	2,00,00,00,00,000
1,59,09,36,63,881	2. Issued and Paid-up : (Wholly subscribed by the Central Government)	1,59,09,36,63,881
Schedule II :	**Reserves:**	
29,64,79,73,660	1. Reserve Fund	52,27,20,82,031
-	2. General Reserve	
	3. Other Reserves :	
1,93,92,96,400	Investment Fluctuation Reserve	1,98,18,96,400
1,95,53,19,064	Sinking Fund (Lines of Credit)	1,95,53,19,064
13,64,00,00,000	4. Special Reserve u/s 36(1)(viii) of the Income Tax Act,1961	13,64,00,00,000
47,18,25,89,124		**69,84,92,97,496**
Schedule III :	**Profit & Loss Account:**	
10,16,14,01,035	1. Balance as per annexed accounts	11,25,13,10,125
	2. Less: Appropriations:	
-	- Transferred to Reserve Fund	-
-	- Transferred to Investment Fluctuation Reserve	-
-	- Transferred to Sinking Fund	-
-	- Transferred to Special Reserve u/s 36(1)(viii) of the Income Tax Act,1961	-
10,16,14,01,035	3. Balance of the net profits (Transferable to the Central Government in terms of Section 23(2) of the EXIM Bank Act,1981)	**11,25,13,10,125**
Schedule IV :	**Deposits:**	
1,38,48,11,082	(a) In India	1,01,63,69,374
-	(b) Outside India	-
1,38,48,11,082		**1,01,63,69,374**

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भारतीय निर्यात-आयात बैंक / Export-Import Bank Of India

GMJ & CO CHARTERED ACCOUNTANTS MUMBAI FRN NO. 103429W

Previous year (As at 30.09.2023) ₹		This Year (As at 30.09.2024) ₹
Schedule V :	**Borrowings:**	
	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 :	
1,41,17,45,18,288	(a) In India	1,95,13,01,41,472
2,52,83,44,86,720	(b) Outside India	4,04,28,48,18,472
3,94,00,90,05,008		**5,99,41,49,59,945**
Schedule VI:	**Cash & Bank Balances:**	
5,89,252	1. Cash in Hand	7,13,267
84,66,68,370	2. Balance with Reserve Bank of India	3,55,61,218
	3. Balances with other Banks:	
	(a) In India	
2,99,77,18,605	i) in current accounts	5,30,04,94,349
5,01,43,13,945	ii) in other deposit accounts	9,00,00,00,000
30,87,13,49,932	(b) Outside India	39,36,16,97,231
-	4. Money at call and short notice / Lending under CBLO	-
39,73,06,40,104		**53,69,84,66,065**

भारतीय निर्यात-आयात बैंक / Export-Import Bank of India

GMJ & CO CHARTERED ACCOUNTANTS MUMBAI FRN NO. 103429W

Previous year (As at 30.09.2023) ₹		This Year (As at 30.09.2024) ₹
Schedule VII:	**Investments:** *(net of diminution in value, if any)*	
90,31,69,65,525	1. Securities of Central and State Governments	1,47,29,37,69,243
2,59,11,88,683	2. Equity Shares & Stocks	2,66,82,38,210
34,11,91,036	3. Preference Shares and Stocks	20,34,37,715
2,01,60,70,839	4. Notes,Debentures and Bonds	1,28,51,98,858
31,00,59,89,000	5. Others	8,99,95,50,022
1,26,27,14,05,083		**1,60,45,01,94,047**
Schedule VIII :	**Loans & Advances:**	
5,76,60,06,82,141	1. Foreign Governments	5,54,93,04,69,520
	2. Banks:	
1,37,35,47,50,000	(a) In India	1,97,95,95,25,000
1,24,56,75,000	(b) Outside India	12,55,86,00,000
	3. Financial Institutions:	
-	(a) In India	10,00,00,00,000.00
1,15,26,88,42,302	(b) Outside India	1,05,63,14,25,310
4,79,01,21,14,160	4. Others	7,09,19,20,21,870
13,09,48,20,63,603		**15,90,27,20,41,700**
Schedule IX :	**Bills of Exchange and Promissory Notes Discounted/Rediscounted:**	
50,74,00,00,000	(a) In India	35,50,00,00,000
-	(b) Outside India	-
50,74,00,00,000		**35,50,00,00,000**

निर्यात-आयात बैंक / Export-Import Bank Of India

GMJ & CO • MUMBAI FRN NO. 103429W • CHARTERED ACCOUNTANTS

Previous year (As at 30.09.2023) ₹		This Year (As at 30.09.2024) ₹
Schedule X :	**Fixed Assets:** *(At cost less depreciation)*	
	1. Premises	
5,24,67,32,163	Gross Block b/f	5,31,11,86,460
11,62,08,251	Additions during the year	-
5,17,53,954	Disposals during the year	-
5,31,11,86,460	Gross Block as at the end of the year	5,31,11,86,460
2,04,50,49,212	Accumulated Depreciation	2,27,66,79,344
3,26,61,37,248	Net Block	3,03,45,07,116
	2. Others	
1,86,00,90,076	Gross Block b/f	2,18,46,50,096
15,54,25,176	Additions during the year	17,64,34,474
1,01,94,553	Disposals during the year	67,49,627
2,00,53,20,699	Gross Block as at the end of the year	2,35,43,34,943
1,54,68,05,900	Accumulated Depreciation	1,84,16,79,556
45,85,14,799	Net Block	51,26,55,386
3,72,46,52,047		**3,54,71,62,503**
Schedule XI :	**Other Assets:**	
	1. Accrued interest on	
12,87,29,92,160	a) investments / bank balances	12,01,53,13,903
30,22,81,48,087	b) loans and advances	49,18,56,22,989
6,14,03,824	2. Deposits with sundry parties	6,87,69,479
12,75,07,90,533	3. Advance Income Tax paid (Net)	20,89,27,06,030
31,35,99,22,737	4. Others [including Net Deferred tax asset of ₹18,04,58,55,036 (previous year ₹18,30,14,11,664)]	25,64,98,81,881
87,27,32,57,341		**1,07,81,22,94,283**
Schedule XII :	**Other Expenses:**	
72,57,578	1. Export Promotion Expenses	92,59,382
14,00,133	2. Expenses on and related to Data Processing	9,54,498
28,37,80,922	3. Repairs and Maintenance	33,17,51,211
47,42,208	4. Printing and Stationery	43,24,716
37,44,68,642	5. Others	43,62,37,720
67,16,49,483		**78,25,27,528**

भारतीय निर्यात-आयात बैंक / Export-Import Bank of India

GMJ & CO • MUMBAI FRN NO. 103429W • CHARTERED ACCOUNTANTS

Previous year (As at 30.09.2023) ₹		This Year (As at 30.09.2024) ₹
Schedule XIII :	**Interest and Discount:**	
52,27,30,09,214	1.Interest and Discount on loans and advances/bills discounted/rediscounted	58,87,60,86,313
18,74,51,40,436	2.Income on Investments/bank balances	30,00,92,30,126
71,01,81,49,650		**88,88,53,16,438**
Schedule XIV :	**Other Income:**	
14,51,58,970	1. Net Profit on sale/ revaluation of investments	45,09,33,839
(1,25,789)	2. Net Profit on sale of land, buildings and other assets	61,780
12,75,32,162	3. Others	11,02,97,211
27,25,65,343		**56,12,92,830**

Note : Deposits under 'Liabilities' [ref. Schedule IV (a)] include `on shore' foreign currency deposits aggregating USD 4.67 mn. (Previous year USD 7.13 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 Rs. 0.22 bn (Previous year Rs. 0.33 bn) on account of swaps.

GMJ & CO MUMBAI FRN NO. 103429W CHARTERED ACCOUNTANTS

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Independent Auditor's Limited Review Report on Unaudited Standalone Financial Results for the half year ended September 30th, 2024 of Export Development Fund of Export-Import Bank of India pursuant to requirement of the Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended).

To,
The Board of Directors,
Export – Import Bank of India (EXIM Bank),
Center One Building, WTC,
Cuffe Parade,
Mumbai – 400005.

We have reviewed the accompanying unaudited Balance Sheet of the **Export Development Fund** of EXIM Bank as at 30th September, 2024 and the related statements of Profit and Loss for the half year ended on 30th September, 2024 and the schedules to the Balance Sheet. The Management is responsible for the preparation and fair presentation of this interim financial information in accordance with the RBI Guidelines, other accounting principles generally accepted in India, in so far as they apply to EXIM Bank under the Export – Import Bank of India Act, 1981 ("the Act") and the Regulations framed thereunder. Our responsibility is to express a conclusion on this interim financial information based on our review.

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of personnel responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do no express an audit opinion.

GMJ & CO
MUMBAI
FRN NO. 103429W
CHARTERED ACCOUNTANTS

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Based on our review as stated in paragraph above, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the statue of affairs of the Export Development Fund of EXIM Bank as at 30th September, 2024 and its results of operations for the half year ended on 30th September, 2024 in accordance with information required to be disclosed in terms of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), RBI Guidelines, other accounting principles generally accepted in India, in so far as they apply to EXIM Bank under the Act and the Regulations framed thereunder.

For GMJ & Co
Chartered Accountants
FRN No. 103429W

GMJ & CO • MUMBAI FRN NO. 103429W • CHARTERED ACCOUNTANTS

CA Atul Jain
Partner
M No.: 037097
UDIN: 24037097BKCXJI3551
Place: Mumbai
Date: 6th November, 2024

EXPORT-IMPORT BANK OF INDIA

BALANCE SHEET AS AT 30TH SEPTEMBER, 2024

EXPORT DEVELOPMENT FUND

Previous year (As at 30.09.2023) ₹		This Year (As at 30.09.2024) ₹
	LIABILITIES	
	1. Loans:	
-	(a) From Government	-
	(b) From Other Sources	-
	2. Grants:	
12,83,07,787	(a) From Government	12,83,07,787
-	(b) From Other Sources	
	3. Gifts, Donations, Benefactions :	
-	(a) From Government	-
-	(b) From Other Sources	-
35,58,32,687	4. Other Liabilities	41,21,06,783
1,03,71,05,591	5. Profit and Loss Account	1,12,06,57,835
1,52,12,46,065	**Total**	**1,66,10,72,406**
	ASSETS	
	1. Bank Balances	
15,00,000	a) in current accounts	15,00,000
1,18,56,86,055	b) in other deposit accounts	1,29,31,81,817
-	2. Investments	-
	3. Loans & Advances:	
-	(a) In India	-
-	(b) Outside India	-
	4. Bills of Exchange and Promissory Notes Discounted, Rediscounted :	
-	(a) In India	-
-	(b) Outside India	-
	5. Other Assets	
	(a) Accrued interest on	
-	i) Loans and Advances	-
5,20,01,267	ii) Investments/bank balances	5,61,58,601
28,20,58,743	(b) Advance Income Tax paid	31,02,31,988
-	(c) Others	-
1,52,12,46,065	**Total**	**1,66,10,72,406**

contd 2

EXPORT DEVELOPMENT FUND

CONTINGENT LIABILITIES

Previous year (As at 30.09.2023) ₹		This Year (As at 30.09.2024) ₹
-	(i) Acceptances,Guarantees, endorsements & other obligations	-
	(ii) On outstanding forward exchange contracts	-
-	(iii) On underwriting commitments	-
-	(iv) Uncalled Liability on partly paid investments	-
-	(v) Claims on the Bank not acknowledged as debts	-
-	(vi) Bills for collection	-
-	(vii) On participation certificates	-
-	(viii) Bills Discounted/ Rediscounted	-
-	(ix) Other monies for which the Bank is contingently liable	-

Note 1 : The Bank has established Export Development Fund in terms of Section 15 of Export-Import Bank of India Act, 1981 (the Act). In terms of Section 17 of the Act, before granting any loan or advance or entering into any such arrangement, Exim Bank has to obtain the prior approval of the Central Government.

EXPORT-IMPORT BANK OF INDIA

PROFIT & LOSS ACCOUNT FOR THE HALF-YEAR ENDED 30TH SEPTEMBER, 2024

EXPORT DEVELOPMENT FUND

Previous year ₹		This Year ₹
	EXPENDITURE	
-	1. Interest	-
-	2. Other Expenses	-
85,05,318	3. Provision or Loan Losses / Contingencies	
4,32,13,333	4. Profit Carried Down	5,99,34,445
5,17,18,651	**Total**	**5,99,34,445**
1,08,75,932	Provision for Income Tax	1,50,84,301
3,23,37,401	Balance of profit/(Loss) transferred to Balance Sheet	4,48,50,144
4,32,13,333		**5,99,34,445**
	INCOME	
	1. Interest and Discount	
-	(a) loans and advances	-
5,17,18,651	(b) investments / bank balances	5,99,34,445
	2. Exchange, Commission,	
-	Brokerage and Fees	-
-	3. Other Income	-
	4. Loss carried to	
-	Balance Sheet	-
5,17,18,651	**Total**	**5,99,34,445**
4,32,13,333	Profit / (Loss) brought down	5,99,34,445
-	Excess Income/Interest tax provision of earlier years written back	-
4,32,13,333		**5,99,34,445**

भारतीय निर्यात-आयात बैंक / Export-Import Bank Of India

GMJ & CO MUMBAI FRN NO. 103429W CHARTERED ACCOUNTANTS

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