

Information Advisory Services

The Bank provides a wide range of information, advisory and support services that complements its financing programs and reinforce its role as a policy Bank. These services are provided to the Bank's stakeholders including state governments, Indian public and private sector and overseas entities. These services are provided to the Bank's stakeholders including state governments, Indian public and private sector and overseas entities. The scope of services includes policy inputs and papers for the state governments, market-related information, sector, country and region focused studies and feasibility studies, technology supplier identification, partner search, capacity building exercises, investment facilitation and development of joint ventures both in India and abroad. The Bank also provides assistance to a number of institutions in the developing world through its well knitted advisory and consultancy services.

Research Activities

The Bank published 20 research papers, in the form of working papers and occasional papers, special publications and books during the financial year ended March 31, 2025, including:

Working Papers

1. Accelerating Uttar Pradesh's Export Growth: Trends and Insights
2. India's Defence Equipment Industry: Exploring New Frontiers
3. Building Exports from Jammu & Kashmir
4. Exploring Economic Opportunities for India in East Africa
5. Towards a Viksit Madhya Pradesh: A Possible Export Strategy & Policy Perspective
6. Strengthening India-Brazil Economic Relations through Sustainable Cooperation
7. India-Qatar Trade and Investment: Strengthening Global Synergies
8. Forging Strategic Links: Advancing India-New Zealand Partnership
9. Navigating Opportunities: Strengthening India's Economic Engagements with Peru
10. Deepening India Nepal Economic Ties: From Trade to Development Cooperation
11. A New Era of Cooperation: India's Relationship with EFTA
12. Strengthening Exports from Uttarakhand

Occasional Papers

1. Indian Steel Industry: Trends & Insights
2. Textile and Allied Products Trade under ASEAN-India Trade in Goods Agreement: Value Chain Analysis
3. Promoting Exports from the MSME Sector
4. Impact of Exchange Rate Movements on India's Exports
5. Essays on Exchange Rate and Economic Performance
6. Essays on Misallocation

Special Publications

1. Exploring Trade and Investment Relations between India and Central Asia: Unlocking Economic Benefits
2. Unlocking Opportunities: A Guide to Negotiating Financial Services in Free Trade Agreements

Joint Ventures

GPCL Consulting Services Limited

As set out in the Bank's audited financials for the year ended March 31, 2025, the Bank's joint venture GPCL Consulting Services Limited ("GPCL") recorded a total revenue of ₹87.20 million with a net profit of ₹18.29 million in fiscal year 2024-25, GPCL undertook several procurement and technical consulting assignments including projects funded by the World Bank, Agence Francaise de Developpement and African Development Bank (the "AfDB"). GPCL is a joint venture between the Bank and nine (9) reputed Indian private and public sector companies with expertise in diverse fields.

GPCL provides consultancy services in the procurement, technical and financial domains including training and capacity building activities and services related to Corporate Social Responsibility (CSR) both within India and abroad in various sectors having successfully carried out assignments in over 40 countries worldwide.

Kukuza Project Development Company

The Bank along with IL&FS, the State Bank of India and the AfDB launched a project development company, called Kukuza Project Development Company ("Kukuza") to focus on the development of infrastructure projects in Africa.

Kukuza is registered in Mauritius and commenced operations in fiscal year 2018. Considering the losses incurred by KPDC, the shareholders decided to close the operations of KPDC in 2023 and have initiated an orderly winding up process.

Export Development Fund

The Export Development Fund ("EDF") is a special fund administered by the Bank. The EDF was set up on March 31, 1986, by a notification issued by the Government. In terms of the Export-Import Bank of India Act, 1981, the EDF is a distinct fund, separate from the General Fund of the Bank.

Pursuant to the receipt of approval from the Government in December 2014, the EDF on December 23, 2014, signed a framework agreement with Iranian banks for extending a buyer's credit facility of ₹9.00 billion for the export of steel rails from India. Subsequently, pursuant to the receipt of approval of the Government in April 2016, the facility covered under the framework agreement was enhanced from ₹9.00 billion to ₹30.00 billion, by way of an amendatory agreement dated May 4, 2016, to cover the Chabahar Port Development project in addition to the export of steel rails and related items from India to Iran. The modalities of utilization of the credit will be decided in accordance with a framework agreement. As of September 30, 2025, the total assets of EDF stood at ₹1.78 billion.

Under the framework agreement, the first contract for an aggregate value of ₹8.19 billion, for supply of 150,000 tonnes of steel rails from India to the Railway of the Islamic Republic of Iran through the Bank of Industry and Mine, Iran, was approved under the Buyer's Credit Facility. As of September 30, 2025, disbursements of ₹8.11 billion have been made under the contract by the EDF. The physical and financial completion has been achieved under the contract. On account of protracted overdues, the claim was lodged with the NEIA Trust for the entire outstanding plus interest, and the same has been honoured on March 28, 2023. The Bank has received an aggregate amount of Rs. 430.07 crore (principal of Rs. 400.37 crore plus interest of Rs. 29.70 crore), towards claim settlement from the NEIA Trust. The outstanding amount under the facility as on September 30, 2025 was nil. Pursuant to the settlement of claims, Bank has since recovered an aggregate amount of Rs. 437.47 crore till date. The amounts so received have since been remitted in full to the NEIA Trust.

Information Technology Systems

The Bank continued its initiatives for enhancing the use of knowledge-based tools for authentic communication across its various constituents for better sharing of information, customer empowerment and system intelligence capabilities. Systems were supported and upgraded in various areas, including those of the core banking system, business intelligence, digital documentation, automatic workflows, networks, infrastructure, and security. The Bank strengthened its systems and procedures in compliance with international standards for IT governance. The Bank's corporate websites (www.eximbankindia.in and www.eximmitra.in) continue to disseminate information on various lending programs, activities, and advisory services of the Bank.

The Bank has state-of-the-art Data Centre (DC) and Disaster Recover Site located at Mumbai and Bengaluru respectively. The DC and the DR have -active setup and have remote monitoring capabilities, which ensures compliance with recovery time and point objectives (RTO & RPO). Both the Primary and DR Data Centres are ISO 27001 certified. The Bank has implemented secured remote access based IT infrastructure which enables seamless transition between work from office (WFO) and work from home (WFH). Cloud and device-based audio-video conferencing facility enabled seamless business communication among stakeholders during the year.

The Bank continues, to invest on infrastructure to support the growing need of business and upgraded networks across the offices, Data Centre, computing, and other crucial equipment. Seamless integration between the Bank's core banking system and payment channels (RTGS/NEFT and SWIFT) supports better fund management and real time appropriation of funds.

The Bank has implemented early warning signals (EWS) system for monitoring of assets. The system has Application Programming Interface (API) based integration with various external and internal databases to track macro and micro events, incidents for borrowers and industry, and generates alerts as per the scoring matrix of the Bank.

During the year, the Bank designed the medium-term IT strategy to facilitate seamless information flow, analytics led decisioning, state of the art stakeholder experience and compliance with regulatory norms. The IT strategy has been designed keeping automation, integration and digitization in focus, for example, 100% digital file journey, API-fication based open architecture for external data sourcing plug-n-play, cloud first models for new implementations.

E-Governance and E-Payment:

Systems are in place for business operations, MIS, business intelligence, document management, workflow, networks and security. The Bank has developed technology-enabled "E-Note" process that minimize paperwork and ensure seamless processing with minimal manual intervention. The Bank is a member of the National e-Governance Services Ltd. (NeSL). The Bank has created an internal online database on negative lists and on information received from the Central Economic Intelligence Bureau, which are being referred during loan appraisal cycles. The Bank is using the SWIFT Alliance Access software platform to securely transmit financial and non-financial messages across countries. The messages are created in the Finacle Application (Core and Treasury) and transmitted to the SWIFT application by a Straight Through Process.

Exim Mitra

The Exim Mitra Portal, launched by the Bank in 2017, has served as a trusted trade information gateway for MSMEs and aspiring exporters by offering a wide variety of information, handholding and support services. It reaches out to both potential and existing exporters, enabling them to evaluate international risks, capitalise on export opportunities and enhance competitiveness. Leveraging the Bank's long-standing experience in export promotion and supported by decades of institutional linkages, the portal provides exporters with a wide range of trade-related information services.

To strengthen its relevance and reach, the Bank is now revamping the platform through Exim Mitra 2.0, featuring a redesigned website and mobile application. The upgraded platform will include Exim Intelligence for data-driven market insights, a Buyer-Seller Platform to support international business linkages, and a more robust Ask-an-Expert section to provide personalised trade advisory. These enhancements will position Exim Mitra as a comprehensive digital support system for India's exporting community, especially the MSMEs.

Legal Proceedings

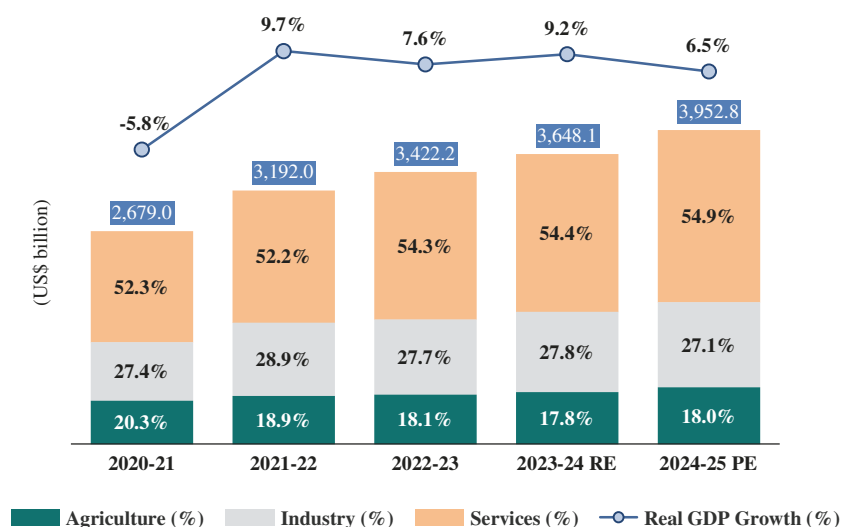
The Bank is involved in certain legal proceedings in the ordinary course of its business. However, excluding the legal proceedings discussed below, the Bank is not a party to any proceedings, and no proceedings are known to the Bank to be contemplated by governmental authorities or third parties, which, if adversely determined, would have a material adverse effect on the Bank’s financial condition or results of operations.

As of September 30, 2025, 7 lawsuits have been filed and 2 notices have been issued against the Bank in connection with claims made against the Bank involving a total amount equivalent to U.S.\$49.51 million (Rs. 439.61 crore). Based on consultation with its legal counsels, the Bank’s management believes that these claims made against the Bank and being contested in the lawsuits and the notice are frivolous and untenable, and that their ultimate resolution will not have a material adverse effect on the Bank’s results of operations, financial condition or liquidity.

Indian Economic Data

Gross Domestic Product (GDP)

According to the World Economic Outlook’s (“WEO”) database of the IMF released in October 2025, India is the fifth largest economy globally in terms of nominal GDP (and the third largest globally when adjusted for purchasing power parity) in 2024. The Ministry of Statistics and Program Implementation (“MOSPI”) estimated the GDP growth rate of India for fiscal year 2025 at 6.5%. The following chart shows the nominal GDP and real GDP growth of India along with the sectoral composition:

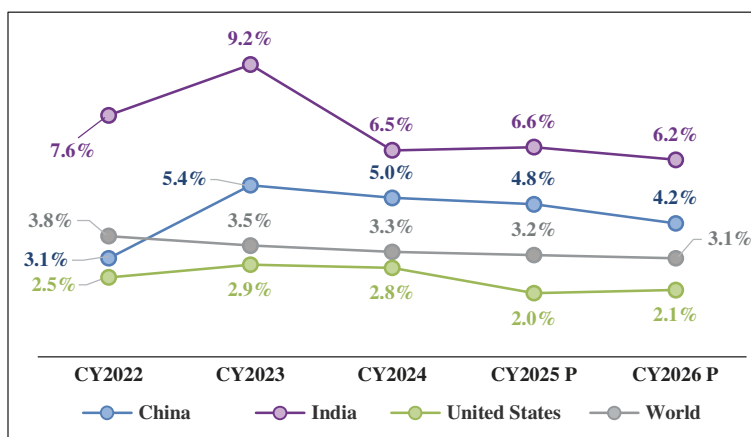


Sources: IIF and MOSPI Note:

Note:

(1) RE: Revised Estimates and PE: Provisional Estimates

The following graph shows the growth of India’s real GDP as compared to China, the United States and the world for the periods indicated. IMF estimates India’s growth in 2024 to be at 6.5%, which is higher than the world average growth estimate of 3.3%. In 2024, India’s nominal GDP is estimated to be approximately U.S.\$3.9 trillion and U.S.\$16.2 trillion when measured by purchasing power parity. Though growth has moderated, India is expected to continue to be the fastest growing major economy in 2025.



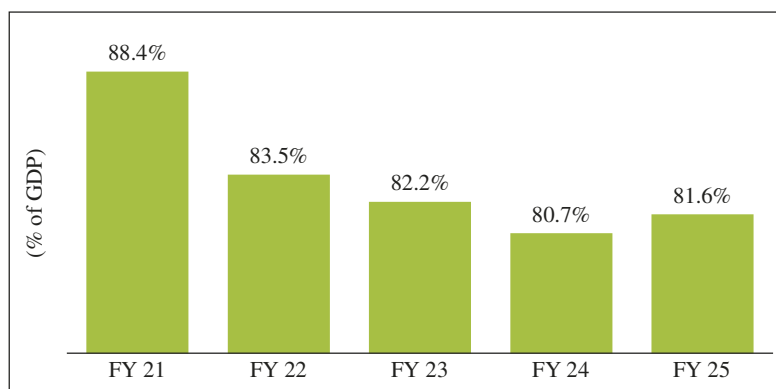
Sources: IMF World Economic Outlook October 2025

Note:

(1) P – International Monetary Fund (IMF) Projections; Data for calendar year

Key Economic Indicators

According to the IMF Fiscal Monitor October 2025, general government debt as a percentage of GDP stood at 88.4%, 83.5%, 82.2%, 80.7% and 81.6% for fiscal years, 2021, 2022, 2023, 2024 and 2025 respectively. The following chart shows the general government debt as a percentage of GDP for the periods indicated.



Source: IMF Fiscal Monitor October 2025

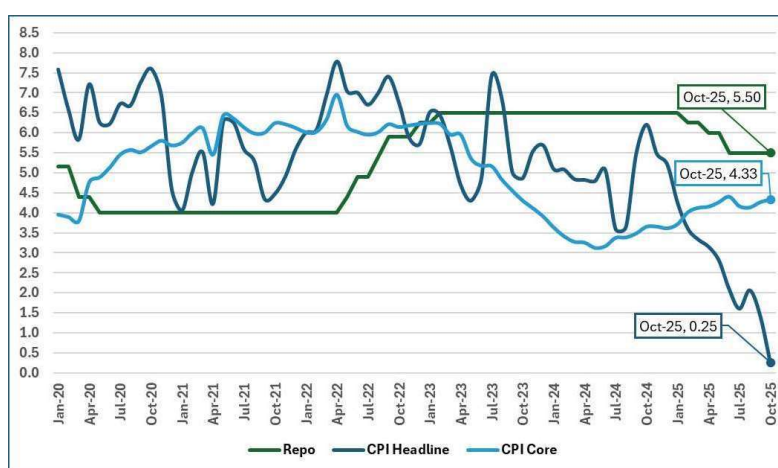
According to data from the RBI, consumer price inflation (“CPI”) (headline) inflation rate was 6.2%, 5.5%, 6.7%, 5.4%, and 4.6% for fiscal years 2021, 2022, 2023, 2024, and 2025 respectively. Core CPI was at 5.5%, 6.1%, 6.2%, 4.4% and 3.6% for fiscal years 2021, 2022, 2023, 2024 and 2025 respectively.

According to the RBI Annual Report 2024-25, headline inflation moderated to an average of 4.6% during 2024-25 from 5.4% in the previous year, largely driven by a moderation in core (CPI excluding food and fuel) inflation to 3.5% and deflation in fuel at 2.5%. The moderation in core inflation was broad-based across goods and services. The uptick in core inflation in the second half of the year was driven primarily

by increase in international gold prices. An upward revision in mobile charges by private telecom service providers also pushed up services inflation. Deflation in fuel was driven by reduction in liquefied petroleum gas (LPG) and kerosene prices on the back of softer global energy prices. In contrast, food inflation remained elevated at 6.7% in 2024-25. CPI inflation further declined to 0.25% in October 2025 to touch an all-time low. The fall in inflation was driven by a decline in food prices and the GST rate cut on goods and services prices, besides favourable base effects.

Considering the growth-inflation dynamics, the Monetary Policy Committee (MPC) changed the policy stance from withdrawal of accommodation to neutral in October 2024. Subsequently, the MPC reduced the policy repo rate by 25 bps to 6.25% in February 2025 after maintaining status quo since February 2023 at 6.50%. Liquidity conditions improved during 2024-25 vis-à-vis last year.

In April 2025, the MPC reduced the policy repo rate by 25 bps to 6.0% and changed the stance from neutral to accommodative to continue supporting growth. In June 2025, the MPC further reduced the policy repo rate by 50 bps to 5.50%, frontloading the rate cut to stimulate private consumption and investment through policy levers to step up the growth momentum. The stance was also changed from accommodative to neutral, recognising that after a cumulative policy rate cut of 100 bps in quick succession, monetary policy had limited space to support growth further. In both August 2025 and October 2025 meetings, the MPC kept the repo rate unchanged at 5.50% and maintained the neutral stance.



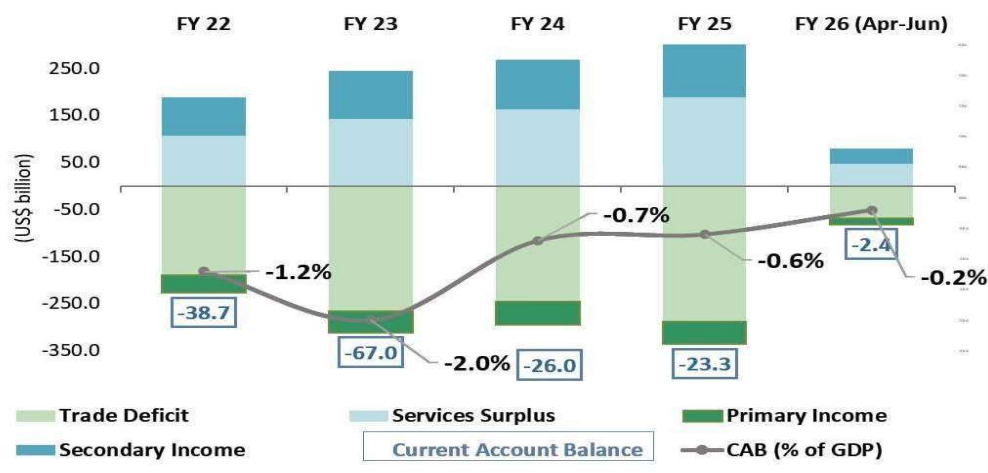
Source: RBI. The base year for CPI inflation 2012 = 100.

According to the estimates derived from the data published by the National Statistical Office, Ministry of Statistics and Program Implementation, India’s gross fixed capital formation as a percentage of GDP increased from 33.5% in fiscal year 2024 to 33.7% in fiscal year 2025. According to the Ministry of Finance, fiscal deficit as a percentage of GDP decreased to 4.8% in fiscal year 2025 from 5.6% in fiscal year 2024. Revenue deficit as a percentage of GDP decreased from 2.6% in fiscal year 2024 to 1.9% in fiscal year 2025. According to the RBI, foreign direct investment inflows increased from U.S.\$71.3 billion in fiscal year 2024 to U.S.\$81 billion in fiscal year 2025. The average exchange rate was 82.8 = U.S.\$1.00 in fiscal year 2024, and stood at 84.6 = U.S.\$1.00 in fiscal year 2025.

According to the RBI, the banking sector as a percentage of GDP stood at 95.1% in fiscal year 2024 as compared to 90.2% in fiscal year 2023. The credit deposit ratio of scheduled commercial banks increased from 78.1% in the fiscal year 2024 to 79.1% in fiscal year 2025. The banking sector capital to risk weighted assets ratio (“CRAR”) stood at 17.3% in fiscal year 2025, as compared to 16.8% in fiscal year 2024. Net NPAs of the banking sector as a percentage of gross advances declined from 0.6% in fiscal year 2024 to 0.5% in fiscal year 2025. Provisioning coverage ratio increased from 76.2% in fiscal year 2024 to 76.3% in fiscal year 2025. The CRAR of the non-banking financial companies (“NBFCs”) decreased to 25.8 in fiscal year 2025, as compared to 26.9% in fiscal year 2024. The net NPAs of the NBFCs declined from 1.6% in fiscal year 2023 to 1.1% in fiscal year 2024.

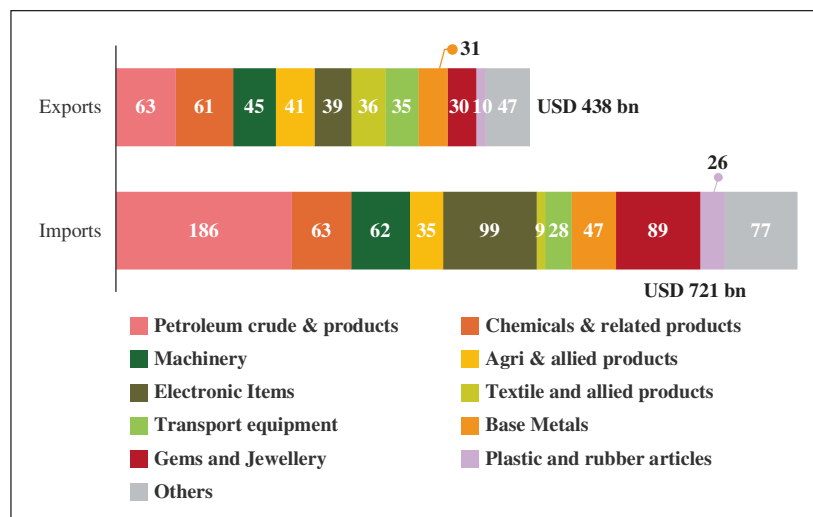
External Sector

According to the Balance of Payments Statistics of the RBI, the current account balance was at a deficit to U.S.\$67.0 billion and U.S.\$26.0 billion for fiscal years 2023, and 2024, respectively. The current account deficit declined to U.S.\$23.3 bn in fiscal year 2025. Therefore, the current account deficit as a percentage of GDP was 2.0%, 0.7% and 0.6% for fiscal years 2023, 2024 and 2025 respectively. The following graph shows the current account deficit of India for the periods indicated:



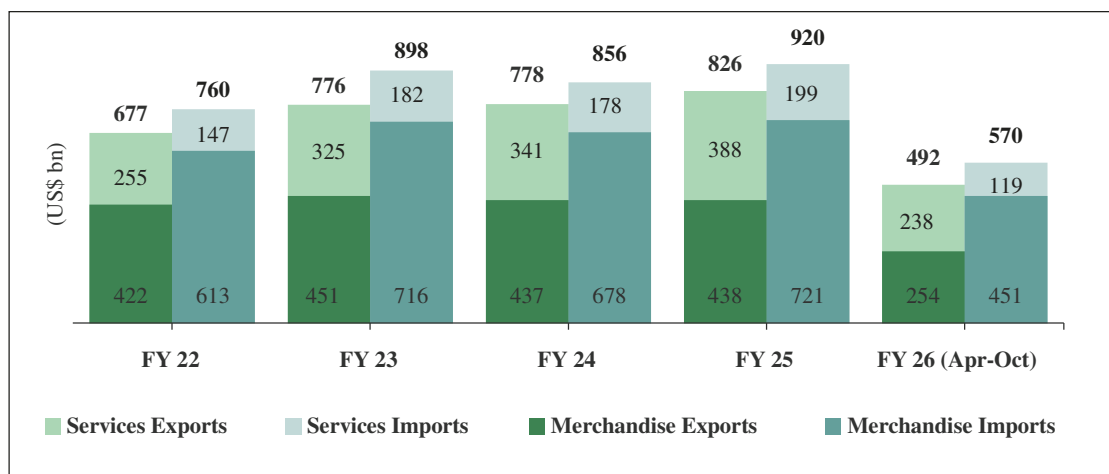
Source: Balance of Payment Statistics, RBI; CAB – Current Account Balance

Merchandise Trade Patterns in fiscal year 2025



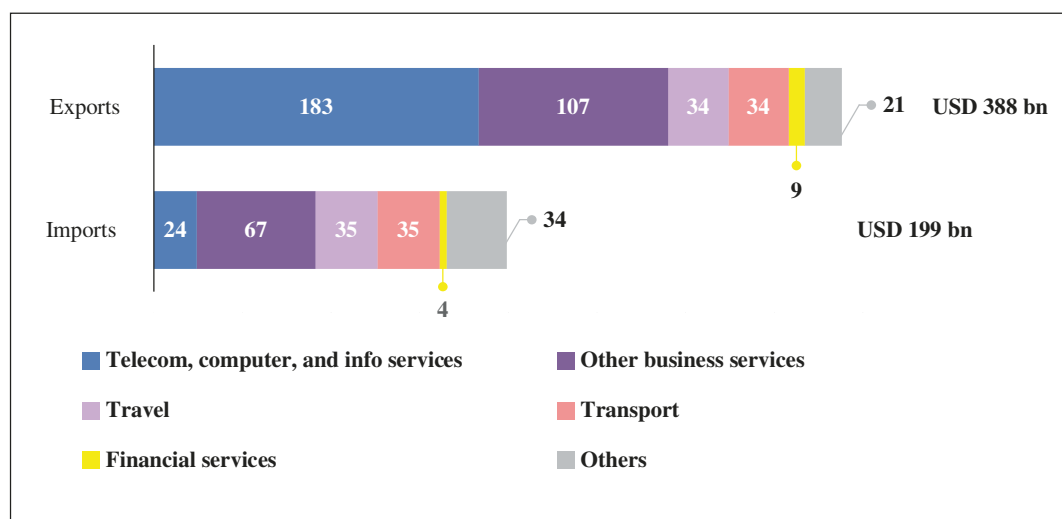
Sources: Ministry of Commerce and Industry (MOCI), Gol & RBI.

The following charts show the trends of merchandise trade and services trade, as well as India's export and import patterns for the periods indicated:



Source: MOCI.

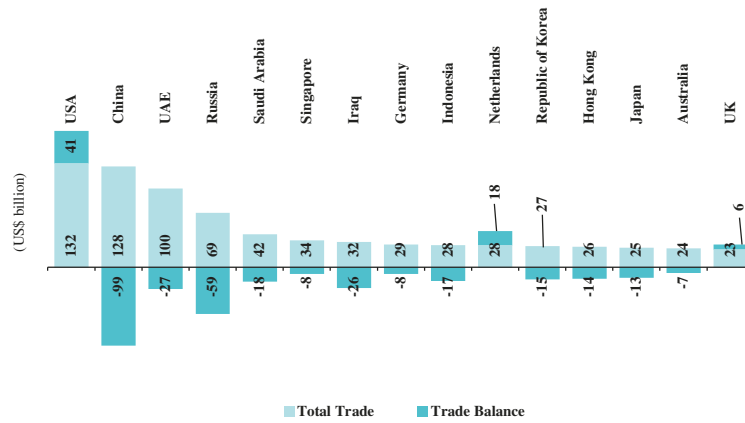
Services Trade Pattern in fiscal year 2025



Source: Balance of Payment Statistics, the RBI.

Major Trading Partners

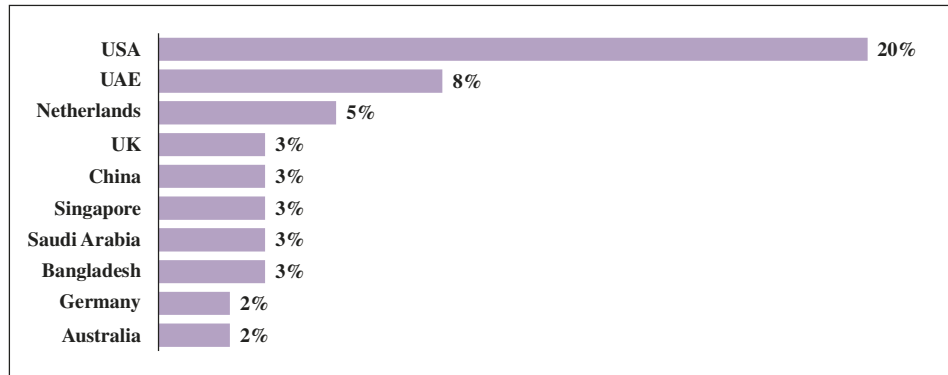
The following chart shows the direction of India's merchandise trade illustrating its major trading partners:



Source: MOCI.

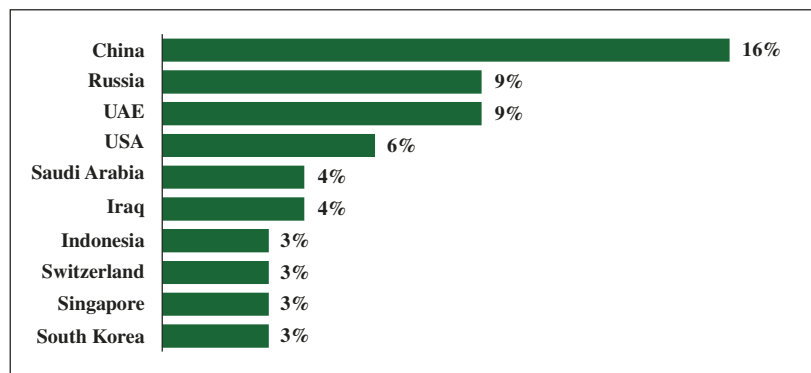
India's Export Markets

The following chart shows the major export destinations of India in the fiscal year 2025:



Source: MOCI, Gol

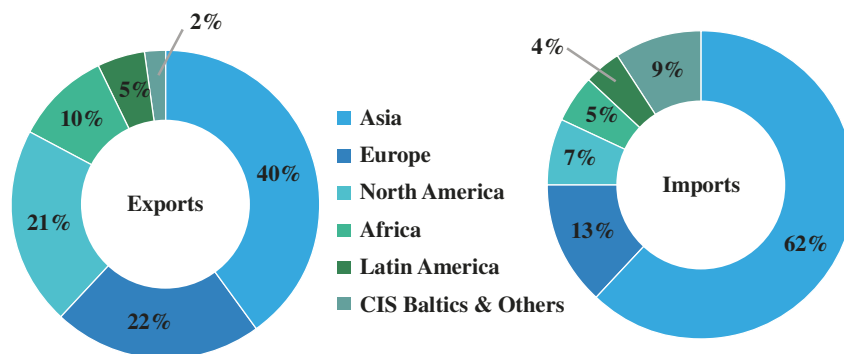
India's Import Sources



Source: MOCI

The following chart shows the major import sources for India during the fiscal year 2025:

Regional Trade Direction



Source: MOCI

Notes:

- (1) Data for North America does not include Mexico, which is included in Latin America.
- (2) The above charts represent India's merchandise trade for fiscal year 2025.

RISK MANAGEMENT

Risk Management

As a financial institution engaged in lending, the Bank is exposed to various kinds of risk, in particular, credit risk (the potential for loss due to the failure of a counterparty or borrower to meet its financial obligations), market risk (the risk that changes in interest rates, foreign exchange rates, prices of debt securities and other financial contracts may have an adverse effect on the Bank's financial condition) and operational risk (includes risk arising from inadequate or failed operational processes, people and systems). The risk management architecture of the Bank is built around the following five main pillars:

- Organization Structure;
- Integrated Risk Management Policy, Risk Appetite Policy and ICAAP Policy, approved by the Board;
- Risk Management processes and systems;
- Management Information Systems and Human Resources Management; and
- Monitoring and Review.

The Bank has a comprehensive risk management system and it has dedicated a Risk Management Group (“**RMG**”). The RMG is headed by the Chief Risk Officer (“**CRO**”). The RMG oversees the risks in the Bank's business processes and formulates the Bank's risk management strategy. Under the Bank's organizational structure, the risk management function is independent of operating groups. A separate Risk Management Committee (“**RMC**”) of the Board has been set up for monitoring and managing Bank-wide risks, and for overseeing the policy and strategy for integrated risk management relating to credit risk, market risk and operational risk. The CRO reports to the RMC. The Bank has in place an advanced Credit Risk Model (“**CRM**”) that enables a broad-based credit decision support (by incorporating a range of qualitative as well as quantitative parameters/measures) and internal credit grading of borrowers depending on credit risks. Further, various committees have been set up to identify, measure, review, and control different categories of risks. Brief details of some of the committees are provided below:

Asset-Liability and Funds Management Committees

The Asset-Liability Management Committee (“**ALCO**”) addresses market risk. The ALCO is chaired by a Deputy Managing Director (“**DMD**”) and comprises the CRO, Chief Financial Officer (“**CFO**”), Group Heads of the select Operating Groups, the Treasury and Accounts Group and the Risk Management Group. ALCO meets on a monthly basis (or more often as necessary) and the minutes of the meetings are reviewed by the Managing Director. The operations of ALCO are reviewed by the Risk Management Committee on a quarterly basis. It addresses issues of asset-liability management, interest rate and exchange rate risk and liquidity risk, among others.

A Funds Management Committee (“**FMC**”) was constituted in 2006 to periodically review the funds flow position and to decide on actual investments/disinvestments/raising of resources. Accordingly, FMC regularly reviews the currency-wise dynamic funds position, approves individual investment/disinvestment, resource-raising and derivative transactions. The Minutes of meetings are reported to ALCO and also reviewed by the Managing Director.

Credit Risk Management Committee

The Credit Risk Management Committee (the “**CRMC**”) addresses credit risk. The CRMC meets on a monthly basis and the minutes of the meetings are reviewed by the Managing Director. The CRMC addresses rating and pricing standards, prudential limits on various exposure categories (country, sector, single and group borrower, unsecured exposures, program-wise exposures) and sector-wise outlook, among others. It reviews exposure concentration on a monthly basis. The CRMC comprises of both the DMDs, the CRO, Group Heads and other senior officers of the Operating Groups, the Treasury and Accounts Group and the Risk Management Group.

Operational Risk Management Committee (“ORMC”)

ORMC reviews the occurrence of operational risk events in the Bank and recommends corrective actions to prevent recurrence. The charter for the ORMC includes identification, assessment, measurement, monitoring, control and mitigation of operational risks arising from internal processes, people and systems including IT assets of the Bank. The Bank’s ORMC comprises two Deputy Managing Directors, CRO and has representation from the legal, treasury, operating and service groups. ORMC minutes are reviewed by the Managing Director.

Risk Management Committee

The RMC is responsible for monitoring and managing Bank-wide risks, and oversees the policy and strategy for integrated risk management relating to credit risk, market risk and operational risk. The RMC also reviews the other policies approved by the Board such as loan policies, loan monitoring and recovery policy, business continuity and disaster recovery policy, among others. The RMC is tasked with developing policies and procedures for integration of various risks at the Bank level, and following up the progress on introduction of risk measurement and/or management models for various risks introduced from time to time. It also reviews the roles and responsibilities of the other Risk Management Committees, namely, the Operational Risk Management Committee, the Credit Risk Management Committee and the Asset Liability Management Committee, and provides guidance or directives on the matters raised by such committees, as may be required.

Risk Appetite Policy

The Board has approved a Risk Appetite Policy (“**RAP**”) for the Bank. The RAP provides a broad description of the amount of risk the Bank is willing to accept or retain in order to achieve its business and strategic objectives. The Policy comprises Risk Appetite Statement, risk capacity, tolerance limits, governance and mitigation action. Tolerance limits represent quantitative measures based on forward looking assumptions that allocate the Bank’s aggregate risk appetite statement (for example, measure of loss or negative events) to relevant risk appetite parameters such as capital position, profitability, credit risk, concentration risk, liquidity risk, market risk, operational risk, compliance risk and reputation risk. The Bank has defined limits for all the parameters defined under each material risk dimension identified. In case of a breach in limit for a parameter (red zone) in the risk appetite statement, the Bank shall develop a corrective action plan which shall be reported to the Board.

Credit Policies

The two main operating divisions of the Bank, Export Credit and Export Capability Creating Credit, formulate and revise internal policies and procedures for their respective lending activities. These policies cover eligibility and financial norms for various lending programs, prudential requirements (including exposure ceilings for industry, individual/group borrowers, unsecured loans and countries), risk identification, risk grading, internal reporting and mitigation policies, credit administration, early warning system, detection and management of problem loans and credit review. Standard Operating Procedure (“**SOP**”), which spell out the credit processes and systems, are approved by the Executive Committee (“**EC**”) (composed of executives of the rank of General Manager and above, except for the Chairman/Managing Director) of the Bank. All policies and SOP are reviewed by RBI Inspection teams. All revisions in policies and procedures are carried out with the approval of the Board of Directors and EC, respectively.

Credit Processes

In order to achieve operational efficiency and adapt best practices in the area of credit delivery under the commercial business portfolio, the activities of the Operating Groups for the Commercial Business as well the domestic regional offices were reorganized under different verticals viz. Credit Appraisal Group (“**CAG**”), Loan Operations and Monitoring Group (“**LOMG**”) in January 2021.

CAG: CAG is responsible for credit appraisal and business development activities. CAG conducts credit appraisal for loan proposals, along with detailed due diligence. Post appraisal, CAG obtains necessary approval from competent authorities as per the Delegation of Powers (“DOP”). Post sanction, CAG issues a sanction letter to the borrower/guarantor and after obtaining acceptance of the same and completion of loan documentation, the account is transferred to LOMG for disbursement and other related operations.

A three-stage process for evaluating the proposals is in place. At the first stage, proposals are initially screened by a Preliminary Screening Committee (“PSC”) at Head Office which comprises executives/officers drawn from different Groups. Proposals cleared by PSC are considered for detailed appraisal by CAG. CAG also evaluates all the proposal as per the Bank’s ESG policy and takes recommendation of the Sustainable Finance Committee (“SFC”). After the detailed appraisal is completed, a copy of the Appraisal Memorandum is sent to the Credit Risk Monitoring Team (“CRMT”) for its clearance/comments. The response to observations of the CRMT is included in the Appraisal Memorandum. All proposals are sanctioned under scheme of DOP approved by the Board of Directors including the Credit Committee (“CC”), EC or Management Committee of the Board of Directors (“MC”), depending on the quantum of financial assistance and external credit rating. All Decisions taken by the CC and EC are reviewed by the Managing Director.

During the credit evaluation process, loan applications are reviewed on the basis of the feasibility and viability of the project/proposal from a technical, financial, managerial and economic point of view. In conducting such a review, the following factors are considered: the borrower’s profile, management structure, past financial performance and credit ratings and the Bank’s exposure to the company, industrial group and/or industry in light of prudential exposure norms, industry outlook and financial projections for the borrower company and/or project. In the case of overseas financing, appraisals also include an assessment of the overseas venture in terms of commercial risk, political risk and currency risk, an assessment of the relevant international market, an analysis of the benefits from the overseas venture likely to accrue to the Indian promoter and compliance with regulatory guidelines. The Bank may also conduct a sensitivity analysis, which includes variables such as debt servicing ratios and internal rates of return.

LOMG: The functional areas of LOMG broadly covers disbursement along with the compliance of the sanction terms. It also includes required approvals post first disbursement, security creation, compliances with pre-disbursement terms & conditions, LC/Guarantee issuance/amendments, loan accounting and disbursement.

The Bank disburses funds to a borrower strictly as per the terms of the sanction and after all necessary documentation has been completed. Specific approval is sought from the competent authority before deviating from the terms of the sanction, if any.

The Bank’s policy requires security for all commercial loans except in the case of unsecured loans extended to borrowers rated AA- and above (A- and above for PSUs) for long term loans, short-term (not exceeding 360 days/1 year) unsecured loans to companies having a high short-term rating of A1 and above, and refinancing to commercial banks/FIs. The security normally takes the form of an appropriate charge on assets by way of hypothecation, mortgage and other security enhancement structures such as corporate and/or personal guarantees, pledges of shares held by promoters in the Indian borrower company or associate companies, escrows of receivables, commercial or political risk insurance assigned in favor of the Bank (in the case of an Indian company investing overseas or overseas borrowers), insurance cover from ECGC Ltd. (in the case of export credit loans) and pledges of shares held by Indian promoters (in the case of overseas investment finance).

Further, LOMG is responsible for monitoring of performing loan accounts. It, inter alia, includes loan monitoring related compliances, modification in sanction terms, restructuring, exposure review, attending lenders’ meetings, information exchange, site visits, early warning signal identification, red flagged accounts reporting, monitoring account discipline and other related activities.

Exposure Limits

The RBI on September 21, 2023, issued Master Direction titled as Reserve Bank of India (Prudential Regulations on Basel III Capital Framework, Exposure Norms, Significant Investments, Classification, Valuation and Operation of Investment Portfolio Norms and Resource Raising Norms for All India Financial Institutions) Directions, 2023, which is effective from April 01, 2024. The Master Direction stipulates various exposure norms i.e. regulatory ceilings, as a percentage of Tier I Capital of the Bank. Therefore, with effect from April 01, 2024, the Bank is following exposure norms as per the abovementioned Master Direction.

The Bank's prudential exposure norms are in line with the Basel III Master Directions laid down by the RBI for All India Financial Institutions. As per these norms, the Bank's exposure by way of exposure to a single counterparty may not exceed 20.00% (extendable to 25.00% in the case of additional exposure on account of infrastructure loan and/or investment) of the Bank's eligible capital base (Tier I capital as per the last audited balance sheet) and the Bank's exposure to a group of connected counterparties may not exceed 25.00% (extendable to 35.00% in the case of additional exposure on account of infrastructure loan and/or investment) of the Bank's Tier I capital. An additional exposure up to 5.00% (i.e. a total exposure up to 25.00% of Tier I capital of the Bank for Single Borrowers can be taken in exceptional circumstances, with the prior approval of the Board, however single counterparty limit shall not exceed 25% of eligible capital base of the Bank under no circumstances.

As of March 31, 2025, there is no borrower with individual credit exposure exceeding 20% of the Bank's Tier I capital (or 25% in the case of infrastructure projects) (please refer to the Bank's financial statements for the year ended March 31, 2025). The RBI has advised all financial institutions to adopt internal limits on exposures to specific industry sectors to mitigate the risk of being concentrated in a limited number of sectors. The Bank has developed internal industry exposure guidelines which have been approved by the Board of Directors. Pursuant to these guidelines, the Bank's industry exposure to a particular sector shall not exceed 15.00% of its Total Industry Exposure. As of March 31, 2025, none of the Bank's exposure to any single industry sector exceeded 15% of its total industry exposure.

The Bank's country exposure arises from LOCs, overseas buyer's credits, BC-NEIA and assistance extended to overseas ventures of Indian entities under the Overseas Investment Program and Direct Equity Participation program. The RBI Guidelines do not set any limits on country exposure. However, the RBI, in its circular "Risk Management Systems in Banks – Guidelines on Country Risk Management" dated February 19, 2003, advised banks to put in place appropriate systems internally to assess country risk by using a variety of internal and external sources as a means to measure country risk. The RBI also encouraged banks to set country exposure limits in relation to the banks' regulatory capital, the basis of which is, however, left to the discretion of the banks' boards, with a condition that for any country, the exposure limit should not exceed its regulatory capital, except in the case of the insignificant risk category. Accordingly, the Bank has developed an internal Country Exposure Model for setting country exposure limits for BC-NEIA and commercial exposures undertaken by the Bank. The Bank's internal country exposure model classifies countries into various risk categories, which are then linked to regulatory capital of the Bank to arrive at country exposure limits. The model is based on various quantitative and qualitative parameters reflecting the risk and potential of the countries concerned. Quantitative parameters include, among others, Gross Domestic Product ("GDP") at market prices, real GDP growth, GDP per capita, inflation rate, investment rate, savings rate, current account balance as percentage of GDP, import cover, export cover, export to GDP ratio, index of sector dependence, external debt to GDP ratio, debt service ratio, short term debt to GDP ratio, and exchange rate movements. Qualitative parameters include, among others, factors such as young dependency ratio and working population, GDP growth outlook, political and internal stability, business climate, competitiveness, sovereign ratings, access to bank finance and capital markets, exchange rate arrangements, level of control on investment, various risk parameters including sanctions, and the Bank's experience with the country on repayment aspects.

In addition, a Counterparty Exposure Model has been developed to facilitate the setting up of exposure limits to individual banks, financial institutions including NBFCs by way of refinancing and treasury exposure.

Adherence to prudential limits for risk concentration is reviewed on a monthly basis by the Credit Risk Management Committee and reported to the Risk Management Committee on a semi-annual basis.

Follow-up and Monitoring

The Bank has devised a comprehensive system for assessing the quality of advances so as to be able to monitor and follow up advances. For the purposes of internal monitoring, the various loan accounts of the Bank are classified into three categories; namely A, B and C, based on conduct and experience of each account. This method of ABC classification helps to highlight loan accounts encountering problems so that suitable remedial measures may be taken by the Bank and the borrowers to counter further incidences of NPAs. The ABC system of classification of account determines downstream monitoring imperatives like frequency of monitoring visits etc. All advances are reviewed at regular intervals, with reference to factors such as past performance, immediate and future prospects and asset backing. The review mechanisms in place for the Bank's loan accounts include:

- Annual management reviews for large accounts;
- Quarterly review and prognosis of NPAs by the Audit Committee and the Board;
- Semi-annual reporting of industry sector exposures;
- Monthly review of PA Overdues (Overdues Review Committee);
- Monthly review of Stressed Assets (Stressed Assets Committee);
- Yearly review of assigned cases by Committee of Executives;
- Monthly review of all Regional Offices; and
- Monthly review of and semi-annual reporting to the Risk Management Committee risk concentration by the Credit Risk Management Committee.

In addition, the Bank has established a system to generate early warning signals for identifying potentially problematic loans based on a track record of debt servicing, financial and operational performance, and compliance with loan covenants.

While the Bank's internal audit group monitors the compliance with the policies and procedures by the operating divisions, the management information systems group gathers data on the Bank's operating groups and produces various internal and external reports.

The Bank's Board of Directors has approved a multi-pronged strategy for reducing NPAs, which encompasses:

- rigorous screening, appraisal and due diligence of credit proposals;
- close monitoring and identification of early warning signals to prevent slippage of standard assets into NPAs; and
- focusing attention on the monitoring of loan accounts which are under stress and strengthening recovery measures for NPAs.

The Bank has a dedicated group to handle stressed assets called Special Situations Group ("SSG"), which takes pro-active steps towards loan recovery as per the Board-approved Non-Performing Assets Recovery Policy and rehabilitation of NPAs which are viable. The Bank also focuses on recovering from NPA accounts where legal action is contemplated. Monthly reviews of NPAs are done by the committee within the SSG. By setting up yearly targets for the recovery of NPAs, the Bank accords highest priority to the recovery of NPAs through a multipronged strategy comprising restructuring, legal action, sale of assets through court receiver, negotiations, one-time settlements, transfer/assignment of NPAs, possession and subsequent sale of assets under the provisions of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act ("SARFAESI Act"), filing suits against debtors and their directors, personal and corporate guarantors before the Debt Recovery Tribunal ("DRT") and referring the company or guarantors to the National Company Law Tribunal ("NCLT") under the Insolvency and Bankruptcy Code ("IBC").

The Bank's NPAs are closely monitored by the Audit Committee and the Board, which reviews all NPA loan accounts on a quarterly basis. At the management level, reviews are carried out through the Stressed Assets Committee, which comprise officials of the Bank's different groups. This committee meet every month and carry out a detailed portfolio review with a focus on evaluating and recommending a course of action for recovering NPAs.

The Bank is focused on a multi-dimensional approach for resolution of its NPAs and the various initiatives taken by the Bank to reduce its overall NPA level and expected recovery and reduction are summarized as under:

- (a) Upgrading – The Bank will endeavor to upgrade the relevant account to standard assets through continuous and rigorous follow-up for recovery of dues.
- (b) Restructuring – Certain accounts may be affected by industry downturn or global economic slowdown; however, the underlying assets and business are viable in the long term. Thus, restructuring of loans is being considered as a resolution mechanism in such cases in line with the extant RBI guidelines. The Bank also remains engaged with the borrower for recovery of dues.
- (c) Resolution under the IBC – The implementation of the IBC has made the resolution of stressed assets possible within a defined period and made it feasible for corporates to exit or attempt a revival of their businesses while preserving the economic value of the assets, thereby making a change in NPAs climate for the banks. As of March 31, 2025, 62 accounts with loan outstanding of ₹687 crore (provisions there against of ₹687 crore), excluding the technically written-off accounts, representing 21.33% of the Bank's gross NPAs have either been admitted or have been referred to the NCLT under the IBC. For cases being resolved through the IBC, the Bank plays a proactive role in the Committee of Creditors meetings and ensures that its interest is not compromised.
- (d) Sale of securities – To assist banks and financial institutions in recovering their dues and to ensure financial discipline among borrowers, the Government enacted the SARFAESI Act in December 2002. The SARFAESI Act provides the legal framework for the securitization of financial assets and the foreclosure of NPA accounts without the intervention of a court. The SARFAESI Act enables secured lenders, including the Bank, to take possession of assets charged as security for loans and sale the assets, which have become NPAs.
- (e) Sale of assets to ARCs or other entities – Over the years, the model for assignment or sale of NPAs to ARCs or other entities has changed. Recent sale of assets in the banking industry has been mainly all cash deals. With changing times, the Bank's approach towards the sale of NPAs to ARCs or other entities has also changed. The Bank has been increasingly selective in employing such strategy in cases where majority lenders (approximately 66%) have already sold their exposure to ARC or cases which are undergoing resolution in the IBC and where resolution is delayed due to various litigation hurdles, delaying the Bank's recovery. Introduction of the IBC has generated interest from various overseas distress funds and other entities as well, over and above ARCs operating in India, leading to better price discovery possibility in the sale of NPAs by Indian banks. Accordingly, in such instances, the Bank will decide based on the options available and if the sale of the NPA is the most suitable option, such proposal would be considered subject to approval from the relevant authority. Till now, the lenders had constraints of assigning the stressed assets of large value to ARCs. The Govt of India ("GOI") has conceptualized a structure where the stressed assets with exposure of ₹500 crore and above will be transferred to a National Asset Reconstruction Company Ltd. ("NARCL"). The assignment transaction is expected to be in the form of CASH-SRs structure in the ratio of 15:85. The USP is the proposed guarantee of Govt. of India for Security Receipts ("SRs") to be issued by NARCL. Due to GOI guarantee these SRs will be readily tradable in SEBI authorized Electronic Platforms which will lead to better price discovery/realization to the lenders.
- (f) One Time Settlement is a negotiated settlement by which the Bank recovers its dues to the maximum extent possible with minimum sacrifice/expenses within the shortest possible timeframe.
- (g) Legal action – Resolution of NPAs is also being undertaken by way of initiating legal action at the Debt Recovery Tribunal and other relevant laws (such as under section 138, winding-up and others).

The following table shows the Bank's restructured accounts (including rescheduled and renegotiated accounts) during the financial years ended March 31, 2023, 2024 and 2025 and as a percentage of the Bank's total loans as of those dates.

	During the financial years ended March 31,								
	2023			2024			2025		
	(₹ million)	(U.S.\$ million) ⁽¹⁾	(%)	(₹ million)	(U.S.\$ million) ⁽¹⁾	(%)	(₹ million)	(U.S.\$ million) ⁽¹⁾	(%)
Total of standard loan and debenture asset which have been restructured	6,934.16	84.39	0.50	5,058.53	60.65	0.32	4,572.91	53.50	0.25
Total of substandard/doubtful assets which have been restructured	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Note:

- (1) Indian rupees have been translated into U.S. dollars for the convenience of the reader at the exchange rate of ₹82.17, ₹83.405, and ₹85.475 to U.S.\$1.00, which translation represents the exchange rate published by the Foreign Exchange Dealers' Association of India as of March 31, 2023, March 31, 2024 and March 31, 2025, respectively.

Two standard assets were restructured during fiscal year ended March 31, 2023 with an aggregate amount of ₹6,934.16 million (U.S.\$84.39 million). Further, two standard assets were restructured during fiscal year ended March 31, 2024 with an aggregate amount of ₹5,058.53 million (U.S.\$60.65 million). During fiscal year ended March 31, 2025, one standard asset was restructured with the amount of ₹4,572.91 million (U.S.\$53.50 million).

During fiscal year ended March 31, 2023, 2024 and 2025, the Bank did not restructure any substandard/doubtful assets.

The Bank has set up an independent Screening Committee for One Time Settlement ("SCOTS"), which is headed by a retired High Court judge and comprises three retired senior bankers, to examine all OTS proposals/assignment of loan assets and make recommendations to the Committee of Executives/Management Committee/Board of Directors as the case may be, for each proposed OTS or assignment case.

In the case of lack of cooperation by a borrower, the Bank may initiate legal action to enforce security to recover the Bank's debt and such borrower will be reported to the RBI/Credit Information Companies for inclusion in a list of non-cooperative borrowers. In any case, where a debtor is found to be earning profits but not clearing overdues, the case will be reported to the RBI/Credit Information Companies for inclusion in a list of willful defaulters, while simultaneously initiating legal action.

While the Bank has been making concerted efforts to expedite recovery and reduce NPAs, the banking sector has been facing multiple challenges in India due to various legal and other challenges. The Government and RBI have responded by enacting new laws, issuing new instructions and amending some of the existing ones, wherever required. The focus of the government and the regulator is towards timely resolution of stress account which will benefit the banking industry. The Bank also has been proactively deciding its strategies for each of its stressed account which are in sync with changing industry scenario for stressed assets and has been able to achieve desired outcome.

The Bank has written off a total of ₹68.86 billion in the past five years including the discount on account of the sale of assets to the Asset Reconstruction Companies ("ARCs").

Asset and Liability Management

With progressive financial deregulation in India, especially after the financial sector reforms of 1991, there has been a gradual enlargement of the Bank's exposure to market risks. The Bank recognizes that these market risks, mainly liquidity, interest rate and foreign exchange risks, need to be measured, monitored and managed. The Bank's ALCO manages market risk in a coordinated manner and also to ensure compliance with RBI Guidelines related to market risk. The Board of Directors has approved an Integrated Risk Management Policy for the Bank, comprising guidelines for asset-liability management in the Bank, taking into account the operational guidelines issued by RBI from time to time. The Board of Directors has set prudential limits for liquidity gaps and ratios, prudential limits for interest-rate sensitivity measured both on the basis of volatility of net-interest income and leverage-adjusted duration gap and certain conditions for stress testing. ALCO meets at least once a month to perform its delegated functions, which include:

- conducting balance sheet planning from a risk-return perspective;
- review currency-wise as well as consolidated structural liquidity position of the Bank under different maturity buckets;
- articulating strategy on the desired maturity profile and mix of incremental assets and liabilities, based on the interest-rate sensitivity analysis;
- articulating the current interest policy of the Bank;
- Review all the derivative designated as hedged items; and
- monitoring the levels of each type of market risks.

Liquidity Risk

Liquidity risk comprises the risk of not being able to raise necessary funds from the market to meet operational and debt servicing requirements. The Bank has put in place a Board-approved Integrated Risk Management Policy, which covers Liquidity Risk Management. A key objective of this policy is to maintain an optimal asset versus liability maturity profile so as to minimize liquidity risk. To this end, the Bank's Integrated Risk Management Policy prescribes monitoring of the Bank's currency-wise structural liquidity position, ensuring compliance with prudential limits for both bucket-wise and cumulative negative gaps, monitoring liquidity ratios, stress testing and determining suitable actions for covering any anticipated liquidity shortfall. The Risk Management Committee reviews, on a quarterly basis, the Bank's currency-wise liquidity position, interest rate sensitivity position and the exceeding of any prudential limits, as well as any corrective actions taken thereto.

The Bank's resource-raising is undertaken with the twin objectives of timing such resource-raising to take advantage of favourable market opportunities and conditions, as well as meeting all funding requirements of loans and advances. ALCO actively monitors market conditions and undertakes suitable measures to address identified liquidity risk. The Bank also maintains a reasonable level of investment in liquid securities, which can be cashed at short notice.

The maturity profile of the assets and liabilities of the Bank as of March 31, 2025 is as follows⁽¹⁾:

	<u>Less than or equal to 1 year</u>	<u>More than 1 and up to 3 years</u>	<u>More than 3 and up to 5 years</u>	<u>More than 5 and up to 7 years</u>	<u>More than 7 years</u>	<u>Total Outstanding Amount</u>
	(₹ billions)					
Assets						
Rupee Assets	891	340	248	151	317	1,946
Foreign Currency Assets	408	576	412	310	472	2,177
Total Assets	1,299	915	660	461	789	4,124
Liabilities						
Rupee Liabilities	728	265	138	44	327	1,502
Foreign Currency Liabilities	495	765	392	169	258	2,079
Total Liabilities	1,223	1,030	530	213	585	3,581

Note:

(1) Includes both principal and interest payments pertaining to assets and liabilities as well as undisbursed loan commitments as of March 31, 2025.

Interest Rate Risk

Interest rate risk arises from movement in interest rate levels, which in turn may be impacted by various economic and political factors and changes in policies and regulatory framework. As a financial institution, the Bank is exposed to interest rate risk arising from a maturity mismatch or re-pricing mismatch between its assets and liabilities. The Bank addresses this risk by continuously evaluating movements in market rates and measuring interest-rate sensitivity of net interest income in addition to the traditional gap analysis, which is a key input in determining its incremental mix of assets and liabilities. The Bank's Board of Directors has approved a model for measuring the sensitivity of net interest income and net worth under different scenarios of interest rate movements. The Risk Management Committee of the Board monitors the Bank's interest rate sensitivity position on a quarterly basis. The Bank uses inter alia interest rate swaps, buy-sell swaps and currency swaps in its management of interest rate and currency risk.

Since July 1, 2021, the Bank uses Marginal Cost of Fund Based Lending Rates as benchmark for pricing its Rupee loans. The new benchmark replaced Long Term Minimum Lending Rate and Short Term Minimum Lending Rate as benchmarks being used by the Bank and it is expected that the new benchmarks will lead to improvement in interest rate risk management. Further, the Bank has revamped its risk-based pricing framework to ensure that the loan pricing adequately factors in the credit risks for commercial credit.

Foreign Exchange Risk

The foreign currency advances are predominantly funded by foreign currency borrowings. The lending and borrowing rates are predominantly linked to the same benchmark rate and reset with the same periodicity so as to hedge both exchange risk and basis risk.

Operational Risk

The Board approved Integrated Risk Management Policy comprises an Operational Risk Management framework for the Bank. Operational risk loss events relevant to the Bank have been identified and an external firm has been assigned the task of tracking the occurrence of these events, as well as identifying additional material risk events, if any, based on which the ORMC suggests suitable corrective actions in relation to processes and systems, as may be applicable. Capital charge for operational risk is identified as per the Basic Indicator Approach where the capital for operational risk equals the average over the previous three years of a fixed percentage of positive annual gross income. All treasury transactions and loan disbursements are made by the Head Office, thus operational risks are minimized considerably. The 12 regional offices in India, the London Branch and the eight overseas representative offices maintain

bank accounts essentially for administrative expenditure within the approved revenue expenditure budget. The accounting system is computerized and the Bank uses Core Banking Solution. Mechanisms for mitigating operational risk and safeguarding against technical and human errors are set in place. Compliance with internal systems and procedures and adequacy of internal controls and systems is monitored by the Internal Audit Group. The Internal Audit Group undertakes the Risk Based Internal Audit and oversees the concurrent audit which is conducted by an external audit firm. Concurrent audit covers 100.00% of treasury transactions and 100.00% of loan transactions over a threshold limit. The Bank's staff is being trained to adequately discharge various risk management functions. A Business Continuity and Disaster Recovery Plan approved by the Board is in place, compliance with which is reported to the Risk Management Committee on an annual basis.

Internal Audit

In accordance with guidelines issued by the RBI, the Board of Directors constituted an Audit Committee for the Bank as a sub-committee of the Board. The Audit Committee oversees the internal audit function in the Bank and meets at least six times in a year. The objective of the Audit Committee is to direct the total audit function of the Bank in order to enhance its effectiveness as a management tool and review the progress in follow-up on the Internal Audit, Concurrent Audit, Statutory Audit, IS Audit and RBI inspection reports.

The internal audit is conducted in terms of the procedures contained in the Audit Policy Manual approved by the Board. The Audit Policy Manual contains the objectives and the scope of the Risk-Based Internal Audit and Concurrent Audit, the procedures to be followed, documents to be verified, periodicity, scheduling and the procedure for review of follow-up actions. The Risk-Based Internal Audit reports are submitted to the Bank's management on a quarterly/half-yearly basis while Concurrent Audit reports are submitted on a monthly/quarterly basis.

The scope of coverage for risk-based internal audit includes rupee investments, foreign currency fund management, Foreign Exchange Transactions (including audit of SWIFT messaging systems and its operations, checking of all SWIFT messages including SBLCs issued), derivatives/interest rate swaps/forward rate agreements, Guarantees, Loans and Advances-including inter alia Revenue Audit, letters of credit, standby letters of credit, Compliance with KYC norms, LOCs, bank and cash, payroll, arrangements with vendors/suppliers/contractors, fixed assets, housekeeping, inter-office control accounts, overseas representative offices, domestic regional offices, borrowings, Exim Bank bonds, CDs/CPs/term deposits, other balance sheet items, maturity pattern of assets and liabilities, compliance with capital to risk assets ratio ("CRAR") and Income Recognition and Asset Classification norms, Library Audit, RBI disclosure requirements, Management Information System audit with special reference to returns submitted to RBI, Information System ("IS") audit, fund transfer pricing, periodic verification of legal documents/balance confirmations from borrowers a, Audit of the Compliance function and Verification of computation of capital market exposure. The coverage of concurrent audit includes rupee investments, foreign currency fund management, Foreign Exchange Transactions (including audit of SWIFT messaging systems and its operations, checking of all SWIFT messages including SBLCs issued), derivatives/interest rate swaps/forward rate agreements, guarantees, Loans and Advances – including inter alia Revenue Audit to assess the extent of revenue leakage in respect of collection of fees (processing, service fees, documentation fees, commitment fees, upfront fees etc.), interest, penal charges, liquidated damages, additional charges to be charged as per sanction terms on prospective or retrospective basis on account of any delay in creation of security stipulated (including mortgage, escrow, pledge of shares), non-compliance with sanction terms, checking of principal repayment schedules in Finacle and advised to Borrowers, checking the correctness of rate of interest entered in Finacle, reset details entered (spread and base rate, date of next interest reset) and interest rate related fields (inter alia whether SOFR/other base rate reset frequencies are selected correctly) and/or any other income leakage, letters of credit, standby letters of credit, compliance with KYC norms and Specific audit and certification of LOCs including, inter alia, loan documentation, compliance with conditions stipulated for government guarantee, recovery of commitment charges/management fees etc., Borrowings/Exim Bank Bonds/Term Deposits/CDs/CPs/Term Money, Vendor payments for capital and revenue expenses, Housekeeping, Overseas Representative Offices, domestic regional offices, London branch and Technology Upgradation Fund Scheme audit.

The observations contained in the Concurrent Audit and Risk-Based Internal Audit reports, along with compliances and responses by the Bank's business groups, are submitted to the Audit Screening Committee. The Audit Screening Committee screens the observations and then refers the same to the EC for review and recommendation. After review by the EC, the observations are submitted to the Audit Committee for its review. All audit observations are reviewed, followed up and monitored until full compliance is achieved. Also, a consolidated report on all Internal Audit observations, (both, open and closed) are annually reported to the Audit Committee (AC).

Funding and Capital Adequacy

Sources of Funding

The Bank's principal sources of funds are the issuance of bonds in the international and domestic capital markets, borrowings from domestic and foreign institutions, market-related borrowings, including commercial paper and certificates of deposit, internally-generated funds and capital contributions from the Government.

The Bank relies on commercial papers and long and medium-term borrowings as its source of funds. Accordingly, its costs of funds are generally higher than those of most Indian commercial banks, which predominantly rely on low-cost deposits. The Bank's average cost of borrowings (cost on quarterly average interest-bearing liabilities) was 6.09%, 8.40% and 9.08% in the fiscal years of 2023, 2024 and 2025, respectively.

Each year, the Bank prepares a resource plan that is approved by the Board of Directors. The overall borrowings of the Bank are as per the Board-approved resource plan. The Bank's Funds Management Committee approves the terms and conditions for each fund-raising instrument.

Set out below is a summary of the Bank's outstanding debt as of March 31, 2023, 2024 and 2025:

	As of March 31,		
	2023	2024	2025
	(₹ billions)		
Domestic issue of unsecured bonds	249.46	217.08	269.45
Borrowings from and supported by the Government . .	0.00	0.00	0.00
Foreign currency borrowings	778.03	920.66	995.16
Commercial Papers and other borrowings	256.74	401.62	527.20
Total Debt Outstanding	1,284.23	1,539.36	1,791.81

Note:

- (1) Indian rupees have been translated into U.S. dollars for the convenience of the reader at the exchange rate of ₹82.17, ₹83.405 and ₹85.475 to U.S.\$1.00, which translation represents the exchange rate published by FEDAI as of March 31, 2023, March 31, 2024 and March 31, 2025, respectively.

Rupee Borrowings

The Bank primarily raises rupee resources through market borrowings – bonds, term loans, certificates of deposit, commercial paper and tri-party repo (“**TREPS**”)/Clear Corp Repo Order Matching System (“**CROMS**”). As of March 31, 2023, 2024 and 2025, the Bank's total outstanding rupee borrowings, including bonds, borrowings from banks, term deposits, certificates of deposit and commercial paper and TREPs/CROMS amounted to ₹506.20 billion, ₹618.69 billion, and ₹796.65 billion respectively.

Of the respective amount, ₹269.45 billion in unsecured bonds, ₹228.43 billion in commercial paper and ₹298.77 billion in certificates of deposit/term deposits/borrowings under TREPS & CROMS were outstanding as of March 31, 2025.

Of the respective amount, ₹217.08 billion in unsecured bonds, ₹185.49 billion in commercial paper and ₹216.13 billion in certificates of deposit/term loans/term deposits/borrowings under TREPS & CROMS were outstanding as of March 31, 2024.

Of the respective amount, ₹249.46 billion in unsecured bonds, ₹83.15 billion in commercial paper and ₹173.60 billion in certificates of deposit/term loans/term deposits/borrowings under TREPS were outstanding as of March 31, 2023.

In the fiscal year 2025, the Bank raised ₹73.50 billion of bonds at benchmark rates for tenors of three to five years, ₹659.49 billion of commercial paper with tenors of 30 to 364 days and ₹218.29 billion certificates of deposits/term loans/term deposits with tenors of one to five years. The Rupee borrowings are raised by the Bank in compliance with RBI guidelines issued from time to time.

In the fiscal year 2024, the Bank raised ₹40 billion of bonds at benchmark rates for tenors of four to five years, ₹286.97 billion of commercial paper with tenors of 30 to 363 days and ₹114.02 billion of certificates of deposits/term loans/term deposits with tenors of one to five years. The Rupee borrowings are raised by the Bank in compliance with RBI guidelines issued from time to time.

In the fiscal year 2023, the Bank raised ₹47.10 billion of bonds at benchmark rates for tenors of three to four years, ₹288.94 billion of commercial paper with tenors of 51 to 364 days and ₹124.08 billion of certificates of deposits/term loans/term deposits with tenors of one to five years. The Rupee borrowings are raised by the Bank in compliance with RBI guidelines issued from time to time.

The Bank's medium and long-term domestic debt instruments are given the following ratings by either one or more of the rating agencies: CRISIL AAA by the CRISIL Ratings Limited ("CRISIL") and ICRA AAA by ICRA Limited ("ICRA"). The Bank's commercial paper and certificate of deposits (short term) are given the following ratings by either one or more of the rating agencies: CRISIL A1+ by CRISIL and ICRA A1+ by ICRA. These are the highest ratings awarded by CRISIL and ICRA.

Foreign Currency Borrowings

The Bank raises foreign currency ("FC") resources by issuance of FC bonds/Floating Rate Notes in international markets, medium/short-term syndicated loans including bilateral/club deals, medium/long-term rupee-dollar swaps and borrowings from onshore funds of commercial banks in India. The original maturities of the outstanding medium/long-term funds are up to 20 years.

As of March 31, 2025, the Bank's outstanding foreign currency resources amounted to approximately U.S.\$13817.68 million, short-term loans and bonds amounted to U.S.\$2227.68 million, currency swaps and deposits amounted to U.S.\$2,178.32 million and medium-long term bonds and loans amounted to U.S.\$9,411.69 million.

During the fiscal year 2025, the Bank raised foreign currency resources aggregating U.S.\$2,273.45 million, comprising short-term funds of U.S.\$1,273.45 million, medium-long term funds of U.S.\$1,000 million.

The Bank's long-term foreign currency is given the following ratings by either one or more of the rating agencies: Baa3 (Stable) by Moody's, BBB- (Stable) by Fitch, BBB (Stable) by S&P, and BBB+ (Stable) by Japan Credit Rating Agency.

Government Capital Contributions

The Bank receives contributions of equity capital from the Government through its budgetary allocations. The Government holds the entire paid-up capital of ₹159.09 billion of the Bank. Under the Act, the maximum authorized capital of the Bank is ₹200 billion. The Bank's authorized capital can be further increased by an amendment to the Act by the Parliament. The Budgetary allocation from the Government of India towards the Bank's capital in FY2022-23 was ₹15 billion, however, the actual utilization during the year was nil. The budgetary allocation from the Government of India towards the Bank's capital in fiscal year 2024-25 was nil. The Bank was sufficiently capitalized with a CRAR of 25.29% as on March 31, 2025.

Internal Generation of Funds

The Bank generates funds internally by way of principal and interest payments on its loans from borrowing companies, fees from guarantee operations and other services, income from marketable securities held by the Bank, fees and sale of investments in shares and bonds of companies and dividends from the Bank's equity holdings.

The Bank's total income (comprising interest and fee-based income) for the financial years ended March 31, 2023, 2024 and 2025 amounted to ₹114.88 billion (U.S.\$1.40 billion), ₹154.63 billion (U.S.\$1.29 billion) and ₹188.76 billion (U.S.\$2.21 billion) respectively.

Of the total internally-generated funds for the financial year ended March 31, 2025, the Bank received ₹157.21 billion in interest and discounts, ₹4.29 billion in exchange, commissions, brokerage and fees and ₹1.22 billion in other miscellaneous income.

Capital Adequacy

As of March 31, 2025, the Bank's total CRAR was 25.29% (21.18% as of March 31, 2024 and 25.43% as of March 31, 2023) and its Tier I CRAR was 23.91% (19.56% as of March 31, 2024 and 23.68% as of March 31, 2023).

As of March 31, 2023, 2024 and 2025, the Bank's debt-to-equity ratio was 6.23, 6.75 and 6.94 respectively.

The following table sets out the key capital ratios for the Bank as of March 31, 2023, 2024 and 2025 (see also "*Recent Developments – Other Financial Highlights*"):

	As of March 31,		
	2023	2024	2025
	(₹ billions)		
Capital Ratios			
Debt to Equity (:1)	6.23	6.75	6.94
Capital to Risk Assets Adequacy Ratio (CRAR) (%) . .	25.43	21.18	25.29
Core CRAR (%)	23.68	19.56	23.91
Supplementary CRAR (%)	1.75	1.62	1.39

SELECTED STATISTICAL DATA

The following information should be read together with the Bank's financial statements included in this Offering Circular, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Recent Developments – Other Financial Highlights". All amounts presented in this section have been prepared in accordance with Indian GAAP.

Average Balance Sheet of the Bank

The table below presents the average balances for interest-earning assets and interest-bearing liabilities of the Bank together with the related interest revenue and expense amounts, resulting in the presentation of the average yields and cost for each period. The average balance is the average of quarterly balances outstanding. The average yield on average assets is the ratio of interest revenue to average interest-earning assets (except that investments include equity investments and interest revenue with respect to investments includes dividends on such equity investments). The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.

	Year ended March 31,								
	2023			2024			2025		
	Average Balance	Interest Income/ Expense ⁽¹⁾	Avg Yield/Cost (%)	Average Balance	Interest Income/ Expense ⁽¹⁾	Avg Yield/Cost (%)	Average Balance	Interest Income/ Expense ⁽¹⁾	Avg Yield/Cost (%)
	₹million, except percentages)								
Interest-earning assets									
Loans and advances and bills of exchange and promissory notes									
discounted/rediscounted	1,300,585.30	74,084.41	5.70	1,416,353.37	111,997.95	7.91	1,671,795.8	123,456.42	7.38
Investments	134,161.31	6,974.11	5.20	143,951.18	10,203.41	7.09	163,931.26	11,670.82	7.12
Cash and bank balances	45,160.50	28,336.10	62.75	49,575.54	26,822.46	54.10	50,782.57	48,127.82	94.77
Total interest-earning assets	1,479,907.11	109,394.62	7.39	1,609,880.0	149,023.82	9.26	1,886,509.63	183,255.06	9.71
Non-interest earning assets									
Fixed assets	3,610.80	–	–	3,673.44	–	–	3,503.36	–	–
Other assets	77,815.94	–	–	89,683.10	–	–	106,771.94	–	–
Total non-interest earning assets	81,426.74	–	–	93,356.54	–	–	110,275.30	–	–
Total assets	1,561,333.85	109,394.62	7.01	1,703,236.6	149,023.82	8.75	1,996,784.93	183,255.06	9.18
Interest-bearing liabilities									
Subordinated loan	–	–	–	–	–	–	–	–	–
Notes, bonds and debentures	917,730.47	45,237.87	4.93	889,165.32	57,851.23	6.51	976,388.6	53,858.33	5.52
Deposits	1,614.33	86.30	5.35	1,352.82	139.85	10.34	1,022.17	164.45	16.09
Borrowings	309,371.92	29,508.12	9.54	454,454.79	54,927.47	12.09	625,838.29	91,524.02	14.62
Total interest-bearing liabilities	1,228,716.72	74,832.30	6.09	1,344,972.93	112,918.55	8.40	1,603,249.06	145,546.8	9.08
Non-interest bearing liabilities									
Capital and reserves	195,775.93	–	–	211,942.93	–	–	236,238.34	–	–
Bills payable	–	–	–	–	–	–	–	–	–
Other liabilities	136,841.20	–	–	146,320.78	–	–	157,297.53	–	–
Total non-interest bearing liabilities	332,617.13	–	–	358,263.71	–	–	393,535.87	–	–
Total liabilities	1,561,333.85	74,832.29	4.79	1,703,236.64	112,918.55	6.63	1,996,784.93	145,546.8	7.29

Notes:

- (1) Interest income includes interest and discount. Interest earned on other interest-earning assets and interest expended on other interest-bearing liabilities include interest earned and expended on swaps contracted for hedging purposes, which are off-balance sheet items.
- (2) Other liabilities include balance of net profits (transferable to the Central Government in terms of Section 23(2) of the Exim Bank Act, 1981).

Yields, Spreads and Margins

The following table sets forth, for the periods indicated, the yields, spreads and interest margins on the Bank's interest-earning assets.

	Year ended March 31,			
	2023	2024	2025	2025
	(₹ in millions, except percentages)			(U.S.\$ in millions)
Interest income on interest-earning assets. . .	109,394.63	149,023.82	183,255.06	2,143.96
Interest expense on interest-bearing liabilities	74,832.30	112,918.55	145,546.8	1,702.80
Average interest-earning assets	1,479,907.11	1,609,880.09	1,886,509.63	22,070.89
Average interest-bearing liabilities	1,228,716.72	1,344,972.93	1,603,249.06	18,756.94
Average total assets	1,561,333.85	1,703,236.63	1,996,784.93	23,361.04
Average interest-earning assets as a percentage of average total assets.	94.78%	94.52%	94.48%	94.48%
Average interest-bearing liabilities as a percentage of average total assets.	78.70%	78.97%	80.29%	80.29%
Average interest-earning assets as a percentage of average interest-bearing liabilities	120.44%	119.70%	117.67%	117.67%
Yield ⁽²⁾	7.39%	9.26%	9.71%	9.71%
Cost of funds ⁽³⁾	6.09%	8.40%	9.08%	9.08%
Spread ⁽⁴⁾	1.30%	0.86%	0.64%	0.64%
Net interest margin ⁽⁵⁾	2.29%	2.06%	1.83%	1.83%

Notes:

- (1) For the reader's convenience, U.S. dollar translations of Indian Rupee amounts have been provided at a rate of U.S.\$1.00 = ₹85.475, which was the FEDAI exchange rate as of March 31, 2025.
- (2) Yield is interest income divided by average interest-earning assets.
- (3) Cost of funds is interest expense divided by interest-bearing liabilities.
- (4) Spread is the difference between yield and cost of funds.
- (5) Net interest margin equals to interest earned less interest expended and credit insurance, fees and charges over the average of the gross earning assets of the current and previous year.

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

The following table sets forth, for the periods indicated, the allocation of the changes in the Bank's interest revenue and interest expense between average volume and changes in average rates.

	Fiscal year 2024 vs Fiscal year 2023			Fiscal year 2025 vs Fiscal year 2024		
	Increase (Decrease) due to ⁽¹⁾					
	Net Change	Change in Average Volume	Change in Average Rate	Net Change	Change in Average Volume	Change in Average Rate
	(₹ in millions)					
Interest revenue						
Advances.	37,913.54	6,594.42	31,319.12	11,458.47	20,199.08	(8,740.61)
Investments	3,229.3	508.91	2,720.39	1,467.41	1,416.21	51.20
Cash and bank balances	(1,513.64)	2,770.23	(4,283.87)	21,305.36	653.05	20,652.31
Total interest-earning assets	39,629.20	9,873.56	29,755.64	34,231.24	22,268.34	11,962.90

	Fiscal year 2024 vs Fiscal year 2023		Fiscal year 2025 vs Fiscal year 2024			
	Net Change	Change in Average Volume	Change in Average Rate	Net Change	Change in Average Volume	Change in Average Rate
	Increase (Decrease) due to ⁽¹⁾					
	(₹ in millions)					
Interest expenses						
Notes, bonds and debentures	12,613.36	(1,408.07)	14,021.43	(3,992.9)	5,674.96	(9,667.86)
Deposits	53.55	(13.98)	67.53	24.6	(34.18)	58.78
Borrowings	25,419.35	13,838.11	11,581.24	36,596.55	20,714.19	15,882.36
Total interest-bearing Liabilities . .	38,086.26	12,416.06	25,670.20	3,2628.25	26,354.96	6,273.29

Note:

- (1) The changes in interest revenue and interest expense between periods have been attributed to either volume or rate changes.

Financial Ratios

The following table sets forth certain key financial indicators as of and for the dates and periods indicated for the Bank. See also “Recent Developments – Other Financial Highlights”.

	As of and for the year ended March 31,		
	2023	2024	2025
	(%)		
Net interest margin	2.29	2.06	1.83
Return on average equity ⁽¹⁾	9.78	15.83	20.39
Return on average assets ⁽²⁾	1.04	1.47	1.61
Dividend payout ratio ⁽³⁾	10.01	10.01	10.02
Cost to average assets ⁽⁴⁾	0.13	0.12	0.16
Tier I capital adequacy ratio	23.68	19.56	23.91
Tier II capital adequacy ratio	1.76	1.63	1.39
Total capital adequacy ratio	25.43	21.18	25.29
Net non-performing assets ratio ⁽⁵⁾	0.71	0.29	0.14
Allowance as percentage of gross non-performing assets ⁽⁶⁾	83.35	85.26	92.14
Solvency ratio ⁽⁷⁾	20.27	50.07	102.13
Average net worth to total average assets ⁽⁸⁾	12.54	12.44	11.83

Notes:

- (1) Return on average equity is the ratio of the net profit after tax to the weighted average equity.
- (2) Return on average assets is the ratio of the net profit after tax to the average total assets.
- (3) Dividend payout ratio is the ratio of dividend (i.e. balance of net profits transferable to the Central Government) to net profit after tax.
- (4) Cost to average assets is the ratio of the operating expenses (excluding interest expenses, audit fees, legal expenses, other expenses, depreciation and provisions), to the average total assets.
- (5) Net non-performing assets ratio is the ratio of net non-performing assets divided by net advances.
- (6) Allowance as a percentage of gross non-performing assets is the ratio of non-performing asset provisions made to the gross non-performing assets.
- (7) The solvency ratio is the ratio of capital plus reserves to net NPAs.
- (8) Average net worth to average total assets is the ratio of average capital and reserves divided by average total assets.

	For the six months ended September 30,	
	2024	2025
	(%)	
Net interest margin	1.70	2.55
Return on average equity ⁽¹⁾	14.14	29.88
Return on average assets ⁽²⁾	1.16	2.21
Tier I capital adequacy ratio	27.44	28.54
Tier II capital adequacy ratio	1.56	1.34
Total capital adequacy ratio	29.01	29.88
Net non-performing assets ratio ⁽⁵⁾	0.21	0.01
Allowance as percentage of gross non-performing assets ⁽⁶⁾	89.92	99.17
Solvency ratio ⁽⁷⁾	42.90	1,272.22
Average net worth to total average assets ⁽⁸⁾	11.99	11.92

Notes:

- (1) Return on average equity is the ratio of the net profit after tax to the weighted average equity.
- (2) Return on average assets is the ratio of the net profit after tax to the average total assets.
- (3) Dividend payout ratio is the ratio of dividend (i.e. balance of net profits transferable to the Central Government) to net profit after tax.
- (4) Cost to average assets is the ratio of the operating expenses (excluding interest expenses, audit fees, legal expenses, other expenses, depreciation and provisions), to the average total assets.
- (5) Net non-performing assets ratio is the ratio of net non-performing assets divided by net advances.
- (6) Allowance as a percentage of gross non-performing assets is the ratio of non-performing asset provisions made to the gross non-performing assets.
- (7) The solvency ratio is the ratio of capital plus reserves to net NPAs.
- (8) Average net worth to average total assets is the ratio of average capital and reserves divided by average total assets.

Capital Infusion

The Government has allotted nil for FY24 and nil for FY25.

Capital Adequacy

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

	As of and for the year ended March 31,		
	2023	2024	2025
CRAR	25.43	21.18	25.29
Tier 1 CRAR	23.68	19.56	23.91
Tier 2 CRAR	1.75	1.63	1.39

	For the six months ended September 30,	
	2024	2025
CRAR	29.01	29.88
Tier 1 CRAR	27.44	28.54
Tier 2 CRAR	1.56	1.34

Investment Portfolio

As of March 31, 2025, the Bank's net investments comprised 7.32% of its total assets, while net total advances were 84.91% of the Bank's total assets. The Bank carries out its investment activities according to its investment policies. These policies set forth delegation of powers, types of instruments, maximum limits on investments in different types of securities, position limits, stop loss limits and duration limits.

The surplus funds of the Bank are invested by the integrated Treasury. These investments are in conformity with the Bank's policy on investments and the risk limits set by the Bank's board.

Total Investment Portfolio

The following tables set forth, as of the dates indicated, information relating to the Bank's total investment portfolio. Domestic investments constituted 98.78% of the Bank's investment portfolio as of March 31, 2025.

	As of March 31,											
	2023				2024				2025			
	Gross Book Value	Market Value ⁽⁴⁾	Unrealized Gain	Unrealized Loan	Gross Book Value	Market Value ⁽⁴⁾	Unrealized Gain	Unrealized Loan	Gross Book Value	Market Value ⁽⁴⁾	Unrealized Gain	Unrealized Loan
	(₹ in million)											
Government												
Securities . . .	108,288.57	106,832.15	–	1,450.90	133,480.31	132,398.41	(292.29)	1,401.45	153,797.04	153,915.67	(1,300.24)	1,181.61
Other debt securities ⁽¹⁾ . . .	14,909.05	14,318.04	(471.32)	1,019.35	15,573.40	14,740.30	125.83	915.33	4,003.91	3,321.91	(141.34)	823.35
Total debt securities . . .	123,197.62	121,150.19	(471.32)	2,470.25	149,053.71	147,138.71	418.12	2,316.77	157,800.94	157,237.58	(1,441.59)	2,004.96
Non-debt securities ⁽²⁾ . . .	24,052.35	6,558.09	(4,127.16)	21,439.39	39,874.41	24,765.47	5,912.54	20,846.80	24,151.34	9,317.41	(6,532.76)	21,366.69
Subsidiaries/joint ventures – at cost	167.13	–	–	–	559.76	417.49	–	139.05	690.32	422.35	–	267.97
Total	147,417.10	127,708.28	(4,598.48)	23,909.64	189,487.89	172,321.66	(6,330.66)	23,302.62	182,642.60	166,977.33	(7,974.34)	23,639.61

Notes:

- (1) Non-SLR other than equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.
- (2) Non-SLR equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.
- (3) Investments classified under held to maturity are not marked to market and carried at acquisition cost as per prudential norms issued by the RBI for classification, valuation and operation of investment portfolio by banks. Market value includes market values actually available or derived as per norms.

Available for Sale Investments

The following tables set forth, as of the dates indicated, information related to the Bank's investments available for sale.

	As of March 31,											
	2023				2024				2025			
	Gross Book Value	Market Value ⁽⁴⁾	Unrealized Gain	Unrealized Loan	Gross Book Value	Market Value ⁽⁴⁾	Unrealized Gain	Unrealized Loan	Gross Book Value	Market Value ⁽⁴⁾	Unrealized Gain	Unrealized Loan
	(₹ in million)											
Government Securities . . .	42,338.57	40,887.66	–	1,450.90	67,530.31	66,421.16	(292.29)	1,401.45	87,847.04	87,965.67	(1,300.24)	1,181.61
Other debt securities ⁽¹⁾ . . .	14,683.07	14,135.03	(471.32)	1,019.35	15,529.42	14,739.92	(125.83)	915.33	3,959.93	3,277.93	(141.34)	823.35
Total debt securities . . .	57,021.64	55,022.69	(471.32)	2,470.25	83,059.73	81,161.08	(418.12)	2,316.77	91,806.96	91,243.59	(1,441.59)	2,004.96
Non-debt securities ⁽²⁾ . . .	23,825.36	6,513.14	(4,127.16)	21,439.39	27,406.42	12,375.30	(5,804.67)	20,835.79	23,588.29	8,754.36	(6532.76)	21366.69
Subsidiaries/joint ventures – at cost	–	–	–	–	140.81	1.76	–	139.05	271.36	3.40	–	267.97
Total	80,847.00	61,535.83	(4,598.48)	23,909.64	1,10,606.97	93,538.14	(6,222.79)	23,291.62	1,15,666.62	1,00,001.35	(7,974.34)	23,639.61

Notes:

- (1) Non-SLR other than equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.
- (2) Non-SLR equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.
- (3) Market value includes market values actually available or derived as per norms.
- (4) Unrealized gain/loss pertains to gain/loss at the individual level, i.e. for each investment.

Held to Maturity Investments

The following tables set forth, as of the dates indicated, information related to the Bank's investments held to maturity.

	As of March 31,											
	2023				2024				2025			
	Gross Book Value	Market Value ⁽⁴⁾	Unrealized Gain	Unrealized Loan	Gross Book Value	Market Value ⁽⁴⁾	Unrealized Gain	Unrealized Loan	Gross Book Value	Market Value ⁽⁴⁾	Unrealized Gain	Unrealized Loan
	(₹ in million)											
Government Securities . . .	65,950	65,950	–	–	65,950.00	65,950.00	–	–	65,950.00	65,950.00	–	–
Other debt securities ⁽¹⁾ . . .	225.98	225.98	–	–	43.98	43.98	–	–	43.98	43.98	–	–
Total debt securities . . .	66,175.98	66,175.98	–	–	65,993.98	65,993.98	–	–	65,993.98	65,993.98	–	–
Non-debt securities ⁽²⁾ . . .	226.99	226.99	–	–	468.59	468.59	–	–	563.05	563.05	–	–
Subsidiaries/joint ventures – at cost	167.13	167.13	–	–	418.95	418.95	–	–	418.95	418.95	–	–
Total	66,570.1	66,570.1	–	–	66,881.52	66,881.52	–	–	66,975.98	66,975.98	–	–

Notes:

- (1) Non-SLR other than equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.
- (2) Non-SLR equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.
- (3) Investments classified under held to maturity are not marked to market and carried at acquisition cost as per prudential norms issued by the RBI for classification, valuation and operation of investment portfolio by banks.

Held for Trading Investments

The following tables set forth, as of the dates indicated, information related to the Bank's investments held for trading.

	As of March 31,											
	2023				2024				2025			
	Gross Book Value	Market Value ⁽⁴⁾	Unrealized Gain	Unrealized Loan	Gross Book Value	Market Value ⁽⁴⁾	Unrealized Gain	Unrealized Loan	Gross Book Value	Market Value ⁽⁴⁾	Unrealized Gain	Unrealized Loan
	(₹ in million)											
Government Securities . . .	-	-	-	-	-	-	-	-	-	-	-	-
Other debt securities ⁽¹⁾ . . .	-	-	-	-	11,999.40	12,107.27	(107.87)	-	-	-	-	-
Total debt securities . . .	-	-	-	-	11,999.40	12,107.27	(107.87)	-	-	-	-	-
Non-debt securities ⁽²⁾ . . .	-	-	-	-	-	-	-	-	-	-	-	-
Subsidiaries/joint ventures – at cost	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	11,999.40	12,107.27	(107.87)	-	-	-	-	-

Notes:

- (1) Market value includes market values actually available or derived as per norms.
- (2) Non-SLR equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.
- (3) Market value includes market values actually available or derived as per norms.

Residual Maturity Profile

Available for sale

The following table sets forth, as of the date indicated, an analysis of the residual maturity profile of the Bank's domestic investments in government and corporate debt securities classified as available for sale and their weighted average market yields.

	As of March 31, 2025							
	Up to One Year		One to Five Years		Five to Ten Years		More than Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ in millions, except percentages)							
Government securities (A) ⁽¹⁾ . . .	22,503.34	7.07%	17,988.60	7.16%	43,310.40	7.06%	4,163.30	7.18%
Corporate debt securities (B) . . .	-	-	1,095.80	1.35%	108.80	12.00%	212.80	0.01%
% Other debt securities (C) . . .	1,956.59	7.67%	109.70	12.50%	-	-	-	-
Total debt securities market value (A)+(B)+(C)	24,459.93	-	19,194.10	-	43,419.20	-	4,376.10	-
Gross book value	23,750.87	-	20,810.97	-	42,527.06	-	4,870.68	-

Note:

(1) Refers only to Government investments calculated at market yields.

Held to maturity

The following table sets forth, as of the date indicated, an analysis of the residual maturity profile of the Bank's domestic investments in government and corporate debt securities classified as held to maturity and their weighted average market yields.

	As of March 31, 2025							
	Up to One Year		One to Five Years		Five to Ten Years		More than Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ in millions, except percentages)							
Government securities (A) ⁽¹⁾	-	-	31,510.67	7.24%	34,550.00	7.29%	-	-
Corporate debt securities (B)	-	-	0.38	0.01%	-	-	-	-
Total debt securities market value (A)+(B)+(C)	-	-	31,511.06	-	34,550.00	-	-	-
Gross book value	-	-	31,402.37	-	34,550	-	-	-

Note:

(1) Refers only to Government investments calculated at market yields.

Held for trading

The following table sets forth, as of the date indicated, an analysis of the residual maturity profile of the Bank's domestic investments in government and corporate debt securities classified as held for trading and their weighted average market yields.

	As of March 31, 2025							
	Up to One Year		One to Five Years		Five to Ten Years		More than Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ in millions, except percentages)							
Government securities	-	-	-	-	-	-	-	-
Other debt securities	-	-	-	-	-	-	-	-
Total debt securities market value	-	-	-	-	-	-	-	-
Gross book value	-	-	-	-	-	-	-	-

The Bank's funding operations are designed to ensure stability, low cost of funding and effective liquidity management. The Bank's principal sources of funds are borrowings through issuances of bonds and commercial papers ("CPs"), certificates of deposits ("CDs") and loans.

Short-term Borrowings

The following table sets forth, for the periods indicated, information related to the Bank's short-term Rupee borrowings, which are comprised of money-market borrowings (CPs, CDs⁽⁴⁾ and CBLO/CROMS borrowings) and term deposits.

	Year ended March 31,		
	2023	2024	2025
	(₹ in millions, except percentages)		
Period end balance	197,376.67	237,275.89	391,582.03
Average balance during the period ⁽¹⁾	181,757.55	152,876.77	261,056.51
Average interest rate during the period ⁽²⁾	5.53%	7.28%	7.19%
Interest at period end ⁽³⁾	10,057.40	11,126.90	18,760.94

Notes:

- (1) Average daily balances outstanding.
- (2) Represents the ratio of interest expense on short-term borrowings to the average daily balances of short-term borrowings during the period.
- (3) Represents the total interest expense on account of short-term borrowings during the period.

	For the six months ended September 30,	
	2024	2025
	(₹ in millions, except percentages)	
Period end balance	338,359.96	289,681.14
Average balance during the period ⁽¹⁾	215,748.43	353,754.46
Average interest rate during the period ⁽²⁾	3.61%	3.42%
Interest at period end ⁽³⁾	7,792.08	12,095.28

Notes:

- (1) Average daily balances outstanding.
- (2) Represents the ratio of interest expense on short-term borrowings to the average daily balances of short-term borrowings during the period.
- (3) Represents the total interest expense on account of short-term borrowings during the period.

The following table sets forth, for the periods indicated, information related to the Bank's short-term foreign currency borrowings, in U.S. dollar equivalent, which are comprised primarily of short-term loans and short-term borrowings from banks.

	Year ended March 31,		
	2023	2024	2025
	(USD in millions, except percentages)		
Period end balance ⁽⁴⁾	1,878	2,205.64	2,227.68
Average balance during the period ⁽¹⁾	1,485.34	1,630.98	1,845.81
Average interest rate during the period ⁽²⁾	3.98%	6.92%	4.93
Interest at period end ⁽³⁾	59.16	113.18	90.97

Notes:

- (1) Average daily balances outstanding.
- (2) Represents the ratio of interest expense on short-term borrowings to the average daily balances of short-term borrowings during the period.
- (3) Represents the total interest expense on account of short-term borrowings during the period.
- (4) Short-term borrowings represent borrowings with maturity of up to three years.

	For the six months ended September 30,	
	2024	2025
	(USD in millions, except percentages)	
Period end balance ⁽⁴⁾	1,747.63	1,498.62
Average balance during the period ⁽¹⁾	2,041.52	1,772.27
Average interest rate during the period ⁽²⁾	5.20	4.09
Interest at period end ⁽³⁾	53.27	36.31

Notes:

- (1) Average daily balances outstanding.
- (2) Represents the ratio of interest expense on short-term borrowings to the average daily balances of short-term borrowings during the period.
- (3) Represents the total interest expense on account of short-term borrowings during the period.
- (4) Short-term borrowings represent borrowings with maturity of up to three years.

Cash Flow Mismatch Analysis

The following table sets forth the Bank's structural liquidity gap position for its operations, for rupee assets and liabilities, as of March 31, 2025:

	As of March 31, 2025⁽¹⁾⁽²⁾⁽³⁾				
	Up to 3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	Total
	(Rs. in millions, except percentages)				
Cash and bank balance	27,171	8,250	–	–	35,421
Advances	2,34,315	2,67,907	2,08,194	20,541	7,30,956
Investments	18,160	7,474	50,297	82,404	1,58,336
Fixed assets	–	–	–	3,400	3,400
Other assets	1,32,655	1,95,273	3,29,185	3,61,117	10,18,230
Total assets	4,12,300	4,78,904	5,87,676	4,67,462	19,46,343
Capital and reserves	–	–	–	2,28,943	2,28,943
Borrowings	2,66,632	2,30,088	2,40,328	59,600	7,96,648
Other liabilities	1,41,119	90,281	1,62,345	81,931	4,75,676
Total liabilities	4,07,751	3,20,369	4,02,673	3,70,474	15,01,267
Liquidity gap	4,549	1,58,535	1,85,003	96,989	4,45,075
Cumulative liquidity gap	4,549	1,63,084	3,48,087	4,45,075	NA
Cumulative liabilities	4,07,751	7,28,120	11,30,793	15,01,267	NA
Cumulative liquidity gap as a % of cumulative liabilities	1%	22%	31%	30%	NA

Notes:

- (1) Classification methodologies are based on the Asset Liability Management Guidelines issued by the RBI.
- (2) Assets and liabilities are classified into categories as per residual maturity. Liabilities include contingent liabilities.
- (3) Assets and liabilities that do not mature or have ambiguous maturities are classified as per historical behavioral analysis or management judgment.

The following table sets forth the Bank's structural liquidity gap position for its operations, for foreign currency assets and liabilities, as of March 31, 2025:

	As of March 31, 2025 ⁽¹⁾⁽²⁾⁽³⁾				
	Up to 3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	Total
	(Rs. in millions, except percentages)				
Cash and bank balance	1,594	–	–	–	1,594
Advances	33,999	1,55,292	5,25,561	4,11,582	11,26,434
Investments	73,741	–	–	1,777	75,518
Fixed assets	–	–	–	–	–
Other assets	47,422	95,967	4,61,648	3,68,680	9,73,718
Total assets	1,56,756	2,51,260	9,87,210	7,82,039	21,77,264
Capital and reserves	–	–	–	–	–
Borrowings	62,384	1,63,865	6,62,731	3,06,331	11,95,312
Other liabilities	1,10,468	1,57,858	4,94,999	1,20,641	8,83,966
Total liabilities	1,72,852	3,21,724	11,57,730	4,26,973	20,79,278
Liquidity gap	(16,096)	(70,464)	(1,70,520)	3,55,066	97,986
Cumulative liquidity gap	(16,096)	(86,560)	(2,57,080)	97,986	NA
Cumulative liabilities	1,72,852	4,94,575	16,52,305	20,79,278	NA
Cumulative liquidity gap as a % of cumulative liabilities	(9)%	(18)%	(16)%	5%	NA

Notes:

- (1) Classification methodologies are based on the Asset Liability Management Guidelines issued by the RBI.
- (2) Assets and liabilities are classified into categories as per residual maturity. Liabilities include contingent liabilities.
- (3) Assets and liabilities that do not mature or have ambiguous maturities are classified as per historical behavioral analysis or management judgment.

Loan Portfolio and Credit Substitutes

As of March 31, 2025, the Bank's total net loan assets amounted to ₹1,857.39 billion (U.S.\$21.73 billion) while outstanding gross loan assets amounted to ₹1,887.06 billion (U.S.\$22.08 billion). Export finance, overseas investment finance, term loan to exporters, import finance and export facilitation program accounted for 64.75%, 4.45%, 21.51%, 7.62% and 1.67%, respectively, of the Bank's outstanding net loan assets as of March 31, 2025.

As of March 31, 2025, the Bank's gross loan portfolio was ₹1,887.06 billion. As of that date, the Bank's gross non-fund based outstanding was ₹169.31 billion (U.S.\$1,980.85 million). Performance guarantees, advance payment guarantees, financial guarantees, letters of credits, retention money guarantees and bid bond guarantees accounted for 40.32%, 32.01%, 14.53%, 5.06%, 4.43% and 3.65% respectively, of the Bank's outstanding non-fund-based facilities as of March 31, 2025.

The Bank makes loans to Indian exporters and overseas importers, and extends LOCs 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 March 31, 2025, 48.32% of the Bank's country exposure related to South Asia, 2.53% to Central Africa, 10.25% to East Africa, 7.22% to Southern Africa, 10.91% to West Africa, 0.54% to North Africa, 2.80% to Southeast Asia and the Pacific, 3.34% to Europe, 3.29% to the Americas, 3.42% to West Asia, 0.17% to Central Asia and 7.21% to East Asia.

The following table describes the asset quality of the PA exposure of the commercial portfolio of the Bank, which excludes refinancing extended to banks, as of March 31, 2025:

External Ratings	% of Total Commercial Portfolio
A & above	87
BBB	6
BB & below	5
No Rating	2
	100

The following tables set forth the Bank's advances by segment as of the dates indicated.

	As of March 31,					
	2023		2024		2025	
	(₹ in billions)	(% of Total)	(₹ in billions)	(% of Total)	(₹ in billions)	(% of Total)
Government						
directed/guaranteed business						
Lines of credit	582.18	41.80	572.45	35.72	588.26	31.18%
Concessional Finance Scheme	115.69	8.31	125.06	7.80	119.91	6.35%
Commercial business						
Buyer's credit (BC-NEIA)	80.80	5.80	63.75	3.98	65.32	3.46%
Lines of credit	0.13	0.01	0.06	0.00	0.04	0.00%
Buyer's credit	63.81	4.58	63.36	3.95	67.08	3.55%
Finance for project exports/medium-term supplier's credit	29.53	2.12	22.55	1.41	5.39	0.29%
Short-term pre-shipment credit	3.64	0.26	6.88	0.43	4.70	0.25%
Refinance of export Credit to commercial banks	136.26	9.78	182.92	11.42	240.82	12.76%
Loans to export oriented units	190.38	13.67	158.01	9.86	289.73	15.35%
Import finance	54.04	3.88	77.01	4.81	143.10	7.58%
Export facilitation program	20.01	1.44	17.97	1.12	31.02	1.64%
Overseas investment finance	62.63	4.50	83.51	5.21	87.61	4.65%
Other programs ⁽¹⁾	53.62	3.85	228.92	14.29	244.08	12.94%
	1,392.72	100	1,602.46	100.00	1,887.06	100.00%
Less provisions	56.97	–	26.44	–	29.67	–
Net advances	1,345.23	–	1,576.02	–	1,857.39	–

Note:

(1) Includes advances under re-discounting facilities, advances under production equipment finance program, long-term working capital loan and staff loans etc.

For the six months ended September 30,

	2024		2025	
	(₹ in billions)	(% of Total)	(₹ in billions)	(% of Total)
Government directed/guaranteed business				
Lines of credit	590.79	35.68	613.51	36.26
Concessional Finance Scheme	124.26	7.51	121.01	7.15
Commercial business				
Buyer's credit (BC-NEIA)	63.62	3.84	59.78	3.53
Lines of credit	0.07	0.00	0.00	0.00
Buyer's credit	68.03	4.11	72.87	4.31
Finance for project exports/medium-term supplier's credit	7.72	0.46	6.30	0.37
Short-term pre-shipment credit	6.46	0.39	5.82	0.34
Refinance of export Credit to commercial banks	216.21	13.06	222.12	13.13
Loans to export oriented units	203.70	12.30	143.90	8.51
Import finance	124.61	7.53	110.88	6.55
Export facilitation program	17.39	1.05	20.36	1.20
Overseas investment finance	81.96	4.95	93.33	5.52
Other programs ⁽¹⁾	151.02	9.12	222.27	13.13
	1,655.84	100	1,692.15	100
Less provisions	30.07	–	24.03	–
Net advances	1,625.77	–	1,668.12	–

Note:

(1) Includes advances under re-discounting facilities, advances under production equipment finance program, long-term working capital loan and staff loans etc.

Interest Rate Sensitivity Analysis

The following table sets forth the interest rate sensitivity analysis of the Bank's rupee assets and liabilities for the Bank's Indian operations as of March 31, 2025:

	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Non Sensitive	Total
	(₹ in millions)					
Assets						
Cash and balances with (₹ in millions) RBI	–	–	–	–	18,600	18,600
Balances with other banks	500	8,250	–	–	8,070	16,820
Advances	3,80,477	3,47,534	21,903	(18,957)	–	7,30,956
Investments	18,160	7,474	50,297	80,331	2,073	1,58,336
Fixed assets	–	–	–	–	3,400	3,400
Other assets	22,231	91,864	46,411	36,100	40,584	2,37,190
Forex swaps	–	–	–	–	–	–
Total assets	4,21,368	4,55,122	1,18,612	97,474	72,727	11,65,303
OBS items	28,728	55,890	1,80,176	1,84,554	–	4,49,349
Total RSA	450,096	511,012	298,788	282,028	72,727	1,614,652
Liabilities						
Capital and reserve	–	–	–	–	2,28,943	2,28,943
Borrowings	266,632	230,088	2,40,328	59,600	–	796,648
Other liabilities	51,515	15,047	–	–	73,150	1,39,712
Repos	–	–	–	–	–	–
Forex swaps	–	–	–	–	–	–
Total liabilities	318,147	245,135	240,328	59,600	302,093	1,165,303
OBS items	6,967	20,457	48,524	8,781	–	84,729
Total RSL	325,114	265,592	288,852	68,381	302,093	1,250,032

The following table sets forth the interest rate sensitivity analysis of the Bank's foreign currency assets and liabilities for the Bank's Indian operations as of March 31, 2025:

	<u>Up to 3 Months</u>	<u>3 Months to 1 Year</u>	<u>1 Year to 5 Years</u>	<u>Over 5 Years</u>	<u>Non Sensitive</u>	<u>Total</u>
	(U.S.\$ in millions)					
Assets						
Cash and balances with RBI	–	–	–	–	–	–
Balances with other banks	–	–	–	–	1,594	1,594
Advances	603,453	498,388	2,790	21,804	–	1,126,434
Investments	73,741	–	–	1,777	–	75,518
Fixed assets	–	–	–	–	–	–
Other assets	9,070	10,542	–	–	5,544	25,156
Forex swaps	–	–	–	–	–	–
Total assets	686,264	508,930	2,790	23,581	7,138	12,28,702
OBS items	4,163	83,455	285,075	207,968	–	580,660
Total RSA	690,426	592,385	287,865	231,548	7,138	1,809,362
Liabilities						
Capital and reserve	–	–	–	–	–	–
Borrowings	751,042	435,722	8,548	–	–	1,195,312
Other liabilities	13,696	4,752	–	–	14,943	33,391
Repos	–	–	–	–	–	–
Forex swaps	–	–	–	–	–	–
Total liabilities	764,739	440,474	8,548	–	14,943	1,228,702
OBS items	18,632	85,030	273,314	105,698	–	482,674
Total RSL	783,370	525,504	281,861	105,698	14,943	1,711,376

Concentration of Loans and Credit Substitutes

Pursuant to RBI Basel III guidelines, the Bank's exposure by way of exposure to a single counterparty may not exceed 20% (extendable to 25% in the case of additional exposure on account of infrastructure loan and/or investment) of the Bank's eligible capital base (Tier I capital as per the last audited balance sheet) and the Bank's exposure to a group of connected counterparties may not exceed 25% (extendable to 35% in the case of additional exposure on account of infrastructure loan and/or investment) of the Bank's Tier I capital. An additional exposure up to 5% (i.e. a total exposure up to 25% of Tier I capital of the Bank for Single Borrowers can be taken in exceptional circumstances, with the prior approval of the Board, however single counterparty limit shall not exceed 25% of eligible capital base of the Bank under no circumstances. There are generally no restrictions in India on exposure to a particular industry. RBI norms specify exposure to capital markets, real estate, sensitive commodities listed by the RBI, venture capital funds, stockbrokers, financing for acquisition of overseas entities and credit to overseas joint ventures. For further information, see "Supervision and Regulation." The following tables set forth, at the dates indicated, the Bank's gross fund-based loans outstanding and gross NPLs as a percentage of gross fund-based loans outstanding, categorized by borrower industry or economic activity. The Board-approved limit for the Bank's exposure to an industrial sector is 15% of the Bank's total industry exposure (both fund-based and non-fund based) under its commercial portfolio (excluding refinance portfolio).

	As of March 31,								
	<u>2023</u>			<u>2024</u>			<u>2025</u>		
	Gross NPLs as a % of Gross Loans			Gross NPLs as a % of Gross Loans			Gross NPLs as a % of Gross Loans		
	Amount	Outstanding	% Total	Amount	Outstanding	% Total	Amount	Outstanding	% Total
(₹ in millions, except percentages)									
Industry classification of loans									
Financial Services ⁽¹⁾	256,576.57	0	18.42	319,195.99	0	19.92	398,347.55	0	21.11%
Chemicals and Dyes.	44,513.98	0%	3.20	48,637.24	0.24%	3.04	51,969.17	0.16%	2.75%
Textiles and Garments.	20,424.43	0.26%	1.47	26,726.34	0.39%	1.67	30,649.49	0.38%	1.62%
Petroleum Products	42,477.05	0	3.05	70,083.63	0	4.37	91,535.58	0	4.85%

As of March 31,

	2023			2024			2025		
	Gross NPLs as a % of Gross Loans % of			Gross NPLs as a % of Gross Loans % of			Gross NPLs as a % of Gross Loans % of		
	Amount	Outstanding	% Total	Amount	Outstanding	% Total	Amount	Outstanding	% Total
(₹ in millions, except percentages)									
Petrochemicals	22,677.82	9.64%	1.63	17,310.34	0%	1.08	15,325.73	0	0.81%
Auto & Auto components . . .	21,548.88	0.89%	1.55	29,005.99	0	1.81	27,481.74	0	1.46%
Ferrous Metals and Metal									
Processing	41,585.80	0.61%	2.99	56,396.87	0%	3.52	87,768.73	0	4.65%
Drugs and Pharmaceuticals . .	21,739.78	0.11%	1.56	26,343.17	0.10%	1.64	38,668.45	0	2.05%
EPC services	3,976.06	0.34%	0.29	5,153.96	0.49%	0.32	4,171.09	0.48%	0.22%
Shipping Services	9,896.04	0	0.71	11,477.08	0	0.72	7,163.58	0	0.38%
Oil and Gas	4,141.19	0%	0.30	13,370.35	0	0.83	8,667.62	0	0.46%
Construction	11,591.96	9.65%	0.83	11,084.54	11.00%	0.69	16,895.65	6.18%	0.90%
Others ⁽²⁾	112,410.39	78.50%	8.05	205,857.70	35.97%	12.85	334,277.70	41.68%	17.71%
Unclassified ⁽³⁾	779,164.08	0	55.95	761,819.56	51.80%	47.54	774,138.72	51.14%	41.03%
Grand total	1,392,724.03	100%	100	1,602,462.78	100%	100	1,887,060.80	100%	100

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 March 31, 2025, the aggregate exposure of the Bank's ten largest corporate group borrowers amounted to ₹383.91 billion representing 14.58% of the Bank's total credit exposure as of March 31, 2025. The Bank's exposure to the single largest corporate group borrower on such date was ₹46.02 billion representing 22.66% of the Bank's Total Capital Funds.

The Bank's exposure to its ten largest individual corporate borrowers as of March 31, 2025, was ₹240.90 billion, or approximately 9.15% of its total credit exposure.

As of March 31, 2025, the Bank classifies its risk exposure as 38.13% GOI risk, 43.65% secured portfolio of corporates/banks and 18.22% 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 proportion of the Bank's net loan portfolio under each of the above categories over the periods mentioned:

	As of March 31,		
	2023	2024	2025
	(%)		
Medium-/long-term loans (more than 1 year)	82	77	72
Short-term loans (up to 1 year)	18	23	28
Direct loans	86	85	84
Refinance loans	14	15	16
Rupee-denominated loans	26	31	41
Foreign currency loans	74	69	59
Policy (government-directed) business	52	44	38
Commercial business	48	56	62

	For the six months ended September 30,	
	2024	2025
	(%)	
Medium-/long-term loans (more than 1 year)	79	83
Short-term loans (up to 1 year)	21	17
Direct loans	85	84
Refinance loans	15	16
Rupee-denominated loans	32	32
Foreign currency loans	68	68
Policy (government-directed) business	44	44
Commercial business	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,		
	2023	2024	2025
	(%)		
Gross NPA ratio	4.09	1.94	1.71
Net NPA ratio	0.71	0.29	0.14
PCR ratio	94.56	96.83	98.26
Slippage ratio ⁽¹⁾	6.52	0.15	0.27
Credit cost ratio ⁽²⁾	1.15	0.28	(0.31)

Notes:

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

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

As of March 31, 2025, the Bank's credit watch list is ₹37.71 billion. 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.

	For the six months ended September 30,	
	2024	2025
	(%)	
Gross NPA ratio	2.02	1.43
Net NPA ratio.	0.21	0.01
PCR ratio.	97.69	99.85
Slippage ratio ⁽¹⁾	0.27	0.017
Credit cost ratio ⁽²⁾	0.15	(0.49)

Notes:

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

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

Asset Liability Management

The following table sets forth the maturity profile of the assets and liabilities of the Bank as of March 31, 2025:

	<u>Less than or equal to 1 year</u>	<u>More than 1 year and up to 3 years</u>	<u>More than 3 years and up to 5 years</u>	<u>More than 5 years and up to 7 years</u>	<u>More than 7 years</u>
	(₹ billion)				
Maturing Assets	1,299	915	660	461	789
Maturing Liabilities	1,223	1,030	530	213	585

As of March 31, 2025, foreign currency resources, Rupee resources, and share capital and reserves constituted 56%, 31% and 13%, respectively, of the Bank's total lendable resources. As of the same period, foreign currency total assets and Rupee total assets constituted 59% and 41%, respectively, of the Bank's total loan assets.

Non-Performing Assets

The banking sector has been dealing with higher slippages and asset quality issues. The Bank employs various strategies for the recovery of NPAs. The Bank, apart from tightening the norms and processes for credit origination, appraisal, sanction and monitoring, also endeavors to reduce NPAs through effective loan recovery measures. See also “– NPA Reduction Strategy.”

The management of NPAs has been one of the focus areas of the Bank. To this end, the Bank has put in place the following measures:

- the Bank has a dedicated Special Situations Group (“SSG”), which takes pro-active steps towards loan recovery as per the Board-approved Loan Monitoring and Recovery Policy and rehabilitation of NPAs which are viable. SSG also focuses on recovery from NPA accounts where legal action is contemplated. Monthly reviews of NPAs are done by the committee within the SSG. By setting up yearly targets for the recovery of NPAs, the Bank accords highest priority to the recovery of NPAs through a multipronged strategy comprising restructuring, legal action, sale of assets through court receiver, negotiations, one-time settlements, transfer or assignment of NPAs, possession and subsequent sale of assets under provisions of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act (“SARFAESI Act”), filing suits against the debtors and its directors, personal and corporate guarantors before Debt Recovery Tribunal (“DRT”) and referring the company/guarantors to the National Company Law Tribunal (“NCLT”) under the Insolvency and Bankruptcy Code (“IBC”);

- identifying Special Mention Accounts and closely monitoring such accounts, including the conduct of frequent reviews and making timely decisions to prevent slippage of such accounts; and
- strengthening of staff capabilities through trainings conducted by specialized agencies and of the credit audit function, with emphasis on sharing and exchange of market information.

The Bank's gross NPA ratio decreased from 4.09% as of March 31, 2023 to 1.94% as of March 31, 2024, and decreased to 1.71% as of March 31, 2025. The Bank's net NPA ratios decreased from 0.71% as of March 31, 2023 to 0.29% as of March 31, 2024 and decreased to 0.14% as of March 31, 2025. See "Risk Factors – Risks relating to the business of the Bank – The business of lending carries the risk of default by borrowers."

The following table sets forth, for the periods indicated, information about the Bank's NPA portfolio⁽¹⁾.

	As of March 31,		
	2023	2024	2025
	(₹ in millions, except percentages)		
Non-Performing Assets			
Gross NPAs	56,970.00	31,012.60	32,197.30
Specific provisions	47,490.00	26,440.00	29,670.00
Floating provisions	–	–	–
NPA net of provisions and nettable credits	9,484.00	4,572.59	2,527.30
Gross customer assets ⁽²⁾	1,562,724.0	1,755,923.40	2,056,373.85
Net customer assets ⁽²⁾	1,515,234.00	1,729,483.40	2,026,703.85
Gross NPAs/gross customer assets (%)	3.64%	1.77%	1.57%
Net NPAs/net customer assets (%)	0.63%	0.26%	0.12%
Specific provision as a percentage of gross NPAs ⁽³⁾	83.35%	85.26%	92.15%
Total provision as a percentage of gross NPAs ⁽³⁾	83.35%	85.26%	92.15%
Provision cover (including prudential (write-offs))	94.56%	96.83%	98.26%

Notes:

- (1) Information on provisions in this table pertains to NPA provisions only.
- (2) Gross/net customer assets include the non-funded portfolio of the Bank.
- (3) Computed in accordance with RBI guidelines.

	For the six months ended	
	September 30,	
	2024	2025
	(₹ in millions, except percentages)	
Non-Performing Assets		
Gross NPAs	33,441.37	24,230.12
Specific provisions	30,070.00	24,030.00
Floating provisions	–	–
NPA net of provisions and nettable credits	3,371.37	200.12
Gross customer assets ⁽²⁾	1,801,782.86	1,851,590.90
Net customer assets ⁽²⁾	1,771,712.86	1,827,560.90
Gross NPAs/gross customer assets (%)	1.86%	1.31%
Net NPAs/net customer assets (%)	0.19%	0.01%
Specific provision as a percentage of gross NPAs ⁽³⁾	89.92%	99.17%
Total provision as a percentage of gross NPAs ⁽³⁾	89.92%	99.17%
Provision cover (including prudential (write-offs))	97.69%	99.85%

Notes:

- (1) Information on provisions in this table pertains to NPA provisions only.
- (2) Gross/net customer assets include the non-funded portfolio of the Bank.
- (3) Computed in accordance with RBI guidelines.

The Bank's net provisioning coverage ratio as of March 31, 2025, computed as per RBI guidelines, was 98.26%.

Non-Performing Loans ("NPL")

As of March 31, 2025, the Bank's gross NPLs amounted to ₹32.20 billion (U.S.\$0.38 billion). Segregation of NPAs based on the major lending programs of the Bank as of March 31, 2025 is as follows:

Lending Program	% to Total NPL	% of Bank's Gross Loans
Overseas investment finance	70.36%	1.20%
Term loan to exporters	9.14%	0.16%
Overseas Investment Finance.	15.64%	0.27%
Import Finance.	4.86%	0.08%
Export Facilitation	—	—
Total	100%	1.71%

Provisions for NPAs

The following table sets forth, for the periods indicated, movements in the Bank's provisions against NPAs.

	For the year ended March 31,		
	2023	2024	2025
	(₹ in millions)		
Specific provisions:			
Specific provisions at the beginning of the period . . .	43,470.00	47,490.00	26,440.00
Additions during the period.	26,679.00	2,991.00	5,769.75
Reductions during the period on account of recovery and write-offs	(22,659.00)	(24,041.00)	(2,539.75)
Specific provisions at the end of the period	47,490.00	26,440.00	29,670.00
Floating provisions:			
Floating provisions at the beginning of the period . . .	—	—	—
Additions during the period.	—	—	—
Utilizations during the period	—	—	—
Floating provisions at the end of the period	—	—	—
Total specific and floating provisions at the end of the period	47,490.00	26,440.00	29,670.00

	For the six months ended September 30,	
	2024	2025
	(₹ in millions)	
Specific provisions:		
Specific provisions at the beginning of the period	26,440.00	29,670.00
Additions during the period	4,718.66	403.22
Reductions during the period on account of recovery and write-offs	(1,088.66)	(6,043.22)
Specific provisions at the end of the period	30,070.00	24,030.00
Floating provisions:		
Floating provisions at the beginning of the period	–	–
Additions during the period	–	–
Utilizations during the period	–	–
Floating provisions at the end of the period	–	–
Total specific and floating provisions at the end of the period	30,070.00	24,030.00

The following table sets forth the classification of gross loan assets of the Bank at the dates indicated.

	As at March 31,		
	2023	2024	2025
	(₹ in billions)		
Standard.	1,335.75	1,571.45	1,854.86
Non-performing assets	56.97	31.01	32.20
Sub-standard assets.	35.32	1.96	3.11
Doubtful assets.	21.65	29.05	29.09
Loss assets.	–	–	–

	For the six months ended September 30,	
	2024	2025
	(₹ in billions)	
Standard.	1,622.40	1,667.92
Non-performing assets	33.44	24.23
Sub-standard assets.	4.05	0.32
Doubtful assets.	29.39	23.91
Loss assets.	–	–

The following table sets forth the Bank's NPAs for its ten largest accounts, broken down by industry, as of March 31, 2025.

	Gross Principal Outstanding
	(₹ in millions)
Industry	
Not Applicable	15,179.14
Cement	3,109.01
Power	2,833.90
Hospitality & Tourism	2,447.80
Power	1,697.02
Construction.	1,610.74
Not Applicable	1,285.32
Glass and Glassware	796.37
Capital goods	584.01
Capital goods	576.05
Grand Total	30,119.36

Recognition of NPAs and Provisioning

RBI Classification and Provisioning Requirements

The Bank classifies its assets in accordance with the RBI guidelines. Under these guidelines, an asset is classified as non-performing if any amount of interest or principal remains overdue for more than 90 days.

Assets are classified as described below:

Standard asset	A standard asset is one which does not disclose any problem and which does not carry more than normal risks attached to the business. Such asset is not an NPA.
Sub-standard asset	A sub-standard asset is one which has remained an NPA for a period of less than or equal to 12 months.
Doubtful asset	A doubtful asset is one which has remained in the sub-standard category for a period of 12 months and more.
Loss asset	A loss asset is one where loss has been identified by the Bank or internal or external auditors or the RBI inspection, but the amount has not been written off wholly. In other words, such an asset is considered uncollectible.

The following table provides a summary of the Bank's gross loan assets as of the dates indicated, in accordance with RBI classifications.

	As of March 31,		
	2023	2024	2025
	(₹ in millions)		
Asset Category			
Standard assets	1,335,749.26	1,571,450.19	1,854,863.50
Sub-standard assets	35,320.34	1,957.91	3,109.01
Doubtful assets	21,654.42	29,054.68	29,088.30
Loss assets	–	–	–

	For the six months ended September 30,	
	2024	2025
	(₹ in millions)	
Asset Category		
Standard assets	1,622,400.67	1,667,923.90
Sub-standard assets	4,048.85	320.71
Doubtful assets	29,392.52	23,909.42
Loss assets	–	–

The following table sets forth the Bank's provisions for possible credit losses (provisions on NPAs) at the dates indicated.

Asset Category	As of March 31,		
	2023	2024	2025
	(₹ in millions)		
Provision held	47,490.00	26,440.00	29,670.00
Provision held as percentage of gross advances	3.41%	1.65%	1.57%
Provision held as percentage of gross NPAs	83.35%	85.26%	92.15%

Asset Category	For the six months ended September 30,	
	2024	2025
	(₹ in millions)	
Provision held	30,070.00	24,030.00
Provision held as percentage of gross advances	1.82%	1.42%
Provision held as percentage of gross NPAs	89.92%	99.17%

Restructured Assets

The Reserve Bank of India (“RBI”) on June 7, 2019 issued a new prudential framework for the resolution of stressed assets, effectively replacing its February 12, 2018 circular and withdrawing with immediate effect schemes such as the corporate debt restructuring scheme, framework for Revitalizing Distressed Assets, Corporate Debt Restructuring Scheme, Flexible Structuring of Existing Long Term Project Loans, Strategic Debt Restructuring Scheme (“SDR”), Change in Ownership outside SDR, and Scheme for Sustainable Structuring of Stressed Assets (“S4A”). Accordingly, the Joint Lenders’ Forum (“JLF”) as mandatory institutional mechanism for resolution of stressed accounts also stands discontinued.

A fully secured Standard Asset can be restructured by rescheduling principal repayments and/or the interest element, but it must be separately disclosed as a restructured asset. The amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written-off, or provision is made to the extent of the sacrifice involved. Similar guidelines apply to sub-standard assets. The sub-standard accounts which have been subjected to restructuring, whether in respect of a principal installment or an interest amount, are eligible to be upgraded to the standard category only after all outstanding loans or facilities in the account from all lenders demonstrate satisfactory performance during the ‘monitoring period’ and ‘specified period’ as defined in the RBI circular dated June 7, 2019.

RBI on August 6, 2020 issued a framework for resolution of stressed assets on account of COVID-19. The period for invocation of resolution of eligible borrowers under this framework was till December 31, 2020. The sub-standard accounts which have been subjected to restructuring under this framework are eligible to be upgraded to standard category upon implementation of the resolution plan i.e. within 180 days from the date of invocation for corporate accounts. 50% of the provisions may be reversed upon repayment of 20% of the restructured debt, the other 50% may be reversed upon repayment of another 10% of the restructured debt, subject to asset classification being maintained.

Until April 1, 2015, regulatory guidelines allowed regulatory forbearance on asset classification of restructured accounts subject to certain conditions, i.e. standard accounts are allowed to retain their asset classification and NPA accounts are allowed not to deteriorate further in asset classification on restructuring. The asset classification benefit is also available on the change of date of commencement of commercial operation (“DCCO”) for projects under the infrastructure sector as well for projects under the non-infrastructure sector. The extant asset classification benefits available on restructuring on fulfilling certain conditions has been withdrawn for all restructurings effective from April 1, 2015 with the exception of provisions related to changes in DCCO in respect of infrastructure as well as non-infrastructure project loans.

Provisioning and Write-Offs

RBI guidelines on provisioning and write-offs are as follows:

Standard asset The general provisioning requirement for “standard advances” is 0.40%, with the exception of the banks direct advances to the agricultural and SME sectors. For specific sectors, such as commercial real estate, provisioning at 1.00% is required.

Sub-standard asset A general provision of 15.00% on the total outstanding amount and 25.00% of the outstanding on the “unsecured exposures” identified as “sub-standard.” Unsecured exposure is an exposure where realizable value of security is not more than 10.00%, ab initio, of the outstanding exposure.

Doubtful asset Provision at 100.00% of the extent to which the advances is not covered by realizable value of security. In regard to the secured portion, provision is to be made in accordance with the table below:

Period for which advance remained in “Doubtful” category	Provision requirement
	(%)
Up to one year	25
One to three years.	40
More than three years	100

Loss asset The entire asset is written off or 100.00% provision is made on the outstanding amount.

See “*Supervision and Regulation – RBI Regulations.*”

Floating Provisions

In June 2006, the RBI issued prudential norms on the creation and utilization of floating provisions (i.e., provisions which are not made in respect of specific non-performing assets or are made in excess of regulatory requirements for provisions for Standard Assets). The norms state that floating provisions can be used only for contingencies under extraordinary circumstances for making specific provisions in impaired accounts after obtaining approval from the Board of Directors and with the prior permission of the RBI. Floating provisions for advances and investments would be held separately and cannot be reversed by credit to the profit and loss account. Until utilization of such provisions, they can be netted out from gross non-performing assets to arrive at disclosure of net non-performing assets. Alternatively, floating provisions can be treated as part of Tier II capital within the overall ceiling of 1.25% of total risk-weighted assets.

Non-Performing Loans (“NPL”)

As of March 31, 2025, the Bank’s gross NPLs amounted to ₹32.20 billion (U.S.\$0.38 billion). Segregation of NPAs based on the major lending programs of the Bank as of March 31, 2025 is as follows:

Lending Program	% to Total NPL	% of Bank’s Gross Loans
Overseas investment finance	70.36%	1.20%
Term loan to exporters	9.14%	0.16%
Overseas Investment Finance.	15.64%	0.27%
Import Finance.	4.86%	0.08%
Export Facilitation	–	–
Total	100%	1.71%

Analysis of Non-Performing Loans by Industry Sector

The following tables set forth, for the periods indicated, the Bank's NPAs, by borrowers' industry or economic activity and as a percentage of its loans in the respective industry or economic activities sector. These figures do not include unclassified industry.

Name of Industry	As of March 31,								
	2023			2024			2025		
	Gross Loans	NPA	% of NPA in Industry	Gross Loans	NPA	% of NPA in Industry	Gross Loans	NPA	% of NPA in Industry
	(₹ in millions, except percentages)								
Hospitality and Tourism	2,670.53	2,670.53	100%	697.10	-	0%	3,269.70	2,447.80	74.86%
Trading	554.38	554.38	100%	554.38	554.38	100%	2,554.38	554.38	21.70%
Consultancy Services	322.26	322.26	100%	322.26	322.26	100%	532.26	322.26	60.55%
EPC Services	3,976.06	194.72	4%	5,153.96	153.05	2.97%	4,171.09	153.05	3.67%
Construction	11,591.96	5,495.75	47%	11,084.54	3,412.33	30.78%	16,895.65	1,988.26	11.77%
Renewable Energy	4,386.33	1,692.47	38%	8,121.83	-	0%	25,650.47	-	0%
Glass and Glassware	1,828.37	796.37	43%	2,921.97	796.37	27.25%	3,695.57	796.37	21.55%
Mining and Minerals	142.49	-	-%	869.98	-	0	3,194.76	-	0%
Agro and Food Processing	6,211.55	347.25	5%	14,377.88	312.60	2.17%	20,856.52	312.60	1.50%
Petrochemicals	22,677.82	5,490.98	24%	17,310.34	-	0%	15,325.73	-	0%
Power	15,869.43	5,370.43	33%	52,430.48	5,430.49	10.36%	72,463.95	4,530.92	6.25%
Textiles and Garments	20,424.43	147.28	0%	26,726.34	120.98	0.45%	30,649.49	120.98	0.39%
Capital	6,207.08	835.10	13%	13,168.38	1,237.25	9.40%	9,863.83	1,328.83	13.47%
Healthcare Services	3,400.32	445.77	13%	5,219.33	-	0%	11,838.10	-	0%
Chemicals and Dyes	44,513.98	-	-%	48,637.24	74.57	0.15	51,969.17	51.39	0.10%
Ferrous Metals and Metal									
Processing	41,585.80	345.00	0%	56,396.87	-	0%	87,768.73	-	0%
Gems and Jewelry	504.58	-	-%	511.30	-	0	209.63	-	0%
Software and ITES/KPO	17.00	17.00	100%	422.00	17.00	4.03%	2,494.50	17.00	0.68%
Engineering Goods	4,525.83	55.33	1%	8,830.92	-	0%	15,212.45	-	0%
Consumer Goods	3,232.02	-	-%	8,070.46	-	0	17,616.08	-	0%
Miscellaneous	1,872.99	-	-%	4,091.46	-	0	25,419.13	-	0%
Auto and Auto Components	21,548.88	509.55	2%	29,005.99	-	0%	27,481.74	-	0%
Non-Ferrous Metals and Metal									
Processing	1,794.40	-	-	17,571.53	-	0%	25,623.54	-	0%
Oil and Gas	4,141.19	-	-	13,370.35	-	0%	8,667.62	-	0%
Port Services	6,542.08	-	-	9,249.01	-	0%	20,909.96	-	0%
Drugs and Pharmaceuticals	21,739.78	63.97	0%	26,343.17	30.36	0.12%	38,668.45	-	0%
Plastic Products	2,646.86	-	-%	2,979.16	-	0%	5,365.24	-	0%
Printing and Publishing	161.56	-	-	265.06	-	0	520.02	-	0
Handicrafts	4.97	-	-	4.96	-	0	5	-	0
Paper and Paper Products	4,504.17	-	-	3,888.65	-	0	2,576.27	-	0
Shipping Services	9,896.04	-	-	11,447.08	-	0	7,163.58	-	0
Telecommunications	5,090.24	-	-	14,287.83	-	0	21,500.96	-	0
Others	1,118,138.65	31,620.63	3	1,185,615.72	16,065.73	1.36%	1,306,927.23	19,573.46	1.50%
Total	1,392,724.03	56,974.76	4.09%	1,602,462.78	31,012.59	1.94%	1,887,060.80	32,197.30	1.71%

Name of Industry	For the six months ended September 30,					
	2024			2025		
	Gross Loans	NPA	% of NPA in Industry	Gross Loans	NPA	% of NPA in Industry
	(₹ in millions, except percentages)					
Hospitality and Tourism	2,425.75	2,425.75	100%	2,520.61	2,520.61	100%
Trading	554.38	554.38	100%	2,089.00	–	0%
Consultancy Services	842.26	322.26	38.26%	322.26	322.26	100%
EPC Services	4,121.96	153.05	3.71%	4,159.53	153.05	3.68%
Construction	14,162.10	3,421.46	24.16%	14,702.68	2,065.43	14.05%
Renewable Energy	12,345.35	–	0%	19,063.58	–	0%
Glass and Glassware	3,578.77	796.37	22.25%	3,626.00	–	0%
Mining and Minerals	1,199.03	–	0%	7,778.40	–	0%
Agro and Food Processing	16,785.80	312.60	1.86%	3,343.10	312.60	9.35%
Petrochemicals	17,542.58	–	0%	17,176.16	–	0%
Power	52,607.22	4,475.31	8.51%	58,122.73	4,640.91	7.98%
Textiles and Garments	24,880.32	120.98	0.49%	24,425.67	114.78	0.47%
Capital	4,503.77	1,217.42	27.03%	9,401.49	1,351.49	14.38%
Healthcare Services	4,759.43	–	0%	3,318.65	–	0%
Chemicals and Dyes	45,940.88	63.77	0.14%	36,566.89	51.39	0.14%
Ferrous Metals and Metal Processing	62,253.62	–	0%	66,178.04	–	0%
Gems and Jewelry	440.57	–	0%	142.74	–	0%
Software and ITES/KPO	2,013	17.00	0.84%	–	–	0%
Engineering Goods	13,928.07	–	0%	14,194.32	–	0%
Consumer Goods	10,658.87	–	0%	7,926.74	–	0%
Miscellaneous	4,158.64	–	0%	1,468.21	–	0%
Auto and Auto Components	25,896.14	–	0%	25,783.80	267.20	1.04%
Non-Ferrous Metals and Metal Processing	19,963.16	–	0%	24,932.38	–	0%
Oil and Gas	7,305.76	–	0%	5,808.60	–	0%
Port Services	11,648.20	–	0%	25,975.83	–	0%
Drugs and Pharmaceuticals	24,720.19	–	0%	22,534.68	53.51	0.24%
Plastic Products	3,666.59	–	0%	2,085.62	–	0%
Printing and Publishing	423.09	–	0%	385	–	0%
Handicrafts	5.00	–	0%	–	–	0%
Paper and Paper Products	3,512.49	–	0%	2,258.77	–	0%
Shipping Services	6,040.78	–	0%	12,669.83	–	0%
Telecommunications	17,138.36	–	0%	13,107.10	–	0%
Others	1,235,819.91	19,561.02	1.58%	1,260,085.61	12,376.89	0.98%
Total	1,655,842.04	33,441.37	2.02%	1,692,154.02	24,230.12	1.43%

Top Ten Non-Performing Corporate Loans

The following table sets forth, for the period indicated information regarding its ten largest NPAs, classified by industry sector, as well as the value of the collateral securing the loan, as of March 31, 2025. However, the net realizable value of such collateral may be substantially less, if anything. See “Risk Factors – Risks Relating to the business of the Bank – The business of lending carries the risk of default by borrowers.”

Industry	Type of Banking Arrangement	Principal Outstanding Net of Provisions for Credit Losses		Security
		Outstanding	Provisions	
(₹ in millions)				
Not Applicable	Multiple Arrangement	15,179.14	12,651.84	2,527.30
Cement	Sole	3,109.01	3,109.01	–
Power	Consortium	2,833.90	2,833.90	–

Industry	Type of Banking Arrangement	Outstanding	Provisions	Principal Outstanding Net of Provisions for Credit Losses Security	
(₹ in millions)					
Hospitality & Tourism	Sole	2,447.80	2,447.80	–	2,109.10
Power	Multiple Arrangement	1,697.02	1,697.02	–	150.70
Construction	Sole	1,610.74	1,610.74	–	–
Not Applicable	Sole	1,285.32	1,285.32	–	–
Glass and Glassware	Consortium	796.37	796.37	–	660.81
Capital Goods	Multiple Arrangement	584.01	584.01	–	392.37
Capital Goods	Consortium	576.05	576.05	–	52.67
Total		30,119.36	27,592.06	2,527.30	23,441.63

NPA Reduction Strategy

The Bank adopts a multipronged approach in the resolution of its NPAs. The Bank is focused on the monitoring of loan accounts which are under stress and strengthening recovery measures for NPAs. The Bank has a dedicated SSG, which takes pro-active steps towards loan recovery as per the Board-approved Loan Monitoring and Recovery Policy and rehabilitation of NPAs which are viable. SSG also focuses on recovering from NPA accounts where legal action is contemplated. Monthly reviews of NPAs are done by the committee within the SSG. By setting up yearly targets for the recovery of NPAs, the Bank accords highest priority to the recovery of NPAs through a multipronged strategy comprising restructuring, legal action, sale of assets through court receiver, negotiations, one-time settlements, transfer/assignment of NPAs, possession and subsequent sale of assets under the provisions of the SARFAESI Act, filing suits against debtors and their directors, personal and corporate guarantors before the DRT and referring the company/guarantors to the NCLT under the IBC.

Exposure to National Company Law Tribunal Cases

Under the IBC, the 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 March 31, 2025 is as follows:

Particulars	Outstanding Amounts	Provision ⁽¹⁾ %	Net Book Value	Expected Recovery ⁽¹⁾
	(₹ billion)			
(A) Exim Loans admitted/referred to NCLT	4.42	100%	–	0.12
(B) Guarantors for Exim Loans	2.45	100%	–	1.90
Total	6.87	100%	–	2.02

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. See also "Risk Factors – The global outbreak of COVID-19 has adversely affected and may continue to adversely affect the Bank's business."

DESCRIPTION OF THE BANK'S LONDON BRANCH

Background

The Bank opened its representative office in London, United Kingdom, in November 2005, to maintain close contact with the Bank's constituents in Europe and identify business opportunities for the Bank. After obtaining the required regulatory approvals in India and the approval of the former Financial Services Authority (the FSA), United Kingdom, the representative office was converted into a branch on September 27, 2010. The London branch was the first overseas branch of the Bank to be opened. As of March 31, 2025, the total net loan assets of the London branch stood at approximately U.S.\$1,434.68 million.

The United Kingdom is an important trade partner for India. The Bank believes that London is a key international financial centre which offers access to a large pool of global businesses through transparent and highly liquid markets.

Key Objectives of the London Branch

Some of the key objectives of the London branch are:

- raising resources from financial institutions such as banks, financial institutions, etc. and fund management;
- financing overseas subsidiaries, joint ventures of Indian corporates for their investment out of India and other corporates for their trade with India; and
- extending LOCs and buyer's credit to entities outside India for financing imports from India.

Regulation of the London Branch

The London branch operations are governed by the corporate policies of the Bank framed by the Head Office in India.

The London Branch had received permission from the erstwhile FSA, to undertake the following regulated activities in the UK:

- accepting deposits (limited to wholesale business); and
- dealing in investments as principal.

Since the branch was not undertaking any of the above activities, the branch decided to surrender the authorization to undertake the above activities and accordingly it filed an application for cancellation of the authorization with the UK Regulators on March 31, 2015, which was accepted on December 23, 2015. Thus with effect from December 23, 2015 the London Branch is not authorized and regulated by the Prudential Regulatory Authority and the Financial Conduct Authority and is regulated only by the RBI.

The branch is registered with the FCA as an Annex I financial institution under the money laundering regulations and continues to be governed by the applicable money laundering legislations including but not limited to the Proceeds of Crime Act 2002, Terrorism Act 2000, Counter Terrorism Act 2008 and the Money Laundering Regulations 2017 of the United Kingdom as amended from time to time. The branch is also registered with the Information Commissioner in compliance with the provisions of the UK Data Protection Act 2018.

MANAGEMENT AND EMPLOYEES

The Bank is fully owned by the Government and is managed by a Board of Directors with representation, inter alia, from the Government, the RBI, IDBI Bank Ltd (“IDBI”), ECGC Limited (“ECGC”), other banks and domain experts. The Bank’s operations are organized into the following operating divisions: project exports, LOCs, corporate banking and marketing advisory services groups, which are in turn supported by research and analysis, treasury and accounts, information technology and corporate services groups.

Key Managerial Personnel (as on March 31, 2025)

<u>Name</u>	<u>Function</u>	<u>Qualifications</u>	<u>Joining</u>	<u>Experience</u>
Ms. Harsha Bangari Managing Director	Supervision of the Bank’s operations and activities of various divisions of the Bank	B. Com., C.A.	January 25, 1995	30
Mr. Tarun Sharma Deputy Managing Director	Supervision of the Bank’s operations and activities of various divisions of the Bank	B.E., P.G.P.M. S	May 12, 1999	26
Ms. Deepali Agrawal Deputy Managing Director	Supervision of the Bank’s operations and activities of various divisions of the Bank	B. Com., MMS	May 25, 1995	30
Mr. Mukul Sarkar Chief General Manager	Supervision of the Bank’s Risk Management and Strategy division	B. Tech., MBA	August 24, 1998	27
Mr. David Sinate Chief General Manager	Supervision of the Bank’s Research and Analysis division	B.A., M.A.	October 5, 1998	26
Ms. Rima Marphatia Chief General Manager	Supervision of the Bank’s Internal Audit division	ICWAI, PGDM	June 1, 1990	35
Ms. Manjiri Bhalerao Chief General Manager	Supervision of the Bank’s Compliance Division and head – ESG Group	B.E., MIB, CAIIB	May 27, 1997	28
Mr. Gaurav Bhandari Chief General Manager	Supervision of the Bank’s Treasury and Accounts Division	ICWAI, PGDM, CAIIB	July 7, 2000	25
Mr. Utpal Gokhale Chief General Manager	Supervision of the Bank’s Research and Analysis division	B.E., PGDM	May 4, 1995	30
Mr. Vikramaditya Ugra Chief General Manager	Supervision of the Bank’s LOCs division	B.A., MMS	June 3, 1996	29
Mr. Lokesh Kumar Chief General Manager	Supervision of the Bank’s Infrastructure Group and Administration at the Bank’s New Delhi Office	B.Sc. Engineering, PG Diploma in Financial Management, MBA, CAIIB	April 7, 2008	17
Mr. Rikesh Chand Chief General Manager	Supervision of the Bank’s Credit Appraisal division and the Buyer’s Credit under the National Export Insurance Account program of the Bank	B. E., CAIIB	July 5, 2004	21
Ms. Meena Verma General Manager	Supervision of the Bank’s Corporate Loan Monitoring division	B. Com., MBA	June 27, 2005	20

<u>Name</u>	<u>Function</u>	<u>Qualifications</u>	<u>Joining</u>	<u>Experience</u>
Mr. T.D. Sivakumar Chief General Manager	Supervision of the Bank's Corporate Communications Group & International Relations Group, Secretary to the Board along with SEBI Listing Obligations and Disclosures Requirements	B.Tech., MBA	May 25, 2000	25
Mr. Dharmendra Sachan General Manager	Supervision of the Bank's grassroots initiatives and development, Knowledge Centre and Special Projects (Sustainability and Portal) divisions and Marketing Advisory Services	B. Com. B.L.I.Sc. M.L.I.Sc, Diploma in Computer Science	September 1, 2004	21
Shri Sujeet V. Bhale Manager	Supervision of the Bank's Digital & Technology Group	B.E., MBA, PGDBTM, CAIIB	January 06, 2012	13
Ms. Shilpa Waghmare General Manager	Supervision of the Bank's Special Situations Division	B. Com, MBA, CAIIB	November 15, 2011	13
Mr. Uday Shinde Manager	Supervision of the Bank's Human Resources Management Division	B. Com., M.A. (PM&IR)	May 15, 1997	28
Mr. Nirmal Ved Manager	Supervision of the Bank's LOCs division and Government Affairs Cell division	B. Com, MMS, MBF	August 23, 2000	25
Ms. Priti Thomas Manager	Supervision of the Bank's Legal Division	B.A., L.L.B, JAIIB	May 15, 2000	25
Mr. Manish Joshi Manager	Supervision of the Bank's Credit Appraisal division	B.E., EPGP in Finance, CAIIB	July 1, 2011	14
Mr. Amrisha Bhandari General Manager	Supervision of the Bank's Credit Appraisal division and Project Exports Group	B.Sc. MBA (Finance), JAIIB	July 20, 2007	18
Mr. Navendu Bajpai Manager	Supervision of the Bank's Administration and Rajbhasha Group	Master in Hindi	June 1, 2006	19
Ms. Bakhtavar Patel Manager	Supervision of the Bank's Treasury Division	B. Com, CA, JAIIB	May 11, 2005	20
Ms. Trupti Mhatre Manager	Supervision of the Bank's Trade Assistance Programme	B.Com., C.A.	April 21, 2003	22
Mr. Sailesh Prasad Manager	Supervision of the Bank's Sustainable Enterprise and Export Development Group	B.Sc., MBA	June 10, 2002	23

Board of Directors

Under section 6(1) of the Act, the Board of Directors of the Bank shall consist of the following; namely:

- (a) a chairman and a managing director appointed by the Government;
- (b) two full-time directors appointed by the Government;
- (c) one director nominated by the RBI;
- (d) one director nominated by the Development Bank;
- (e) one director nominated by the ECGC Limited;

- (f) not more than 12 directors nominated by the Government of whom:
- (i) five directors shall be officials of the Government;
 - (ii) not more than three directors shall be from the scheduled banks; and
 - (iii) not more than four directors shall be persons who have special knowledge of, or professional experience in, export or import or financing thereof.

As of March 31, 2025, the Bank's Board of Directors are as below:

Name of Director	Designation
Mr. Dammu Ravi	Secretary (ER), Ministry of External Affairs, Government of India
Ms. Himani Pande	Additional Secretary, Department for Promotion of Industry and Internal Trade, Ministry of Commerce & Industry
Shri Vipul Bansal	Joint Secretary, Department of Commerce, Ministry of Commerce & Industry
Ms. Aparna Bhatia	Adviser, Department of Economic Affairs, Ministry of Finance, Government of India
Dr Abhijit Phukon.	Economic Adviser, Department of Financial Services, Ministry of Finance, Government of India
Mr. R. Subramanian	Executive Director, Reserve Bank of India
Mr. Sristiraj Ambastha	Executive Director, (Policy Matters) & Chairman-cum-Managing Director (Additional Charge), ECGC Limited
Mr. Dinesh Kumar Khara	Chairman, State Bank of India
Mr. Rakesh Sharma.	Managing Director & CEO, IDBI Bank Limited
Mr. Matam Venkata Rao	Managing Director & CEO, Bank of India
Mr. Ashok Kumar Gupta	Non-Official Director
Ms. Harsha Bangari	Managing Director, Export-Import Bank of India
Mr. Tarun Sharma.	Deputy Managing Director, Export-Import Bank of India

Employees

As of March 31, 2025, the Bank had a total staff of 353 permanent employees. The Bank's professional staff largely comprises specialists, including engineers, economists, bankers, chartered accountants, business school graduates, human resources specialists, legal experts, linguists and information technology experts. The Bank believes that it has good relations with its employees, and the work environment is conducive to learning and growth. The Bank does not have a labor union, and it has not entered into any collective bargaining agreements with its employees. The Bank has never experienced a strike.

Committees

Under the Act, the Board of Directors may constitute such committees for such purposes as it may think fit. The Management Committee of the Board of Directors, consisting of the Bank's Chairman, Managing Director of the Bank and not more than seven directors, manages the usual business of the Bank including credit decisions, except for such business matters specifically reserved for the control consideration of the full Board of Directors by the Act or Regulations thereunder. Corporate governance is administered through the Bank's Audit Committee. The Audit Committee of the Board looks after the overall supervision of internal control and systems of the Bank and provides direction as also oversees the operation of the total audit function in the Bank, including the organization, operations, quality control of internal audit and follow-up of the statutory audit of the Bank and inspection of RBI. The risk management oversight is through the Risk Management Committee of the Board. The Board of Directors has also constituted an Executive Committee and a Credit Committee, comprising Deputy Managing Director, Chief General Managers, General Managers and Deputy General Managers, with the delegated authority to approve business and other proposals. To facilitate the effective and timely appraisal of business and other proposals, and to achieve a coordinated decision-making process across divisional groups and regional offices, the Bank has established multi-disciplinary groups in different functional areas, such as its Loan Evaluation Committee and Project Evaluation Committee.

INDUSTRY OVERVIEW

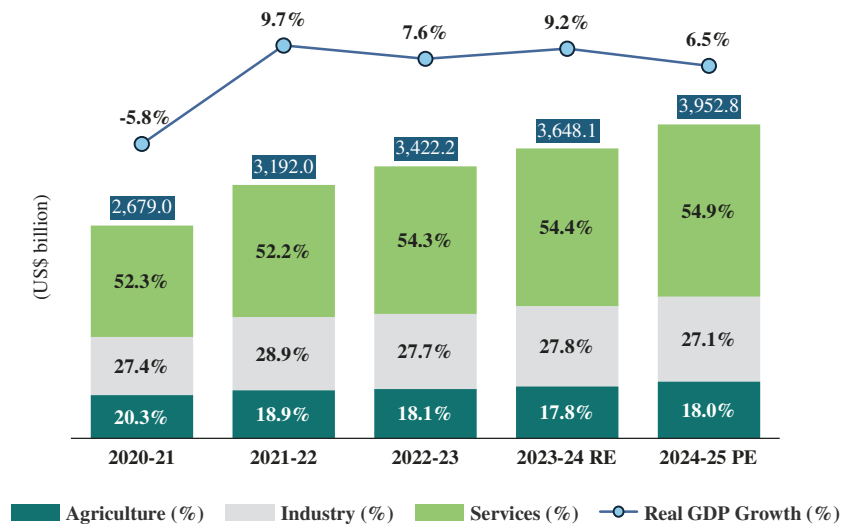
The information presented in this section has been extracted from publicly available documents, information and statistics from various sources, including officially prepared materials from the Government and its various ministries, the RBI and the Indian Banks Association, and other Indian bodies and 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.

The Indian Economy

Growth

India has an estimated population of 1.5 billion people in fiscal year 2025. The Indian economy is the fifth largest economy in the world based on nominal GDP at U.S.\$3.9 trillion for CY2024 (Source: *The International Monetary Fund's World Economic Outlook, October 2025 Update*). Real GDP growth is expected to be in the range of 6.8% (IMF data) for FY2025-26. According to IMF, the global real GDP growth is estimated to be at 3.1% in CY2025 and CY2026, respectively (Figure 2). According to Ministry of Statistics and Program Implementation (“MOSPI”), India’s fiscal year 2025 real GDP growth is estimated at 6.5% with services, industry and agriculture constituting 54.9%, 27.1% and 18.0% of GDP, respectively (Figure 1).

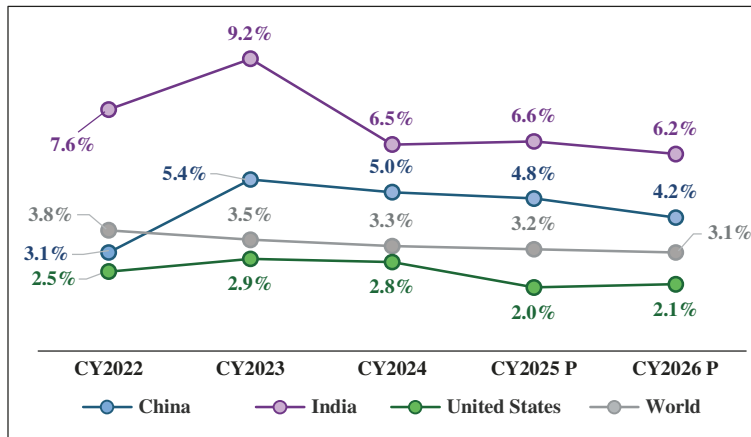
Figure 1: GDP Constituents and Growth



Note:

(1) RE: Revised Estimates and PE: Provisional Estimates

(Source: IIF and Ministry of Statistics and Programme Implementation (MOSPI))

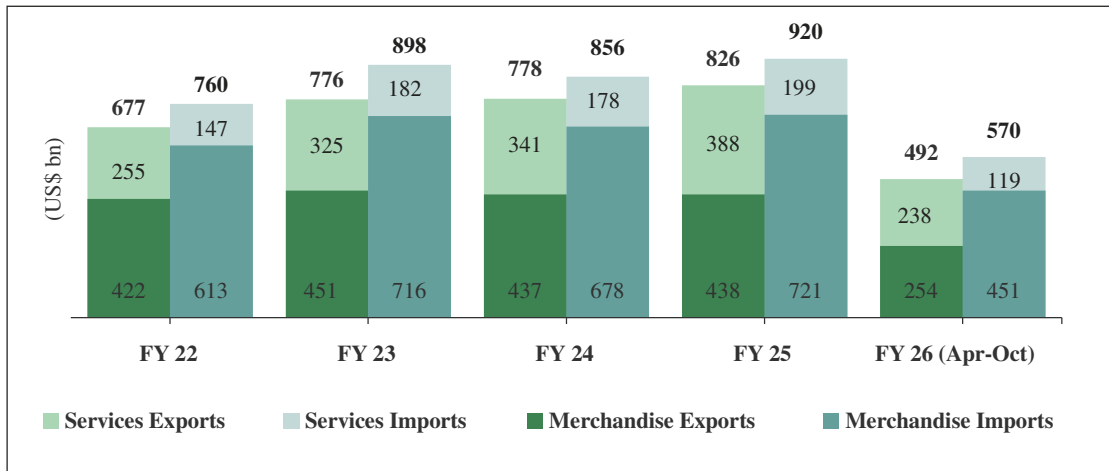


(Source: IMF World Economic Outlook October 2025)

Note:

(1) P – International Monetary Fund (IMF) Projections; Data for calendar year

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

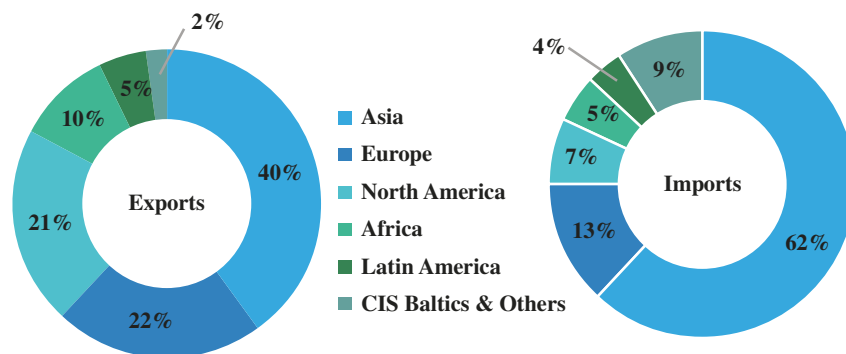


(Source: MOCI and Balance of Payments Statistics, RBI)

Merchandise Trade: In fiscal year 2025, exports were U.S.\$438 billion and imports value stood at U.S.\$721 billion. In fiscal year 2025, trade deficit due to merchandise trade was U.S.\$283 billion. Petroleum crude and products was the most imported merchandise with U.S.\$186 billion values of merchandise imported in fiscal year 2025.

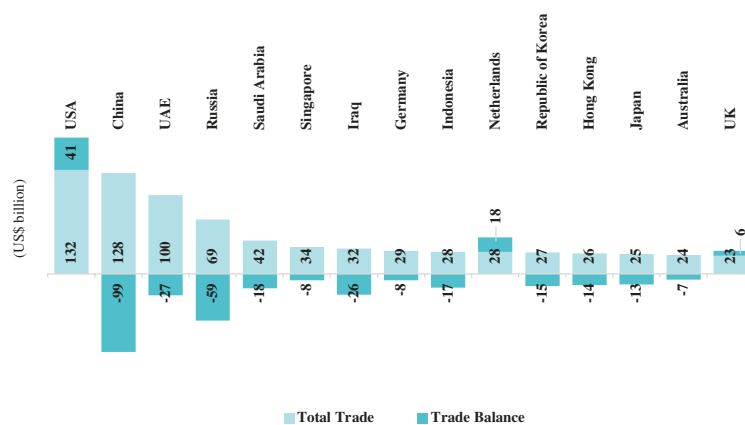
USA and China have been the major trade partners in fiscal year 2025 with a trade volume of U.S.\$132 billion and U.S.\$128 billion respectively in fiscal year 2025. (Source: India Trade, Ministry of Commerce and Industry).

Figure 4: Regional Trade Direction



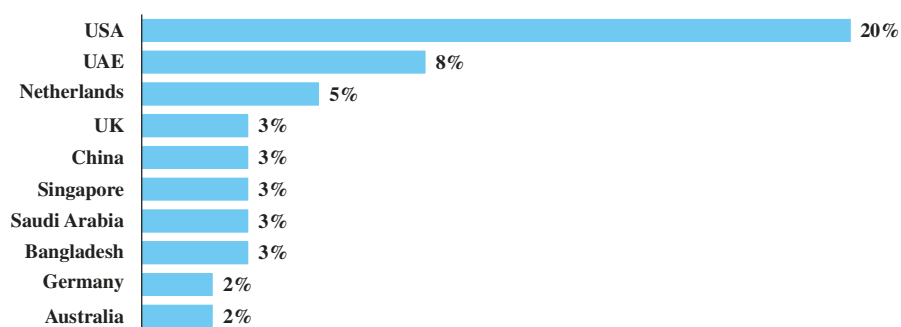
(Source: MOCI)

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



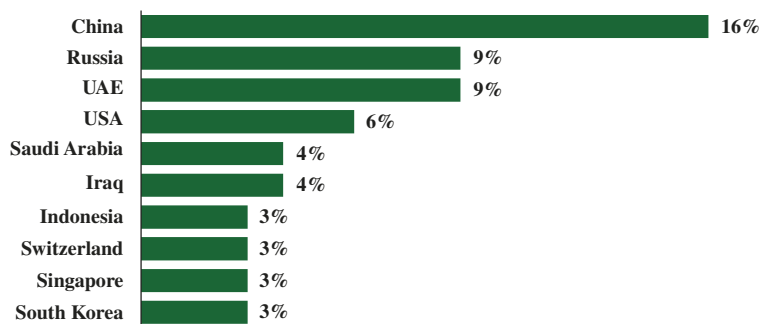
(Source: MOCI)

Figure 6: FY25 India's Export Markets (% share in total exports of India)



(Source: MOCI)

Figure 7: FY25 India's Import Sources (% share in total imports by India)

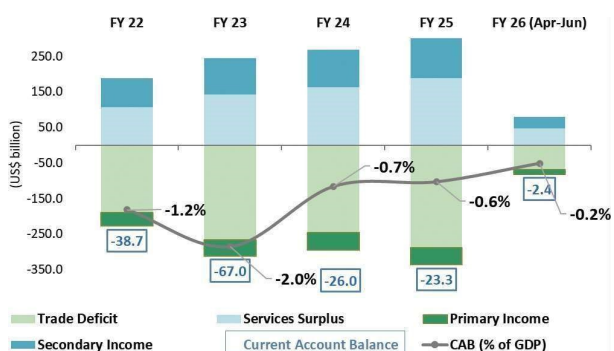


(Source: MOCI)

Services Trade: In fiscal year 2025, exports are estimated to be U.S.\$388 billion. Imports are estimated to be U.S.\$199 billion. Net of Services in fiscal year 2025 is U.S.\$189 billion. (Source: Ministry of Commerce & Industry)

Balance of Payments during 2024-2025: India recorded a current account deficit of 0.6% of GDP in fiscal year 2025 as against a deficit of 0.7% in fiscal year 2024 on the back of widening services trade surplus (Figure 8).

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 2025-26)

Inflation

- CPI inflation for fiscal year 2025 decreased to 2.6%, from 3.1% annual average CPI headline inflation in fiscal year 2024. Headline inflation declined for 9 consecutive months to reach an 8-year low of 1.6% in July 2025 before edging up to 2.1% in August. While the inflation was earlier projected at 3.8% (Q4 FY 2024-25) and 3.6% (Q1 FY 2025-26), the actual outcomes were lower by 90 bps. The fall was driven by a steep, prolonged 9-month food price decline of 10.5%, the longest in the CPI series.
- Improved domestic food supply chain logistics, a good kharif harvest, and above-normal water reservoirs bode well for low food inflation in the coming quarters. Crude prices are also expected to remain stable, with a downward bias. Core (CPI excluding food and fuel) inflation remained contained at 4.2% in August 2025, despite pressures from higher prices of gold and silver.
- In a span of 10 months, headline inflation moderated from 6.2% in October 2024 to 1.6% in July 2025 before increasing to 2.1% in August. This sharp disinflation was solely brought about by the precipitous decline in food inflation. This unexpectedly swift moderation and its continuation over an extended period suggests that the food inflation trajectory is likely to be more benign than what was anticipated earlier.
- CPI headline inflation declined to 2.1% in August 2025 after registering its eight-year low of 1.6% in July 2025. Core (CPI excluding food and fuel) inflation remained contained at 4.2% in August 2025.
- Milder summer temperatures further eased seasonal price pressures, keeping realised inflation below expectations in Q1 and Q2 FY 2025-26.
- GST rate rationalisation from September 22, 2025, has simplified taxes and lowered consumer prices, directly impacting around 11.4% of the CPI basket across product groups.
- Considering these factors, inflation is now projected at 2.6% in 2025-26, with Q3 at 1.8%; Q4 at 4.0% (*Source: RBI Monetary Policy Minutes, October 2025*).

Key Macroeconomic Metrics

- General Government Debt: Government debt as a % of GDP is estimated to increase to 81.6% in fiscal year 2025 against 80.7% in fiscal year 2024. External Debt and External Reserves: As of March 31, 2025, India's external debt was placed at U.S.\$736.3 billion, recording an increase of U.S.\$67.5 billion over its level at end-March 2024. On the other hand, external reserves increased to U.S.\$668 billion in March 2025 from U.S.\$646 billion in March 2024 (*Source: RBI/Ministry of Finance*). External Reserves to External Debt stands at 90.8% as of March 2025. As of March 31, 2025, 85% of the external reserves are in the form of Foreign Currency Assets, followed by 12% in the form of Gold. As of March 31, 2025, External Debt was mainly composed of Commercial borrowings (40%), non-resident (22%) and short-term (18%) (*Source: RBI/Ministry of Finance*).

Figure 9: Composition of External Reserves as of June 2025 (Source: RBI)

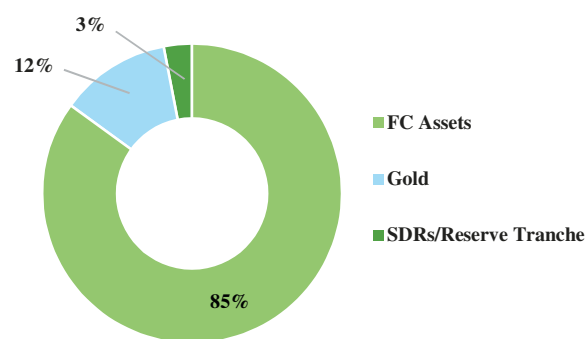
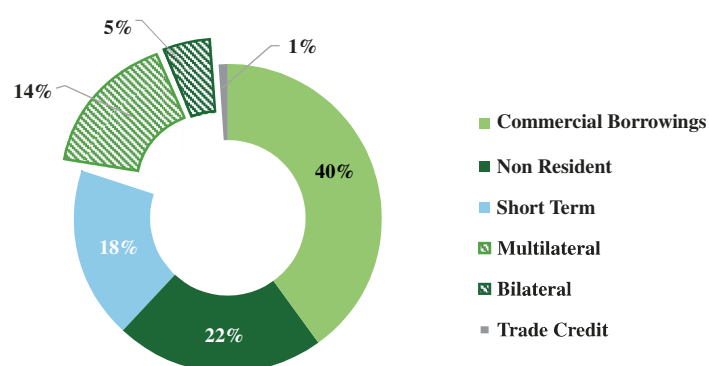


Figure 10: Composition of External Debt as of June 2025 (Source: RBI)



Key Parameters	FY23	FY24	FY25	Change in bps
Gross Fixed Capital Formation (% of GDP) ⁽¹⁾ ..	33.6	33.5	33.7	20 bps
Fiscal Deficit (% of GDP) ⁽²⁾	6.4	5.8	4.8	(80 bps)
Revenue Deficit (% of GDP) ⁽²⁾	4.0	2.6	1.9	(70 bps)
FDI Inflows (U.S.\$ billion) ⁽³⁾	71.4	71.3	81.0	13.6%
Net Portfolio Investments (U.S.\$ billion) ⁽³⁾	(5.2)	44.0	2.7	(93.9%)
Exchange Rate (INR/U.S.\$, average) ⁽⁴⁾	80.4	82.8	84.6	2.1%

(Sources: (1) Ministry of Statistics and Programme Implementation (MOSPI); (2) Union Budget 2025-26; (3) Reserve Bank of India; (4) IMF Fiscal Monitor October 2025)

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.

Key Banking Sector Parameters

<i>Key Parameters (in %, unless stated otherwise)</i>	<i>FY23</i>	<i>FY24</i>	<i>FY25</i>	<i>Change</i>
<i>Banking Sector (% of GDP)</i>	90.2	95.1	–	–
<i>Credit Deposit Ratio</i>	75.8	78.1	79.1	100 bps
<i>Banking Sector CRAR</i>	17.2	16.8	17.3	50 bps
<i>Banking Sector Net NPAs</i>	1.0	0.6	0.5	(10 bps)
<i>Provisioning Coverage Ratio</i>	74.1	76.2	76.3	10 bps
<i>NBFC (% of GDP)</i>	16.2	17.2	–	–
<i>NBFC CRAR</i>	27.5	26.9	25.8	(110 bps)
<i>NBFC Net NPAs</i>	1.6	1.1	–	–

(Source: Reserve Bank of India, Press Releases and Online Database (accessed online on 26/05/2025))

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 March 2025, there were 135 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 163,721 reporting offices, and approximately 62.5% of these reporting offices were located in rural or semiurban areas of the country as of March 2025. A large number of these branches belong to the public sector banks; 86,082 offices of public sector banks as of March 31, 2025 (*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 53.7% of gross bank credit and 57.8% of the aggregate deposits of the scheduled commercial banks as of June 30, 2025. 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, 2025, RRBs accounted for 2.9% 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, 2025, there was a total of 21 private banks.

As of March 31, 2025, private sector banks accounted for approximately 34.8% 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, 2025, there were 44 foreign banks operating in India. As of March 31, 2025, they accounted for 4.7% 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 September 30, 2025, there were about 9,135 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, participation 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 March 31, 2025, 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

There are presently 60 insurers in operation, comprising 25 life insurers, 25 general insurers, 7 standalone health insurers and 3 reinsurers. 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. During 2032, the market share of private players increased from 16.3%% in fiscal 2023 to 35.9% in fiscal 2023. While 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. The overall size of the Indian mutual fund industry has grown from ₹13.24 trillion as on 31 October 2015 to ₹79.88 trillion as on 31 October 31 2025, more than 6 fold increase in a span of 10 years (*Source: Association of Mutual Funds in India*)

The number of investor folios has gone up from 8.32 crore folios as on May 31, 2019 to 18.60 crore as on May 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 10.7% in the period of March 31, 2024, to March 31, 2025. As of the end of March 2025, the credit-deposit ratio for scheduled commercial banks was 79.8%, compared to 79.6% in the previous year (*Source: SCBs Basic Statistical Return, DBIE, RBI*).

From March 31, 2024, to March 31, 2025, private sector scheduled commercial banks recorded credit growth of 9.5%, public sector banks recorded 12.2% credit growth in the same time period.

Interest Rates and Inflation

Headline Inflation: Year-on-year inflation rate based on All India Consumer Price Index (CPI) for the month of September, 2025 over September, 2024 is 1.44% (Provisional). There is decrease of 63 basis points in headline inflation of September, 2025 in comparison to August, 2025. It is the lowest year-on-year inflation after June, 2017.

The Survey of Professional Forecasters conducted by the RBI, referred earlier, provides an assessment of headline inflation in 2024-25. The median YOY CPI inflation rate in 2024-25 estimated from the survey is 4.5%, the same level as estimated in the previous round of the survey in March. The expected ‘inflation rate’ for CPI excluding food, fuel and pan, tobacco and intoxicants is below 4%.

Asset Quality

SCBs’ gross non-performing assets (GNPA) ratio continued to decline to a multi-decadals low of 2.3% and the net non-performing assets (NNPA) ratio to 0.5% in March 2025. The provisioning coverage ratio (“PCR”) of SCBs taken together increased from 76.2% in March 2024 to 76.3% in March 2025 (*Source: RBI Financial Stability Report, June 2025*).

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 17.3% and 14.7%, respectively, in March 2025. The resilience of the non-banking financial companies (NBFCs) sector improved with CRAR at 25.8%.

The net interest margin (NIM) of SCBs remained high in March 2025 at 3.5%. The return on assets (RoA) and return on equity (RoE) declined slightly by 1.4 per cent and 13.6 per cent, respectively, in March 2025. (Source: RBI Financial Stability Report June 2025).)

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 UCB ‘s 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) at 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) at 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) at 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) at 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) at 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) at 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) at 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) at 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 had 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, remained 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 2025 held on August 6-8, 2024

- Keep the policy repo rate unchanged under the liquidity adjustment facility (LAF) at 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 per cent in June 2024 after remaining steady at 4.8 per cent 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 per cent 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 2025 held on October 7-9, 2024

- Keep the policy repo rate unchanged under the liquidity adjustment facility (LAF) at 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 per cent in July and August respectively from 5.1 per cent in June.

Fifth Bi-monthly Monetary Policy Statement for Fiscal 2025 held on December 4-6, 2024

- Keep the policy repo rate unchanged under the liquidity adjustment facility (LAF) at 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 per cent in October from 5.5 per cent in September and sub-4.0 per cent prints in July-August, propelled by a sharp pick-up in food inflation and an uptick in core (CPI excluding food and fuel) inflation.

Sixth Bi-monthly Monetary Policy Statement for Fiscal 2025 held on February 5-7, 2025

- The MPC voted to reduce the policy repo rate by 25 basis points (bps) to 6.25%.
- 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 continue with the neutral monetary policy stance and remain unambiguously focussed on a durable alignment of inflation with the target, while supporting growth
- Headline inflation softened sequentially in November-December 2024 from its recent peak of 6.2 per cent in October. The moderation in food inflation, as vegetable price inflation came off from its October high, drove the decline in headline inflation. Core inflation remained subdued across goods and services components and the fuel group continued to be in deflation.

First Bi-monthly Monetary Policy Statement for Fiscal 2026 held on April 7-9, 2025

- The MPC voted to reduce the policy repo rate by 25 basis points (bps) to 6.00%.
- Consequently, the standing deposit facility (SDF) rate was adjusted to 5.75% and the marginal standing facility (MSF) rate and the Bank Rate to 6.25%.
- The MPC also decided to change the stance from neutral to accommodative.
- CPI headline inflation declined by a cumulative 1.6 percentage points during January-February 2025, from 5.2 per cent in December 2024 to a low of 3.6 per cent in February 2025. On the back of a strong seasonal correction in vegetable prices this year, food inflation dropped to a 21-month low of 3.8 per cent in February. Fuel group continued to remain in deflation. Core inflation, after remaining steady in December 2024-January 2025, inched up to 4.1 per cent in February 2025, driven primarily by a sharp pick-up in gold prices.

Second Bi-monthly Monetary Policy Statement for Fiscal 2026 held on June 4-6, 2025

- The MPC voted to reduce the policy repo rate by 50 basis points (bps) to 5.50%.
- Consequently, the standing deposit facility (SDF) rate was adjusted to 5.25% and the marginal standing facility (MSF) rate and the Bank Rate to 5.75%.
- The MPC also decided to change the stance from accommodative to neutral.

- CPI headline inflation continued its declining trajectory in March and April, with headline CPI inflation moderating to a nearly six-year low of 3.2 per cent (year-on-year) in April 2025. This was led mainly by food inflation which recorded the sixth consecutive monthly decline. Fuel group witnessed a reversal of deflationary conditions and recorded positive inflation prints during March and April, partly reflecting the hike in LPG prices. Core inflation remained largely steady and contained during March-April, despite increase in gold prices exerting upward pressure.

Third Bi-monthly Monetary Policy Statement for Fiscal 2026 held on August 4-6, 2025

- The policy repo rate kept unchanged under the liquidity adjustment facility (LAF) at 5.50%.
- Consequently, the standing deposit facility (SDF) rate remained unchanged at 5.25% and the marginal standing facility (MSF) rate and the Bank Rate at 5.75%.
- The MPC also decided to continue with the neutral stance.
- CPI headline inflation declined for the eighth consecutive month to a 77-month low of 2.1 per cent (y-o-y) in June 2025. This was driven primarily by a sharp decline in food inflation led by improved agricultural activity and various supply side measures. Food inflation recorded its first negative print since February 2019 at (-) 0.2 per cent in June. High-frequency price indicators signal a continuation of the lower price momentum in food prices this year to July as well. Core inflation, which remained within a narrow range of 4.1-4.2 per cent during February-May, increased to 4.4 per cent in June, driven partly by a continued increase in gold prices.

Fourth Bi-monthly Monetary Policy Statement for Fiscal 2026 held on September 29 – October 1, 2025

- The policy repo rate kept unchanged under the liquidity adjustment facility (LAF) at 5.50%.
- Consequently, the standing deposit facility (SDF) rate remained unchanged at 5.25% and the marginal standing facility (MSF) rate and the Bank Rate at 5.75%.
- The MPC also decided to continue with the neutral stance.
- Headline CPI inflation declined to its eight-year low of 1.6 per cent (y-o-y) in July 2025 before rising to 2.1 per cent in August – its first increase after nine months. Benign inflation conditions during 2025-26 so far have been primarily driven by a sharp decline in food inflation from its peak of October 2024. Inflation within the fuel group moved in a narrow range of 2.4-2.7 per cent during June-August. Core inflation remained largely contained at 4.2 per cent in August. Excluding precious metals, core inflation was at 3.0 per cent in August.

Outlook towards Fiscal Year 2025-26

As per RBI, the economic outlook for 2025-26 (as of September 2025) remains resilient supported by domestic drivers, despite weak external demand. Domestic growth is performing well due to strong consumption, investments, and government spending, with supportive factors like a good monsoon, GST 2.0, better credit flow, and rising capacity utilization sustaining the positive outlook. Consumers' optimism for the year ahead, which is measured by the future expectations index, strengthened further for both urban and rural households, remaining in optimistic territory. Real gross domestic product (GDP), driven by strong private consumption and fixed investment, recorded a robust growth of 6.8% for FY 2025-26 (Q1: 7.8%, Q2: 7.0%, Q3: 6.4%, Q4: 6.2%), while FY 2026-27 is estimated at 6.6%, assuming normal monsoon and stable conditions. The spatial and temporal distribution of monsoon has generally been positive for agricultural activity and rural demand. Along with congenial financial conditions, several growth-supportive policies undertaken by the Government and the Reserve Bank should also be a catalyst for a turnaround in private investment sentiments. On the supply side, growth in gross value added (GVA) at 7.6% was led by a revival in manufacturing and steady expansion in services. Rural demand remains strong, riding on a good monsoon and robust agriculture activity, while urban demand is showing a gradual revival. Available high frequency indicators suggest that economic activity continues to remain resilient. Rural demand remains strong, riding on a good monsoon and robust agriculture activity, while urban demand is showing a gradual revival.

Investment activity, as suggested by healthy growth in construction indicators i.e., cement production and steel consumption in July-August, is holding up well even though production and import of capital goods witnessed some moderation. Recovery in manufacturing sector continues while services activity is sustaining its momentum. An above normal monsoon, good progress of kharif sowing and adequate reservoir levels have further brightened prospects of agriculture and rural demand. Buoyancy in services sector coupled with steady employment conditions are supportive of demand, which is expected to get a further boost from the rationalisation of goods and services tax (GST) rates. Rising capacity utilisation, conducive financial conditions, and improving domestic demand are expected to continue to facilitate fixed investment.

However, ongoing tariff and trade policy uncertainties may impact external demand for goods and services. Prolonged geopolitical tensions and volatility in international financial markets caused by risk-off sentiments of investors also pose downside risks to the growth outlook. Taking all these factors into account, the RBI has projected the real GDP growth for 2025-26 at 6.8% (from earlier estimate of 6.5%).

Headline inflation in September fell sharply to its lowest level since June 2017 and remained below the target for the eighth consecutive month at 1.44%. The deflation in food was the key driver of the softening in headline inflation. Core inflation (CPI excluding food and fuel inflation) edged up to 4.26%, reflecting the combined effect of gold price inflation as well as the significant pick-up in housing inflation. The recently implemented GST rate rationalisation is expected to lead to a reduction in prices of several items in the CPI basket. CPI inflation for 2025-26 is projected by the RBI at 2.6% (with Q2 at 1.8%; Q3 at 1.8%; and Q4 at 4.0%). CPI inflation for Q1:2026-27 is projected at 4.5%). The implementation of several growth-inducing structural reforms, including streamlining of GST are expected to offset some of the adverse effects of the external headwinds.

Notwithstanding intermittent phases of appreciation, the Indian Rupee (INR) depreciated vis-à-vis the US dollar during April-September 2025, largely owing to global trade uncertainties and capital outflows. Going ahead, volatility in global financial markets owing to slowing global trade and demand may exert downward pressure on the currency. This may be exacerbated by growing risk aversion to emerging market economies among global investors. Higher international crude oil prices due to sanctions and persisting geopolitical tensions may also contribute to weakening of the INR.

India's current account deficit moderated to US\$2.4 billion (0.2% of GDP) in Q1:2025-26 as compared with US\$8.6 billion (0.9% of GDP) in Q1:2024-25 due to increased net services surplus and strong remittance receipts despite higher merchandise trade deficit. Net FPI recorded outflows of US\$3.9 billion in 2025-26 so far (April 01-September 29) due to outflows in both equity and debt segments. As of September 2025, India's foreign exchange reserves stood at US\$700.2 billion, sufficient to cover more than 11 months of merchandise imports. Overall, India's external sector continues to be resilient.

Developments in the Banking Sector

Introduction – Growth in the Indian Economy

Indian economy exhibited resilience during 2024-25, supported by strong macroeconomic fundamentals and proactive policy measures, amidst protracted geopolitical tensions and geoeconomic fragmentation. Inflation moderated during the year, moving closer to the target, largely due to easing input cost pressures, proactive supply-side measures and the continued impact of past monetary policy actions. The strength of the financial sector, reflected in improved asset quality and well capitalized banks, further supported economic activity. Amidst multiple global headwinds, the Indian financial markets demonstrated resilience and orderly movements. The Government of India sustained its fiscal consolidation efforts, supported by buoyant tax revenues and prudent expenditure management.

On the external front, merchandise trade deficit was offset by robust services exports and steady remittance inflows, keeping the current account deficit at a sustainable level. Going forward, global financial market volatility, geopolitical tensions, trade fragmentation, supply chain disruptions and climate-induced uncertainties pose downside risks to the growth outlook and upside risks to the inflation outlook. However, the Indian economy is poised to remain the fastest-growing major economy in 2025-26 by leveraging its sound macroeconomic fundamentals, robust financial sector and commitment towards sustainable growth. Indian banking sector has been resilient, although heightened global uncertainties

underscore the importance of proactive risk management. Considering the dynamic nature of the interest rate risk, banks need to address both trading and banking book risks, especially in light of moderation in NIM (Net Interest Margin) is a key profitability metric showing how effectively a bank earns money from lending versus what it pays on deposits, calculated as (Interest Income – Interest Expenses)/Average Earning Assets.

The Indian banking system comprising public sector, private sector, foreign and regional rural banks is crucial for sustaining the financial momentum by infusing capital and maintaining asset quality amidst transient challenges from other ecosystem players such as nonbanking financial companies (NBFCs), housing finance companies (HFCs), FinTech firms and asset management companies. The growth of the Indian banking system is largely driven by the adoption of digital technologies, evolving digital public infrastructures (DPIs) and government initiatives.

The banking sector in India has witnessed milestone developments in the recent past. From a revamp of the regulatory framework to the growing Fintech market, from the use of artificial intelligence to power chatbots when providing banking services to the digital banking trends, the various tenets of the banking sector in India have been revolutionized.

There have been various developments on the licensing front as well. For example, in early August 2025, AU Small Finance Bank received in-principle approval from the RBI to become the first small finance bank in nearly a decade to transition into a universal bank, expanding its lending and service capabilities.

Recently, some of the key focus areas for banks are: (i) digital transformation; (ii) digital adoption, lending and transformation, cybersecurity, blockchain; (iii) financial inclusion, credit access, transparency, informal economy and economic integration; (iv) environmental, social and governance; (v) renewable energy, electric vehicles (EVs), green sector, environmental risk management and sustainability; (vi) entrepreneurship and innovation: FinTech, new age banking products focused on Gen-Z, entrepreneur lending, female entrepreneurs and startup financing; (vii) regulatory and compliance: fraud prevention, risk assessment tools, legal framework, reporting standard and regulatory technology (RegTech).

Recent Regulatory Overhaul By RBI

Consolidation and introduction of new directions by the RBI

On October 10, 2025, the RBI released a circular in line with its endeavour to optimize its regulatory framework through timely re-evaluation of the existing instructions. Pursuant to the RBI's exercise of consolidating the regulatory instructions administered by its Department of Regulation, on 'as is' basis, the existing regulatory instructions issued up to October 9, 2025 were consolidated into 238 (two hundred and thirty eight) Master Directions, across 11 (eleven) types of regulated entities on up to 30 (thirty) functions/areas. As a consequence, the intention was to repeal approximately 9000 (nine thousand) circulars (including Master Circulars/Master Directions) issued/notified by the Department of Regulation. The intention behind issuance of the new Master Directions was to improve the accessibility of regulatory instructions for the regulated entities and in turn reduce their compliance cost, and also to help improve the clarity on the applicability of each instruction to a particular regulated entity. Accordingly, the RBI shared 238 (two hundred and thirty eight) consolidated Master Directions/Guidelines for comments/feedback.

On November 28, 2025, the RBI issued the Consolidated Master Directions after receiving comments from various stakeholders on the drafts. The final set of documents that were issued included 244 (two hundred and forty four) Master Directions which consolidate the instructions administered by the Department of Regulation on an 'as-is' basis and a list of 9445 (nine thousand four hundred forty five) circulars that are being repealed/withdrawn following the issuance of the consolidated Master Directions.

As mentioned above, the directions have been issued in an entity-specific manner, e.g., as applicable to each RE – such as the Reserve Bank of India (Commercial Banks – Miscellaneous) Directions, 2025 which are applicable only to commercial banks (which has been defined to mean banking companies (other than Small Finance Banks, Payment Banks, and Local Area Banks), corresponding new banks, and the State Bank of India, as defined respectively under clauses (c), (da), and (nc) of Section 5 of the Banking Regulation Act, 1949) and similarly, the Reserve Bank of India (All India Financial Institutions – Miscellaneous) Directions, 2025 which are applicable to AIFIs, including EXIM Bank. The REs to which

the directions issued are applicable include Commercial Banks, Local Area Banks, Small Finance Banks, Payments Banks, Regional Rural Banks, Urban Co-operative Banks, Rural Co-operative Banks, All India Financial Institutions, Non-Banking Financial Companies (“NBFCs”), Asset Reconstruction Companies and Credit Information Companies. The RBI has also issued certain amendments to the new set of directions, including pertaining to credit information reporting and responsible business conduct (as applicable to the respective REs).

The consolidation of directions has been as recent as those issued in 2025. The RBI issued the Reserve Bank of India (Non-Fund Based Credit Facilities) Directions, 2025 (“NFB Directions”) dated August 6, 2025, which were intended to come into force from April 1, 2026. The NFB Directions regulated non-fund based facilities including guarantees, letters of credit and co-acceptances issued by REs including commercial banks, AIFIs and NBFCs and mandated REs to cover limits, credit appraisal, security, fraud prevention, monitoring, delegation, and internal controls, when issuing NFBs. These directions were withdrawn by the Department of Regulation and have now been consolidated into Chapter V of the Reserve Bank of India (All India Financial Institutions – Credit Facilities) Directions, 2025 (and similar instructions for other REs).

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”) 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.

The assets allowed as Level 1 HQLAs, *inter alia*, included 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 was 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 were permitted to be reckoned as HQLAs for meeting LCR.

Further, banks were required to maintain LCR of 100% with effect from January 1, 2019. The 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 were 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 was 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.

The RBI issued a draft circular on July 25, 2024 on 'Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR) – Review of Haircuts on High Quality Liquid Assets (HQLA) and Run-off Rates on Certain Categories of Deposits'. The RBI notified the final guidelines on April 21, 2025, to come into effect from April 1, 2026. The guidelines *inter alia* provide that banks are required to assign an additional 2.5% run-off factor for retail deposits which are enabled with internet and mobile banking facilities (IMB)1 i.e., stable retail deposits enabled with IMB shall have 7.5% run-off factor and less stable deposits enabled with IMB shall have 12.5% run-off factor (as against 5% and 10% respectively which are currently). Further, Level 1 HQLA in the form of Government securities were to be valued at an amount not greater than their current market value, adjusted for applicable haircuts in line with the margin requirements under the Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) as described in RBI circular dated June 6, 2018, as amended from time to time. In case a deposit, excluded from LCR computation, is contractually pledged as collateral to secure a credit facility or loan, such deposit is to be treated as callable for LCR purposes.

Additionally, it was decided that other legal entities (OLEs) category (as previously provided under the circular dated March 23, 2016) shall consist of all deposits and other funding from banks/insurance companies and financial institutions and entities in the 'business of financial services'. Thus, funding from non-financial entities such as trusts (educational/religious/charitable), Association of Persons (AoPs), partnerships, proprietorships, Limited Liability Partnerships and other incorporated entities etc., was to be categorised as funding from 'non-financial corporates' and attract a run-off rate of 40% (as against 100% currently prescribed), unless the above entities are treated as SBCs under the LCR framework.

The RBI has issued the Reserve Bank of India (Commercial Banks – Cash Reserve Ratio and Statutory Liquidity Ratio) Directions, 2025, which provides that within the mandatory SLR requirement, Government securities to the extent allowed by the RBI under MSF are permitted to be reckoned as the Level 1 HQLAs for the purpose of computing LCR of banks. In addition to this, banks are permitted to reckon up to such percentage, as may be stipulated by the RBI from time to time, of their NDTL within the mandatory SLR requirement as level 1 HQLA. This facility has been provided to enable banks to avail liquidity for LCR. Similar directions have been issued for Small Finance Banks, Payments Banks, Local Area Banks, Regional Rural Banks, Urban Co-operative Banks and Rural Co-operative Banks.

Implementation of the Basel III Capital Regulations

In December 2010, 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 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) had deferred the implementation of Basel III standards to January 1, 2023. The Basel III capital regulations were implemented in India with effect from April 1, 2013 and have been fully implemented as on October 1, 2021. Banks have to comply with the regulatory limits prescribed under the Basel III capital regulations on an ongoing basis.

The RBI issued the Master Circular on Basel III Capital Regulations on April 1, 2025, consolidating all the prudential guidelines, amendments and notifications on Basel III capital adequacy till date. The updated master circular includes updated guidance on microfinance loans. The latest Master Circular on Basel III Capital Regulations, issued by the RBI on April 1, 2025 has been withdrawn by the RBI on November 28, 2025. On the same date, the RBI issued the Reserve Bank of India (All India Financial Institutions (AIFIs) – Prudential Norms on Capital Adequacy) Directions, 2025 ("**Capital Adequacy Directions**"), which came into force on the date of issuance. Similar instructions were issued for Commercial Banks, Small Finance Banks, Payments Banks, Local Area Banks, Urban Co-operative Banks, Rural Co-operative Banks and Non-Banking Financial Companies.

Additionally, the RBI issued the Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Amendment Directions, 2025 on December 4, 2025, pursuant to which the chapter in relation to ‘Risk Weighted Assets’ (“RWAs”) in the Capital Adequacy Directions stands deleted with effect from January 1, 2026. The Capital Adequacy Directions applicable to All India Financial Institutions have not been similarly amended.

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) (all on an ongoing basis). Total capital (Tier 1 capital + Tier 2 capital) is required to be at least 9% of the RWAs on an ongoing basis. Thus, within the minimum CRAR of 9%, Tier 2 capital can be admitted maximum up to 2% of the RWAs.

Under the Capital Adequacy Directions, the minimum total capital of an AIFI in India must be at least 9.00% of RWAs, Tier I capital must be at least 7.00% of RWAs on an ongoing basis. Within the minimum Tier 1 capital, the maximum AT 1 capital that can be admitted is 1.5% of the RWAs and Common Equity Tier I capital must be at least 5.50% of RWAs (on an ongoing basis). Total capital (Tier 1 capital + Tier 2 capital) is required to be at least 9% of the RWAs on an ongoing basis. Thus, within the minimum CRAR of 9%, Tier 2 capital can be admitted maximum up to 2% of the RWAs.

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 and the Capital Adequacy Directions, minimum total capital with CCB has been fixed at 11.50% of RWAs.

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 was capped at 90.00% from April 1, 2013, with the cap reducing by 10.00% points in each subsequent year.

The RBI 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 round of reforms published by the Basel committee on Banking Supervision (BCBS) in December 2017 have implementation timelines stretching up to January 2023. As of September 30, 2025, most member jurisdictions of the BCBS published their rules implementing the final elements of Basel III and significant progress has been made on the actual implementation of Basel III standards by banks.

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. This framework was revised by the RBI vide the circular on ‘Prompt Corrective Action (PCA) Framework for Scheduled Commercial Banks’ dated November 2, 2021, to enable supervisory intervention at the appropriate time so that a supervised entity is able to initiate and implement remedial measures in a timely manner and restore its financial health.

As per RBI’s latest annual report, as part of convergence of regulations for banks with Basel III standards, to align the RBI’s guidance with the BCBS principles, viz., (a) revisions to the principles for the sound management of operational risk; and (b) principles for operational resilience (both issued in March 2021), a ‘Guidance Note on Operational Risk Management and Operational Resilience was issued on April 30,

2024. The guidance note intends to promote and further improve the effectiveness of operational risk management of regulated entities, and enhance their operational resilience given the interconnections and interdependencies within the financial system. The note is built on three pillars; i.e., 'Prepare and Protect', 'Build Resilience' and 'Learn and Adapt', to support a holistic approach to the management of operational risk and resilience.

The 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.

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 Reserve Bank of India (Minimum Capital Requirements for Operational Risk) Directions, 2023 was issued by the RBI on June 26, 2023. However, this has not yet been made effective. The Master Circular on Basel III Capital Regulations on April 1, 2025 provided that banks should be ready to migrate to the new standardized approach prescribed therein.

The RBI 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 came 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 it has announced to extend the Basel III Capital framework to the AIFIs.

AIFIs have been required to maintain a minimum total capital of 9% from 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, an AIFI's 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 the 'Framework for acceptance of Green Deposits' on April 11, 2023, for certain 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. The third-party assessment would not absolve the RE of its responsibility regarding the end-use of funds, for which the laid down procedures of internal checks and balances would have to be followed as in the case of other loans.

This aforementioned circular stands withdrawn by RBI's Department of Regulation as of November 28, 2025. Provisions in relation to green deposits have now been set out under the Reserve Bank of India (Commercial Banks – Climate Finance and Management of Climate Change Risks) Directions, 2025, and similar instructions have been issued for Small Finance Banks and Non-Banking Financial Companies.

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 guidelines on 'Governance, Measurement and Management of Interest Rate Risk in Banking Book' dated February 17, 2023, require banks to measure, monitor and disclose their IRRBB in terms of potential change in economic value of equity (“EVE”) 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. Further, 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% (fifteen per cent) of their Tier 1 capital under any one of the six prescribed interest rate shock scenarios, shall be identified as 'outliers' potentially having undue IRRBB exposure. The aforementioned six scenarios are: (a) parallel shock up; (b) parallel shock down; (c) steepener shock (short rates down and long rates up); (d) flattener shock (short rates up and long rates down); (e) short rates shock up; and (f) short rates shock down.

The 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.

It should be noted that this circular is among the ones which stand withdrawn by the Department of Regulation as of November 28, 2025 and the provisions in relation to IRRBB have been provided in the Capital Adequacy Directions.

Directions in relation to Digital Lending

The Reserve Bank of India (Digital Lending) Directions, 2025 were issued on May 8, 2025, pursuant to which the RBI consolidated the instructions in relation to digital lending and default loss guarantee. New measures were introduced for arrangements involving lending service providers partnering with multiple REs and creation of a directory of digital lending apps.

Historically, certain business practices of NBFCs could create new risks as, under DLG agreements in terms of the 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 the Digital Lending Directions 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 regulated entity has an outsourcing agreement with such LSPs. Regulated entities shall ensure that total amount of DLG cover on any such portfolio shall not exceed 5% (five per cent) of the amount of that loan portfolio and the same can be offered only in the form of cash, fixed deposit or bank guarantee. In case of implicit guarantee arrangements, the DLG provider shall not bear performance risk of more than the equivalent amount of 5% (five per cent) of the underlying loan portfolio. Further, regulated entities 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. Additionally, in order to promote transparency, regulated entities are required to ensure disclosure of DLG on the website of LSPs.

The aforesaid May 8, 2025 directions have been withdrawn by the RBI as of November 28, 2025. The relevant provisions in relation to digital lending have been consolidated under the RE-specific directions on credit facilities issued by the RBI on November 28, 2025. The Reserve Bank of India (All India Financial Institutions – Credit Facilities) Directions, 2025 currently include directions to the REs and the LSPs to ensure *inter alia* that the content displayed by the LSPs is objective and not biased towards a specific loan offer/lender. The guidelines for conduct and customer protection requirements have also been covered hereunder. AIFIs are required to provide borrowers with a ‘key fact statement’ as provided under the Reserve Bank of India (Commercial Banks – Responsible Business Conduct) Directions, 2025. Additionally, AIFIs are required to maintain websites of their own in the public domain and provide details in relation to all the digital lending products being offered by them on the website. The directions on credit facilities also provide the technology and data requirements, including the need for explicit consent from the borrowers for a one-time access for camera, microphone or location at the time of onboarding the customers. AIFIs need to ensure that no biometric data of the borrowers are stored or collected by the AIFI or LSP. AIFIs also need to report data in relation to the DLAs appointed by them to the RBI on the CIMS portal.

An AIFI is permitted to enter into a default loss guarantee arrangement only with an LSP or other lender engaged as an LSP. The LSP needs to be incorporated as a company under the Companies Act, 2013. An AIFI cannot enter into a default loss guarantee arrangement (a) for revolving credit facilities offered through digital lending channels or (b) on the loans which are covered by the credit guarantee schemes administered by trust funds as specified under the Reserve Bank of India (All India Financial Institutions – Prudential Norms on Capital Adequacy) Directions, 2025. AIFIs can only accept default loss guarantees in the following forms: (i) cash deposited with the AIFI; (ii) fixed deposit maintained with a Scheduled Commercial Bank with a lien marked in favour of the AIF; (iii) bank guarantee in favour of the AIFI. Any default loss guarantee arrangements entered into between an AIFI and their LSP conforming to the instructions laid down in the aforesaid directions will not be treated as “synthetic securitisation” as defined under the Reserve Bank of India (All India Financial Institutions – Securitisation Transactions) Directions, 2025, nor attract the provisions of ‘loan participation’ as defined under the Reserve Bank of India (All India Financial Institutions– Transfer and Distribution of Credit Risk) Directions, 2025.

Master Direction – Reserve Bank of India (Repurchase Transactions (Repo)) Directions, 2025 (“Repo Directions”) dated November 11, 2025

The RBI notified the Repo Directions to regulate repurchase transactions undertaken on recognized stock exchanges, electronic trading platforms (ETP) and Over-the-Counter (OTC). The Repo Directions will not apply to repo/reverse repo transactions under the Liquidity Adjustment Facility and the Marginal Standing Facility. The Repo Directions contain the list of securities eligible for repo under the Repo Directions, which include government securities, commercial papers and certificate of deposits, municipal debt securities and any other security of a local authority specified by the Central Government. The list of participants who are eligible to participate in repo transactions under the Repo Directions include regulated entities, listed corporates, AIFIs (which includes the Issuer) and any other entity approved by the RBI.

Approval of the RBI is required for trading repos on any trading platform, including on recognized stock exchanges. Further, all repo transactions, other than those on recognized stock exchanges or on approved electronic trading platforms, that disseminate trade information on the platforms, are required to be reported within 15 minutes of the trade.

Master Direction – Reserve Bank of India (Electronic Trading Platforms) Directions, 2025 (“ETP Directions”) dated June 16, 2025

The ETP Directions are applicable to entities, except scheduled commercial banks and standalone primary dealers, operating Electronic Trading Platforms (ETPs) on which transactions in eligible instruments are contracted. Eligible instruments are defined as securities, money market instruments, foreign exchange instruments, derivatives, or other instruments of like nature, as may be specified by the RBI. Entities seeking an authorization as an ETP operator must fulfil the eligibility criteria laid down in the ETP Directions including being a company incorporated in India, maintaining a minimum net-worth of Rs. 5 crore at all times and ensure robust, scalable, and secure technology infrastructure capable of real-time trade information dissemination. Applicants have been encouraged to use the PRAVAAH portal to submit their applications.

Master Direction – Reserve Bank of India (Access Criteria for NDS-OM) Directions, 2025 (“NDS-OM Directions”) dated February 07, 2025

The NDS-OM Directions permit certain eligible entities, *inter alia*, banks; Standalone Primary Dealers; BBFCs including Housing Finance Companies; All India Financial Institutions; Mutual Funds; Provident Funds; Pension Funds; and Insurance Companies to participate or transact business in the Government securities market in India.

To be eligible for direct access, the entity must have a Subsidiary General Ledger (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). Any person/entity eligible to invest in Government securities may avail indirect access to NDS-OM, if they aren't eligible to get direct access as per the NDS-OM Directions.

Master Direction – Reserve Bank of India (Non-resident Investment in Debt Instruments) Directions, 2025 (“NID Directions”) dated January 7, 2025

The NID Directions regulate all transactions by eligible non-residents in debt instruments. The channels for investment by Foreign Portfolio Investors (“FPIs”) include the general route, Voluntary Retention Route (“VRR”), Fully Accessible Route (“FAR”) and the Special Rupee Vostro Account Route (“SRVA”).

The general route may be used for investment in Government securities (“G-secs”) and corporate debt securities by FPIs subject to specified investment limits and macro-prudential limits. Investments in G-secs and corporate debt securities, free of certain macro-prudential limits applicable to FPI investments in debt markets under the general route by FPIs that commit to remain invested for a stipulated retention period is permitted under VRR. The FAR is for investments by non-residents in certain specified categories of Central Government securities (‘specified securities’) without any restriction. The Scheme for Trading and Settlement of Sovereign Green Bonds issued by the Central Government by eligible foreign investors in the International Financial Services Centre (IFSC) is another option provided under the NID Directions. Additionally, the SVRA is used for investment in eligible instruments by ‘persons resident outside India’ (as defined under FEMA) from the rupee surplus balance maintained in Special Rupee Vostro Accounts.

The investments are subject to the eligible instrument and investment limits prescribed by the RBI. The RBI notifies the limits for each financial year.

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, if the same activity was not outsourced. 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.

Acquisition and Holding of Shares or Voting Rights in Commercial Banks

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 are applicable to all banking companies, including local area banks, small finance banks and payments banks operating in India. They primarily 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% (five per cent) 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% (ten per cent) for non-promoters and 26% (twenty-six per cent) 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% (five per cent) 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% (five per cent) or more of the paid-up share capital or total voting rights of the banking company.

On November 28, 2025, the directions on acquisition and holding of shares were bifurcated into separate entity wise directions for each regulated entity, namely, small finance banks, commercial banks, local area banks, payments banks and commercial banks. The aforementioned requirements continue to broadly remain the same for each regulated entity with minor sectoral distinctions. It may be noted that there are no specific directions for All India Financial Institutions.

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 for Compromise Settlements and Technical Write-offs' was issued by the RBI on June 08, 2023. 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.

The board of the bank is further required to mandate a suitable reporting format so as to ensure adequate coverage of the following aspects at the minimum : (i) trend in number of accounts and amounts subjected to compromise settlement and/or technical write-off; (ii) out of (i) above, separate breakup of accounts classified as fraud, red-flagged, wilful default and quick mortality accounts; (iii) amount-wise, sanctioning authority-wise, and business segment/asset-class wise grouping of such accounts; and (iv) extent of recovery in technically written-off accounts.

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 ("**RBI Act**"). Certain 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 to meet 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 spreading contagion 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.

As set out above, there have been various cases before the courts of different states regarding the applicability of state's local money lending laws to entities like NBFCs, HFCs, etc. This conflict between the applicability and overlap of regulations was sufficiently cleared by the Supreme Court of India ("**Supreme Court**") in the case of *Nedumpilli Finance Company Limited v. State of Kerala* (Civil Appeal No. 5233 of 2012, on May 10, 2022).

Decision by the Supreme Court

- (a) The Supreme Court ruled that Chapter III-B of the RBI Act, dealing with 'provisions relating to non-banking institutions receiving deposits and financial institutions' is a complete code in itself. The Supreme Court observed that no NBFC can commence or carry on business without obtaining the certificate of registration from the RBI. Further, their continuation in business would depend upon compliance with certain prescriptions found in the RBI Act as well as the circulars/directions issued by RBI.
- (b) An argument was advanced that the RBI does not control the rate of interest charged by NBFCs on the loans advanced by them and that, as the state enactment, which seeks to control this aspect of 'the rate of interest' cannot be said to be repugnant. The Supreme Court disagreed with this argument and held that it may be true that RBI may not be controlling the rate of interest charged by NBFCs on loans advanced by them, however, it does not mean that it has no power to step in. The Court referred to Section 45-JA of the RBI Act which confers power on RBI to determine policy and issue directions relating to income recognition, accounting standards, making of proper provisions for bad and doubtful debts, capital adequacy based on risk weights for assets and credit conversion factors for off-balance-sheet items and also on the aspects relating to the deployment of funds.
- (c) Based on the above, the settled position has been sufficiently established that the state money lending legislations would not be applicable for loans provided by the NBFCs.

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 31, 2023 by way of notification titled 'Special Clearing Operations'. This has enhanced liquidity efficiency of the CTS and reduced the risk of default by participants.

By way of notification dated August 13, 2025, 'Introduction of Continuous Clearing and Settlement on Realisation in Cheque Truncation System' announced the transition of CTS from the current approach of batch processing to continuous clearing with settlement on realisation. The transition shall take place in two phases. Phase 1 shall be implemented on October 4, 2025 and Phase 2 on January 3, 2026.

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. On November 21, 2025, RBI announced the Interlinking of UPI with the TARGET Instant Payment Settlement (TIPS) of the Eurosystem. As per the press release, the proposed UPI–TIPS interlinkage aims to facilitate cross-border remittances between India and the Europe and is expected to benefit users of both jurisdictions.

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.

Significantly, on December 26, 2024, RBI announced setting up of a committee to develop a ‘Framework for Responsible and Ethical Enablement of Artificial Intelligence (FREE-AI)’ in the financial sector.

By way of RBI circular dated January 17, 2025, on ‘Prevention of Financial Frauds Perpetrated Using Voice Calls and Short Message Service (SMS) – Regulatory Prescriptions and Institutional Safeguards’ was issued to all REs of the Reserve Bank to put in place a mechanism to mitigate the potential misuse of mobile numbers by fraudsters.

Unified payments interface (UPI) single-block-and-single-debit payment mode (UPI mandate) was launched by the RBI on February 28, 2025, to enable the investors to pre-authorise transactions and block the funds in their accounts for debits to be initiated as per the scheduled timeline for placement of bids in primary auctions.

Further, by way of the Reserve Bank of India (Commercial Banks – Responsible Business Conduct) Directions, 2025 dated November 28, 2025, the RBI aimed to consolidate the various regulatory instructions on customer service and conduct aspects issued by the RBI to commercial banks (excluding small finance banks, payment banks and local area banks) at one place. The directions consolidate various aspects of customer protection like (i) customer services in branches; (ii) responsible lending conduct; (iii) settlement of claims; and (iv) key facts statement in a single unified master direction.

Enforcement

During the period of December 2022 to May 2023, the RBI undertook enforcement action against 122 REs (five public sector banks; two private sector banks; hundred cooperative banks; two foreign banks; one small finance bank; three regional rural banks; eight non-banking financial companies and one housing finance company) and imposed an aggregate penalty of around INR 260 million for non-compliance with/contravention of statutory provisions and/or directions issued by the RBI. As per the Fintech Association for Consumer Empowerment (FACE) which is the RBI recognised self-regulatory organisation in the fintech sector, in financial year 2024-25, RBI took 79 (seventy-nine) enforcement actions against banks and NBFCs. Out of these, 48 (forty-eight) actions were against NBFCs, 30 (thirty) were against banks, and one against a credit bureau. The total penalty amount amounted to INR 300 million.

Outlook towards Fiscal Year 2025-2026

As per RBI, economic activity continues to maintain the momentum in 2025-26, supported by private consumption and traction in fixed capital formation. The sustained rural economic activity bodes well for rural demand, while continued expansion in services sector is expected to support the revival in urban demand. Investment activity is expected to improve in light of higher capacity utilization, improving balance sheets of financial and non-financial corporates, and government's capital expenditure push. Trade policy uncertainty continues to weigh on merchandise exports prospects, while the conclusion of free trade agreement (FTA) with the United Kingdom and progress with other countries is supportive of trade activity.

On the supply side, agriculture prospects remain bright as per RBI. The same could be attributed to the back of an above normal south-west monsoon forecast and resilient allied activities. Services sector is expected to maintain its momentum. However, spillovers emanating from protracted geopolitical tensions, and global trade and weather-related uncertainties pose downside risks to growth. Taking all these factors into account, real GDP growth for 2025-26 is projected at 6.5 per cent, with Q1 at 6.5 per cent, Q2 at 6.7 per cent, Q3 at 6.6 per cent, and Q4 at 6.3 per cent.

The outlook for inflation points towards benign prices across major constituents. The record wheat production and higher production of key pulses in the *Rabi* crop season should ensure adequate supply of key food items. Going forward, the likely above normal monsoon along with its early onset augurs well for *Kharif* crop prospects. Reflecting this, inflation expectations are showing a moderating trend, more so for the rural households. Most projections point towards continued moderation in the prices of key commodities, including crude oil. Taking all the aforementioned factors into consideration, and assuming a normal monsoon, Consumer Price Index (CPI) inflation for the financial year 2025-26 is now projected at 3.7 per cent, with Q1 at 2.9 per cent; Q2 at 3.4 per cent; Q3 at 3.9 per cent; and Q4 at 4.4 per cent.

The GST 2.0 reforms are expected to boost private consumption and domestic demand. Rising capacity utilisation, strong corporate and bank balance sheets, and favourable financial conditions are likely to further support investment and growth. India's recent credit rating upgrades reflect growing global confidence in the country's economic resilience and growth prospects. Headline inflation has seen significant moderation during the first half of 2025-26 (up to August), mainly due to a sharp correction in food prices. Inflation expectations of households and professional forecasters have also eased. Inflation is expected to remain broadly aligned with the target, despite edging up from Q4:2025-26 as favourable base effects wane and demand strengthens on the back of policy action. Core inflation is also expected to remain contained. Nonetheless, risks from adverse weather events, evolving tariff actions, and volatile global financial markets pose headwinds to growth and inflation. However, India's robust macroeconomic fundamentals, along with a strong external position, provide resilience against such shocks.

The RBI undertook several measures to safeguard the financial system by further strengthening the regulatory and supervisory framework of banking and non banking sectors in line with the best global practices. Going forward, concerted efforts would be made, inter alia, towards rationalisation and harmonisation of regulations across regulated entities; issuance of prudential guidelines on climate risk for banks; preparing a framework for responsible and ethical adoption of AI in financial sector; strengthening of liquidity stress tests of SCBs; and also examining the migration of UCBs/NBFCs to risk-based supervision, besides strengthening cyber security and fraud detection mechanism. Further, fine-tuning the existing complaint management and grievance redress mechanism, including exploring the use of AI, would remain in focus for Viksit Bharat 2047.

Major Decisions of the Monetary Policy Committee (MPC) and the RBI- December, 2025

The Monetary Policy Committee (MPC) of the RBI met on the 3rd, 4th and 5th of December, 2025 to deliberate and decide on the policy repo rate. After a detailed assessment of the evolving macroeconomic conditions and the outlook, the MPC voted unanimously to reduce the policy repo rate by 25 basis points (bps) to 5.25 per cent with immediate effect. Consequently, the standing deposit facility (SDF) rate under the liquidity adjustment facility (LAF) shall stand adjusted to 5.00 per cent and the marginal standing facility (MSF) rate and the Bank Rate to 5.50 per cent. The MPC also decided to continue with the neutral stance.

Moreover, in view of the evolving liquidity conditions and the outlook, the RBI has decided to conduct OMO purchases of government securities of ₹1,00,000 crore and a 3-year USD/INR Buy Sell swap of USD5 billion this month to inject durable liquidity into the system.

The MPC noted that headline inflation has eased significantly and is likely to be softer than the earlier projections, primarily on account of the exceptionally benign food prices. Reflecting these favourable conditions, the projections for average headline inflation in 2025-26 and Q1:2026-27 have been further revised downwards. Core inflation, which had been rising steadily since Q1:2024-25, eased at the margin in Q2:2025-26 and is expected to remain anchored in the period ahead. Both headline and core inflation are expected to be at or below the 4 per cent target during the first half of 2026-27. The underlying inflation pressures are even lower as the impact of increase in price of precious metals is about 50 basis points (bps). Growth, while remaining resilient, is expected to soften somewhat.

Thus, the growth-inflation balance, especially the benign inflation outlook on both headline and core, continues to provide the policy space to support the growth momentum. Accordingly, the MPC unanimously voted to reduce the policy repo rate by 25 bps to 5.25 per cent. The MPC also decided to continue with the neutral stance.

Recent Regulatory Developments

Banking Laws (Amendment) Act, 2025

Key takeaways

- (a) Depositors to get flexibility to designate nominees in accordance with their preferences for deposits and lockers.
- (b) Strengthened governance standards and improved audit quality in public sector banks.
- (c) Unclaimed funds to be transferred to the Investor Education and Protection Fund.
- (d) Updated regulatory norms with modern thresholds and reporting standards for greater transparency.

The Banking Laws (Amendment) Act, 2025 is a step towards strengthening governance standards in the banking sector by ensuring uniformity in reporting by banks to the Reserve Bank of India along with improved audit quality in public sector banks (PSBs). The act enhances depositor and investor protection by promoting customer convenience through improved nomination facilities.

The Banking Laws (Amendment) Act, 2025 represents a significant stride towards modernizing India's financial architecture. By aligning governance norms, depositor safeguards, and audit practices with current economic realities, the Act not only strengthens public confidence but also supports India's vision of a secure, inclusive, and technology-driven banking system. These reforms reinforce stability, transparency, and efficiency essential pillars for sustaining growth in an increasingly digital economy.

Key provisions of the Banking Laws (Amendment) Act, 2025 have come into force, aiming to enhance banking governance, improve audit transparency, strengthen depositor protection, and bring cooperative banks under a more robust regulatory framework.

The Banking Laws (Amendment) Act, 2025 is a legislative reform enacted to modernize and strengthen the legal, regulatory, and governance framework of the Indian banking sector. The bill related to it was passed by Lok Sabha in December 2024 and by Rajya Sabha in March 2025.

Key Amendments:

The aforementioned amendment introduced 19 amendments across following 5 core banking legislations; Reserve Bank of India Act, 1934, Banking Regulation Act, 1949, State Bank of India Act, 1955, Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 & 1980.

Key Reforms:

- (a) Revised Substantial Interest Threshold: The threshold for determining 'substantial interest' has been revised from Rs 5 lakh to Rs 2 crore (which remained unchanged since 1968), aligning with present-day economic realities.

- (b) 'Substantial interest' refers to a director's or officer's significant financial stake in a firm, which may cause a conflict of interest. It is determined by the paid-up share capital held by them or their relatives exceeding the specified limit.
- (c) Cooperative Bank Reforms: Director tenures in cooperative banks extended from 8 to 10 years (excluding chairperson and whole-time directors), aligning with the 97th Constitutional Amendment Act, 2011 and promoting governance continuity.
- (d) Investor Protection & Fund Transparency: Public sector banks (PSBs) can transfer unclaimed shares, interests, and bonds to the Investor Education and Protection Fund (IEPF).
- (e) It is in parity with Companies Act, 2013 norms to enhance transparency and depositor awareness.
- (f) Audit Quality in PSBs: Authorizes PSBs to determine and provide remuneration to statutory auditors.
- (g) It aims to attract high-quality audit professionals, improve audit standards, and promote financial transparency in public sector banking.

SUPERVISION AND REGULATION

The following description is a summary of certain sector-specific laws, regulations and guidelines in India, which are applicable to the Bank. The information detailed in this section has been obtained from publications, circulars and press releases available in the public domain and published on the official websites of the Indian ministries and departments of the Government of India, including governmental and regulatory bodies, as of the date of the Offering Circular. The Indian laws, regulations and guidelines set out below, currently in force may not be exhaustive, and are only intended to provide general and indicative information to investors and are neither designed nor intended to substitute for professional legal advice or a detailed review of the relevant laws, regulations and guidelines. Any reference to Indian statutes, rules, guidelines or regulations in the summary below is a reference to the current provisions of the Indian statutes, rules, guidelines or regulations, as amended from time to time, and in force on the date of the Offering Circular.

Export-Import Bank of India Act, 1981, as amended from time to time (the “Act”)

The Bank’s functions and business are governed by the Act (see “*Description of the Bank – Overview*” above). Under section 4(2) of the Act, the issued capital of the Bank is wholly subscribed to by the Government. Under section 5(1) of the Act, the general powers of superintendence, direction and management of the affairs and business of the Bank are vested in the Board of Directors, which may exercise all powers and do all acts and things which may be exercised or done by the Bank. Under section 7(1) of the Act, the Board of Directors has the power to constitute committees for such purposes as it may deem fit. The Audit Committee, the Management Committee, the Risk Management Committee, the Operational Risk Management Committee, the Asset Liability Management Committee, the Funds Management Committee and the Credit Risk Management Committee are some of the key committees of the Bank.

Under section 6(1) of the Act, the Board of Directors of the Bank shall consist of a chairman and a managing director, appointed by the Government (provided that the same person may be appointed to function both as the chairman and as the managing director of the Bank), two whole-time directors appointed by the Government, one director nominated by the Reserve Bank of India (“RBI”), one director nominated by IDBI Bank Limited, one director nominated by Export Credit and Guarantee Corporation Limited, not more than 12 (twelve) directors nominated by the Government of whom five directors shall be officials of the Government, not more than three directors shall be from the scheduled banks and not more than four directors shall be persons who have special knowledge of, or professional experience in, export or import or financing thereof.

Under section 10(1) of the Act, the Bank may grant, in or outside India, loans and advances by itself or in participation with any bank or financial institution, whether in or outside India, for the purposes of export or import and shall also function as the principal financial institution for coordinating the working of institutions engaged in financing of export and import in such manner as it may deem appropriate. The Bank may also carry on and transact such other related businesses as prescribed under the Act.

The Bank, under section 12 of the Act, can issue and sell bonds and debentures with or without the guarantee of the Government, and borrow money from the RBI subject to certain conditions prescribed under the Act. In accordance with section 13 of the Act, the Bank may also, for the purpose of granting loans and advances under the Act, borrow with the previous consent of the Government, foreign currency from any foreign State or from any bank or financial institution in any foreign country or otherwise.

The Bank’s statutory auditors are appointed by the Government under section 24(1) of the Act. The appointment of the statutory auditor of the Bank is for a term and remuneration as may be fixed by the Government. For the financial year ended March 31, 2025, the Bank’s statutory auditors were MKPS & Associates, Chartered Accountants, Mumbai.

Under section 24(5) of the Act, the Bank furnishes to the Government within four months from the date on which its accounts are closed and balanced, a copy of its balance sheet and accounts together with a copy of the auditor’s report and a report of the working of the Bank during the relevant year. These documents are laid before each House of Parliament by the Government.

According to section 36 of the Act, the provisions of the Banking Regulation Act, 1949 (except section 34A that deals with “Production of documents of confidential nature” and section 36AD that deals with “Punishments for certain activities in relation to banking companies”) do not apply to the Bank. Under section 38 of the Act, no provision of any law relating to the winding-up of companies or corporations shall apply to the Bank and the Bank shall not be placed in liquidation, save by an order of the Central Government and in such manner as it may direct.

The Bank’s balance sheet, the profit and loss account and the cash flow statement have been prepared in accordance with the accounting principles followed in India, which are also generally consistent with international accounting standards. The form and manner in which the balance sheet and the profit and loss account are prepared is provided in the Export-Import Bank of India General Regulations, 2020, as amended from time to time.

Lines of Credit at the behest of Government of India (“GoI”)

Indian Development and Economic Assistance Scheme (“IDEAS”) (Scheme and Guidelines No. 5/7/2019-IDEAS)

The Department of Economic Affairs, Ministry of Finance, GoI, has launched IDEAS, which was initially called the India Development Initiative, to position India as an emerging economic power; an investor country; a donor for developing countries; and a provider for debt relief to heavily indebted poor countries. It is part of an initiative for providing grants and project assistance to low and lower middle-income countries and other developing countries of the developing world with a view to also leverage and promote India’s strategic economic interests abroad. The scheme has been operational since 2003-04, with the provision of LOCs on concessional terms to other developing countries for financing export from India, and for the funding of projects, equipment, goods and services. These LOCs are extended by the Bank on behalf of, and with the support of, the Government of India, by way of repayment guarantee and interest equalization support to the Bank, to compensate the Bank for the interest differential between the Bank’s normal lending rates and the concessional rates on the LOCs.

In relation to the implementation of IDEAS, the guidelines were issued by the Bilateral Cooperation Division, Department of Economic Affairs, Ministry of Finance, GoI. These guidelines were revised in 2010, which were then replaced by the 2015 guidelines and were further revised on March 31, 2022, under the IDEAS 2022. The guidelines, *inter alia*, set out provisions pertaining to the terms of credit, classification of countries and monitoring mechanism along with operational guidelines as applicable for LOCs approved under IDEAS.

Under the IDEAS, Government of India extends concessional finance or credit to developing countries through the EXIM Bank of India aimed at sharing India’s development experience by way of infrastructure development, capacity building, trade and skill transfer. Till date, India has offered concessional financing aggregating \$34.56 billion to 66 countries in Africa, Asia, Latin America, Oceania and Commonwealth of Independent States (CIS) region. The scheme has recently been revamped with enhanced focus on infrastructure creation, asset quality and speed of delivery of projects. The Government of India has also launched ‘NETRA (New e-Tracking and Remote Administration)’ Portal and Mobile Application for Indian Development and Economic Assistance Scheme (IDEAS) on June 22, 2022 which allows seamless and secure access to information, real-time updates on project implementation, and expeditious delivery of quality projects under IDEAS.

The Government of India has allocated ₹3,849 crore for the Indian Development and Economic Assistance Scheme (IDEAS) in the Indian Budget 2024-25. As of December 1, 2025, with the approval of the GoI, the Indian Development and Economic Assistance Scheme (IDEAS) has been revamped and continued till 31 March, 2026, or till further review, whichever is earlier.

Development Partnership Administration (“DPA”)

The Ministry of External Affairs (“MEA”) under the GoI has set up the DPA division to undertake India’s development assistance programs abroad, including LOCs routed through the Bank. These LOCs are increasingly being extended to partner countries for large-scale and complex projects. Recognizing that India’s development assistance had started to cover a large number of countries and consequently, the projects being implemented by the MEA had increased substantially, the DPA was created in January 2012 to effectively handle the various stages of concept, launch, execution and completion of India’s many aid projects.

India's development partnership is based on the needs identified by the partner countries and the effort of the MEA has been geared towards accommodating as many of the requests received from partner countries based on technical and financial feasibility. In this regard, the DPA has started to create in-house, specialized technical, legal and financial skills in order to fast-track all stages of a project implementation. The DPA has four divisions namely, (i) DPA I which deals with project appraisal and LOCs, (ii) DPA II which deals with capacity building schemes, humanitarian assistance, disaster relief, implementation of the Indian Technical and Economic Cooperation Program, (iii) DPA III which deals with grant assistance and (iv) DPA IV which deals with cultural and heritage cooperation in Development Projects.

Development assistance in the form of concessional LOCs is extended by the GoI under the IDEAS through the Exim Bank of India. The projects under the LOCs cover critical infrastructure sectors such as transport connectivity through railways, roads and ports; power generation and distribution; agriculture and irrigation; manufacturing industries, healthcare, education and capacity building. There is a special focus on regional connectivity initiatives in the neighbourhood under GoI LOCs as these can act as force multipliers to accelerate regional growth & development, promote people-to-people contact and encourage trade and commerce See also "*Description of the Bank – Lines of Credit*".

FX Global Code

The Bank is a member of the Foreign Exchange Dealers Association of India (FEDAI) and the India Foreign Exchange Committee ("**IFXC**") which has adopted the revised FEDAI Code of Conduct which includes the revised FX Global Code.

The Global Foreign Exchange Committee ("**GFXC**") was established in May 2017 as a forum bringing together central banks and private sector participants with the aim to promote a robust, fair, liquid, open, and appropriately transparent foreign exchange markets in which a diverse set of participants, supported by resilient infrastructure, are able to confidently and effectively transact at competitive prices that reflect available information and in a manner that conforms to acceptable standards of behavior. The revised Code of July 2021 is a set of global principles of good practice in the foreign exchange market, developed to provide a common set of guidelines to promote the integrity and effective functioning of the wholesale foreign exchange market. It was developed by a partnership between central banks and market participants from 20 jurisdictions around the world.

The GFXC published the foreign exchange (FX) Global Code ("**Code**") in May 2017, which is a compilation of best market practices, formulated by central Banks and market participants, developed under the auspices of the Bank for International Settlements, Basel ("**BIS**"). The Code is applicable to the wholesale FX market participants covering sell-side, buy-side and financial intermediaries, and is voluntary in nature.

The Code does not impose any legal or regulatory obligations on market participants and nor does it substitute for regulation, and it is intended to be a supplement to the local laws, rules and regulations by identifying global good practices and processes. The Code is currently being implemented globally by the Global FX Committee (GFXC) in coordination with the Local FX Committee ("**LFXC**") in each jurisdiction.

Following an extensive process of review and public consultation, the GFXC, in July 2021, has published an updated version of the Code considering market feedback. The Code has been amended to encourage greater disclosure by entities operating anonymous platforms as well as providers of algorithmic trading or aggregation services, multi-dealer FX e-trading platforms (including anonymous platforms), among others. Amendments have also been made to place greater emphasis on the usage of payment-versus-payment ("**PVP**") settlement mechanisms where they are available and provide more detailed guidance on the management of settlement risk where PVP settlement is not used. GFXC has also published a Transaction Cost Analysis Data Template for ensuring greater harmonisation of data reporting within the industry and has created standardised Disclosure Cover Sheets for Liquidity Providers and for FX E-Trading Platforms. In total, eleven of the Code's fifty-five principles have been amended.

RBI renews its commitments to the FX Global Code (RBI Press Release No. 2025-2026/1156) dated September 24, 2025

The RBI renewed its Statement of Commitment (“SoC”) to the Code on September 24, 2025. The RBI had previously renewed its SoC on July 20, 2022. The RBI is a member of GFXC. The RBI, along with four major Central Banks, had welcomed the publication of the Code through joint media release dated May 25, 2017.

The Code is organized around six leading principles, namely: (i) ethics, (ii) governance, (iii) execution, (iv) information sharing, (v) risk management and compliance, and (vi) confirmation and settlement processes. The Code is also applicable to central banks, except for the operations undertaken to further their policy objectives. The RBI supports the principles of good practices within the Code. The RBI has also facilitated the formation of India Foreign Exchange Committee (‘IFXC’) to promote adoption and adherence of the Code among FX market participants in India.

In its renewed SoC to The FX Global Code, the RBI has reviewed the content of the Code and acknowledged that the Code represents a set of principles generally recognized as good practice in the wholesale foreign exchange market (“FX Market”). The RBI confirms that it acts as a Market Participant as defined by the Code and is committed to conducting its FX Market activities (“Activities”) in a manner consistent with the principles of the Code. To this end, it has taken appropriate steps, based on the size and complexity of its Activities, and the nature of its engagement in the FX Market, to align its activities with the principles of the Code.

RBI Regulations as applicable to the Bank

As a financial institution, the Bank is subject to regulatory supervision by the RBI.

Section 45L of the Reserve Bank of India Act, 1934, as amended from time to time, empowers the RBI to call for information from any financial institution, relating to its business, and to give to such financial institution, directions relating to the conduct of its business. The statements, information or particulars to be furnished by financial institutions to the RBI may relate to matters such as paid-up capital, reserves or other liabilities, investments in Government securities or otherwise, the persons to whom, and the purposes and periods for which, finance is provided and the terms and conditions, including the rates of interest, on which it is provided.

In November 1994, the RBI set up a Board for Financial Supervision as a committee constituted by Central Board of Directors of the RBI under the Board for Financial Supervision Regulations, 1994 under the chairmanship of the Governor of the RBI. Under the guidance of the Board for Financial Supervision, the Department of Banking Supervision of the RBI supervises financial institutions and commercial banks. The Department of Banking Supervision also undertakes off-site surveillance and on-site inspection over such banks and financial institutions. As part of such surveillance, the RBI carries out periodic inspections of the Bank.

The RBI issues detailed guidelines to financial institutions, including the Bank, on asset classification, income recognition and provisioning, capital adequacy and asset liability management, as may be amended from time to time. Under these detailed guidelines, the RBI has also prescribed credit exposure limits, including adoption of internal limits of exposure to specific industry sectors. The Bank adheres to all such guidelines and submits necessary information to the RBI as per the guidelines.

Under the current RBI guidelines applicable to financial institutions including the Bank, assets in respect of which interest and principal are received regularly and where arrears of interest and/or principal, if any, do not exceed 90 days, are classified as performing assets (standard assets). The RBI requirements of maintaining cash reserve ratio and statutory liquidity ratio, which are applicable to commercial banks, are not applicable to the Bank.

External Commercial Borrowings

External commercial borrowings (“**ECBs**”) are commercial loans raised by eligible resident borrowers from recognized non-resident entities. ECBs are principally governed by the Master Direction – External Commercial Borrowings, Trade Credits and Structured Obligations dated March 26, 2019, as amended, updated, modified and supplemented from time to time (the “**ECB Master Direction**”) (RBI/FED/2018-19/67 FED Master Direction No. 5/2018-19, last updated on December 22, 2023) issued by the RBI.

Under the ECB Master Direction, an external commercial borrowing i.e., loans or credit facilities by a foreign lender to an Indian borrower, i.e., an ECB, may be availed in the form of, amongst others, (i) foreign currency denominated commercial loans or bonds, or (ii) Rupee denominated commercial loans or Rupee denominated bonds, from non-resident lenders. ECBs can now be availed by all entities eligible to receive foreign direct investment. Additionally, all entities eligible to receive Foreign Direct Investment, port trusts, units in special economic zones, Small Industries Development Bank of India (“**SIDBI**”), and EXIM Bank of India are eligible borrowers, as specified in the ECB Master Direction.

The ECB Master Direction sets out that any resident of Financial Action Task Force (“**FATF**”) or International Organization of Securities Commission (“**IOSCO**”) compliant country can provide ECBs to eligible Indian borrowers. Further, (i) multilateral and regional financial institutions, where India is a member country, will be recognized lenders under the ECB Master Direction, (ii) individuals as lenders can only be permitted if they are foreign equity holders or subscribers to bonds or debentures listed abroad, and (iii) foreign branches/subsidiaries of Indian banks continue to be recognized lenders for foreign currency denominated ECBs. ECBs are required to be in compliance with the restrictions imposed under the ECB Master Direction in relation to, *inter alia*, their amounts, Minimum Average Maturity Period, and all-in-cost ceilings.

Under the ECB Master Direction, the negative list, for which the ECB proceeds cannot be utilized, include the following: (a) real estate activities; (b) investment in capital market; (c) equity investment; (d) working capital purposes; (e) general corporate purposes; (f) repayment of Rupee loans; (g) on-lending to entities for the activities set out in (a) to (f).

Additionally, the ECB Master Direction prescribes that all eligible borrowers can raise ECBs up to U.S.\$750 million or equivalent per financial year under the automatic route.

Under the ECB Master Direction, plain vanilla Rupee-denominated bonds can be issued overseas, which can be either placed privately or listed on exchanges as per host country regulations. The ECBs denominated in freely convertible currency other than the Indian Rupee can be subscribed to by foreign branches/subsidiaries of Indian banks (subject to applicable prudential norms) who can participate as arrangers/underwriters/market-makers/traders. However, underwriting by foreign branches/subsidiaries of Indian banks for issuances by Indian banks is not permitted.

For the purposes of this section, “**FATF Compliant Country**”, pursuant to the RBI regulations, including the ECB Master Direction means: a country that is a member of FATF or a member of an FATF-Style Regional Body; and should not be a country identified in the public statement of the FATF as (i) A jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or (ii) A jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies. Further, an “**IOSCO Compliant Country**” is a country whose securities market regulator is a signatory to the IOSCO Multilateral Memorandum of Understanding (“**MOU**”) (Appendix A Signatories) or a signatory to bilateral MOU with the Securities and Exchange Board of India for information sharing arrangements. In addition to being a resident of the countries which comply with the abovementioned conditions, the recognized lenders must comply with other requirements as specified by the RBI from time to time in relation to the above.

The Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions 2019 (Stressed Assets Directions dated June 7, 2019, notification RBI/2018-19/203 DBR.No.BP.BC. 45/21. 04.048/2018-19) (Stressed Asset Directions)

The RBI issued Stressed Assets Directions with a view to providing a framework for early recognition, reporting and time-bound resolution of stressed assets, and these directions have been issued without prejudice to issuance of specific directions, from time to time, by the RBI to banks, in terms of the provisions of Section 35AA of the Banking Regulation Act, 1949 (as amended by the National Bank for Financing Infrastructure and Development Act, 2021 (17 of 2021) for initiation of insolvency proceedings against specific borrowers under the IBC. The Hon'ble Supreme Court of India pursuant to its order dated April 2, 2019 in the matter of *Dharani Sugars & Chemicals Limited v. Union of India & Ors*, held the RBI circular dated February 12, 2018 on Resolution of Stressed Assets as *ultra vires*. In accordance with the Stressed Asset Directions, going forward, all resolution plans to resolve stressed assets were governed by the Stressed Asset Directions, even if resolution plans were conceived before or were in the process of implementation before June 7, 2019.

The RBI had mandated that the provisions of the directions in the Stressed Assets Directions shall apply to the following entities: (a) Scheduled Commercial Banks (excluding Regional Rural Banks); (b) All India Term Financial Institutions (NABARD, NHB, EXIM Bank, and SIDBI); (c) Small Finance Banks; and (d) Systemically Important Non-Deposit taking Non-Banking Financial Companies (NBFC-ND-SI) and Deposit-taking Non-Banking Financial Companies (NBFC-D).

Stressed assets shall be recognized by incipient stress in loan accounts immediately or default, by classifying such assets as special mention accounts which would further be categorized based on the number of days since the default has occurred. The fundamental principles underlying the Stressed Assets Directions are as follows: (i) early recognition and reporting of default in respect of large borrowers by banks, Financial Institutions and NBFCs; (ii) complete discretion to lenders with regard to design and implementation of resolution plans, in supersession of earlier resolution schemes (S4A, SDR, 5/25 etc.), subject to the specified timeline and independent credit evaluation; (iii) a system of disincentives in the form of additional provisioning for delay in implementation of resolution plan or initiation of insolvency proceedings; (iv) withdrawal of asset classification dispensations on restructuring and future upgrades to be contingent on a meaningful demonstration of satisfactory performance for a reasonable period; (v) for the purpose of restructuring, the definition of 'financial difficulty' to be aligned with the guidelines issued by the Basel Committee on Banking Supervision; and (vi) in case where the resolution plan is to be implemented, signing of inter-creditor agreement (ICA) by all lenders to be mandatory, which will provide for a majority decision making criteria, i.e. any decision agreed by lenders representing 75 per cent by value of total outstanding credit facilities (fund based as well non-fund based) and 60 per cent of lenders by number shall be binding upon all the lenders.

The RBI had further mandated that the extant instructions on resolution of stressed assets such as Framework for Revitalizing Distressed Assets, Corporate Debt Restructuring Scheme, Flexible Structuring of Existing Long-Term Project Loans, Strategic Debt Restructuring Scheme (SDR), Change in Ownership outside SDR, and Scheme for Sustainable Structuring of Stressed Assets (S4A) stand withdrawn with immediate effect. Accordingly, the Joint Lenders' Forum (JLF) as mandatory institutional mechanism for resolution of stressed accounts also stands discontinued. On April 02, 2024, the RBI released a master circular titled 'Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances', consolidating past circulars up to March 31, 2024 on matters relating to prudential norms on income recognition, asset classification and provisioning pertaining to advances.

Widening the Scope of Prudential Framework for Stressed Assets Code (Pursuant to Press Release titled 'Statement on Developmental and Regulatory Policies' No. 2023-2024/365 dated June 8, 2023)

The RBI stated that the Prudential Framework for Resolution of Stressed Assets dated June 7, 2019 provides a broad principle-based framework. The RBI with a view to provide further impetus to the same and harmonize the instructions across all regulated entities ("REs") has proposed to: (i) issue a comprehensive regulatory framework governing compromise settlements and technical write-offs covering all REs; and (ii) rationalise 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.

Reserve Bank of India (All India Financial Institutions – Resolution of Stressed Assets) Directions, 2025 dated November 28, 2025 notification RBI/DOR/2025-26/332 DOR.STR.REC.251/21.04.048/2025-26 (“AIFI Stressed Assets Directions”)

On October 10, 2025, the RBI released a circular in line with its endeavour to optimize its regulatory framework through timely re-evaluation of the existing instructions. Pursuant to the RBI’s exercise of consolidating the regulatory instructions administered by its Department of Regulation on ‘as is’ basis, the existing regulatory instructions issued up to October 9, 2025 were consolidated into 238 (two hundred and thirty eight) Master Directions, across 11 (eleven) types of regulated entities on up to 30 (thirty) functions/areas. As a consequence, the intention was to repeal approximately 9000 (nine thousand) circulars (including master circulars/master Directions) issued/notified by the Department of Regulation. The intention behind issuance of the revised and consolidated master directions was to improve the accessibility of regulatory instructions for the regulated entities and in turn reduce their compliance cost, and also to help improve the clarity on the applicability of each instruction to a particular regulated entity. Accordingly, the RBI shared 238 (two hundred and thirty eight) consolidated master directions/guidelines for comments/feedback.

On November 28, 2025, the RBI issued the consolidated master directions after receiving comments from various stakeholders on the drafts. The final set of documents that were issued included 244 (two hundred and forty four) master directions which consolidate the instructions administered by the Department of Regulation on an ‘as-is’ basis and a list of 9445 (nine thousand four hundred forty five) circulars that are being repealed/withdrawn following the issuance of the consolidated master directions.

The pre-existing stressed assets framework has therefore been consolidated under the AIFI Stressed Assets Directions.

AIFI Stressed Assets Directions establish a comprehensive framework for early recognition, reporting, and time-bound resolution of stressed assets. These Directions apply to all India Financial Institutions (AIFIs), namely Export-Import Bank of India, National Bank for Agriculture and Rural Development, National Housing Bank, Small Industries Development Bank of India, and National Bank for Financing Infrastructure and Development. AIFIs are required to put in place Board-approved policies for resolution of stressed assets, including timelines for resolution and detailed policies on various signs of financial difficulty. The AIFI Stressed Assets Directions mandate that AIFIs recognise incipient stress by classifying accounts as special mention accounts (SMA) immediately upon default, and once default is reported, specified lenders must jointly undertake a prima facie review of the borrower account within a 30-day Review Period and decide on the resolution strategy. Resolution plans may involve regularisation of accounts by payment of overdues, sale of exposures, change in ownership, or restructuring, and must be clearly documented by the AIFI even if there are no changes in terms and conditions. Accounts classified as ‘standard’ shall be immediately downgraded to non-performing assets (sub-standard) following restructuring, whilst non-performing assets continue to have the same classification. Upgrade to standard category requires satisfactory performance during the monitoring period and, for certain accounts, investment-grade credit ratings. The AIFI Stressed Assets Directions also cover compromise settlements, which aim to maximise recovery from distressed borrowers and are not available to borrowers as a matter of right but are at the discretion of AIFIs based on commercial judgement. AIFIs may participate in government debt relief schemes based on board-approved policies, subject to extant regulatory norms. These directions repeal existing directions, instructions, and guidelines relating to resolution of stressed assets as applicable to AIFIs.

Reserve Bank of India (All India Financial Institutions – Classification, Valuation, and Operation of Investment Portfolio) dated November 28, 2025 notification RBI/DOR/2025-26/329 DOR.MRG.REC.No.248/00-00-017/2025-26 Directions, 2025 (“AIFI Investment Portfolio Directions”)

The RBI has introduced norms on the Basel III capital framework, fund raising and exposure guidelines by way of Reserve Bank of India (All India Financial Institutions (AIFIs) – Prudential Norms on Capital Adequacy) Directions, 2025 dated November 28, 2025 notification BI/DOR/2025-26/321 DOR.CAP.REC.240/21-01-002/2025-26 (“AIFI Capital Adequacy Directions”).

The investment portfolio would be categorised into three categories – Held to Maturity (HTM), Available for Sale (AFS) and Held for Trading (HFT), aligned with the specifications of ‘Trading Book’ as per the Basel III framework.