

**DISCLOSURES UNDER THE NEW CAPITAL ADEQUACY FRAMEWORK
(BASEL II GUIDELINES) FOR THE HALF YEAR ENDED 30th September, 2012**

I. SCOPE OF APPLICATION

Axis Bank Limited (the 'Bank') is a commercial bank, which was incorporated on 3 December, 1993. The Bank is the controlling entity for all group entities that include its six subsidiaries.

The consolidated financial statements of the Bank comprise the financial statements of Axis Bank Limited and its subsidiaries that together constitute the 'Group'. The Bank consolidates its subsidiaries in accordance with Accounting Standard 21 (AS 21) 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India on a line-by-line basis by adding together the like items of assets, liabilities, income and expenditure. While computing the consolidated Bank's Capital to Risk-weighted Assets Ratio (CRAR), the Bank's investment in the equity capital of the subsidiaries is deducted, 50% from Tier 1 Capital and 50% from Tier 2 Capital. The subsidiaries of the Bank are not required to maintain any regulatory capital. The table below lists Axis Bank's Subsidiaries/Associates/Joint ventures consolidated for accounting and their treatment for capital adequacy purpose.

Sr. No	Name of the entity	Nature of Business	Holding	Basis of Consolidation
1.	Axis Capital Ltd. (Formerly Axis Securities and Sales Ltd.)	Marketing of credit cards and retail asset products and retail broking	100%	Fully consolidated
2.	Axis Private Equity Ltd.	Managing investments, venture capital funds and off shore funds	100%	Fully consolidated
3.	Axis Trustee Services Ltd.	Trusteeship services	100%	Fully consolidated
4.	Axis Mutual Fund Trustee Ltd.	Trusteeship	75%	Fully consolidated
5.	Axis Asset Management Company Ltd.	Asset Management	75%	Fully consolidated
6.	Bussan Auto Finance India Private Ltd.	Non-Banking Financial company	26%	Treated as an associate

The investment in Bussan Auto Finance India Private Ltd. is not deducted from the capital funds of the Bank but is assigned risk-weights as an investment.

On 7 March, 2011, the Bank has incorporated a new subsidiary, namely Axis U.K. Limited as a private limited company registered in the United Kingdom (UK) with the main purpose of filing an application with Financial Services Authority (FSA), UK for a banking licence in the UK and for the creation of necessary infrastructure for the subsidiary to commence banking business. As on 30th September, 2012, Axis U.K. Limited has not commenced any operations.

There is no deficiency in capital of any of the subsidiaries of the Bank as on 30 September, 2012. Axis Bank actively monitors all its subsidiaries through their respective Boards and regular updates to the Board of Directors of Axis Bank.

As on 30 September, 2012, the Bank has an investment of ₹ 57.45 crores in Max New York Life Insurance Company Limited which is not deducted from the capital funds of

the Bank, but is assigned risk weights as an investment for the purpose of Basel II, the details of which are given below.

Country of Incorporation : India
Ownership Interest : less than 3%

The quantitative impact on regulatory capital of using risk weighted investments method versus using the deduction method at 30 September, 2012 is set out in the following table.

(₹ in crores)	
Method	Quantitative impact
Deduction method	57.45
Capital @ 9% of risk weighted assets	10.09

II. CAPITAL STRUCTURE

Capital Funds

		(₹ in crores)
	Position as on 30 September, 2012	Amount
A	Tier 1 Capital	21,906.64
	Of which	
	- Paid-up Share Capital	414.53
	- Reserves and surplus (Excluding Foreign Currency Translation Reserve)	22,278.31
	- Innovative Perpetual Debt Instruments	457.13
	- Amount deducted from Tier 1 capital	
	- Investments in subsidiaries	(146.02)
	- Deferred Tax Assets	(1,097.31)
B	Tier 2 Capital (net of deductions) (B.1+B.2+B.3-B.4)	9,755.72
	Out of above	
	Debt Capital Instruments eligible for inclusion as Upper Tier 2 Capital	
B.1	- Total amount outstanding	1,416.40
	- Of which amount raised during the current year	
	- Amount eligible as capital funds	1,416.40
B.2	Subordinated debt eligible for inclusion in Lower Tier 2 Capital	
	- Total amount outstanding	8,129.30
	- Of which amount raised during the current year	-
	- Amount eligible as capital funds	7,620.66
B.3	Other Tier 2 Capital - General provisions and loss reserves	864.68
B.4	Deductions from Tier 2 Capital	
	- Investments in Subsidiaries	(146.02)
C	Total Eligible Capital	31,662.36

III. CAPITAL ADEQUACY

A summary of the Bank's capital requirement for credit, market and operational risk and the capital adequacy ratio as on 30 September, 2012 is presented below.

(₹ in crores)

Capital Requirements for various Risks	Amount
CREDIT RISK	
Capital requirements for Credit Risk	
- Portfolios subject to standardized approach	18,401.52
- Securitisation exposures	-
MARKET RISK	
Capital requirements for Market Risk	
- Standardized duration approach	1,914.11
- Interest rate risk	1,771.33
- Foreign exchange risk (including gold)	27.06
- Equity risk	115.72
OPERATIONAL RISK	
Capital requirements for Operational risk	
- Basic indicator approach	1,625.23
Capital Adequacy Ratio of the Bank (%)	12.99%
Tier 1 CRAR (%)	8.99%

IV. RISK MANAGEMENT: OBJECTIVES AND ORGANIZATION STRUCTURE

CREDIT RISK EXPOSURES

Total Gross Credit Risk Exposure Including Geographic Distribution of Exposure – Position as on 30 September, 2012

(₹ in crores)

	Domestic (Outstanding)	Overseas (Outstanding)	Total
Fund Based	228,853.05	29,470.24	258,323.29
Non Fund Based *	79,205.41	11,402.42	90,607.83
Total	308,058.46	40,872.66	348,931.12

* Non-fund based exposures are guarantees given on behalf of constituents and acceptances and endorsements.

Distribution of Credit Risk Exposure by Industry Sector – Position as on 30 September, 2012

(₹ in crores)

Sr. No.	Industry Classification	Amount	
		Fund Based (Outstanding)	Non-Fund Based (Outstanding)
1.	Power Generation & Distribution	9,031.41	17,504.82
2.	Infrastructure (excluding Power)	17,055.04	11,585.28
	- Of which Roads & ports	7,248.72	1,999.37
	- Of which Telecommunication	2,675.39	1,373.36
3.	Trade	8,096.35	4,792.37
4.	All Engineering	5,375.10	7,233.19
	- Of which Electronics	456.33	79.72
5.	Chemicals and chemical products	5,657.53	5,703.57
	- Of which Petro Chemicals	781.08	1,437.01
	- Of which Drugs & Pharmaceuticals	2,088.19	717.03
6.	Iron and Steel	6,820.91	5,287.98
7.	NBFCs	4,646.71	953.91

8.	Food Processing	5,624.99	143.62
9.	Edible Oils and Vanaspati	909.24	3,205.72
10.	Mining and quarrying (incl. Coal)	1,631.98	548.52
11.	Computer Software	2,857.68	1,550.47
12.	Vehicles, vehicle parts and transport equipments	3,076.98	456.03
13.	Other Metal and Metal products	2,095.12	1,371.96
14.	Cotton Textiles	2,861.70	422.71
15.	Cement and cement products	2,016.95	878.80
16.	Construction	1,002.22	1,644.29
17.	Other Textiles	1,591.37	434.03
18.	Gems and Jewellery	1,761.49	430.59
19.	Sugar	1,081.14	134.06
20.	Paper and Paper Products	934.23	211.49
21.	Rubber, Plastic and their products	708.82	193.61
22.	Petroleum, coal products and nuclear fuels	1,603.69	1,278.55
23.	Beverage & Tobacco	578.32	17.24
24.	Tea	330.87	65.44
25.	Leather and Leather products	66.89	8.10
26.	Jute Textiles	17.58	4.22
27.	Wood and Wood products	350.07	203.59
28.	Glass and Glass ware	485.16	171.27
29.	Other Industries	40,515.25	17,879.02
	- Of which Banking and Finance	14,217.87	6,703.66
	- Of which Commercial real estate	6,639.23	678.38
	- Of which Shipping	3,036.00	1,163.86
	- Of which Professional services	3,369.13	2,055.99
30.	Residual exposures to balance the total exposure	1,29,538.50	6,293.38
	Total	2,58,323.29	90,607.83

As on 30 September, 2012, the Bank's exposure to the industries stated below was more than 5% of the total gross credit exposure:

Sr. No.	Industry Classification	Percentage of the total gross credit exposure
1.	Power Generation & Distribution	8%
2.	Infrastructure	8%
3.	Banking & Finance	6%

Residual Contractual Maturity breakdown of Assets – Position as on 30 September, 2012
(₹ in crores)

Maturity Bucket	Cash, balances with RBI and other banks	Investments	Advances	Other assets including fixed assets
1 day	10,386.70	7,542.22	3,712.29	304.18
2 to 7 days	816.28	2,747.16	1,288.50	1,220.09
8 to 14 days	291.61	2,399.26	1,005.63	1,291.88
15 to 28 days	986.20	2,584.91	1,292.94	2,136.81
29 days to 3 months	896.82	6,956.74	7,749.38	0.00
Over 3 months and upto 6 months	1,135.26	11,378.43	9,797.58	434.26
Over 6 months and upto 12 months	1,463.38	14,121.69	8,967.54	502.96
Over 1 year and upto 3 years	853.29	16,881.53	39,702.29	150.26

Over 3 years and upto 5 years	761.24	8,143.55	24,841.75	0.00
Over 5 years	2,369.74	26,935.45	73,773.67	4,857.27
Total	19,960.52	99,690.94	172,131.57	10,897.71

Movement of NPAs and Provision for NPAs (including NPIs) – Position as on 30 September, 2012

		(₹ in crores)
		Amount
A.	Amount of NPAs (Gross)*	2,191.01
	- Substandard	735.72
	- Doubtful 1	240.85
	- Doubtful 2	149.21
	- Doubtful 3	33.56
	- Loss	1,031.67
B.	Net NPAs	654.24
C.	NPA Ratios	
	- Gross NPAs (including NPIs) to gross advances (%)	1.26%
	- Net NPAs (including NPIs) to net advances (%)	0.38%
D.	Movement of NPAs (Gross)	
	- Opening balance as on 1.4.2012	1,806.30
	- Additions	1,084.10
	- Reductions	(699.39)
	- Closing balance as on 30.9.2012	2,191.01
E.	Movement of Provision for NPAs	
	- Opening balance as on 1.4.2012	1,323.92
	- Provision made in 2012-13	800.99
	- Transfer of restructuring provision	-
	- Write – offs / Write – back of excess provision	(599.33)
	- Closing balance as on 30.9.2012	1,525.58

* includes ₹6.61crores outstanding under Application Money classified as non-performing asset.

NPIs and Movement of Provision for Depreciation on NPIs – Position as on 30 September, 2012

		(₹ in crores)
		Amount
A.	Amount of Non-Performing Investments	69.04
	Amount of Non-Performing Investments- Others*	6.61
B.	Amount of Provision held for Non- performing investments	53.11
	Amount of Provision held for Non- performing investments- Others*	6.61
C.	Movement of provision for depreciation on investments	
	- Opening balance as on 1.4.2012	327.55
	- Provision made in 2012-13	0.00
	- Write – offs	-
	- Write – back of excess provision	(133.74)
	- Closing balance as on 30.9.2012	193.81

* represents amount outstanding under Application Money classified as non- performing asset.

Details of Gross Credit Risk Exposure (Fund based and Non-fund based) based on Risk-Weight – Position as on 30 September, 2012

	(₹ in crores)
	Amount
Below 100% risk weight	186,677.06
100% risk weight	133,505.56
More than 100% risk weight	28,748.50
Deduction from capital funds	
- Investments in subsidiaries	292.04

V. CREDIT RISK MITIGATION
Details of total credit exposure (after on or off balance sheet netting) as on 30 September, 2012

	(₹ in crores)
	Amount
Covered by :	
- Eligible financial collaterals after application of haircuts	7,702.45
- Guarantees/credit derivatives	7,732.89

VI. SECURITISATION

The securitisation of assets generally being undertaken by the Bank is on the basis of "True Sale", which provides 100% protection to the Bank from default. All risks in the securitised portfolio are transferred to a Special Purpose Vehicle (SPV), except where the Bank provides sub-ordination of cash flows to Senior Pass-Through Certificate (PTC) holders by retaining the junior tranche of the securitised pool. The Bank has not sponsored any special purpose vehicle which is required to be consolidated in the consolidated financial statements as per accounting norms.

All transfers of assets under securitisation were effected on true sale basis. However in the half year ended 30th September 2012, the Bank has not securitised any asset.

A. Banking Book
Details of Exposure Securitised by the Bank and subject to Securitisation Framework

		(₹ in crores)
Sr. No.	Type of Securitisation	Amount
1.	Total amount of exposures securitised	-
2.	Losses recognized by the Bank during the current period	-
3.	Amount of assets intended to be securitised within a year	-
	Of which	
	- Amount of assets originated within a year before securitisation	NA
4.	Amount of exposures securitised	
	- Corporate Loans	-
5.	Unrecognized gain or losses on sale	
	- Corporate Loans	-

Aggregate amount of Securitisation Exposures Retained or Purchased as on 30 September, 2012 is given below

(₹ in crores)

Sr. No.	Type of Securitisation	On Balance Sheet (Amount)	Off Balance Sheet (Amount)
1.	Retained	-	-
2.	Securities purchased	-	-
3.	Liquidity facility	-	-
4.	Credit enhancement (cash collateral)	-	-
5.	Other commitments	-	-

Risk-weight wise Bucket Details of the Securitisation Exposures on the Basis of Book-Value

(₹ in crores)

	Amount	Capital charge
Below 100% risk weight	-	-
100% risk weight	-	-
More than 100% risk weight	-	-
Deductions		
- Entirely from Tier I capital	-	-
- Credit enhancing I/Os deducted from Total Capital	-	-
- Credit enhancement (cash collateral)	-	-

B. Trading Book-

Details of Exposure Securitised by the Bank and subject to Securitisation Framework

(₹ in crores)

Sr. No.	Type of Securitisation	Amount
1.	Aggregate amount of exposures securitised by the Bank for which the Bank has retained some exposures and which is subject to the market risk approach	NIL

Aggregate amount of Securitisation Exposures Retained or Purchased as on 30 September, 2012 is given below

(₹ in crores)

Sr. No.	Type of Securitisation	On Balance Sheet (Amount)	Off Balance Sheet (Amount)
1.	Retained	-	-
2.	Securities purchased		
	- Corporate Loans	18.91	-
	- Lease Rental	330.71	-
3.	Liquidity facility	-	-
4.	Credit enhancement (cash collateral)	-	-
5.	Other commitments	-	-

Risk-weight wise Bucket Details of the Securitisation Exposures on the Basis of Book-Value

		(₹ in crores)	
		Amount	Capital charge
1.	Exposures subject to Comprehensive Risk Measure for specific risk		
	- Retained	-	-
	- Securities purchased	-	-
2.	Exposures subject to the securitisation framework for specific risk		
	Below 100% risk weight	349.62	11.22
	100% risk weight	-	-
	More than 100% risk weight	-	-
3.	Deductions		
	- Entirely from Tier I capital	-	-
	- Credit enhancing I/Os deducted from Total Capital	-	-
	- Credit enhancement (cash collateral)	-	-

VII. MARKET RISK IN TRADING BOOK
Capital Requirement for Market Risk – Position as on 30 September, 2012

	(₹ in crores)
	Amount of Capital Required
Interest rate risk	1,771.33
Equity position risk	115.72
Foreign exchange risk (including gold)	27.06

VIII. INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

Details of increase (decline) in earnings and economic value for upward and downward rate shocks based on balance sheet as on 30 September, 2012 are given below:

Earnings Perspective

Country	(₹ in crores)	
	Interest Rate Shock	
	0.50%	(-) 0.50%
India	-193.94	193.94
Overseas	41.76	-41.76
Total	-152.18	152.18

Economic Value Perspective

Country	(₹ in crores)	
	Interest Rate Shock	
	0.50%	(-) 0.50%
India	-173.12	204.46
Overseas	45.53	-44.89
Total	-127.59	159.57