DISCLOSURES UNDER THE NEW CAPITAL ADEQUACY FRAMEWORK (BASEL II GUIDELINES) FOR THE HALF YEAR ENDED 30th SEPTEMBER 2010

I. SCOPE OF APPLICATION

Axis Bank Limited (the 'Bank') is a commercial bank, which was incorporated on 3rd December 1993. The Bank is the controlling entity for all group entities that include its five wholly owned 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 wholly-owned 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 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	100%	Fully consolidated
5.	Axis Asset Management Company Ltd.	Asset Management	100%	Fully consolidated
6.	Bussan Auto Finance India Private Ltd.	Non-Banking Financial company	26%	Treated as an investment

The Bank has entered into a joint venture agreement and holds an equity investment to the extent of 26% in Bussan Auto Finance India Private Ltd., a non-banking financial company. The financials of the joint venture company are not consolidated with the balance sheet of the Bank as such investment does not fall within the definition of a joint venture as per Accounting Standard 27 (AS 27), Financial Reporting of Interest in Joint Ventures, issued by the Institute of Chartered Accountants of India. The investment in the joint venture is not deducted from the capital funds of the Bank but is assigned risk-weights as an investment.

There is no deficiency in capital of any of the subsidiaries of the Bank as on 30th September 2010. Axis Bank actively monitors all its subsidiaries through their respective Boards and regular updates to the Board of Axis Bank.

As on 30th September 2010, the Bank does not have any interest in any insurance entity.

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II. CAPITAL STRUCTURE

Capital Funds

(₹ in crores)

	Position as on 30th September 2010	Amount
A	**Tier 1 Capital**	**15,795.63**
	Of which	
	- Paid-up Share Capital	408.84
	- Reserves and surplus (Excluding Foreign Currency Translation Reserve)	15,789.04
	- Innovative Perpetual Debt Instruments	420.70
	- Amount deducted from Tier 1 capital	
	- Investments in subsidiaries	(100.78)
	- Deferred Tax Assets	(722.17)
B	**Tier 2 Capital (net of deductions) (B.1+B.2+B.3-B.4)**	**6,320.67**
	Out of above	
B.1	Debt Capital Instruments eligible for inclusion as Upper Tier 2 Capital	
	- Total amount outstanding	1,249.82
	- Of which amount raised during the current year	-
	- Amount eligible as capital funds	1,249.82
B.2	Subordinated debt eligible for inclusion in Lower Tier 2 Capital	
	- Total amount outstanding	5,331.30
	- Of which amount raised during the current year	-
	- Amount eligible as capital funds	4,671.60
B.3	Other Tier 2 Capital - General Provisions and Loss Reserves	500.03
B.4	Deductions from Tier 2 Capital	
	- Investments in Subsidiaries	(100.78)
C	**Total Eligible Capital**	**22,116.30**

III. CAPITAL ADEQUACY

A summary of the Bank's capital requirement for credit, market and operational risk and the capital adequacy ratio as on 30th September 2010 is presented below.

(₹ in crores)

Capital Requirements for various Risks	Amount
CREDIT RISK	
Capital requirements for Credit Risk	
- Portfolios subject to standardized approach	12,379.29
- Securitisation exposures	-
MARKET RISK	
Capital requirements for Market Risk	
- Standardized duration approach	1,209.52
- Interest rate risk	1,017.13
- Foreign exchange risk (including gold)	31.27
- Equity risk	161.12
OPERATIONAL RISK	

Capital requirements for Operational risk	
- Basic indicator approach	961.72
Capital Adequacy Ratio of the Bank (%)	**13.68%**
Tier 1 CRAR (%)	**9.77%**

IV. CREDIT RISK EXPOSURES

Total Gross Credit Risk Exposure Including Geographic Distribution of Exposure – Position as on 30th September 2010

(₹ in crores)

	Domestic	Overseas	Total
Fund Based	161,004.12	16,413.86	**177,417.98**
Non Fund Based *	60,164.39	6,190.44	**66,354.83**
Total	**221,168.51**	**22,604.30**	**243,772.81**

* 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 30th September 2010

(₹ in crores)

Sr. No.	Industry Classification	Amount	
		Fund Based	Non-Fund Based
1.	Mining and quarrying (incl. coal)	660.77	1,073.62
2.	Iron and Steel	4,419.56	2,644.50
3.	Other Metal and Metal Products	1,049.63	867.16
4.	All Engineering	2,112.35	4,101.50
	- Of which Electronics	294.45	77.48
5.	Power Generation & Distribution	4,445.22	7,068.20
6.	Cotton Textiles	2,388.89	415.54
7.	Jute Textiles	7.93	0.80
8.	Other Textiles	1,132.16	318.99
9.	Sugar	713.13	246.09
10.	Tea	316.45	2.96
11.	Food Processing	2,202.51	277.19
12.	Edible Oils and Vanaspati	742.87	1,651.87
13.	Beverages & Tobacco	181.47	11.08
14.	Wood & wood products	345.96	154.54
15.	Paper and Paper Products	1,161.43	651.74
16.	Rubber, plastic and their products	430.52	204.97
17.	Chemicals and chemical products	6,359.03	4,090.14
	- Of which Petrochemicals	2,531.29	1,603.63
	- Of which Drugs & Pharmaceuticals	1,418.40	454.83
18.	Glass and glassware	118.59	21.14
19.	Cement and cement products	1,986.68	253.96
20.	Leather and Leather Products	95.43	6.37
21.	Gems and Jewellery	1,641.45	7,296.61
22.	Construction	209.76	479.56
23.	Petroleum, coal products and nuclear fuels	67.90	125.26

24.	Vehicles, vehicle parts and transport equipments	1,442.42	374.38
25.	Computer Software	2,131.86	564.33
26.	Infrastructure (excluding Power)	15,718.43	9,526.03
	- Of which Roads & ports	3,188.07	2,431.28
	- Of which Telecommunication	8,375.13	1,172.54
27.	NBFCs	2,866.91	1,488.48
28.	Trade	5,426.70	7,971.22
29.	Other Industries	34,773.76	8,953.31
	- Of which Banking & Finance	16,235.81	4,806.01
	- Of which Commercial Real Estate	4,670.89	306.50
	- Of which Shipping	1,735.41	432.65
	- Of which Professional Services	2,002.00	255.86
30.	Residual exposures to balance the total exposure	82,268.21	5,513.29
	Total	**177,417.98**	**66,354.83**

As on 30th September 2010, 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.	Infrastructure	10%
2.	Banking & Finance	9%
3.	Trade	5%

Residual Contractual Maturity breakdown of Assets – Position as on 30th September 2010

(₹ in crores)

Maturity Bucket	Cash, balances with RBI and other banks	Investments	Advances	Other assets including fixed assets
1day	2,498.52	1,255.55	376.26	-
2 to 7 days	2,255.18	1,604.94	1,826.10	446.69
8 to 14 days	1,417.81	4,056.56	1,254.78	370.94
15 to 28 days	2,603.12	5,076.27	2,253.00	1,481.19
29 days to 3 months	4,292.12	10,073.73	6,028.21	-
3 to 6 months	2,122.59	6,262.73	8,208.24	-
6 to 12 months	2,199.90	8,118.46	8,178.95	-
1 to 3 years	1,355.05	10,263.00	14,636.98	-
3 to 5 years	45.49	4,378.51	13,324.86	-
Over 5 years	1,988.14	10,852.64	54,505.41	4,221.17
Total	**20,777.93**	**61,942.39**	**110,592.79**	**6,519.99**

Movement of NPAs and Provision for NPAs – Position as on 30th September 2010

(₹ in crores)

		Amount
A.	**Amount of NPAs (Gross)**	
	- Substandard	527.88
	- Doubtful 1	237.75
	- Doubtful 2	45.79
	- Doubtful 3	13.57
	- Loss	537.37

B.	**Net NPAs**	409.35
C.	**NPA Ratios**	
	- Gross NPAs to gross advances (%)	1.22%
	- Net NPAs to net advances (%)	0.37%
D.	**Movement of NPAs (Gross)**	
	- Opening balance as on 1.4.2010	1,318.00
	- Additions	866.52
	- Reductions	(822.16)
	- Closing balance as on 30.9.2010	1,362.36
E.	**Movement of Provision for NPAs**	
	- Opening balance as on 1.4.2010	899.00
	- Provision made in 2010-11	407.56
	- Write – offs / Write – back of excess provision	(354.57)
	- Reclassification of floating provision	-
	- Closing balance as on 30.9.2010	951.99

NPIs and Movement of Provision for Depreciation on NPIs – Position as on 30th September 2010

(₹ in crores)

		Amount
A.	Amount of Non-Performing Investments	14.58
B.	Amount of Provision held for Non- performing investments	14.58
C.	Movement of provision for depreciation on investments	
	- Opening balance as on 1.4.2010	170.18
	- Provision made in 2010-11	50.09
	- Write – offs	-
	- Write – back of excess provision	(16.72)
	- Closing balance as on 30.9.2010	203.55

Details of Gross Credit Risk Exposure (Fund based and Non-fund based) based on Risk-Weight – Position as on 30th September 2010

(₹ in crores)

	Amount
Below 100% risk weight	148,644.73
100% risk weight	84,006.38
More than 100% risk weight	11,121.70
Deduction from capital funds	
- Investments in subsidiaries	201.55

V. CREDIT RISK MITIGATION

Details of total credit exposure (after on or off balance sheet netting) as on 30th September 2010

(₹ in crores)

	Amount
Covered by :	
- Eligible financial collaterals after application of haircuts	15,294.65
- Guarantees/credit derivatives	1,547.64

VII. 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.

All transfers of assets under securitisation were effected on true sale basis. In the half year ended 30th September 2010, the Bank has securitised ₹ 301.66 crores as an originator.

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 securitized	301.66
2.	Losses recognized by the Bank during the current period	-
3.	Amount of assets intended to be securitized within a year	-
	Of which	
	- Amount of assets originated within a year before securitization	NA
4.	Amount of exposures securitized	
	- Corporate Loans	301.66
5.	Unrecognised gain or losses on sale	
	- Corporate Loans*	2.09

***** *(As per RBI Guidelines, profit is booked over the residual maturity of the loan, above figure Rs.2.09 crores is unrecognized gain as on 30th September 2010)*

Aggregate amount of Securitisation Exposures Retained or Purchased as on 30th September 2010 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 securitized 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 30th September 2010 is given below

(₹ in crores)

Sr. No.	Type of Securitisation	On Balance Sheet (Amount)	Off Balance Sheet (Amount)
1.	Retained	5.08	-
2.	Securities purchased		-
	- Corporate Loans	187.06	-
	- Retail Auto Loans	40.70	-
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		

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	Below 100% risk weight	225.84	
	100% risk weight	7.00	
	More than 100% risk weight	-	-
3.	Deductions		
	- Entirely from Tier I capital	-	-
	- Credit enhancing I/Os deducted from Total Capital	-	-
	- Credit enhancement (cash collateral)	-	-

VIII. MARKET RISK IN TRADING BOOK

Capital Requirement for Market Risk – Position as on 30th September 2010

(₹ in crores)

	Amount of Capital Required
- Interest rate risk	1,017.13
- Equity position risk	161.12
- Foreign exchange risk (including gold)	31.27

X. INTEREST RATE RISK IN THE BANKING BOOK

Details of increase (decline) in earnings and economic value for upward and downward rate shocks based on balance sheet as on 30th September 2010 are given below:

Earnings Perspective

(₹ in crores)

Country	**Interest Rate Shock**	
	0.50%	**(-) 0.50%**
India	(53.23)	53.23
Overseas	9.07	(9.07)
Total	**(44.16)**	**44.16**

Economic Value Perspective

(₹ in crores)

Country	**Interest Rate Shock**	
	0.50%	**(-) 0.50%**
India	(256.39)	259.64
Overseas	22.68	(25.15)
Total	**(233.71)**	**234.49**