

## SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND IFRS

*The financial statements of the Issuer included in this Offering Circular have been prepared in accordance with the accounting policies followed by the Issuer which conform to Indian GAAP as applicable to the Issuer. The following is a general summary of certain principal differences between Indian GAAP and IFRS as applicable to the Issuer. The differences identified below are limited to those significant differences that are appropriate to the Issuer's financial statements. However, they should not be construed as being exhaustive, and no attempt has been made to identify possible future differences between Indian GAAP and IFRS as a result of prescribed changes in accounting standards nor to identify future differences that may affect the Issuer's financial statements as a result of transactions or events that may occur in the future.*

	IFRS	INDIAN GAAP
1. Contents of financial statements – General	A complete set of financial statements comprises a balance sheet, income statement, cash flow statement, statement showing changes in equity and other comprehensive income as at and for the last two fiscal years, accounting policies and other explanatory notes to financial statements with corresponding figures from the previous year.	<p>A complete set of financial statements normally includes a balance sheet, profit and loss account and cash flow statement as at and for the last fiscal year, accounting policies and notes to financial statements with one year comparative. The presentation of these financial statements differs in certain respects compared to IFRS.</p> <p>Listed entities are required to produce consolidated financial statements and the related notes along with standalone financial statements.</p>
2. Contents of financial statements – Disclosures	No particular format is prescribed for the income statement. However, an analysis of expenses must be presented in one of two formats (function or nature). Certain items must be presented on the face of the income statement. Similarly, no particular format is prescribed for the balance sheet; an entity may use a liquidity presentation of assets and liabilities, instead of a current/non-current presentation, only when a liquidity presentation provides more relevant and reliable information. Certain items must be presented on the face of the balance sheet. However, banks shall present an income statement which, groups income and expenses by nature and disclose the amounts of principal types of income and expenses. Further, banks shall present a balance sheet that groups assets and liabilities by nature and lists them in order that reflects their relative liquidity.	The Companies Act prescribes the balance sheet format and the prescribed format for the profit and loss account. In the case of banks, the format of the balance sheet and profit and loss account is prescribed in Schedule 3 to the Banking Regulations Act. Further, the RBI prescribes various disclosures from time to time.

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3. Correction of errors – comparative amounts for the prior year period(s) presented in which errors have occurred	Mandatory restatement of comparative amounts for the prior year period(s) presented in which errors have occurred.	Restatement is not required. The nature and amount of prior period items should be separately disclosed in the current year's profit and loss and the effect of the error must also be disclosed. Securities and Exchange Board of India ( <b>SEBI</b> ) may, in the case of publicly listed companies, take necessary action as it deems fit, including mandating restatement of books of accounts on the scrutiny of audit reports that qualify the accounts of a company.
4. Changes in accounting policies	Any change in accounting policy is required to be applied retrospectively requiring entities to adjust each affected component of equity for the earliest period presented, except where impracticable to do so.	Impact of and adjustments resulting from the change in accounting policies are required to be shown in the income statement of the period in which the change is made, except as specified in the transition provisions of certain standards where the changes resulting from adoption of such standards have to be shown by an adjustment in the opening retained earnings.
5. Statement of recognised gains and losses	<p>The total of gains and losses recognised in a period is comprised of net income together with the following gains and losses which are recognised directly in equity:</p> <ul style="list-style-type: none"> <li>• revaluation increase/decrease;</li> <li>• fair value gains/(losses) on land and buildings, available-for-sale, investments and certain financial instruments;</li> <li>• foreign exchange translation differences;</li> <li>• the cumulative effect of changes in accounting policy;</li> <li>• changes in fair values of certain financial instruments if designated as cash flow hedges, net of tax, and cash flow hedges reclassified to income and/or the relevant hedged asset/liability;</li> <li>• equity dividend; and</li> <li>• dividend of subsidiary (minority interest).</li> </ul> <p>Recognised gains and losses can be presented either in the notes to financial statements or highlighted separately within the primary statement of changes in shareholders' equity.</p>	There is no concept of comprehensive income. However, accounting standards, statute and industry practices allow for certain adjustments in reserves. The RBI specifically requires gain on sale of held-to-maturity securities to be appropriated from the profit/loss account to capital reserve. Revaluation gains on fixed assets are directly shown as part of reserves whereas revaluation losses, if any, are charged to revenue.

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6. Statement of changes in shareholder 's equity	The statement must be presented as a primary statement. The statement must show capital transactions with owners, the movement in accumulated profit and a reconciliation of all other components of equity.	No separate statement required. However, any adjustments to equity and reserve account must be shown in the schedules that accompany the financial statements.
7. Consolidation of subsidiaries	<p>The consolidated financial statements include all subsidiaries and foreign/domestic branches of the parent. IFRS focuses on the concept of the power to control in determining whether a parent-subsidiary relationship exists. An investor, regardless of the nature of its involvement with the investee, is required to determine whether it is a parent by assessing whether it controls the investee. An investor controls an investee if and only if the investor has all the following:</p> <p>(a) power over the investee;</p> <p>(b) exposure, or rights, to variable returns from its involvement with the investee; and</p> <p>(c) the ability to use its power over the investee to affect the amount of the investor's return.</p>	<p>Consolidation is required only in the case of listed companies and when there is controlling interest, directly or indirectly through subsidiaries, by virtue of holding the majority of the voting shares of an enterprise or controlling the board of directors of an enterprise except in case of entities such as gratuity trust where the objective is not to obtain economic benefits from their activities. A subsidiary should be excluded from consolidation when:</p> <ul style="list-style-type: none"> <li>• control is intended to be temporary because the subsidiary is acquired and held exclusively with a view to its subsequent disposal in the near future; or</li> <li>• it operates under severe long-term restrictions that significantly impair its ability to transfer funds to the parent.</li> </ul> <p>The reasons for not consolidating a subsidiary should be disclosed in the consolidated financial statements. In separate financial statements of banks, investments in such subsidiaries should be accounted for in accordance with guidelines prescribed by the RBI. As per the RBI guidelines, such investments are required to be accounted at costs less any permanent diminution in the value of such investments.</p>

	<u>IFRS</u>	<u>INDIAN GAAP</u>
8. Consolidation of subsidiaries – Uniform accounting policies	Consolidated financial statements are prepared using uniform accounting policies for all the entities in a group.	Similar to IFRS. However, if it is not practical to use uniform accounting policies, that fact should be disclosed together with the proportions of the items to which different accounting policies have been applied.
9. Consolidation of subsidiaries – Reporting period	The consolidated financial statements of the parent and the subsidiary are usually drawn up at the same reporting date. However, the consolidation of subsidiary accounts can be drawn up at a different reporting date provided that the difference between the reporting dates is no more than three months. Adjustments are made for significant transactions that occur in the gap period.	Similar to IFRS. However, the difference between the reporting dates should not be more than six months.
10. Accounting for jointly controlled entities	IFRS 12 – Joint Arrangements, which became effective from January 2013, requires joint arrangements to be classified either as a joint operation or a joint venture. A venturer shall account for its interest in a jointly controlled operation using proportionate consolidation and in a joint venture using equity method.	Accounting for jointly controlled entities is required to be done using proportionate consolidation method, except when an interest in a jointly controlled entity: <ul style="list-style-type: none"> <li>• is acquired and held exclusively with a view to its subsequent disposal in the near future; and</li> <li>• operates under severe long-term restrictions which significantly impair its ability to transfer funds to the investor.</li> </ul>
11. Jointly controlled entities – Reporting period	The consolidated financial statements of the joint venturers are usually drawn up at the same reporting date. However, the consolidation can be drawn up at a different reporting date provided the difference between the reporting dates is no more than three months. Adjustments are made for significant transactions that occur in the gap period.	Similar to IFRS. However, the difference between the reporting dates should not be more than six months.
12. Presentation of jointly controlled entities (joint ventures)	In standalone financials, in accordance with IAS 27 – Separate Financial Statements, investment in joint ventures is carried at cost or at fair value.	In standalone financials, investment in joint venture is carried at cost less impairment.

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13. Presentation of associate results	Equity method must be used. Presentation must show share of post-tax results.	Similar to IFRS. However, the accounting for associate results using the equity method was not required under Indian GAAP until 1 April 2003. Upon transition to the equity method from the cost method, an increase in Investment in Associate in Shareholders' Equity should be recorded as an adjustment to reserves for the period of change. The equity method of accounting is not required in the separate/standalone financial statements of the investor.
14. Employees Benefits – Recognition of actuarial gains and losses	IAS 19 (amended in June 2011), which became effective from January 2013, requires remeasurements of the net defined liability to be recognised in other comprehensive income.	Actuarial gain or loss should be recognised immediately in profit and loss account. The expected return is estimated separately from the interest cost. Any difference between expected return and actual return would form part of actuarial gain/loss on assets and is recognised in the profit and loss account.
15. Depreciation	Depreciation is allocated on a systematic basis to each accounting period over the economic useful life of the asset reflecting the pattern in which the entity consumes the asset's benefits.  Depreciation on revalued portion cannot be recouped out of revaluation reserve.	The Companies Act provides minimum rates of depreciation. If managements' estimate of useful life of a fixed asset is shorter than depreciation rates as per the Companies Act, depreciation is provided at a higher rate based on the managements' estimate of useful life.  Depreciation on revalued portion can be recouped out of revaluation reserve.
16. Component accounting for property, plant and equipment	As per IAS 16, it is mandatory to identify and depreciate separately each material component of an asset having a separate useful life.	Indian GAAP allows but does not mandate component accounting.
17. Deferred expenditure	Costs in respect of any start up are expensed as incurred. Equity issue costs should be accounted for as a deduction from equity (net of any related income tax benefit).	Costs are not allowed to be deferred unless permitted by the RBI.
18. Discounting of Provisions	Discounting is required for provisions if the effect is material.	Discounting of provisions is not permitted.

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19. Provision for constructive obligation	IAS 37 deals with 'constructive obligation' in the context of the creation of a provision. The effect of recognising provision on the basis of constructive obligation is that, in some cases, provision will be required to be recognised at an early stage.	No provision is required to be made for constructive obligation.
20. Initial recognition	Financial assets are required to be recognised at fair value on initial recognition.	Upon initial recognition, financial assets are recorded at its transaction value.
21. Financial Assets – Classification	<p>Financial assets are to be classified as one of the following four categories depending on certain conditions to be satisfied for each category:</p> <ul style="list-style-type: none"> <li>• financial asset at fair value through profit or loss;</li> <li>• held-to-maturity investments;</li> <li>• loans and receivables; and</li> <li>• available-for-sale financial assets.</li> </ul>	<p>AS 13, Accounting for Investments is not applicable to banks. The RBI has given guidelines for classification of investments into:</p> <ul style="list-style-type: none"> <li>• held-to-maturity;</li> <li>• available-for-sale; and</li> <li>• held-for-trading. Loans and advances are classified on the basis of the Income Recognition and Asset Classification norms of RBI.</li> </ul>
22. Financial Assets – Measurement	Initially, a financial asset is measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Subsequent measurement depends on the classification of the investment – if held-to-maturity investments and loan receivables, carry at amortised cost, using effective interest method otherwise state at fair value. Unrealised gains and losses on fair value through profit or loss classification (including trading securities) are recognised in the income statement. Unrealised gains and losses on available-for-sale investments are recognised in equity.	Investments are measured and valued on the basis of the guidelines issued by the RBI from time to time. Loans and advances are measured in accordance with the Income Recognition and Asset Classification norms of the RBI. Investments classified as available-for-sale or held-for-trading are measured at lower of cost or market value and those classified as held-to-maturity are measured at weighted average acquisition cost less the amortisation of premium amount if any, over the remaining period of maturity.

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23. Financial liabilities – Classification	<p>There are two categories of financial liabilities:</p> <ul style="list-style-type: none"> <li>• financial liabilities at fair value through the profit and loss account; and</li> <li>• financial liabilities carried at amortised cost.</li> </ul>	There are no classification guidelines for financial liabilities.
24. Financial Liabilities – Measurement	<p>Initially, a financial liability is measured at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, an entity shall measure all financial liabilities at amortised cost using the effective interest method, except for:</p> <ul style="list-style-type: none"> <li>• financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be measured at fair value except for a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, which shall be measured at cost; and</li> <li>• financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or is accounted for using the continuing involvement approach. Financial liabilities that are designated as hedged items are subject to measurement under the hedge accounting requirements.</li> </ul>	Liabilities are recognised based on the legal obligation of the entity.

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25. Financial Assets – Reclassification	<p>For Fair Value Through Profit &amp; Loss (FVTPL), reclassification into and out of FVTPL on initial recognition and reclassification of derivatives is prohibited. Held for trading may be reclassified into AFS, HTM and L&amp;R in certain rare circumstances.</p> <p>For HTM, if significant amount of HTM is reclassified or sold, the remaining investments in HTM category are to be reclassified into AFS and no investment can be classified as HTM for a period of 2 years (also known as “tainting”).</p> <p>For AFS, that would have met the definition of loans and receivables (if it had not been designated as AFS) it may be transferred into loans and receivables if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.</p>	<p>Where long-term investments are reclassified as current investments, transfers are made at the lower of cost and carrying amount at the date of transfer. Where investments are reclassified from current to long-term, transfers are made at the lower of cost and fair value at the date of transfer.</p> <p>As per the RBI Guidelines, Banks may reclassify investments into and out of HTM once a year.</p> <p>Banks may reclassify investments from AFS to HFT.</p> <p>Reclassification of investments from HFT to AFS is allowed under exceptional circumstances.</p> <p>Transfer of investments from one category to another, under all circumstances, should be done at the acquisition cost/book value/market value on the date of transfer, whichever is the least, and the depreciation, if any, on such transfer should be fully provided for. Banks may apply the values as on the date of transfer and in the event that there are practical difficulties in applying the values as on the date of transfer, banks have the option of applying the values as on the previous working day, for arriving at the depreciation requirement on the shifting of securities.</p>
26. Discount on purchase of held-to-maturity securities	Discount on the purchase of held-to-maturity securities are required to be adjusted in the effective interest rate of the security and recognised over the life of the security.	Based on RBI guidelines, discount is not accreted. The same will be recognised in the profit and loss accounts at the time of sale of the security.
27. Impairment of loans	Impairment losses on loans and receivables are recognised when there is a loss event on the basis of individual or collective assessment. Impairment losses are not allowed to be provided for future expected losses.	Impairment on loans are recognised based on RBI guidelines. The guidelines prescribe minimum losses to be provided based on the number of days past due of an asset. Losses above the minimum prescribed levels can be provided based on management estimates.

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28. Hedge accounting	<p>IAS 39 recognises three types of hedges, namely the fair value hedge, cash flow hedge and net investment hedge. Under the fair value hedge, both the hedged instrument and hedging instrument are carried at fair value through the profit and loss account. For the cash flow hedge and net investment hedge, the effective portion of fair value movement of the hedged instrument is recognised in Other Comprehensive Income (OCI) with ineffective portion recognised in the profit and loss account. The fair value movement recorded in OCI is subsequently released to the profit and loss account concurrently with the earnings recognition pattern of the hedged item.</p>	<p>Accounting for interest rate hedges using interest rate derivatives are prescribed by the RBI. Hedge accounting for foreign currency risk using forward contracts on recognised assets and liabilities is prescribed under AS 11(Revised). In case of interest rate hedges, interest rate swaps are not fair valued. The net interest accrued on the swap is recognised in the profit and loss account. In case of forward contracts, the premium paid on the forward contract is amortised over the contract period. The forward contracts are valued using the closing exchange rate.</p>
29. Revenue – Interest	<p>Interest income is recognised using the effective interest method.</p>	<p>Interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. However the interest is recognised on receipt basis for NPAs as per RBI guidelines.</p>
30. Reward points	<p>As per IFRIC 13, the transaction fee on credit cards is required to be deferred to the extent of fair value of the awards estimated to be claimed in the future periods.</p>	<p>In absence of any specific guidance, the entire transaction fee earned is recognised upfront.</p>
31. Revenue – Financials service fees	<p>Fees that are an integral part of the effective interest rate of the instrument, for example, loan origination, arrangement fees and direct selling agents fees, are deferred and recognised as an adjustment to the effective interest rate. However when financial instruments are valued at fair value with changes in fair value being recognised in profit and loss, the fees are recognised as revenue when the instrument is initially recognised.</p> <p>Fees earned as services are provided are recognised as services provided. For example fees charged for servicing a loan is recognised over the period of the loan.</p> <p>Fees that are earned on the execution of a significant act are recognised when such act is completed. For example, placement fees for arranging a loan and an investor are recognised when the loan has been arranged.</p>	<p>Financial service fee is recognised as revenue depending on whether the service has been provided “once for all” or is on a continuing basis.</p> <p>Loan origination and arrangement fees are recognised as revenue when the loan has been originated.</p>

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32. Dividends paid	Dividends are recorded as liabilities when declared.	Dividends are recorded as liabilities when proposed.
33. Deferred income taxes	<p>The balance sheet approach must be used (with some exceptions), under which deferred tax is required to be created for all temporary differences between the tax base and the carrying value of the assets and liabilities. Deferred tax assets are recognised only if its recovery is probable.</p> <p>Further, deferred tax is required to be recognised in the consolidated financial statements for undistributed profits earned from the subsidiaries. Deferred tax is also required to be recognised for unrealised intercompany profits in the consolidated financial statements.</p>	<p>Deferred tax assets and liabilities should be recognised for all timing differences subject to consideration of prudence in respect of deferred tax assets. Where an enterprise has unabsorbed depreciation or carried forward losses under tax laws, deferred tax assets should be recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reassessed at each balance sheet date and are adjusted to reflect the amount that is reasonably or virtually certain to be realised.</p> <p>Deferred tax is accounted using the income statement approach, which focuses on timing differences.</p> <p>No deferred tax is recognised for undistributed profits earned from the subsidiaries or on unrealised profits from intergroup transactions in the consolidated financial statements.</p>
34. Interim financial reporting	Not mandatory to prepare interim statements but must use standard if prepared. Basis should be consistent with the full-year statements and include comparatives. Publicly traded companies are encouraged to provide interim financial reports.	The recognition and measurement principles laid down in Accounting Standard 25 (AS 25 – Interim Financial Reporting) are mandatory for only listed companies.
35. Guarantees	Fair value of guarantee is recognised as liability at the inception. Subsequently, guarantee contracts are required to be carried at their fair value.	Guarantees must be disclosed as a contingent liability.
36. Related party disclosures	The definition of related party includes non-executive directors and the remuneration paid to such non-executive directors are required to be disclosed.	The definition of related party is narrower. Key managerial persons do not include non-executive directors.
37. Employee stock options	The grant date fair value of the option is recognised as the employee cost over the vesting period.	There is an option to recognise the intrinsic value or the fair value of the option as employee cost over the vesting period.

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38. Business combinations	Business combinations are required to be accounted using the purchase method. Pooling of interest method is prohibited.	Pooling of interest method is allowed for amalgamations when certain conditions are met.
39. Securitisation	As per IAS 39, securitised loans can be derecognised from the books of account only if substantial risks and rewards have been transferred. Where substantial risks and rewards have neither been transferred substantially nor retained substantially, then the entity should evaluate whether control has over the asset has been transferred.	Securitised loans are derecognised from the books of account if they meet the true sale criteria as per the RBI guidelines.
40. Qualitative and quantitative disclosures of related to risks	IFRS 7 requires both qualitative and quantitative disclosures related to risks.	The RBI guidelines require certain risk related information to be disclosed as part of Basel Pillar III disclosures. Such disclosures are not part of audited financials statements.
41. Segment reporting	Operating segments are identified based on the financial information that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.	Indian GAAP requires an enterprise to identify two sets of segments (namely business and geographical) based on the risks and rewards approach, with the enterprise's system of internal reporting to the key management personnel. This serves as the starting point for the identification of reportable segments. Reporting segments are identified based on parameters such as revenue, net income, assets, and liabilities as prescribed in AS 17 – Segment Reporting.