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Ever since the first issue in 1966,
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and research in the social sciences.
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Digitised Learning in North East India

The National Statistical Office under the guidance of the Ministry of Statistics and Programme Implementation (MOSPI), in its 75th report, 2017–18, took an account of the "percentage of households with computer and internet facilities for different states." It revealed that all over India, the percentage of households having internet facilities stand at 23.8%, with rural-area internet availability at 14.9% and urban-area internet availability at 42%. The study has also mentioned the statewise percentage of households with internet facility, where Assam is slated at 17% (urban + rural). Interestingly, the study does not give a record of the other north-eastern states.

This divulges a very disturbing picture, with regard to the current transition of the classroom into online mode of education, owing to the current COVID-19 scenario. The north-eastern region of India is spread across eight states, namely Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. This part faces a blockade of underdeveloped infrastructure on account of a continuous sociopolitical unrest. However, the literacy rate in the north-eastern region is among the highest in India, with Mizoram topping the list with 88.8%. Unlike the other states of India, in the north-eastern region, private schools are as many as government schools. The rural population has access to schools within a distance of every 1 kilometre, showcasing their educational development.

However, the issue is, even though educational access is meted out to the general population of North East India, they, on a daily basis, face challenges due to these institutions not being well-equipped with regard to the challenges that lie ahead in the situation of a pandemic. Internet access is one of the major impediments to the continuity of online education, as reflected by the studies above.

In one of the surveys done by a school in Manipur, in 2020, it was revealed that most of the parents/guardians of the students belonged to low-income groups for whom feeding their families was the major concern, let alone catering to the educational needs of their children. Out of every 500 odd guardians/parents, only 21 had access to a smartphone, let alone computers and laptops. So, affordability of laptops, smartphones and other essential gadgets is another issue that acts as a hindrance in achieving one of the fundamental rights under the Indian Constitution.

The right to education is a fundamental right engraved in Article 21(A) of the Constitution. The Supreme Court in *Mohini Jain v State of Karnataka and Others* (1992 AIR 1858) held that right to education is also an integral part of right to life and thereby extended the scope of Article 21 of the Constitution. The COVID-19 situation frustrates the decision given by the Court, and is further paralysed with the absence of proper guidelines to deal with it. The Supreme Court in *Anuradha Bhasin v Union of India and Others* (Writ Petition [Civil] No 1164 of 2019) opined that "None of the counsels have argued for declaring the right to access the internet as a fundamental right and therefore we are not expressing any view on the same," thereby leaving the debate of "access to Internet as a Fundamental Right" open. In the current scenario, right to education is crippled without right to access to the internet, thereby reopening debate further from a different angle.

On 30 July 2017, Ravi Shankar Prasad, Minister of Electronics and Information Technology and Law and Justice announced the vision "Digital North East 2022" and formulated a document that had the aim of digitally enhancing the lives of people in North East India, while ensuring inclusive and sustainable growth. The Narendra Modi government has spoken about how this Digital North East India vision is going to guarantee transparency and good governance by inducing a knowledge-based economy and a digitally empowered society with better digital access to services. However, who knew that these promises would be put to test midway in 2020 with the COVID-19 crisis, thereby magnifying the issue for the world at large.

On 13 July 2020, Google India has decided to invest $10 billion in India and thereby contribute towards the digitisation of India. The investment promises to enable affordability of access to internet and also satisfy the needs that have developed in the education, health and agriculture sector.

Lahama Mazumdar
RANCHI

State of Student Activists in the Country

Safoora Zargar's bail last month was a small victory for the latest minority under attack from the government—student activists. As with most victories enjoyed by this community, the Jamia Millia Islamia student's bail was also trumpeted on social media platforms like Instagram and Twitter. While these applications provide a democratic space utilised well by students and the so-called millenials, mainstream media fails to provide them space. This exclusion reflects in the lack of public awareness on student issues. The average newsreader has increasingly shifted their sight from the colleges and prisons in our country to matters across borders. The invisibility of student struggles from newspaper columns and pieces by veteran journalists makes a case for student representation. Surely, someone must draw attention to the systemic silencing of the bright, young minds of our nation.

Those who blindly celebrated the release of Zargar last month miss the gist of the argument for student activism. She was provided bail after the Delhi police had no objection to releasing her on "humanitarian grounds." While demanding the release of a 23-week pregnant woman in the time of a pandemic was the most effective strategy to press for bail, one must not forget that we demand her release primarily on the grounds of freedom to dissent. This can be said of the ongoing demands to release poet Varavara Rao as well, whose deteriorating health demanded his move a few days ago to Mumbai's JJ Hospital, but does not erase the fact that he should not have been imprisoned for speaking up in the first place.

Sharjeel Imam, Umar Khalid, Asif Iqbal Tanha, Chandrashekhar Ravan, Meeran Haider and, most recently, Sharjeel Usmani are some of the other big names who have been arrested. More than 50 students have been summoned by the Delhi police with regard to anti-Citizenship (Amendment) Act protests. The dissenters have been charged under the Unlawful Activities (Prevention) Act (UAPA). Mainstream media has unfortunately played down the threat and the arbitrary nature of the act by conveniently terming it a "controversial" act. The arbitrariness comes as no surprise to those aware of right-wing parties' aggressive pursuit to communalise justice. The #BlackLivesMatter advocating Indian needs to realise that it is not just American prisons that are communal, a quick scan of the names of the arrested student activists reveals the Islamophobic agenda that prompts these arrests. We must be outraged about this too.

Questioning the government and speaking out against minority persecution—the least one can do against an oppressive state—is blown out of proportion and termed as incitement to riot and terrorism. Online and offline media outlets that pride themselves in not allying with the atrocities of the government fail to counter state propaganda against dissenting students. Of the allies the students find on Instagram and Twitter handles, many are facing crackdowns by the government. These handles are being banned in the name of anti-national hate speech. Yet, another phenomenon not picked up by enough media outlets and, consequently, by enough people. Let us not forget that the government finds time to arrest students and ban social media accounts in the midst of a devastating pandemic.

The institutions that many of these student activists belong to, have been placed high in the recently released National Institutional Ranking Framework ranking of universities. These are well-informed and motivated students trying to effect change. These are students who have efficiently coordinated large-scale protests and challenged the government. An overwhelming majority has been made to believe that they are trouble-makers but they are not. They are the future of a tolerant nation.

Suraj Menon
CHENNAI

Corrigendum

In the article "Not Just a Thappad: On Domestic Violence" by Swati Sehgal (*EPW*, 27 June 2020), the following line of acknowledgement should have been mentioned on page 32.

"The author is immensely thankful to their supervisor, S Srinivasa Rao, for their insights that helped in developing this article."

The error has been corrected on the *EPW* website.

Errata

(1) In the article "Piloting Gender in the Indian Railways: Women Loco-pilots, Labour and Technology" by Arundhathi (*EPW*, 2 May 2020), the word "ths" (p 40) and the word "loco-piloting" in the last paragraph (p 41) should have read as "this" and "Loco-piloting," respectively.

(2) In the article "Locked Down, Trapped and Abandoned Migrant Workers: A Study in Pune City" by Anuradha Kalhan, Shamsher Singh and Kiran Moghe (*EPW*, 27 June 2020), the quote "There was no public outcry over this human tragedy and the victims themselves chose to mostly suffer in silence" (p 27), should have been followed by the in-text citation "Palshikar (2020)," and its corresponding reference list entry should have been as follows:
Palshikar, S (2020): "Will There Be a George Floyd Moment in India's Public Life?" *Indian Express*, 11 June, https://indianexpress.com/article/opinion/columns/george-floyd-migrant-workers-suffering-outrage-over-injustice-6452914/.

The errors have been corrected on the *EPW* website.

The errors are regretted. — Ed.

EPW Engage

The following articles have been published in the past week in the *EPW* Engage section (www.epw.in/engage).

(1) Manual Scavenging: Women Face Double Discrimination as Caste and Gender Inequalities Converge —*Shubham Kumar, Priyanka Preet*

(2) Waste Water Management in Cities: Notes from Bengaluru and Nelamangala—*Priyanka Jamwal, Durba Biswas, Daniel Phillips*

(3) What Role Does Human Behaviour Play in Corporate Frauds?—*Kangan Sayal, Gurparkash Singh*

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The *EPW* editorial team reserves the right to slot an article in a specific section, as deemed fit.

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Onslaught of Escalating Fuel Prices

Increased fuel taxation during the pandemic puts commoners' lives into further quandary.

Over the past one month or so, starting from 7 June 2020, both diesel and petrol prices have shot up in the country by 17% (or ₹11.66 a litre) and 13% (or ₹9.17 a litre), respectively. As on 13 July 2020, in major metro cities like Delhi, petrol and diesel were selling at ₹80.43 a litre and ₹81.05 a litre, respectively, while in Mumbai, the unit prices hovered at ₹87.19 and ₹79.29, respectively. The global price of crude oil, however, has remained between $40 and $43 a barrel during this time. Juxtapose the current situation to the last quarter of 2018, when petrol prices in most of the state capitals were hovering between ₹81–₹83 and ₹85–₹87 per litre vis-à-vis the global oil price of $80 per barrel, which was nearly double the current prices prevailing in the international market. With consumers being unable to leverage the benefits of low global oil prices in contrast to how they must bear the brunt when the prices spike, the purpose of India's fuel price deregulations (of 2010 and 2014) is again put to question.

In theory, petrol and diesel retail prices in India are linked to the global crude prices, which in effect would mean that if crude prices fall in the international market—as has been the trend since February—then domestic retail prices should come down too. But, in practice, oil price decontrol seems to be rigid/sticky downwards. This happens because every time the (global) prices fall, the government imposes fresh taxes and levies to rake up extra revenues. Eventually, the consumers are short-changed and continue paying either what they were paying previously or end up paying even more. On the other hand, price decontrol enables the Indian fuel retailers to fix the retail prices based on their profit calculations over and above the costs (or prices) at which they source their inputs from the upstream oil companies for whom the price benchmark is derived from global crude prices.

Since the outbreak of the pandemic and subsequent lockdowns almost worldwide, both the demand and prices of crude oil had slumped drastically. In fact, prices had nosedived to $20 a barrel by the end of March from an average of $55 a barrel in February. It is only now that prices have started reviving, following the gradual easing of the lockdowns. According to media reports, compared to the first fortnight of July 2019, the fall in sales during the first 15 days of July 2020 has been 21% in the case of diesel and 12% in petrol in India. Given that, it is no wonder that retailers in India have colluded for a higher retail price of these products to recover from their losses. Such an increase in consumer prices, however, gets exacerbated by the steepest ever hikes in excise duties—₹13 per litre on diesel and ₹10 per litre on petrol—that the central government announced on 5 May 2020. This is the second round of hikes that the government has announced since the first week of March 2020. Consequently, the government is now collecting around 260% taxes (excise duty and value added tax) on the base price of petrol and 256% on diesel according to estimates by the CARE ratings, with its taxes and levies forming around 69% of the retail prices of fuel in India—the highest rate of fuel taxation globally.

While one may argue that such high rate of taxation is an imperative for the government to ramp up its fiscal position from the economic meltdown due to the pandemic, one should not lose sight of the fact that fuel prices have, time and again, been used as a route to garner easy revenues for political expediency. Recall that between November 2014 and January 2016, when prices of the Indian basket of crude oil fell to never cross $60 per barrel, the central government had raised excise duties nine times, leading to a hike in duty on (normal) petrol by roughly 150%, and that of (regular high-speed) diesel by 330%, thereby mopping up an excise revenue of ₹2,42,000 crore in 2016–17 against a mere ₹99,000 crore in 2014–15. Again, states like Karnataka had resorted to freeze the daily revision of petrol pump prices during its pre-poll days in April–May 2018, to appease the voters.

At this juncture, there are two imminent questions. First, will this increase in petrol and diesel prices help the Indian oil markets recover from the slump? The chances are bleak. With mobility still being limited/restricted, the demand for vehicular fuel is less likely to revive soon. Again, even if mobility is restored, the fear of the contagion would drive people to use more of non-shared or personal vehicles, implying higher expenditure on fuel expenses at the hiked prices. These, in turn, are likely to act as demand dampeners. Second, what will be its consequences for the already battered common people? Among other things, for commoners accessing public transport, a fare hike becomes inevitable following the fuel price rise. Simultaneously, this would also mean increased logistics costs for the already disrupted supply chains, especially of essential items. Such ramifications are potential in the retail inflation growth at 6.09% in June 2020. But most disconcertingly, it again brings to the fore the Janus-faced nature of a so-called "commoner-friendly" state.

A Regressive Syllabus Redesign

The CBSE's slashing of its curriculum is an example of unconcern with how it affects the quality of learning.

Krishna Kumar writes:

When the Central Board of Secondary Education (CBSE) announced major cuts in the syllabus of all subjects recently, it was scratching an old systemic scab. Underneath the scab lies a short history of the turf war between curriculum designers and exam organisers at the national level. Public response to the cuts was along the expected lines. Voices used to ringing the alarm bell cried, "Hey, they are at it once again!" To this familiar cry, the quick official response was the denial of any political motive.

As for the world of influential school principals and teachers, the shorter syllabus brought little relief from their new anxiety with switching to online teaching. It is possible that CBSE students are pleased. The ostensible purpose of the cuts is to reduce curricular burden on students. They can now prepare for the board exams with reduced number of topics in each subject. The next exam season is about seven months away, that is, if they are held on time in February and March 2021.

The link between prescribed syllabus and annual exams is part of the steel frame of the education system. This linkage is now familiar to the entire social spectrum. Six generations have gone through certified education since the link between knowledge and public exams was officially forged in the latter half of the 19th century. It serves several systemic and social functions. To begin with, the linkage freezes the scope of the examining process, thereby marginalising educational aims, like arousing personal curiosity and the desire to pursue something out of interest. The procedures followed for conducting board exams imply that evaluation gets fully detached from learning. The questions asked refer to individual topics, and students are adjudged correct if they reflect what is written in the prescribed textbook. Each topic carries a certain value, expressed as marks. This value determines which segments need more preparation. Since the model answers released shortly before the exam serve as preparation material, teachers ensure that the student knows the exact words in which an answer is to be written out. The grasp of the topic in terms of its relationship with other topics is neither expected nor welcome. Any application of personal reasoning or imagination is punished by lower marking. Teachers know this and, therefore, drill students to reproduce the approved answer. Freed from encouraging interest in the subject, pedagogic effort focuses on exam success. Separation of learning from preparing for exams enables the system to serve as an instrument of social selection. Performance in the board exam funnels mobility into higher education and employment. In effect, public exams become a reliable instrument of maintaining social order as marks provide a legitimate basis to distribute educational and economic opportunities.

These features explain why syllabus can be cut down so ruthlessly by an examining institution without the least regard for the effect this will have on the quality of learning. The scale of cutting has been officially expressed in percentage terms, indicating the mechanical way the board perceives the curricular architecture and its segments. The CBSE claims to have slashed 30% of the topics. In subjects like languages, the slashing refers to literary pieces included in the prescribed textbook. The examinee can ignore them because questions will not be asked from them. This is how the promise of reducing the burden is fulfilled. In the sciences, mathematics, and the social sciences, questions will be asked from the topics spared by the board's scissors. If some of them become incomprehensible because the topics preceding and underpinning them have been slashed, the board is not bothered. An easy example is the deletion of federalism from the political science syllabus. It need not be studied for next year's exam. However, the Constitution—as a topic—is spared. It hardly matters to the exam process that in order to make sense of the Constitution, you need to know why India has a federal structure.

Enabling students to make sense was the goal of the curriculum designers, not the organisers of exams. The latter have a permanent edge over the former in the Indian system. The turf war between them has been smothered for now by the pandemic. Online delivery of content has emerged as the lone, favoured solution without consideration of alternative responses to the pandemic. In an intense battle of vested interests, digital technology has clinched its long-delayed victory. Norms for online delivery and intake have been laid down and announced. They will help the public appreciate why a shrunken syllabus must do for the current batches passing through the secondary and higher secondary slabs.

Institutional memory loss has ensured that diagnosis and cure of the curricular burden remain frozen. Following the late R K Narayan's passionate appeal in the Rajya Sabha to address the problem, the Ministry of Human Resource Development had appointed a committee chaired by the late space scientist and educationist Yash Pal. In its 1993 report, the committee said that children feel burdened when they face an incoherent syllabus. Reforms in the design and content of syllabus led by Pal himself are now under the CBSE's carving knife. State boards are likely to follow this regressive move, but there may be exceptions.

Krishna Kumar *(anhsirk.kumar@gmail.com)* taught education at the University of Delhi and is former director of the National Council of Educational Research and Training.

Defending the Core Concepts

The decision of the Central Board of Secondary Education (CBSE) to scrap 30% of the syllabus prescribed for various subjects has come under severe criticism from several quarters. As has been reported in the media, the CBSE has claimed that such a decision had to be taken in the wake of the outbreak of COVID-19, which has disrupted the order in the educational system. Second, the CBSE seems to have argued that such a decision was aimed at helping both the teachers and the students to reduce either the perceived or real burden that is believed to be emanating from "excessive" learning and the pressure of exam preparation. From the decision, one could possibly surmise that the CBSE has chosen to resolve the problem of burden basically by making the volume of the syllabus proportionate to the amount of time available for classroom transactions and exam preparation. The intention of the decision tends to assign uneven weightage favouring the examination "syndrome," which has been perceptively questioned by Krishna Kumar in the editorial comment written in this issue.

In the overlapping sequence of the criticism of the CBSE's decision that has sharply been articulated in Krishna Kumar's editorial comment, it is also possible to intensify further the critique of such a decision and argue that the problem of burden needs to not only be grounded in simple rote learning, but more importantly, it has to be located in the problem of conceptual incomprehension as rightly recognised by the late professor Yash Pal. He, through his public deliberation, often visualised the problem of burden in students' conceptual incomprehension. But, thereby, he did not mean to suggest the total removal of concepts from the body of the CBSE syllabus. The decision that is under reference fails to capture the deep intellectual concerns that are at the core of Yash Pal's observations as well as the text of aforementioned *EPW* editorial comment. Both the editorial comment as well as Yash Pal's observations do not hold concepts responsible for creating cognitive incomprehension among the community of teachers and students. It is ironical that the current decision finds solutions to the burden in chopping off the concepts themselves. It is like throwing the baby out with the bathwater. Can we suggest more discreet ways of retaining in the structures of the syllabus the core concepts that are facing their malapportionment?

Obviously, there is a normative ground to defend the inclusion of core concepts in the syllabus. Concepts such as democracy, secularism and citizenship do entail in them values, such as autonomy, respect and tolerance, which, in an ethical sense, tend to reorient the social relationship along the lines of comprehensive conception of the common good. Concepts carrying these values in them guarantee dignified social existence to all human beings seeking protection against regressive values that are entrenched in different kinds of hierarchies.

Let us candidly admit that students at the secondary and higher secondary levels live in a society that is laden with conflicting values associated with caste- and gender-based discriminatory practices on the one hand and hatred for the members of minority communities on the other. Arguably, many students are surrounded by such exclusionary values that are present in the family as well as the larger society and polity. For example, male students do see gender injustice happening in their own families. Male and female students also come across and practise caste-based discrimination in the society and right in the classroom situation. The embattled and tormented social experience of children from underprivileged social groups, such as Adivasis, women, minorities and Dalits, would compel the syllabus-making to remain broad in its content rather than becoming narrow and parochial. The decision to slice away the curriculum pertaining to core concepts laden by normative values is bound to undercut the moral relevance of social education, which, for the last few decades, has been increasingly diminishing from the educational vision of the curriculum designers.

Classroom reference to social experience provided by popular struggles is even more crucial as it provides the grounds on which teachers and students form and verify their ethical attitudes while understanding each other. Mediation of concepts through illustrations is aimed at encouraging both teachers and students to drop wrong values in favour of humanitarian values, such as friendship and dignity. The educational system opens up a pedagogical space that students and teachers can use in order to clarify through debate and deliberation which value they would like to adopt and which they would like to drop. For such clarifications do not directly flow from the concepts; in fact, they come from illustrations. Such illustrations can become available to teachers either from their own observation and experience or from the textbooks that contain such illustrations gleaned out from the popular democratic struggles. But students would not have access to portions containing popular struggles as reference to such struggle stands chopped off. We need to appreciate that normative concepts informed by popular struggle initiate students and teachers into humanitarian values that shape and sustain a decent society.

Gopal Guru

FROM 50 YEARS AGO

ECONOMIC AND POLITICAL WEEKLY

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Consolidators and Visionaries

It is axiomatic that revolutions, particularly those that have involved a long, bitter and bloody struggle, mould two types of leaders, the visionaries and the consolidators. In the first flush of revolutionary triumph, the visionaries with their great ideas and promises of a brave new world are the men of the hour. When expectations are not fulfilled and it becomes necessary to fructify power, the consolidators make their appearance. Five years ago, Ilouari Boumedienne, who was then the commander of the Algerian Army, took over power in a bloodless *coup* d'etat. He and the men who backed him set out to establish firm control over a country which had developed a taste for regional and autonomous self-help, causing much economic chaos and political confusion..

Ben Bella, Algeria's President before Boumedienne, had for the first couple of years after independence in 1962, played a significant role in expressing the fervour and jubilation of the Algerian people, who had made the French retreat after one of the most heroic struggles for national self-assertion, surpassed only by the fight of the Vietnamese people.

The Wealth of Corporations

Why Firms Have Zero Net Worth and Why It Matters

STEVE ROTH, T SABRI ÖNCÜ

"Financial Assets = Liabilities." It is one of the great accounting-identity truisms of economic understanding both among traditional, mainstream economists, and even (especially) among many heterodox, "accounting based" practitioners. It seems obvious—when a company issues and sells bonds, it posts a liability to its balance sheet; the bond buyers hold financial assets on theirs.[1]

The problem is that this truism is not even close to true. The most obvious example is corporate equity shares—financial assets by any definition. The asset value of outstanding shares is vastly larger than firms' book value, shareholders' equity—the bottom line balancing item on the liability side of firms' balance sheets. Over the last half century, the market-to-book ratio of the S&P 500 has ranged between 2x and 5x.[2] The discrepancy exists even for US Treasury bonds outstanding,[3] although it is quite small.

As soon as a new financial asset is issued, at least if it is tradable in the markets, its price starts changing. Asset holders look at their brokerage statements, which are marked to market instant by instant, and see that they have more or less assets. Meanwhile, the liabilities on issuers' balance sheets remain (mostly) unchanged. Financial Assets ≠ Liabilities.

Economists can hardly be blamed for this incorrect understanding. The national accounts themselves obscure this reality. If you look at the Flow tables in the Fed's quarterly *Financial Accounts* or "Flow of Funds,"[4] for instance, you will not find any accounting for changes in asset holdings due to changes in market prices—revaluation. So those tables cannot explain changes in assets and net worth from period to period. They are accounting-incomplete—certainly so if you compare them to the "Consolidated Statements of Comprehensive Income" that publicly traded corporations are required to publish quarterly.[5]

The same is true, even more, of the National Income and Product Accounts (NIPAs), though those accounts make no claim or aspiration to such complete accounting; they do not include anything resembling sectoral balance sheets.

How can we make *An Inquiry into the Nature and Causes of the Wealth of Nations* without a comprehensive accounting of wealth accumulation?[6]

Happily, there is a set of complete, fully stock-flow-consistent sectoral accounting statements available, based on the System of National Accounts (SNA) standards,[7] developed and promulgated by the United Nations and allied institutions. Think of them as Generally Accepted Accounting Practices (GAAP), but for countries. In the United States (US), the SNA-compliant accounts are called the Integrated Macroeconomic Accounts (IMAs). They were released only in 2006, with quarterly tables released in 2012 (annual-only for financial subsectors). Their data extends back to 1960. You will find them as the "S" tables at the end of the Fed's quarterly "Z.1" or Financial Accounts report. They are also very conveniently available in an interactive form,[8] and all the sectoral tables are available in a single Excel workbook.[9]

In the IMAs, each sector has a balance-sheet account (with net worth as the bottom-line item), and crucially, a revaluation account tallying "changes in net worth due to nominal holding gains/losses," broken out for various asset classes. With this inclusion, each sector's table fully explains change in net worth during an accounting period.

But that finally returns us to the title of this article: the net worth of firms. There is what seems to be a very particular oddity in the IMAs, which on examination yields a rather revelatory understanding of economies and economic statements:

> In the twenty-five years since 1995, according to the IMAs, the net worth of the US nonfinancial firms sector has been positive in only two.

It is pretty eye-popping. "Nonfinancial firms aren't worth anything, are worth

Berkshire Hathaway Inc and Subsidiaries: Consolidated Statement of Comprehensive Income

($ in milion)

	Year Ended 31 December		
	2016	2015	2014
Net earnings ($)	24,427	24,414	20,170
Other comprehensive income			
Net change in unrealised appreciation of investments	13,858	(8,520)	5,831
Applicable income taxes	(4,846)	3,104	(2,602)
Reclassification of investment appreciation in net savings	(6,820)	(2,332)	(3,360)
Applicable income taxes	2,387	816	1,176
Foreign currency translation	(1,541)	(1,931)	(2,032)
Applicable income taxes	66	(43)	183
Prior service cost and actuarial gains/losses of defined benefit pension plans	354	424	(17,023)
Applicable income taxes	(187)	(140)	624
Other, net	(17)	(94)	8
Other comprehensive income, net	3,254	(8,806)	(1,335)
Comprehensive income	27,681	15,608	18,835
Comprehensive income attributable to non-controlling interests	291	275	256
Comprehensive income attributable to Berkshire Hathaway shareholders ($)	27,390	15,333	18,579

less than nothing?" No. Rather, these notional net worth figures reveal an important accounting and economic reality, embodied in a quirk of the IMAs' accounting: net worth is meaningless for firms. Or to put it another way, unlike households, firms do not own their own net worth. Their bottom-line right-hand side balancing item is not net worth; it is shareholders' equity. The possessive apostrophe says it all: shareholders' own firms' net worth.[10]

And ultimately, all that value is owned by the household sector. (This, ignoring rest of the world sector, non-domestic ownership, for simplicity.) Sure, firms own shares in firms which own shares in firms, but ultimately households own it all. This is because, since 1865 in the US, nobody can own "equity shares" in households, in people. People own firms but firms do not own people. It is a one-way, asymmetrical ownership relationship. The IMAs reflect that asymmetry.

Jumping to the IMAs' household balance sheet, you see exactly that: household assets include the total value of all firms, at current market prices ("market capitalisation"). The firms sector is a wholly-owned subsidiary of the household sector.[11] Its value is "telescoped" onto the left-hand side of the household sector balance sheet.

And this is how the IMAs' apparent quirk arises, for three reasons. First, there is an attempt to present all sectors similarly, with net worth at the bottom. (Even though sectors are not all treated the same in other matters, for good and necessary reasons; their accounting realities are fundamentally different.) That is problematic when firms do not actually have anything that is meaningfully called net worth.

Second, the IMAs post firms' equity liabilities to their balance sheets as just another liability—not broken out as a singular item as in corporate reports. Think "Liabilities and Shareholders' Equity."

Third, The IMAs post firms' equity liabilities not at book value, but at market value. Another oddity results: when share prices go up, firms' liabilities do as well, so their net worth goes down. It is kind of wacky.

Again, this results from a desire for accounting consistency and closure. The firm sector's market-priced equity liabilities exactly equal households' market-priced equity assets. What goes missing is a key measure for firms: book value, the standard measure of shareholders' equity. It is quite easy to calculate: subtract equity liabilities from total liabilities, and subtract that from total assets. It is annoying that the IMAs do not do that for us as the firms' bottom line, or at least in a memo item. But the exercise is a great way to understand the underlying economic and ownership reality that the IMAs reveal so well.

The Wealth of Nations

Some may be wondering, "Why does all of this matter?" It is important because it reveals a giant lacuna in economists' understanding of wealth accumulation, the wealth of nations, and the relationship between wealth and "real capital." Contrary to a quite ubiquitous conception, for instance, the household sector's net saving (in the current account) does not even come close to explaining the sector's wealth accumulation.

Over the 2000–19, the US household sector's net saving was $14 trillion, while its net worth increased by $75 trillion. Of that, $38 trillion is attributable to nominal holding gains, unrelated to the sector's current-account saving. And of that, $27 trillion is attributable to nominal holding gains on equity shares.

Not all of that $27 trillion materialised magically, of course. The firm sectors' book value (roughly, their cumulative saving on behalf of their household owners) also increased over that period, by $21 trillion. That explains much, but not nearly all, of the equity holding gains accrued by households. Even in this one asset category, there is a $6 trillion remainder, unexplained—equivalent to $48,000 for every American household.

Without the complete accounting embodied in the IMAs, these quite massive numbers are completely invisible to economists, and their models. The economy does not balance to "saving." In an important sense, that is just an artificial, residual balancing item.

The economy balances to net worth: the wealth of nations.

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NOTES

1 This is the very definition of a financial asset: it has a related liability on another balance sheet. Non-financial assets, such as land titles, do not. All liabilities are inherently financial; the debt is due to *some* entity, which holds that obligation as an asset on its balance sheet.

2 multpl.com/s-p-500-price-to-book.

3 dallasfed.org/research/econdata/govdebt.cfm#tab2.

4 Renamed the Transactions tables as of June 2018, with the following note (emphasis added):

> As of this publication, the term "flow" is being replaced by the term "transactions." The concept being referred to, which is the acquisition of assets or incurrence of liabilities, is not being changed. The change in terminology is intended to prevent confusion with the broader concept sometimes called "economic flow," which is the change in level from one period to the next and is composed of transactions, *revaluations*, and other changes in volume. The new terminology brings the Financial Accounts of the United States into better alignment with international guidelines in the System of National Accounts 2008 (SNA 2008).

5 berkshirehathaway.com/2016ar/2016ar.pdf, page 37.

6 econlib.org/library/Smith/smWN.html.

7 unstats.un.org/unsd/nationalaccount/sna.asp

8 apps.bea.gov/itable/itable.cfm?reqid=14&step=1.

9 apps.bea.gov/national/nipaweb/Ni_FedBeaSna/SS_Data/Section1All_xls.xlsx.

10 It is revealing to compare non-profits, which like households and unlike for-profit firms, don't have shareholders. They own their own net worth (if anyone does). That is why they are included in the household sector accounting, and that sector is properly labelled "Households and Nonprofit Institutions Serving Households" (NPISHes).

11 There are actually three firms sectors in the IMAs: corporate non-financial, corporate financial, and non-corporate non-financial (with additional tables detailing subsectors of the financial sector). For brevity, simplicity, and clarity, we speak of them here collectively as "the firms sector."

Domicile Reservations in National Law Universities

ALOK PRASANNA KUMAR

Recently, the Delhi High Court heard cases concerning the validity of domicile reservations in two different national law universities (NLUs) at the opposite ends of the country. On 29 June, the high court stayed the admission notification of the National Law University of Delhi (NLUD), which had reserved 50% of its seats in favour of students who had completed their education from an institution in Delhi (*Balvinder Sangwan v State* [*GNCT*] *of Delhi* 2020). The high court held that the move was not backed by the authority of the law and, therefore, stayed the notification.

Days after this order was passed, another petition was moved in the Delhi High Court seeking a stay on the domicile reservations in the admission to the National Law School of India University (NLSIU) located in Bengaluru (Singh 2020a). This was a legally questionable move since the Delhi High Court does not have territorial jurisdiction over either the NLSIU located in Bengaluru or the Karnataka government which had amended the National Law School of India Act, 1986 to provide for such domicile reservations. The Delhi High Court was disinclined to entertain the petition on the grounds that it had no territorial jurisdiction, but permitted the petitioner to withdraw the petition (Singh 2020b). The whole exercise seemed like a transparent attempt at forum shopping in the hope of getting a favourable order.

Domicile reservations (or a "state quota") in NLUs have become contentious in the legal fraternity since they was sought to be implemented in the oldest and arguably the most prestigious NLU: the NLSIU. The Karnataka government in 2017 first proposed the idea (Joshi 2019) and, amid the political turmoil in the state, it seemed to find broad support among political parties in the state. An amendment to the NLSIU Act was passed in 2017 by the Karnataka Assembly but was inexplicably held up by the Governor Vajubhai Vala who refused his assent to the bill and returned it to the assembly (Moudgal 2020). Eventually, when the Bharatiya Janata Party government passed the same bill once again, the governor gave his assent to it and the bill has now become law. Now, 25% of the seats for admission are reserved for "students of Karnataka" across the board.

In this column, I will talk about the constitutionality of domicile reservations—why any argument proceeding from the constitutional right to equality is unlikely to succeed in the courts. Furthermore, I intend to make a positive case for domicile reservations, in that they are a way for these institutions to come out of the shackles of elite domination.

Constitutional Validity

Article 15(1) of the Constitution prohibits, among other things, discrimination on the basis of place of birth. In the strictest sense, domicile reservations by states, reserving seats in educational institutions on the basis of place of birth being in that state would therefore be unconstitutional. However, domicile reservations do not necessarily work that way. For one, the Supreme Court has held that the term "domicile" is not synonymous with place of birth. A constitution bench of the Supreme Court in *Saurabh Chaudri v Union of India* (2003: para 29, p 162) drew a distinction between "place of birth" and "residence," noting that the latter term did not occur in Article 15 of the Constitution even if it was found in Article 16(2). In fact, as far back as 1954, a constitution bench of the Supreme Court had held that a state's measures giving preference to students who are residents of a state would not offend Article 14 or 15 of the Constitution (*D P Joshi v State of Madhya Bharat* 1955).

What the Supreme Court's rulings imply is that the Constitution did not intend to forbid the government from giving preference in educational institutions to those residing in an area, but it did not want the same criteria to be applied in the context of public employment. The Supreme Court has, in the past, struck down as unconstitutional reservation on the basis of place of birth (*State of UP v Pradeep Tandon* 1975), but has consistently maintained a distinction between "place of birth" and "residence" (*P Rajendran v State of Madras* 1968).

As things stand, both NLUD and NLSIU (along with other NLUs) have framed their domicile reservations in a manner that would fall within the constitutional boundaries laid down by the Supreme Court. Under the amended NLSIU Act, Section 4 mandates that there be 25% "horizontal reservation" for students of Karnataka. A "student of Karnataka" is defined under the law to mean a student who has studied in any recognised educational institution located in Karnataka for a period of 10 years. Similarly, the now-stayed notification issued by NLUD sought to reserve 50% of seats horizontally for students who had completed the qualifying examination from a school/college/institute in Delhi. Some variants of this are followed in other NLUs, which also provide for "domicile reservations" or "state quota." If the NLUD domicile reservation is backed by a proper law framed for this purpose, it would likely stand scrutiny from a constitutional perspective.

While it may be constitutionally permissible to grant such domicile reservations, is it necessarily desirable to do so?

Why 'State Quota' Is Needed

In 2010, at a national consultation on legal education, then Prime Minister Manmohan Singh used a very evocative but apt metaphor to describe the national law universities: "islands of excellence" (Sunderarajan 2010). While he may have been referring to the "sea of mediocrity" to describe the wider landscape of legal education, there is another reason that the "islands" metaphor holds up in the context of NLUs, namely their elitism. Recent studies, at both the NLSIU (Jain et al 2016) and at the West Bengal National University of Juridical Sciences (Bhojani et al 2020), show how unrepresentative the student body at these institutions are of the wider population of India. They are drawn almost exclusively from a narrow cross section of the well-off, urban Indians belonging to Savarna castes and from English-speaking schools, and, reservations notwithstanding, tend to be dominated by these groups.

In a diverse country with states divided on a linguistic basis, this has led to the creation of literal islands—institutions whose students fly in and fly out, forming little by way of long-lasting bonds with communities around them. "National" entrance exams, such as the Common Law Aptitude Test (CLAT), tend to favour already privileged students and reinforce existing inequalities in society. The emphasis on merit and ranking gives students a heightened sense of entitlement and a superiority complex based on their CLAT ranking and the relative ranking of their institution in the wider scheme of things. With the demand for lawyers trained in corporate law to work in India's high-paying law firms, there is little if any incentive to communicate with, let alone contribute to, the local community.

Exceptions abound of course. Some law schools have encouraged students to organise legal aid camps and the like for local communities in and around these areas. Even without the encouragement (or sometimes in the face of the hostile antagonism of) their universities, students have been able to work with local communities to help them with their problems (*Hindustan Times* 2020). That said, these instances stand far apart as exceptions, and not the rule.

In Conclusion

Domicile reservations in NLUs are not a new phenomenon. They have been applied from the start in NLUs, such as National Law Institute University, Bhopal. They have been introduced much later to institutions such as NALSAR University of Law years after their establishment. The idea that such domicile reservations affect the "standards" in the institution is a flawed argument based on the belief that a CLAT ranking is an accurate assessment of the "merit" of the students taking up the study of law. The unstated argument is that an NLU is only as good as the sum total of the CLAT ranks of the students who get in. This is only a repackaging of the "merit" argument used to argue against reservations for Dalits and Adivasis and deserves to be rejected for the same reasons.

It goes without saying that domicile reservations alone will not remedy the problem of elitism in the NLUs. They need to go hand in hand with more extensive scholarships and public funding of these institutions. They also need to be augmented with a fundamental rethinking of the pedagogy in terms of what constitutes the "practical learning of the law." This will require a rethinking perhaps of what the "national" in the NLUs really means. Is it a code word for elitism? Or is it a reflection of India being a nation-in-the-making? Or is it about imposing one artificial identity on a diverse people?

NLUs, after all, have not been set up to provide an endless supply of top quality talent to the law firms of India and the world. They were supposed to provide justice education and create a very different breed of the socially aware lawyer for India. That they have strayed from this mission goes without saying. Domicile reservations are perhaps one small step towards restoring the NLUs to their original mission.

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Underestimation of the COVID-19 Burden

Interpreting the Puzzling Numbers

M S SESHADRI, T JACOB JOHN

The number infected with SARS-COV-2 in early May in India is estimated by a method utilising the unequivocal number available, namely deaths due to COVID-19. The estimated numbers are far in excess of reported numbers and indicate the systemic flaws in reporting deaths in India, augmenting the extent of underestimation. Additionally, there is the overestimation of the doubling time of infection. A realistic picture of the epidemic at the community level is presented, which informs us about the level of preparedness required to deal effectively with the epidemic.

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The reported numbers of the SARS-CoV-2 infection have so far remained relatively low during the COVID-19 epidemic in India, despite high population density and consequent difficulties with physical distancing. The number of diagnostic polyamerase chain reaction (PCR) tests carried out has also remained low at ~864 per million population, as against several thousand per million population in many developed countries. The number diagnosed as infected is in a large part determined by the volume of testing.

The cumulative number of positive tests in India as on 5 May 2020 was only 46,476, a mere 3.9% of the 1,19,19,463 tested. In contrast, in the United States, the test positive rate was 16.3% until 5 May. The testing policies were different—the lower the yield, the less efficient the policy.

The reliability of the PCR test from pharyngeal or nasal swabs depends on the "sensitivity" and "specificity" of the test. Specificity is virtually 100% while sensitivity is only about 50% (range 32%–63%) (Wang et al 2020; Jiang et al 2020). The predictive value of the test will vary with the prevalence of infection. According to India's testing policy, mostly contacts of those with travel risk or contacts of infected contacts are tested, and very few clinical COVID-19 cases are diagnosed *de novo*. Among those with contact history, the prevalence will be low and the positive predictive value considerably diminished. On the other hand, if COVID-19 is clinically diagnosed using defined criteria (Seshadri and John 2020a), the test's positive rate and positive predictive value will be higher.

It is widely acknowledged that PCR alone is insufficient to diagnose all infected subjects and that the addition of a chest X-ray or a computerised tomographic scan of the thorax (Jiang et al 2020), and the SARS-COV-2 immunoglobulin M (IgM) antibody test (Guo et al 2020), will enhance diagnostic yield from ~50% to more than 90%. The use of PCR testing as the only means of diagnosis leads to gross underestimation of the number of infected subjects. It is important to have a reasonably correct estimate of the numbers for refining control strategy and for monitoring the course of the epidemic.

The number of deaths in India due to COVID-19 has been climbing in linear fashion in the last six weeks. The number of deaths is determined by the number infected. The mortality rate for the SARS-CoV-2 infection is comparable in different countries, ranging from 3% to 5%.

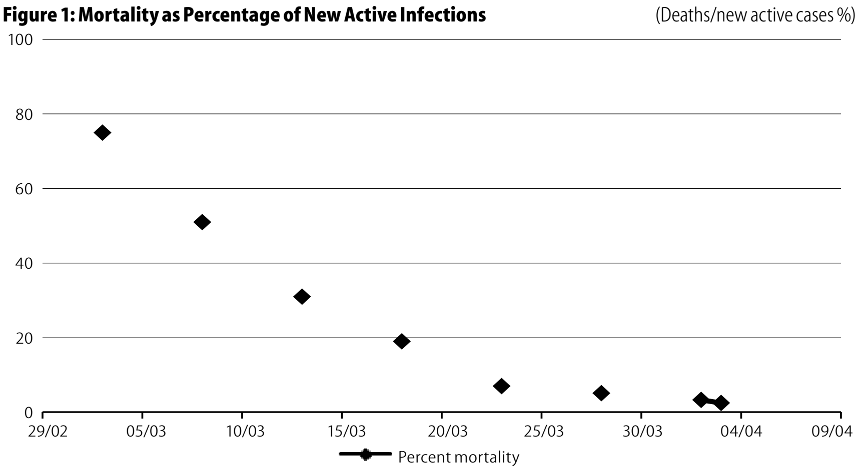
We present a method of estimating the numbers infected, deriving them from the number of deaths, which is an unequivocal subset of all confirmed cases of SARS-CoV-2 infection.

Methods

The number of active cases, that is the number of PCR positive subjects from which the number recovered and the number dead have been subtracted, is available in both daily and cumulative formats from Worldometer.[1] It takes approximately four (two–six) weeks for a person with SARS-CoV-2 infection to develop severe disease and die. If patients die on 31 March, they would have contracted the infection four weeks earlier, by 3 March. They should have been in the cumulative pool of active PCR positive cases until 30 March. The number of deaths is also reported on daily as well as cumulative basis. As mentioned earlier, globally, mortality for the SARS-CoV-2 infection is about 3%–5%.

We estimate the number of new active cases a month earlier, by multiplying the number of deaths on a particular date by 33.3, assuming a mortality rate of 3%. The number reported for that particular day four weeks earlier, is available from Worldometer. We can then evaluate the ratio of the number of deaths on the selected day and the number of reported

Figure 1: Mortality as Percentage of New Active Infections



y-axis represents mortality as percentage of new active infections and x-axis represents time by dates (date-month). Mortality approaches global figure of 3%–5% from 28 March.

new active cases four weeks earlier. We expect the ratio to approximate the global mortality figures of 3%–5%. The numbers reported as active cases will be true when the estimated and reported numbers are in agreement.

Our argument is valid because all those who died were confirmed to have SARS-CoV-2 infection within the pool of all tested subjects. We emphasise that the number of deaths, number of tests positive, and the number of subjects tested do not represent the number infected in the population, as the pool of subjects tested were selected for unstable reasons of contact or travel. Therefore, some degree of uncertainty is inherent even in our estimates on account of the nature of the samples tested.

We can also back-calculate the cumulative pool of infected subjects from the cumulative number of deaths, using a fixed mortality rate. The doubling time for the numbers of cases and deaths in India is available from the graphs published on Worldometer and can also be derived from our estimates. Utilising the estimated pool of subjects infected four weeks earlier, and the doubling time, we can calculate forward to arrive at the estimated numbers infected on a given day. Applying a range of mortality rates, we can also do a sensitivity analysis and arrive at the range of the number of infected subjects.

Results

In Table 1, the data from Worldometer are used: column 1 represents the date, column 2 the number of newly added active cases on that date, and column 3 the daily deaths 28 days after the date in column 1. In column 4, the number of deaths, expressed as a percentage of the number of active cases 28 days earlier, is presented. Column 5 presents the back-calculated estimated number of active cases 28 days earlier using a mortality rate of 3%.

It is evident that the reported number of infected subjects in the first 25 days of the study period is an underestimate, because the mortality rates are unrealistically exaggerated, but they approach globally described figures of about 3%–5% only from 28 March 2020 (Figure 1).

Our estimated numbers for those infected is based on the number of reported deaths due to confirmed cases of COVID-19. The fact that the “active cases” exclude those who have recovered and those who have died adds strength to our estimated numbers, as mortality is derived solely from those who were considered to have active infection. To explain, if a patient was in the active infection pool on 3 April 2020, they could have contracted the infection in the preceding four–six weeks. However, on a daily basis, the numbers who die are removed from the active list. So, this person’s death, if it occurred on say, 6 April 2020, will not influence the mortality

Table 1: New Active Infections, Deaths and Estimated Active Infection from 3 March to 3 April 2020

Date (Date-Month-Year)	Newly Added Active Cases	Daily Deaths from 31 March 2020 (Date)	Daily Death/ Active Cases %	Estimated Daily Active Cases Using 3% Mortality
3 March 2020	4	3 (31 March 2020)	75	100
4 March 2020	26	23 (1 April 2020)	88	1,433
5 March 2020	27	14 (2 April 2020)	52	466
6 March 2020	28	14 (3 April 2020)	50	466
7 March 2020	31	13 (April 2020)	42	433
8 March 2020	37	19 (5 April 2020)	51	1,233
9 March 2020	43	18 (6 April 2020)	42	600
10 March 2020	58	24 (7 April 2020)	41	800
11 March 2020	58	18 (8 April 2020)	31	600
12 March 2020	69	49 (9 April 2020)	71	2,300
13 March 2020	70	22 (10 April 2020)	31	733
14 March 2020	88	39 (11 April 2020)	44	1,300
15 March 2020	99	43 (12 April 2020)	43	1,433
16 March 2020	114	27 (13 April 2020)	34	900
17 March 2020	126	35 (14 April 2020)	28	933
18 March 2020	152	29 (15 April 2020)	19	967
19 March 2020	170	26 (16 April 2020)	15	867
20 March 2020	221	38 (17 April 2020)	23	1,267
21 March 2020	304	35 (18 April 2020)	12	1,167
22 March 2020	365	38 (19 April 2020)	10	1,267
23 March 2020	455	33 (20 April 2020)	7	1,100
24 March 2020	486	53 (21 April 2020)	11	1,767
2 March 2020	602	36 (22 April 2020)	6	1,200
26 March 2020	662	40 (23 April 2020)	6	1,333
27 March 2020	794	59 (24 April 2020)	7.43	1,966
28 March 2020	879	45 (25 April 2020)	5.1	1,500
29 March 2020	902	56 (26 April 2020)	6.2	1,866
30 March 2020	1,117	58 (27 April 2020)	5.2	1,933
31 March 2020	1,239	69 (28 April 2020)	5.6	2,300
1 April 2020	1,792	71 (29 April 2020)	4	2,367
2 April 2020	2,280	75 (30 April 2020)	3.3	2,500
3 April 2020	2,781	69 (1 April 2020)	2.48	2,300

The margins between reported and estimated daily active cases narrow from 30 March, and on 2 and 3 April, the two numbers are nearly identical. Source: https://www.worldometers.info/coronavirus/country/india/.

rate, as they will be removed from the denominator as soon as death is reported.

The mean estimated numbers infected from 3 March 2020 to 5 March 2020 is 666. This represents the average estimated numbers in the pool in the first three days of the study period. Similarly, the mean estimated numbers for the last three days of the study period, namely 1 April to 3 April would be 2,389. The daily numbers added to the pool over a 28-day period has increased from 666 from the beginning of March to 2,389 by the beginning of April. We calculate that there has been a 3.59 fold or 359% increase in the estimated numbers in 28 days. From this, we can calculate the rate of increase of active cases per day. If there is a 359% increase in 28 days, the mean percentage increase will be 12.81% per day. For per day increase of 12.81%, doubling (or 100% increase) would occur in 7.8 days, rounded off as eight days.

This derived doubling time based on the estimated numbers is two days shorter than the 10-day doubling time derived from the Worldometer graphs. It is obvious therefore that we are not only underestimating the active case numbers, but also overestimating the doubling time by using the reported figures.

If only small numbers are tested, there will be fewer positives, but the estimated numbers will be large as seen in our calculations. If we compute the doubling rate with estimated numbers that are larger, the doubling time will be shorter. Both these errors, underestimating the active case numbers and overestimating the doubling time, falsify the true estimates. They occur because of the small and highly selective number of people tested by PCR in the early days of the epidemic.

The sensitivity of the PCR for diagnosing SARS-CoV-2 infection is ~50%. If this is also taken into account, for every detected case there will be an undetected case in the community. So, our estimates should be doubled to arrive at a more accurate estimate.

Doubling times can be derived from reported figures, both for cases and for deaths. The mean doubling time for both entities is 10 days in the last two months from March to May 2020. But, the doubling time derived from our estimations is eight days. Either way, in the 28 days from 3 April 2020 there would have been at least three doublings, namely $2 \times 2 \times 2 = 8$. The cases would have increased eightfold from 3 April 2020 to 1 May 2020.

Using the cumulative number of people who had died as of 1 May 2020 (1,223) and the mortality rate of 3%, the cumulative number infected four weeks earlier can be calculated as $1{,}223 \times 100/3 = 40{,}766$. Using the conservative doubling time of 10 days the estimated numbers infected by 3 May 2020 would be $40{,}766 \times 8 = 3{,}26{,}133$. If we take into account the low sensitivity (50%) of the PCR test, the estimate would be twice the number, that is, 6,52,266.

This estimate would be correct only if all the COVID-19 deaths had been reported. However in our populous country with limited health information systems and consequent under-reporting of deaths, the proportion of deaths detected and reported would heavily influence the estimate.

In Table 2, we present the estimated infection rates for 1 May 2020 using different percentages of reported deaths in a sensitivity analysis. The proportion of certified deaths in India in 2017 was about 20% (MHA 2019). We assume this may have improved to 40% by 2020 as there are no recent published figures. This calculation provides the range of values within which the true number of infected subjects may lie: between 6,52,266 and 16,30,665.

Discussion

Only in the last three days studied does the ratio of the number of deaths to the number of newly infected cases in the active pool approximate the worldwide mortality figures of about 3%. During the initial 25 days of the period studied, the mortality figures are unrealistically high, most probably due to fewer tests/million population during the early days of the epidemic.

Table 2: Estimated Infections as of 1 May 2020, Using Sensitivity Analysis for the Range of Possible Death Eates (40% to 100%) due to COVID-19

Estimated Infection	Mortality Reporting (%)	Estimate of infections Corrected for mortality (%)
6,52,266	100	6,52,266
6,52,266	80	8,15,332
6,52,266	60	10,87,110
6,52,266	40	16,30,665

Source: https://www.worldometers.info/coronavirus/country/india/.

With the progressive increase in the number of tests done, in the last three days of the study period, the mortality reports correspond to the worldwide figures. As the mortality figures are unequivocally due to COVID-19, we used these numbers to back-calculate the estimated numbers infected four weeks earlier and used the doubling time forward to estimate the number infected in the active pool on the last day. When this is done, it is apparent that, depending on the accuracy of mortality reporting, the estimated numbers of active cases on 1 May 2020 vary between 6,52,266 and 16,30,655, as against the reported figures of 26,027. The extent of underestimation can be calculated to be between factors 25 and 62.65.

The range is very wide but the probability of the magnitude of infection having already reached 1.6 million, or 0.12% of India's total population appears on its face still an underestimate. Since India is not testing all clinically diagnosable COVID-19 cases, the reported deaths could even be as low as 20%, in which case the number of infected may have been 32,61,330, or 0.24% of the total population, which may be nearer to reality. With this estimate and assuming about 30% have to be infected by the time of the peak of the epidemic curve, we can calculate the timing of the peak of the epidemic (John and Seshadri 2020). We believe these estimates are very important in order to anticipate and project/predict the peak when between 400 and 500 million cumulative infections occur, which may be somewhere between the first week of July and middle of August (John and Seshadri 2020).

The planning of India's strategy for its exit from the lockdown is extremely urgent. The estimated figures in the pool of active cases on 1 May 2020 reflects widespread community transmission and indicate the need for abundant caution for the next several weeks to two–three months during which the nation must also return to normal economic activity.

It is of paramount importance that the workforce which returns to work observes stringently universal use of face masks, frequent handwashing/sanitising, and maintaining physical distance, albeit less stringent on account of use of masks (John 2020). As we get reliable kits for determining the IgG antibody, the infected and immune persons can be detected in systematic surveys; they can be allowed freedom to carefully return to socio-economic activities. Reverse quarantine (cocooning) of the elderly and vulnerable should prevent infection reaching them. These measures will be the key elements in our strategy to limit the spread of infection and save lives (Seshadri and John 2020b). The methods employed in this study can be used by other middle- and low-income countries with limited resources to derive the number of subjects infected from the number of deaths due to COVID-19, adopting limited testing of clinical COVID-19 syndrome and severe COVID-19 cases. The numbers so derived can be used by countries to devise a strategy to address both the epidemic and the consequent economic downturn.

NOTE

1 See the coronavirus section of the Worldometer website, https://www.worldometers.info/coronavirus/, viewed on 3 May 2020.

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India That Is Bharat

The Politics of a National Name

KANIKA GAUBA

A recent writ petition on renaming India as Bharat, which got dismissed by the Supreme Court, is discussed. There are political motives behind naming or renaming a place, but Hindustan, Bharat, and Hind—are all part of the package that is India.

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Earlier in June, the Supreme Court of India heard a writ petition that sought to remove the name "India" from Article 1 of the Constitution. As it stands, Article 1 reads: "India, that is Bharat, shall be a Union of States." The petitioner argued that the national name "India" was one given by the colonial Raj, and was thus a symbol of slavery. As legal principle, the petitioner proffered Article 21, the fundamental right to life and personal liberty, to argue that the continued use of such a colonial relic violated the citizens' right to call their nation by its rightful name, "Bharat." "Bharat," the petition added, is favourably associated with the legacy of the anti-colonial resistance, and was therefore preferable. Seeking the exercise of the Court's writ jurisdiction in public interest, the petitioner sought the direction to the union government, through the Ministry of Parliamentary Affairs, to remove the allegedly offensive national name via an amendment to Article 1 of the Constitution. On 3 June 2020, the Supreme Court dismissed the petition with the advice that it be treated as a representation by the appropriate Ministry. "(W)e can't do it," the Court reportedly said (*Indian Express* 2020).

Past Efforts

This is not the first attempt to use the force of law to change the national name. Past attempts at effecting an amendment to Article 1 include three private members' bills that were moved in Parliament in 2010, 2012, and 2014. The 2010 and 2012 bills, both of which lapsed, were moved by Congress member of Parliament Shantaram Naik. The Naik bills distinguished between the territorial expression contained in "India" from the emotive–patriotic power of "Bharat," finding the latter preferable. The 2014 bill was moved by Uttar Pradesh Chief Minister Yogi Adityanath. It proposed the replacement of "India" with "Hindustan" so that Article 1 once reordered read "Bharat, that is Hindustan …" and echoed both the "traditional names" of the country. Interestingly, Adityanath's bill is appended in support of the recent writ petition.

The Supreme Court itself heard a similar petition in 2015 by a bench headed by then Chief Justice of India H L Dattu. The bench had sought responses from the government, but the matter was dismissed some months later by the successor chief justice of India T S Thakur in 2016. Justice Thakur had then strongly reprimanded the petitioner's advocate for misusing a forum meant for the "poor" (Sinha 2016).

This brief history itself ought to have been enough grounds for the Court to not waste precious judicial time. The Court's jurisdiction does not extend so far as to direct other state institutions to amend the Constitution. This is a power that, according to the constitutional structure, vests in Parliament representing the will of the people. Considering this, it is strange that the matter was listed before, moreover briefly heard by, the chief justice's bench. But other curiosities skirt the petition. The identity of the petitioner "Namaha" and their motivation for approaching the Court in public interest are unclear and not specified in the petition. In the section on "relevant dates"—an important component of pleadings submitted to the Court—there is no reference to past attempts at amending Article 1. Instead, the petition leaps from 1948, when Article 1 was discussed in the Constituent Assembly, to the present moment as if none of the events described above had occured in the intervening period.

Three Names

The Constituent Assembly did not spend much time on the issue of renaming India. Much of the discussion focused on the latter half of Article 1, and the federal relationship it suggested. A closer reading of the assembly's debates reflect that several other "traditional" names for India were in the running. These included Aryavarta, Hind, and Bharatavarsha. When the draft of Article 1 was introduced, many members seemed pleased at the retention of the "ancient name" Bharat (GoI 1948). A few sought to reorder the article so that the ancient name preceded the "alien" one (GoI 1949).

Catherine Clémentin-Ojha points out a third name that was never actively considered by the assembly but was colloquially used by most members to refer to the nation in their speeches—"Hindustan." For reasons unspoken, it then appears that "three names had been at the start of the race, but at the end two had been placed on equal footing and one dropped." Although "Hindustan" was colloquially dominant, "Bharat" was eventually preferred (Clémentin-Ojha 2014). There are several interconnected reasons why "Bharat" may have been preferable. Clémentin-Ojha indicates the Puranic roots of Bharat, used in the Vishnu Purana and Markandeya Purana to refer to a spatial entity nestled between the Himalayas in the north and the seas in the west, south, and east. She further suggests that Bharatvarsha is a "socialised" invocation of territory, for it indicates *karmabhumi*, a land where one reaps the rewards of one's karma. In this literature, Bharat is not a political entity as we understand it today. However, accounts of the legendary King Bharat who united all of South Asia are popular in nationalist imagination, and are found in Jawaharlal Nehru's *The Discovery of India* as well.

But as Benedict Anderson (1983) says, the work of nationalism lies in the imagination of the community. Manu Goswami (2004) shows that the imagination of "Bharat" as historically determinate and territorially congruent with colonial-era India happened in the second half of the 19th century in northern parts of India, and that this heralded the constitution of nativist identity projects. This is around the time when Bankim Chandra Chattopadhyay's "Vande Mataram" ingrained the feminised idea of the nation in anti-colonial resistance against the partition of Bengal. Shortly thereafter, the nationalist figure of Bharat Mata manifested in rallying cries and visual form, often juxtaposed against territorial borders, invoking the "geopiety" of her children (Ramaswamy 2010). "Bharat" remains, as our petitioner argues, the crucial link to the legacy of the anti-colonial struggle, and through it, to nationalist reveries of the precolonial continuity of the Indic civilisation.

The ways in which Indian constitutionalism, particularly at the founding moment, draws its legitimacy from anti-colonial nationalist resistance remains woefully underexplored. It was, perhaps, this legitimation that the framers sought to retain by adding "Bharat" alongside the more pragmatic "India" in Article 1. This legacy has, however, been important ever since in structuring political and legal discourse in the country, as the living contestations over nationalist icons and leaders attest.

On the other hand, the exclusionary possibilities of "Hindustan" as the land of the Hindus may have been a reason why it was never discussed as a possible name for the nation. Interestingly, two unlikely figures, V D Savarkar and Mohammad Ali Jinnah, were united in their preference for "Hindustan," which they felt more appropriately described the nation (Savarkar 1922; Devji 2013).

What Is in a Name?

Names are powerful political expressions. The renaming of public places, roads, and cities, which our petitioner cites approvingly, is an expression of the state's authority to its citizens. Perhaps for this reason, indigenous people in settler colonies have resisted the impositions of colonial names, and have been fighting to retain native place names (Berg and Kearns 1996). National names express sovereignty but also signal the essence of the nation. The politics of naming is closely allied with the attempt to organise public memory around a state-preferred version of the historical past.

What role does the law play in this politics of naming? One consequence of juridical baptism is the structuring of public discourse—what can be said, what cannot be said, and how one should speak—with important legal consequences on the freedom of speech and expression. European laws against the denial in public of the Holocaust raise such concerns (Bealvusau and Grabias 2017).

But there are other, more insidious concerns that arise from legally endorsed names, which is the violence of unnaming and the consequent impermissibilities of imagination. For instance, the day after the Court dismissed this petition, the Karnataka state government directed its functionaries to avoid the word "Dalit" in official communication. This order is based on a 2018 advisory issued by the union government to the same effect (GoI, Ministry of Social Justice and Empowerment). The ostensible rationale is to adhere to the constitutional nomenclature, that is "Scheduled Caste" in English or in equivalent vernacular forms. Literally translated from the Marathi language, "Dalit" means a broken people. The anti-caste resistance, led by B R Ambedkar, turned this interpretation upside down so that the word is a powerful symbol through which to assert the dignity and unity of a historically oppressed people. Fidelity to legal names becomes an instrument through which to deny such possibilities.

The renaming of places in India imposes similar denials of memory. Allahabad is now Prayagraj, Mughalsarai railway station is Deen Dayal Upadhyay, New Delhi's arterial Aurangzeb Road is now A P J Abdul Kalam Marg, to name a few. Our petitioner cites this spate of place renaming as one of the reasons for his request to the Court. Yet, in what is a delightful Freudian slip, he finds such renaming in accordance with "the *Indian* ethos" (sic; emphasis mine). "India" proves much more difficult to expel from "Bharat," or so it would seem!

But there is a reason why the nation's multiple names—India–Hindustan–Bharat–Hind—roll so equivocally off our tongues. As much as their actual content has varied across ideological and political spectra, this multiplicity reflects the many aspirations, ideas, and people that have been echoed through the form of the nation. One may go so far as to say that a nation that corresponds to either India or Bharat alone does not exist.

What exists beyond doubt is "India, that is Bharat," but very often is also Hindustan, and more occasionally, Hind.

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Draft EIA Notification, 2020
Institutionalising Information Blindspots

Preeta Dhar

The Draft EIA Notification circulated by the government proposes to overhaul the framework for granting environmental clearances. While the stated objective is to "streamline" and "rationalise" processes, a closer look reveals measures that go against some of the fundamental principles of environmental governance. In the attempt to expedite the EIA process, the proposed changes compromise the very logic of a decision-making system.

The author has collaborated on, and draws upon, the report prepared by the Vindhyan Ecology and Natural History Foundation on the Draft EIA Notification. The report is available at https://vindhyabachao.org/publications/reviews/798-review-draft-eia-2020.
The author would like to gratefully thank the reviewer for carefully reading the draft and suggesting comments that improve the readability and quality of this article.

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Amid the COVID-19 crisis, other policy developments might be easily missed. However, proposals are underway to make fundamental changes to the legal framework that is at the heart of some of the most contentious environmental conflicts in India.

The central government has circulated a draft Environmental Impact Assessment (EIA) Notification (MoEFCC 2020), which is intended to replace the existing EIA Notification, 2006. The stated intent of this iteration is to consolidate the incremental amendments to the 2006 notification, streamline and rationalise processes, and implement decisions of various courts. However, a closer look reveals measures that do not align with some of the fundamental principles of environmental governance. In its attempt to expedite the EIA process, the proposed changes compromise the very logic of a decision-making system. At a time where the unintended impacts of uncontrolled environmental degradation are felt by every community, a revised system should reflect greater emphasis on strengthening, rather than weakening environmental safeguards.

EIA frames the flow of information leading up to the decision to grant or reject environmental clearance (EC) to a project. The long-term, direct and indirect impacts on a complex ecosystem and livelihoods need to be understood in deciding whether to grant clearance, and under what conditions (Craik 2008). The effectiveness of such a system—which is an attempt to "institutionalise foresight" (Robinson 1992)—lies in its ability to reflect the relevant information in the appropriate stage of the process to meet the objective of sustainable development.

The draft notification proposes to make significant changes to the framework, which might create significant information blind spots. Many categories of projects are omitted from any scrutiny, the amount and quality of information that needs to be considered for granting clearance has been diluted, and the scope of public engagement has been limited. Some of these, and their implications, are discussed in this article.

Categorisation of Projects

The EIA notification categorises projects as Category A, B1 and B2; with Category A projects requiring the most extensive process. On the other hand, Category B2 projects involve significantly less scrutiny. For instance, no public hearing is required for B2 category projects, and many B2 category projects can proceed on the basis of "Prior Environment Permission" without even requiring an EIA study.

The categorisation is supposed to be on the basis of the "potential social and environmental impacts and spatial extent of these impacts." Admittedly, not all activities require an equal level of scrutiny. However, the draft notification inexplicably recategorises many activities to a lower requirement of scrutiny. For instance, liquefied natural gas (LNG) terminals, which are listed as Category A in the current notification, are proposed to be recategorised as B2 in the draft notification. Likewise, many irrigation projects, metallurgical industries, and aerial ropeways, inter alia, which are considered as Category A projects in the current framework, have been reduced to Categories B1 and B2. The dilution of the EIA requirements of these projects leaves out of consideration significant environmental impacts. Any recategorisation should be evidence-based, and not arbitrary.

Quality of Information

The EIA report is prepared according to the terms of reference (ToR) for the EIA study, which is determined by the relevant appraisal committee. This stage, called "scoping," is crucial since it sets out the premise of the information to be included in the EIA report. The changes proposed in the draft notification would reduce this stage to a formality. It relies excessively on standard sector-specific ToRs, and the regulatory authority has the discretion to refer a project for scoping to the appraisal committee only where it is "deemed necessary." While standard sector-wise TOR can be an indicative starting point, the scoping stage is far from redundant. The TOR for EIA studies should involve an independent application of mind to identify the context-specific information that might need to be evaluated, in addition to the general information outlined in the TOR. By reducing the relevance of the TOR stage, the draft notification creates the possibility of generic EIA reports, which do not include significant context-specific factors.

The draft notification also dilutes the quality of information included in the EIA report. It allows for projects to proceed on the basis of baseline data for only one season for most projects. This is severely inadequate for a comprehensive understanding on environmental impacts since it would not reflect seasonal or temporal variations. In addition, it allows for the collection of baseline data "at any stage, irrespective of the application," not only making the scoping stage irrelevant, but also allowing for data, which is up to three years old, to be used. In densely developing areas, such data might be severely outdated and would leave out the cumulative impacts of other projects that may have commenced at the time of application for clearance. In 2016, the Comptroller and Auditor General of India (CAG) Report on Environmental Clearance and Post Clearance Monitoring had scathing findings on the quality of EIA reports precisely on such EIA practices (CAG 2016). Instead of including provisions for improving the quality of EIA reports, by preventing such practices, the draft notification proposes to legitimise them.

Public Engagement

The EIA study is conducted by an authorised consultant on behalf of the project proponent. This itself has been a contentious issue, since it raises questions of conflict of interest and a possibility that information that is disadvantageous to the project may not be presented at all (Wathern 2004). The best safeguard against this is a robust and broad-based public engagement with the EIA process. However, the draft notification betrays a deep mistrust of public engagement, restricting the scope for such engagement.

It proposes to remove the requirement of public consultation for many projects by recategorising them as B2 category projects. In addition, it creates widely worded exemptions from public consultation. Specifically, it leaves open the possibility of any project to be classified as exempt if it involves "strategic considerations as determined by the Central Government." Arguably, all developmental activities have strategic considerations, and such vague phrasing could be misused to pre-empt any expression of dissent by affected communities. For projects that need to undertake public consultation, it proposes to reduce the notice period for the public hearing from 30 to 20 days. The draft notification also restricts the engagement of affected communities in the operational stage of projects. It is important to highlight that the EIA framework provides for continuous engagement and accountability of actors and institutions (Vatn 2015). This is available in the present framework where violation of EC conditions can be registered by any person. However, under the draft notification, complaints can be registered only by regulatory bodies, or raised by the proponent itself.

None of the proposed changes acknowledge the need to address the fact that public engagement in complex, technical issues like EIA need to be supported with capacity building and additional safeguards. Rather, it significantly reduces the existing avenues of engagement. These provisions, presumably to aid efficiency, will reinforce the information gaps and biases of the existing system and would have long-term consequences.

Ex Post Facto Clearance

One of the most problematic provisions of the draft notification attempts to institutionalise *ex post facto* clearances, which turn the entire logic of EIA on its head. The provision, which accepts such "recurring" illegalities as a reality, is surprising since the Supreme Court has held on multiple instances that such a concept is not valid in law. In *Common Cause v Union of India* (2017), the Supreme Court had held that "the concept of an ex post facto or a retrospective EC is completely alien to environmental jurisprudence including EIA 1994 and EIA 2006." In a more recent judgment, *Alembic Pharmaceuticals* v *Rohit Prajapati & Ors* (2020), the Supreme Court held unequivocally that an executive notification allowing post facto clearance goes against the parent statute.

Not only is a post facto clearance bad in law in the current environmental jurisprudence, it defeats the purpose of EIA. The fundamental premise of EIA is that a comprehensive assessment of all impacts is considered before a project is granted clearance. The regularisation of illegal activities is a tacit approval of the illegalities and reflects a fait accompli; it pre-empts the possibility of rejecting the project since it has already been undertaken. Second, the impacts of activities that have commenced—particularly in sensitive or ecologically significant ecosystems—may be irreversible. Finally, in the absence of proper baseline studies, the ecosystem changes may not even be understood in their entirety. Any mitigative measures would be either a very meagre attempt or only a paper reality.

Information Choices of EIA

In its ideal sense, the EIA framework should reflect a deliberation of complex, interdependent and multidimensional considerations to facilitate an informed decision. The proposal of a revised framework should enable better decisions, and not just expedited or convenient decisions.

Undoubtedly, it is a challenging task to simultaneously address concerns of efficiency, comprehensiveness, engagement and uncertainty. It is precisely for these challenges that emerging and well-recognised norms of environmental governance should be relied on; most pertinently, the precautionary principle and environmental rule of law.

The opportunity that a new framework provides should be used to introspect on the shortcomings of the current system. The manner of collection of information, and the process of appraisal need to be aligned with the logic of EIA. The sequential nature of each of these processes directly speaks to the quality of information that is collected and the independent application of mind at each stage. However, the proposed change dilutes the rigours of many such requirements and reduces them to mere paper formalities. The draft notification, if notified, would systemically weaken the decision-making framework. As a consequence, projects and activities could be granted clearance on the basis of limited or outdated information. These information gaps will lead to sanctioning activities that could irreversibly threaten fragile ecosystems and the broader ecological balance.

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Oliver Williamson

The Man Who Reduced the Transaction Cost of Economics

RANJAN GHOSH, YUGANK GOYAL

On 21 May 2020, one of the most cited economists of all time and a key contributor to organisational studies, Oliver E Williamson passed away. His intellectual apparatus of transaction cost economics is a powerful tool to explain a range of real-life phenomena across a variety of disciplines with impeccable practical implications.

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On 10 December 2009, Professor Tore Ellingsen read out from the podium of Concert Hall in Stockholm, "….in its 271st year, the Royal Swedish Academy of Sciences could not have awarded a more timely prize," and called upon Professors Elinor Ostrom and Oliver Williamson to receive the Nobel in economics. What was so timely about this annual ritual? It was also the year of the great economic downturn that saw big banks and hedge funds fail, and a time when the faith in model wielding, invincible economists was shaken. Paul Krugman, the 2008 prize winner, had recently remarked in the *New York Times* that "...the economics profession went astray because economists as a group, mistook beauty, clad in impressive-looking mathematics, for truth" (Krugman 2009).

Silently, yet with unwavering persistence, a group of scholars had continued to challenge this dominance. They made it impossible to ignore that institutions and organisations (structures) shape economies (constructs), and not vice versa. Both Ostrom and Williamson were champions and leaders of this group. Ostrom (a political scientist by training) contributed through painstaking analysis of the role of institutions in natural resource management, puncturing the age-old doctrine of the tragedy of commons and exposing the myopia of looking at humans as "selfish" Homo economicus. Williamson, on the other hand, showed how assumptions of perfect rationality in economic models blinded analysts to the plurality of organisational forms that existed—from small business, family firms and farms, to franchisees, to alliances, to big corporations to natural monopolies—and how these structures have an impact on the society and the economy. Without analytically understanding why certain organisational forms exist, the economists' idea of deregulated efficiency could, simply, be a mirage.

Economists, traditionally, did not focus on how organisations worked internally. All that economists cared about was to employ price theory to organisations as they did to individuals. Organisations were a black box; a production function that converted inputs into an output. In fact, George Stigler's seminal book *Organization of Industry*—starts with an existential denial,

> Let us start this volume on a higher plane of candor than it will always maintain: there is no such subject as industrial organization. (Stigler 1968: 1)

Before Williamson breathed his last on 21 May 2020, he had changed this forever. To invoke an old parable, he switched on the light where the keys were, rather than searching for the keys, where the light was. In his efforts to excavate transaction costs in organisations, he was the ablest heir to the rich legacy left behind by Ronald Coase, who brought to fore the field of New Institutional Economics (a term coined by Williamson himself). The simplicity of his ideas that were used to explain complex realities made economics far more accessible and tangible. He indeed reduced the transaction cost of economics.

The Make or Buy Question

Geniuses do not ask difficult questions. They ask rather simple ones. Williamson was stuck with a question: When does a firm decide to buy something from the market, as opposed to make it inhouse (Williamson 1971)? Consider a car manufacturing firm. It has a number of inputs, including, say the metallic car-body. The car manufacturing firm A has an option of buying the car-bodies from another company B which makes it, or to simply purchase B. How should it decide? It will depend on how specific the asset is. Assets are specific to a transaction if the value of the asset is lower outside of the transaction than within it. If B has purchased a specific die to make the car-body that suits the design of A, then B wants to be assured of the purchases in future. This is because if A declines the purchase, B's asset (the die making process), being specific to this transaction, will fetch little value outside this contract. Alternatively, A wants to be sure as well, that B delivers. Tomorrow, if demand for that car skyrockets in the market, B can hold up A, but by pushing the prices up. Due to the likelihood of such opportunism, renegotiations raise anxiety. And so in cases of higher asset-specificity, long-term contracts or vertical integration are the key.

For Williamson, this decision-making is a result of transaction cost minimisation and not the sleight of the management. It is the nature of how firms behave. Until Williamson's work appeared, firms were considered as production functions to convert inputs into outputs, through a price structure. In this woefully inadequate architecture of neoclassical economics, Williamson exposed the analytical designs of how and why firms come about. Building on the Coasean (1937) insights, he theorised as to why certain types of decisions are taken by a firm, and not by the others. To the scholarly and antitrust community that remained anxious about any unfamiliar and non-standard practice of a firm and its contractual practice, Williamson offered a useful theory.

Transaction costs, according to Williamson (1979, 1985a), are defined as the costs of writing, monitoring, verifying and enforcing a contract. Williamson specified variables that determined whether markets or hierarchies would lower the cost of a particular transaction. The transaction cost economics (TCE) theoretical framework is founded on two key assumptions: bounded rationality and opportunism. Bounded rationality (as against the complete rationality assumption of neoclassical economics) refers to the fact that people are intendedly rational but limitedly so. Opportunism, as Williamson calls it, is the tendency of "self-interest seeking with guile," where actors could potentially exploit contracting partners under unforeseen, but favourable circumstances. Under the conditions that these assumptions hold, the interplay of three core variables—asset specificity, uncertainty and frequency—determines what kind of transaction costs will be generated and whether a transaction will be carried out in the market or within a firm. If an asset is very specific to a particular transaction and has almost zero opportunity costs outside of it, then it is efficient to vertically integrate that asset. According to Williamson, all contracts are eventually incomplete because actors are boundedly rational and can never specify entire future contingencies. So if one party makes a very specific investment, and an *ex post* situation arises where it generates rents for the other party, then it may behave opportunistically. In what is known as the "fundamental transformation" (Williamson 2002), a contracting party with significant asset-specific investments could face an *ex post* hold-up situation due to opportunistic behaviour or contractual incompleteness. An efficient governance structure—which could be a market, a long-term contract or a hierarchy such as a firm or a bureau—is that which minimises these transaction costs (Ghosh and Kathuria 2014).

Relational Contracting

What began as a riddle of why firms integrate vertically, and which of course, altered the way society (including antitrust agencies) viewed a large firm, Williamson had begun opening windows to a wide array of economic activities that arose or could be reformulated in comparative contractual terms (Williamson 2010). Firms were now, no longer production units, but governance structures. The epicentre, he discovered, was contractual governance. His ideas replaced the neoclassical tool of "choice" by the tool of "contract." He paved the way for incorporating bounded rationality of human actors (as well as their opportunism propensities) in understanding organisational decisions. When we apply his model, we recognise the difference between firms and markets through the lens of governance. Contract is not a legal rule; it is a framework for governance that constructs a certain kind of hierarchy and which also resolves its own disputes. With these insights, it becomes instantly clear where hierarchical governance (firm) stops, and markets begin (or the other way round). In doing so, he not only explained the boundaries of a firm but also the presence of hybrid models (Williamson 1991). After all, they are all contracts.

Business Strategy

No wonder Williamson's ideas are fertile lessons for business strategy. He saw the grandest strategy in economising. Extensions of his core framework also lead us to appreciate the governance difference between concepts like licensing and franchising (with weak intellectual property regime, you would rather contract through franchises than licence). His TCE approach also enables the opening up of the "black box" of the typical firm, extending into the lateral integration of components, backward integration into raw materials and forward integration up to distribution.

A fascinating insight is to look at debt and equity, not as instruments of finance, but as instruments of governance (Williamson 1988). Think about it; the debt is a rule-based governance (market form) with debtors following rules of utilisation and payments, while equity has discretionary aspect (hierarchy form). Should not the firm finance a generic asset through debt and specific-asset through equity, then? That is exactly what happens, and that is precisely why leveraged buyouts happen. The TCE framework is like the master key to unlock various puzzles within the governance structure that is a firm. For instance, it opens up the conceptual differences in the board of directors in manufacturing versus law firms, and further, between Japanese and Western manufacturing firms (Williamson 1991). This TCE tool allows us to see the board of directors offering credible commitments to suppliers of equity to the firm, upon which discretionary decision-making will be done (Williamson 2008).

Credible Commitments and Public Policy

In fact, Williamson's idea of credible commitments (Williamson 1983) became the bedrock of explaining the emergence of regulatory agencies around the world (Levy and Spiller 1990). The global drive towards privatisation during the time was beset with a major difficulty. Private firms would not want to invest huge sums of money *ex ante* for a utility because they feared the elected politicians will force them to make unfavourable business decisions (reduce prices for instance) *ex post* since utilities are politically sensitive services. This fear discouraged them to participate in the first place. To address this, governments needed to offer "credible commitments" to private firms that their surplus will not be appropriated for want of political gains. The result was a regulatory agency, staffed with career bureaucrats located at an arm's length from the government and the regulatee.

Today, practically everywhere in the world, whenever someone discusses the constructs of regulatory governance, they are (sometimes unknowingly) relying on frameworks set out by Williamson. Another extension of Williamson's logic was made by Dixit (1996) where he argues that political actors face high political transaction costs in providing long-term credible commitments because in a strategic interaction between the voters and policymakers, there is no incentive for the policymaker to offer a policy that will make the voter better off in the present and the subsequent periods, if that does not guarantee voting by them in the next period. Therefore, they try to tie up their policies in a way that voters do not become independent. Similarly, voters knowing this strategy, would use their political power to extract short-term benefits. One way for this "time-inconsistency" problem to be solved would be to "delegate" to transfer the political property right to a non-majoritarian institution, such as an independent regulator (Majone 2001).

Bureaucracy

It may be natural for us to compare painful government departments with fast-moving private firms. We do not realise that the construction of the two bodies are inherently different from the point of view of contractual governance. Bureaucracy works on a strict hierarchy with little recourse to incentives, while private firms mimic market mechanisms through preserving incentives. That is why, bureaucracy will work under command, and will deliver under command. Markets deliver with incentives. This does not mean that the incentive structure is always better. As COVID-19 pandemic disrupts everything, we know that only government departments will work round the clock at the salaries they work in. An Indian Administrative Service officer has to respond to a call in the middle of the night, a chief executive officer need not, contractually. Bureaucracies are different governance structures. And the sooner we realise this in India, the better. Williamson's exposition about bureaucracy really came about in trying to answer the question as to why cannot a large firm do everything that a collection of small firms can do, and more (Williamson 1985b). The large firms will not be able to maintain high-powered incentives and a salary structure that will determine its efficiency rather than a market-type promotion mechanism that one can witness in a small start-up.

Methodology

Imagine engineers theorising about the world without considering friction. Williamson would give this analogy to explain transaction costs—the friction of economies and organisations—and use it to push the ontological frontiers of economic thinking.

Three examples are in order. First, he centralised the study of organisations along with law and economics. This was to bring real-world understanding to the surface. When, for instance, according to Harold Demsetz (1983: 377), the chief function of neoclassical economics was to "understand how the price system coordinates and … not to understand the *real* workings of *real* firms," Williamson prepared economics for a conceptual understanding of a firm as a governance structure rather than merely a production function. And this enabled to build a larger and more meaningful discourse of public policy of businesses. More importantly, scholars in economics and law began taking organisations more seriously (he also helped co-found the *Journal of Law, Economic & Organizations* and even contributed a large part of his Nobel Prize to endow a faculty chair in economics of organisation at Berkeley Haas).

Second, he pushed for pragmatic considerations in economics (Williamson 2009). His large body of work acts as a powerful reminder to the importance of doing "positive" economics in our times. A true advocate of empirical realities, Williamson showed why comparing an extant mode of organisation with a hypothetical one is a foolish endeavour (as Coase would remark as well) and economists might well be advised to stay away from the analytical poverty of comparing actual forms from some "ideal" forms (Williamson 2010). This he called Remediableness Criterion. In fact, in a powerful counter to the seminal idea that franchise-bidding (auctioning the right to serve) was the most efficient allocation rather than regulation, Williamson argued that merely showing that regulation is flawed was not sufficient to prove that it was inferior mode of organising a transaction (Williamson 1976). In fact, one had to compare it with the deficiencies of the alternative mode which, in this case, was franchisee bidding. In doing so, Williamson looked into the contractual details in what he calls a "microanalytic" approach. He brought regulation back into the deregulating world of the 1970s and 1980s, albeit in its non-ideological, pragmatic form which recognises and attempts to limit the contractual hazards of opportunism and bounded rationality.

He mixes the three important viewpoints to lay out what he calls a sketch of a pragmatic methodology (Williamson 2009): that of Robert Solow, Milton Friedman and Nicholas Georgescu-Roegen. From Solow, he borrows the three precepts of: keep it simple—get it right—make it plausible, which are re-substantiated by the opinions of Friedman and Georgescu-Roegen. Keeping it simple entails stripping away the inessentials so as to "focus on the first order effects." Getting it right means making it logical and making it plausible, that is to keep it as close to reality as possible. A critical deviation in Williamson was that while earlier economists conceived of simplifying complexities through an increased use of abstract mathematics, he used a microanalytic approach by moving away from "blackboard economics" to a fine reading and observation of the empirical world.

Third, he made sincere attempts to arrest the tendency of social scientists to employ "user-friendly" words to explain more analytical phenomena; for instance, "trust" (Williamson 1993). He showed as to how treating commercial transactions in far-sighted and yet, calculative terms, rather than conceptualising "trust" as a tool to understand such transactions is a more analytical way to explain strategic behaviour. One can keep TCE for buyers and sellers and "trust" for non-calculative and deeply personal transactions with family, friends and lovers. In some sense, he rescued both commerce and families from economic colonisation.

Conclusions

Inspired by Friedman's idea that "most phenomena are driven by a very few central forces," Williamson used the tool of contract to explain concepts in governance that affect us in our daily lives. The analytics of TCE is a powerful lens to see a range of phenomena we observe in management theory, strategy, public policy, law, sociology, organisational studies, political theory, bureaucracy, and, even families. Not surprisingly, with over 2,75,000 citations, and navigating across disciplines, he is one of the most highly cited economists of all time. Ernesto Dal Bó fittingly labels Williamson's work to "a fountain of vocation shaping epiphanies."

Although India is a fertile soil for the application of Williamson's ideas, surprisingly he has been little explored here. Indians are beset with transaction costs at every step of their daily lives and hence, their transactions could be better understood using his ideas. His ideas illuminate the interdependence of formal and informal sectors and vast explorations of relational contracting that takes place in this country. In fact, a range of informal market transactions (which employs more than 90% of India's workforce) can be understood using his ideas (Goyal 2016). Similarly, the unique design and methods of Indian bureaucracy and its society's response towards it are also explained through his theories just like many other questions that may remain starkly posed. Why does credit have such a high presence in trading markets in India and how are disputes resolved? Why are conglomerates (giant firms with crossholding units operating in diverse industries) so much more prevalent in countries like India rather than Western economies (Khanna and Palepu 2000)? How do some idiosyncratic mergers in India make sense? Is auctioning the telecom spectrum the most efficient design for Indian government (in other words, why are so many of the auctions leading to unsold spectra)? Why do regulatory agencies often fail to deliver in India (or what plagues their autonomy and independence)? What do corporate scandals like Satyam tell us about the purpose and design of board of directors in Indian firms? How is government able to create monopolies in India through public procurement? Why do most middle class Indians need a chartered accountant and what ailed the business sector in the Goods and Services Tax implementation phase? In fact, we can quickly understand why intermediaries are so much more important in most transactions in India than in Western countries.

Williamson's famous Carnegie Triple comes as a valuable advice to scholars around the world: be disciplined; be interdisciplinary; have an active mind. This means that one needs to take the core discipline seriously, appeal to contiguous social sciences and finally, having an active mind is to ask the question, "what is going on here?" rather than pronouncing "this is the law here." It is amazing how the last one sums up curiosities about India.

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A Never-ending Quest
Shadakshari Settar (1935–2020)

N S Gundur, Ravi Korisettar

Shadakshari Settar's research covered various fields like history, archaeology, art history, Darshana Shastra, Jaina way of life, epigraphy, and classical Kannada, among others. More than 20 books and 100 research articles in these areas, besides several unfinished projects, speak volumes about his original contribution to historical studies in India.

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Shadakshari Settar (1935–2020), breathed his last in February 2020 in Bengaluru. He was a committed researcher and Kannada writer, and a faculty in the Department of History and Archaeology at Karnatak University, Dharwad, from 1960 to 1996. Apart from a PhD from Karnatak University, he received another one from Cambridge University after working on the late medieval art and architecture of South India, the Hoysala temples in particular. He held distinguished positions as visiting professor at universities like Heidelberg, Chicago, Berlin, Harvard, to mention a few, besides heading eminent public institutions, including Indian Council of Historical Research (ICHR), New Delhi. When he died, he was the S Radhakrishnan Visiting Professor at the National Institute of Advanced Studies (NIAS), Bengaluru. In recognition of his scholarship and historical inquiries, more than 20 awards have been conferred upon him.

It is interesting to map the story of how a village boy in a remote corner of pre-independent India's Kannada-speaking region became a historian and writer with a difference. Settar, the historian, was as much a product of his intellectual milieus as his own talent and ambition.

Early Childhood and Education

Settar was born on 11 December 1935 in Hampasagara, a village in Ballari district, then under the Madras Presidency, now in the Hyderabad–Karnataka region. The village was submerged in the backwaters of the Tungabhadra dam later. Born into a Lingayat zamindar family, he went on to face hardships in life as his father was an unsuccessful businessman. In an interview with Rahamat Tarikere, eminent Kannada cultural critic, Settar recounted how his family was recognised as rich even while being poor, and the family, which owned horses and an elephant, was facing penury inside while maintaining the image of being a "royal" entity in the public eye (Tarikere 2011: 272). The glory of feudalism and zamindari system was vanishing, and Settar grew up in a period when the old order was making way for colonial modernity with all its ramifications.

He passed his intermediate examination at the Veerashaiva College, Ballari. While studying in Ballari, he read Rabindranath Tagore, and out of his admiration for the great poet, named his nephew Ravindra (Ravi Korisettar, one of the authors of this article). Later, when Korisettar began to see Settar as a writer contributing short stories, limericks, and plays to Kannada magazines, he was able to relate them with Settar's early interest in literature and admiration for Tagore. Settar was a voracious reader of Kannada classics, both modern and premodern, and he was well-versed with Sanskrit works. These early interests shaped his later historical studies.

Mysuru Days

Settar chose Mysuru to do his higher studies, and he wanted to pursue literary studies. But fate had different plans for him, and he ended up choosing history for his graduate studies. While he was interested in doing Master of Arts (MA) in English literature, he happened to meet M V Krishna Rao, philosopher–teacher at the University of Mysore, who inspired him to study history. He was very much influenced by Krishna Rao and S Srikanta Sastri, another great history teacher. He continued his interest in literature, especially in Kannada literature, which later helped his historical inquiries. While he excelled in academics, passing BA honours and MA with laurels and gold medals under the guidance of teachers like Krishna Rao and Shastri, the Mysuru intellectual culture too shaped the life of his mind.

Settar used to often remember how his Mysuru days formed his attitudes towards learning and his training in logical thinking. His exposure to historical scholarship helped him recognise the limitations of his predecessors. While on study tour of historical sites, he always carried with him published material and would cross-check his observations with the published accounts, and would work further on the historical evidences to arrive at more insightful understanding. Perhaps, it was during this period that he began to appreciate and admire Ashoka Maurya, who later became one of his intellectual obsessions. His admiration for Ashoka was reflected in many ways; he named his first child Priyadarshini, and his pen name for all literary writings was Devanampriya. He was very fond of holding discussions with his colleagues on Ashoka.

It was the literary Mysuru that made a lasting impact on Settar. The then Mysuru was a Mysore of Kuvempu, a great Kannada writer; it was a hub of literary conversations and activities. TaRaSu (T R Subba Rao), a popular Kannada novelist, was his close companion, besides veteran Kannada men of letters like P Lankesh, U R Ananthamurthy, Poornachandra Tejaswi, Rajeev Taranath, and Lakshminarayan Bhat, among others. He continued to be in conversation with Kannada scholars and *littérateurs* all his life. Immediately after his MA, he worked for some time as a journalist, besides writing plays, satires and limericks.

Dharwad Days

It was in the 1960s that he moved to Dharwad and took up a career in teaching at the Karnatak College, Dharwad, and later in the Department of History and Archaeology, Karnatak University, Dharwad. While continuing his interest in literary pursuits and creative writing, he focused on historical studies. Having opted to be a historian, he identified potential areas for furthering his research interests and embarked on a PhD programme, initially under P B Desai and later under G S Diskhit, both professors of history at the Karnatak University. He was keenly interested in medieval Karnataka and studied the Shravanabelagola monuments for his PhD. He was also affected by the then Dharwad literary culture. His interactions with Kannada scholars at Karnatak University helped his historical research and, later, his work on classical Kannada.

As a historian, Settar produced his major works in the English language while he was in Dharwad. His extensive field notes on the Hoysala monuments and his inquisitive mind compelled him to become an art historian and an art critic, which later led him to obtain a second PhD from the University of Cambridge as a Commonwealth Fellow (1967–70). Both Shravanabelagola and Hoysala temples continued to receive his serious attention during the following two decades. His mastery over the historical sources, personal field data, and a thorough knowledge of classical Kannada literature and epigraphical sources, was a great help in this regard.

While working on classical Kannada literature, he produced a concordance of these texts (now being published) and gained an in-depth knowledge of Jain philosophy, iconography of Jaina deities, religious practices, etc. This led him to return to the Shravanabelagola, resulting in the publication of *Inviting Death: Historical Experiments on Sepulchral Hill* (1988) and *Pursuing Death: Philosophy and Practice of Voluntary Termination of Life* (1990), focusing on voluntary termination of life by Jaina pious men and women, and laity. These works have seen several editions and have been translated into other languages. As H S Shivaprakash, a contemporary Kannada poet and playwright, notes, Settar explored unusual themes and problems but made them topical (Shivaprakash 2011: xvi).

Settar's research interest in art history covered major historical periods of Karnataka history in particular and South Indian history in general, especially the Chalukya, Rashtrakuta and Vijayanagara periods. He felt the need to write a history of artists, including scribes, sculptors and architects and wrote several articles and guided doctoral research studies on these topics.

The Kannada Turn

Settar's choice of language for his research writing was strongly criticised. "Why did he write in English and neglect his immediate Kannada audience?" his critics asked. While responding to such criticism, in his interview with Tarikere, Settar said that he was preparing himself for writing in Kannada, especially after his retirement during the late 1990s. He said, "I have started working in Kannada, every day I won't sleep without having read Kannada classical poetry, wait and see what will be its result after four to five years" (Tarikere 2011: 281).

Towards the end of his career, he deliberately chose to write only in Kannada, and as a result, he produced monumental works in Kannada: *Sangam Tamilagam Mattu Kannada Nadu-Nudi* (*The Sangam Tamilagam and Kannada Land and Language: Reflections on the Early Dravidian Relations*) (2007); *Halagannada: Lipi, Lipikara, Lipi Vyavasaya* (*Ancient Kannada Script, Scribe and Cultivation of Letters*) (2014); *Halagannada: Bhashe, Bhasha Vikas, Bhasha Bandhavya* (2017); *Prakruta Jagadvalaya* (*Prakrut Cosmopolis*) (2018). These works are a landmark in the study of Dravidian culture, especially classical Kannada language, literature and culture. Without these works, Settar would have been referred to simply as a historian of art or as an unknown author of the Jaina notion of death. His first work in this Kannada phase *Sangam Tamilagam* ran to 11 editions within a span of four years after its first publication. This work, while tracing the early Dravidian relations, raised new questions about Tamil and Kannada intellectual relations, and it brought to light new evidences that subverted hitherto held views on classical Kannada texts like *Kavirajamarga* and classical Tamil texts like *Tolkāppiyam*.

Settar's engagement with Dravidian classicism continued in three more monumental works that followed: *Halagannada: Lipi, Lipikara, Lipi Vyavasaya* (*Ancient Kannada Script, Scribe and Cultivation of Letters*) (2014); *Halagannada: Bhashe, Bhasha Vikas, Bhasha Bhandavya* (*Ancient Kannada: Language, Evolution and Language Association*) (2017); *Prakruta Jagadvalaya: Convergence of Prakrit, Kannada and Sanskrit Language* (2018). The two volumes on classical Kannada trace the history of Kannada letters by reading literary history and rereading the social history of classical Kannada culture. In *Prakruta Jagadvalaya*, Settar tells the story of the Prakrit language, its rise and fall as a language of cosmopolitanism in the context of classical Kannada and Sanskrit.

In these works, Settar does not engage directly with his interlocutor Sheldon

Pollock, the author of *Language of Gods in the World of Men: Sanskrit, Culture, and Power in Premodern India* (2009), but these works in a way are both a continuation of the Pollock kind of inquiries and, at the same time, critiques of Pollock's engagement with Indian classicism, especially that of the relationship between Kannada and Sanskrit. The entire project of Settar's research of this period tries to explore how, in the past, different linguistic communities found polyphonic expressions and many ways of living together (Shashikumar 2018: 182). Beneath these historical narratives, the mind of Settar is restless with the present forms of oppressions. His works, finally, are in search of how past literary and intellectual cultures flourished in fearless sociopolitical milieus. His monograph *Karnataka, Bahutvada Ayamagalu* (2018) articulates this search by undertaking to study the literary culture of old Kannada and its engagement with royal power.

What is distinctive about the later phase of Settar's research into classical Kannada is not simply about critiquing earlier assumptions and understandings by showing new historical evidences, but his attempt to fashion the Kannada language for research—choice of words and formation of syntax. He has refashioned a fine vocabulary for articulating historical research in the contemporary Kannada. If the early researcher in Settar writes like a social scientist, the later researcher writes like a storyteller. He has definitely made contemporary Kannada a language of historical narrative.

As a historian, his methodology was not radically different, and he did not create a new epistemology of historical studies, but he insisted on scepticism as the beginning of a research work. He, accordingly, was able to show the limitations of his predecessors in the field and provide us with new historical understanding. As a researcher, he was very clear that he was not presenting conclusions in his works, but interventions and provocations.

Despite his increasingly failing health during the last one year, he was committed to writing and research. He was sure that he would live for two more years, adequate for completing his ongoing projects on various aspects of Kannada literature, including Vachana Sahitya, Jain literature, eight-volume work on *Modala Sahasramanada Kannada Shasanagalu*, revised version of his *Hoysala Temples*, a *History of Vijayanagara,* among others. While ill health troubled him, he used to tell about the importance of his ongoing projects and would wish that he needed two more years to complete them.

Learning from Settar

Settar's passion for intellectual work and writing continue to inspire many. His legacy shall motivate generations of researchers in social sciences to be inquisitive explorers not in search of—to use his own metaphors for a research work—full stops but semicolons (Settar 2015). Research, according to Settar, is a never-ending quest.

He was a workaholic, committed to seeking the truth through rigorous study and erudition, howsoever tentative it was. He belonged to a generation of scholars who delighted in pursuing knowledge for its own sake. What drove this scholar to read *Pampa Bharatha*, a great Kannada classic, more than 50 times? We feel it was his sheer calling for scholarship as his vocation.

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The 'Ideal' Brahmin

SUKANYA SARBADHIKARY

BOOK REVIEWS

Renunciation and Untouchability in India: The Notional and the Empirical in the Caste Order
by Srinivasa Ramanujam, *New Delhi: Routledge, 2019; pp xiii + 172, ₹995.*

Srinivasa Ramanujam provides a completely fresh insight into the phenomenon of untouchability and the ordering of castes in India. The book under review effortlessly brings together historico–sociological concerns with psychological–philosophical ones and raises ontological questions, hitherto unexplored in the social science discourse on caste. Based on the readings of ancient and medieval texts, the book's novelty lies in moving away from the understandings of caste based on object-centred discourses of purity–pollution, to a subject-centred ethic of touch-un-ability. Herein, untouchability—deeply located within the problematique of touch itself, and sensitive to the ambivalent predicaments of the renouncer—defines the notional Brahmin, who is the "source" in the caste order, and jatis are created and sects (both Brahmin and non-Brahmin) formed, through the redefinition and appropriation of the source's touch-un-ability.

The ontological and ethical locale of untouchability thus shifts from the other to the self. This leads to a series of nuanced arguments about, for instance, tensions within Brahminism and the innate, hidden relations between renunciation and untouchability in India. So, renunciation, generally considered as outside of the system, is intrinsically woven with the deep phenomenology of an essential, systemic principle of hierarchy.

Ramanujam argues that Brahminism operates along different kinds of axes, such as Brahmin–Sudra, Brahmin–ascetic, householder–renouncer, ritual–non-ritual states–culture-anti-culture, group–individual, forest–city, contact–touch, touch–untouch, life–death, etc. The notion of the "ideal" Brahmin rises above these dualities, through a kind of death such that it loses its sense of touch, and correspondingly possesses a sense of untouch. While purity–pollution are related to the problems of contact, it is untouch which orders the caste system in a way that all jatis fall somewhere between the notional/ideal/dead being Brahmin and the practice of untouchability, while people who provide empirical substantiation for the categories keep changing. This is a very new perspective offered in the book.

Ramanujam relies on works of Patrick Olivelle, Veena Das, and Sundar Sarukkai, each of whom interestingly focuses on the renouncer figure, although the householder male is the basic unit of caste operations. Discussing the Sannyasa Upanishads, Dharma literature, and Das's reading of the *Dharmaranya Purana*, Ramanujam identifies three phases of debates about the householder–renouncer problematique: pre-Sankara, post-Sankara, and colonial/postcolonial, while focusing on the first two. In the first phase, social distinctions were oriented along purity–pollution, and the Brahmin householder and renouncer were distinct categories representing ritual and non-ritual beings. In the second phase, the two categories merged, touch-un-ability became a conceptual and empirical reality, purity–pollution, and all jati definitions being accordingly ordered.

Chapter 1 is a nuanced one, exploring internal debates and contradictions constituting the Brahmin identity. The social/theological framework of Vedic Brahminism defines the householder male as involved in cosmic sacrifice, while the ascetic negates both procreation and sacrifice. Yet, during the fifth and sixth centuries CE, a new city-based order developed, with a non-ritualist and individual virtue–based ethic. Individualised figures of the monarch, trader, and ascetic developed, and the Brahmin needed to be individualised to cope with the new world; the village/ritual based order had to adjust with the city/non-ritual universe. Thus, the author shows how, over many centuries, Brahminism developed an idea of the "ideal" Brahmin, who was a renouncer embodied in the householder self. Sankara argued that the householder's corporeal body should personify the incorporeal, *preta* (ghost) (in-between life and death, thus untouchable) state of the renouncer. Since the ascetic embodies an ambivalent state, falling within and outside Brahminism, he can only be conceptualised as in a permanent preta state, with an untouch sense. The corporeal community of Brahmins becomes the signifier, the incorporeal dead renouncer state, the signified, and their cohabitation in the same body possible only through a corpse state with the sense of untouch.

Householder and Renouncer

Based on Dharma literature and Sarukkai's theorisation of inside–outside, Chapter 2 discusses the differences between discourses of householder purity–pollution and renouncer untouchability. The Brahmin householder views the outside as impure and devises contact-based rules of conduct, while the renouncer considers the body itself as vulnerable and impure, and thus suffers an ontology of untouch. While the object-centric idea of contact allows constant recovery/purification, in untouchability, purification cannot be an absolute idea. While the Dharma literature offered a contact-based discourse, the *Maitreya Upanishad* shifted the focus to touch, which is experientially innate, and thus throws up greater anxieties. Ramanujam's originality lies in bringing together the philosophy texts and phenomenological concerns. He thus shows how the two distinct discourses collate in the Brahmin's body: the corpse with an untouch sense. Untouchability thus needs to be imagined conceptually, as developments within the Brahminical discourse, rather than being empirically relegated to Dalits.

Chapter 3 is based on Veena Das's reading of the 14th and 15th century text from Gujarat, *Dharmaranya Purana*. There is no separate mention of the sannyasi in the Purana, unlike Jain and Buddhist renouncers. The author argues that this is because the householder and renouncer are merged in the Brahmin figure by then, who embodies the renouncer's qualities, with the Sudra *vanikas* posited as the householder counterpart. Post Sankara, the Brahmin thus merges the erstwhile separate categories, and due to this fusing, the new Brahmin figure has ambivalent relations with the king. The renouncer no longer remains outside the system, but becomes the "measure of things" (p 63), as the householder's sense of prestige rests no longer on rituals, but the ability to be renouncer-like. The notional Brahmin, with the untouch sense, becomes the original subject; the householder Brahmin embodies that untouch in his social being, and all jatis are ordered on the basis of untouchability.

Normative and Conceptual

Chapter 4 heavily develops on Sarukkai's (2014) path-breaking figurations of untouchability. Ramanujam draws the critical difference between the normative approach towards caste based on object-centric contact (purity–pollution) and the conceptual understanding of subject-centric touch/untouch. His thesis is that the real site of untouchability is the subject, the ideal Brahmin, who exhibits permanent touch-un-ability rather than being not-touchable, the latter concerning temporary, contact-driven objects of purity–pollution. The ideal subject of untouchability is the corpse-like being with untouch sense, which, however, creates supplemented untouchables. Untouchability, thus, does not belong to particular empirical jatis, but is rather the structuring principle of castes. Further, in India, untouchability is related to the phenomenon of touch itself, thus to questions of the self rather than the other; and since the experience of touch has an essential underlying membrane of untouch, so the self's always-anxious untouchability becomes the ever-present structuring principle of community relations.

The "ideal" Brahmin is the original notion, which, as Chapter 5 shows, has been tried to be recovered since the medieval period through various appropriations by sects and *mutts,* and in their varied translations of the meaning of the original, they have only questioned empirical Brahmins, not the idea, thus retaining the Brahminical framework. In the process, the essence of the dead being, untouch has become part of the recovering subject, while, always, the relation between the "ideal" Brahmin and touch-un-ability remains hidden from the processes of appropriation. This hiddenness allows the translations to claim the status of the "original" themselves, further strengthening Brahmanism. This untranslatability of the subject-centred nature of untouch brings it conceptually close to mathematics, whose sacrality as a source depends on its transcendental nature and ability to be closed to others, as a dead being.

Ramanujam also thus suggests that both the Gandhian and Ambedkarite approaches to caste conceptualisations—based respectively on the self-purification and self-respect modes—remain relatively unconcerned about the deeper phenomenological conditioning of the subject's touch-un-ability. The former remains object-centred, in extending touch to populations, and the latter, refusing to be objects of either touch or untouch, does not consider the subject's essential ontology.

So, while modern scholarship understands caste empirically only as object-centred and purity–pollution-driven, Ramanujam offers a nuanced phenomenological conceptualisation of jati-selves such that Brahmin householders become subjects with touch-un-ability while supplementing the untouch of the notional Brahmin, and all other empirical jatis are ordered on the basis of the principle of untouchability. The book is a sophisticated and original study of a deep historical phenomenology of untouchability, and complicates general sociological and historical works on caste. It is a must-read for studies on caste, and the experiential social life in India more generally.

Critically thinking, however, since untouch is the state of the "ideal" Brahmin, is it also a state of desire? When Sarukkai (2014) and Ramanujam further conceptualise untouch as a forgotten membrane in the touch-experience itself, does it not always imply a state beyond subjective awareness? If untouch, which orders jati-selves, is an innate, unfathomable, untranslatable, ethical conditioning, does resistance become more difficult to think about, compared to the discourse of purity–pollution? This book, in its logical presentations, however, forwards a different kind of politics, in my opinion. So, if untouchability structures all jati relations, then discrimination against any particular jati is untenable; while all historical movements have remained Brahminical in not being able to conceptualise the untranslatability of the subject-centred nature of untouchability, and therefore reproduced the phenomenological lifeworld incessantly. The book thus champions a conceptual ethics, espousing a politics that needs to be sensitive to the vulnerable quandaries of the touch-un-able self.

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Seeking Truth and Practising Satyagraha

SUNDAR SARUKKAI

Tracing Gandhi: Satyarthi to Satyagrahi
by Samir Banerjee, *Routledge, Oxon and New York and Indian Institute of Advanced Study, Shimla, 2020; pp ix + 205, ₹995.*

There are many books on Mohandas Gandhi ranging from the historical to the analytical. Given this range as also the simplicity of Gandhi's own words, it is difficult to produce works with new perspectives on Gandhi. The book in review manages to do this in an interesting way by tracing how Gandhi evolved from being a *satyarthi* (seeker of truth) to a *satyagrahi* (practitioner of satyagraha). In doing this through the framework of the shift from the personal to the social, Banerjee offers a socio-philosophical reading of Gandhi. While these core concepts of Gandhi have been written about in great detail, the author's understanding of Hinduism, and in particular its philosophical traditions, adds value to his reflections.

By tracing the path Gandhi's ideas took him from being a satyarthi to satyagrahi, Banerjee argues that Gandhi traversed a path from the personal to the social. It is a book filled with very important insights about the influence on Gandhi as well as on fresh interpretation of some common Gandhian terms. At a time when Gandhi is both reviled and appropriated (including by those who have always been inimical to him), it is extremely important to understand the conceptual implications of certain core Gandhian concepts. Gandhi's use of these terms comes from a deep sadhana, a reflection borne out of rigorous practice. In this sense, it is not easy to appropriate Gandhi without doing sufficient work—both at a personal as well as a social level.

Any task of reading Gandhi today will involve the expansion of the conceptual space of Gandhian ideas, through critically probing and expanding their original frameworks. This is precisely what Banerjee does by beginning with Gandhi's early experience in South Africa and then moving to his personal and political practice in India. Concepts such as ahimsa and *satya* were essential for Gandhi and can be seen as the walking stick of his mind. These concepts for Gandhi were not ideologically derived; he had to work hard to attain them as something meaningful to his life and praxis. These notions arise from the experiences of the personal as well as the expectation of the social and it is this intermingling that Banerjee is able to set out in front of the reader.

The book begins with Gandhi's initiation into becoming a truth-seeker (satyarthi). The evolution from satyarthi to satyagrahi is, according to the author, an evolution from "being a truthful human being focused on living an honest life to a socially committed individual aspiring to help everyone live an honest life" (p 11). Banerjee distinguishes two phases of his life in South Africa that capture this transition: satyarthi phase from 1893–1903 and satyagrahi phase from 1904–14. The satyarthi phase was characterised by his involvement primarily with his family, profession and the local Indian community. The unique situation of his work in South Africa also led him to greater social involvement. In the second phase, at the end of which he left South Africa for good, he becomes more socially engaged through leading protests, going to jail, and starting the journal *Indian Opinion*.

The Personal and the Social

Banerjee foregrounds this transition in terms of three fundamental themes that ground Gandhi's ideas: the relation between the personal and the social, the importance of ashrams and the nature of *tyag* (sacrifice) of different kinds. The first part of the book details how many of the experiences that Gandhi faced in South Africa built his character of being a satyarthi. It is important to realise the influence of multiple religions on this aspect of truth-seeking as much as the influence of his growing family and his decision on their schooling.

Gandhi's evolution into a satyagrahi was catalysed by a growing social awareness. An important influence was John Ruskin's book *Unto This Last* from which he understood that the "good of the individual is contained in the good of all." Most importantly, it gave him new ways of understanding and respecting all kinds of labour. It was through this realisation that he could bring the personal and the social together. Following this, Gandhi bought land and created the Phoenix settlement. Banerjee notes that "this event truly marks Gandhi's advent into what we can call his *satyagrahi* phase." This phase, coupled with his interest to more deeply understand Hindu scriptures, led him to Bhagavadgita. This text was extremely influential since it gave him entry into notions such as "non-possession," "equability," sacrifice. In the second phase leading to becoming a satyagrahi, Gandhi had to resolve deeply felt contradictions in his struggle, his relationship to his family and also the formulation of the nature of protest. In all this, he was privileging the social against the interests of the individual. By the time Gandhi returned to India, he had made the transition from the consciousness of the I to that of the We. This transition was already present in the move from satyarthi to satyagrahi. He had already worked out a number of important concepts for him, including ahimsa, *brahmacharya* and satyagraha.

The book then goes on to discuss with profound insight many well-known Gandhian concepts but within the new framework of the dynamics of moving from the personal to the social, from I to We. Banerjee points out that an important conceptual theme was the distinction between I, me and mine. In an interesting argument, he suggests that the dilemma of give and take for Gandhi was seen by him to be one between "owning" and "owing": "the simultaneity of owning and being indebted." He argues that because of this Gandhi shifts the focus to the "me" instead of I and mine. From this contradiction, Gandhi derives three important terms: tyaag, tapas and ashram. Succinctly, Banerjee writes: "an individual needs to prioritise the social within so as to minimise the acquisitive, while simultaneously acclaiming the indebtedness. This is tapas … to consolidate the benefit of tapas it has to be preceded and escorted by tyaag." (p 59) Finally, Banerjee argues that Gandhi "institutionalised these as an ethos in his ashrams." What the author is doing here is trying to make sense of why certain ideas become so important for Gandhi and his attempt to do this through the tension between the personal and the social adds new dimensions to our reading of Gandhi. For example, through the analysis of tyaag (sacrifice, renunciation) into three types, namely *phala-tyag* (not expecting returns), *krodha-tyag* (giving up anger) and *trishna-tyag* (giving up longing), he shows how ahimsa and brahmacharya are closely related to these forms of giving up. Gandhi does not accept renunciation as the giving up on the social and going away to a forest. He also does not renounce his family. It is this deeper questioning of renunciation that leads Gandhi towards his ashrams and the author suggests that the ashram evolves to take into account the "bipolarity of being a renouncer and a householder" (p 62). Thus, the aim of the ashrams was self-realisation but through social service. Thus, for Gandhi, the satyagrahi should be a "socially involved renunciate."

With this background, Banerjee then analyses brahmacharya, satya, ahimsa and satyagraha in Chapter 5. This is an important exercise in opening up new ways of reading these concepts. Gandhi's experiment with his desire is well known, most notably through his own recountings. Banerjee points out that after the Zulu war, Gandhi took a "vow to practice brahmacharya." In its simplest form, it is primarily a rejection of giving in to lust and to partake in sexual relations. But brahmacharya becomes a metaphor for many other kinds of desire, including the lust for power since for Gandhi "brahmacharya means control of the senses in thought, words and deeds" (p 75). Importantly, brahmacharya for Gandhi was more than just a personal choice and he argued that swaraj is possible only through the control of individual lust. There is much that may sound problematical about Gandhi's view on sex, procreation and lust. Banerjee discusses a few of these points and in particular points to how this view influenced Gandhi's understanding of women and gender. The theme of truth (satya) in Gandhi needs a book on its own. In this book, the author discusses satya within the larger thematic of the book and, in particular, by focusing on the unbreakable and essential relation between satya and ahimsa. The author notes that "Gandhi came to the conclusion that while the end is satya, ahimsa is the means; while duty is satya, rights belong to ahimsa; while give is satya, take is ahimsa" (p 90). The remaining part of the chapter examines the different contours of satyagraha and its relation to the satyagrahi.

Gandhi and Religion

With this conceptual background, the remaining half of the book deals with religion as well as aspects related to the social aspects of Gandhian practice. The chapter on religion is the largest in the book and I believe that it is an important contribution to this theme within Gandhian thought. It is impossible to understand Gandhi without understanding religion but it is impossible to understand religion without engaging with its complex practices and philosophy. It is also one theme that marks the uniqueness of Gandhi's approach to these issues. At a time when Gandhi is being appropriated by groups like the Sangha pariwar, it is important to remember and re-emphasise his central belief about religions that "all great religions are fundamentally equal" (p 108). What was needed, according to him, was not just "mutual tolerance but equal respect." The notion of brahmachari, important for the Sangha pariwar too, does not have the same "truth-force" for them as it does for Gandhi. Gandhi's search for truth (drawn from different religions) can only be done without hate, through pure ahimsa. If the Sangha pariwar wants to appropriate Gandhi, they need to take the whole package and not choose something selectively. Any person who says they look up to Gandhi, does violence to him if they do not renounce hate in all matters of their personal and social lives.

Gandhian principles cannot be decoupled from such fundamental tenets about religion, ahimsa and satya. Banerjee attempts to understand Gandhi's take on religion through his transformation from a satyarthi to satyagrahi. It is also important to note that for Gandhi, God was not a personal being and was nothing more than Truth. The influence of other religions on him has often been noted but it is useful to remember that while Gandhi saw himself as "one of the humblest of Hindus," he nevertheless emphasised the importance of other religions. Banerjee discusses in detail Gandhi's arguments about Buddhism, Islam and most importantly, Christianity. His deepest engagement was arguably with Christianty given the range of his experiences in Britain, South Africa and India. Banerjee points out that there "was a time when he was drawn close enough to Christianity for some to even think that he was contemplating conversion" (p 118). He also argues that Gandhi's transition from a satyarthi to satyagrahi was benefited by his interaction with Christianity to the extent that "Christianity in many ways made him a true Hindu." Christian theological ideas also influenced his conceptual development of the ideas of satya, ahimsa, brahmacharya, tyaag and so on. Even the important role that silence played in Gandhi's life was influenced by the practice of the Trappist monks.

Influence of the Gita

At the same time, the most important influence on Gandhi was the Gita (he carried this book always) but it is a Gita that is placed within the universe of other religious texts and practices. Gita was an important influence in his becoming a satyagrahi. His interpretation of the Gita in his book *Anasaktiyoga or The Gospel of Selfless Action* is a reading that is amenable to individual and social practice. Banerjee points out that this interpretation of the Gita had these core ideas: the text "espouses ahimsa" and not that of war, the Pandavas and Kauravas were not that different and this is related to his view that "no evil is possible without the aid of the good" (p 124) and the most important goal of this text was "self-realisation." The chapter concludes with a brief discussion on Gandhi's view on caste as well as the great influence of the Isavasya Upanisad, the first sloka of which he turned to during the Vaikom satyagraha (p 137). Gandhi goes on to note that the "Gita is a commentary on this mantra" (p 138).

The remaining part of the book focuses on some social aspects of the transition and discusses notions such as Sarvodaya, labour and crafts, swadeshi and swaraj, and includes a more detailed analysis of the *Hind Swaraj*. In this discussion, Banerjee not only draws extensively upon Gandhi but is also able to succinctly bring them together to connect to the overarching thread of the book, namely the movement from the personal to the social. This book is a fascinating contribution to the existing scholarship on Gandhi and it will hopefully catalyse new ways of interpreting and extending Gandhian ideas at a time when his views offer pointers to deal with the chaos we have created around us in our society and the world.

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Representing Cultural Evolution through Song-text

VIDULA SONAGRA

Shabd aur Sangeet: Unravelling Song-Text in India edited by Shubha Mudgal, Aneesh Pradhan and Kunal Ray, *New Delhi: Three Essays Collective, 2019; pp 362;* ₹750

In a Hindustani classical vocal music class, the teacher interrupts a *bandish* recital by students. She instructs the students to focus on the words of the *bandish* and understand the yearning of the singer for their lover. It is often said that music has its own universal language and *ragas* do not require words to convey emotions. Yet, Indian classical musicians continue to use poetry that heightens the emotional content of a *raga*. It is this abundance of *shabd*—poetry—the song-text in India that has survived through oral traditions that the anthology under review attempts to build upon. With 14 papers in the volume, the book *Shabd aur Sangeet: Unravelling Song-text in India* edited by Shubha Mudgal, Aneesh Pradhan and Kunal Ray, explores the multiple facets of the relationship between the word and the music as well as other forms of expression "that demand less wordiness" (p 1).

These forms of expression not only serve the functional purpose of being a medium but also transform the meanings, and open up new interpretations that often alter the lyrical and musical content of the song-text considering the context it employed and the objectives it intends to achieve. Therefore, an endeavour to understand this tradition of "borrowing" from the available song-texts is necessarily collaborative, "between musicians, composers, musicologists, ethnomusicologists and scholars and students of music, literature, linguistics, cultural studies, history, sociology, psychology, media, theatre, film and phonology" (p 2). The papers situate the song-texts in both the historical and contemporary, social, political and cultural contexts.

Mapping the available song-texts in India, the papers are independent of each other. Reader is not bound to read the book sequentially and can read and refer to papers as one wishes and requires. Though the volume is not divided in parts, the papers can be thematically categorised. To the editors' credit, the papers sharing similarities are arranged one after the other. Some of the sub-themes within the broader theme of "unraveling the song-text in India" have been identified as follows.

Interwoven Expressions

The first three papers in the volume explore how the *shabd*, *sangeet* and *chitra* (word, music and image) (p 42) are intricately woven together as representations and expressions. The first paper by Jack Hawley examines how, when and why the poet Surdas became a part of the paintings that are based on his own compositions. He has shown that,

> he [Surdas] is allowed to be there as well—on the scene and in the scene—because his

> blindness means he cannot intrude. He is a sign to all viewers that what they are seeing is not something given to the naked eye, not something *laukik*. … Surdas sees in the course of singing or to put it more strongly, he *sees* by singing. (pp 40, 41)

The next two papers analyse the choice of words and songs and music employed in the films that represent the social and political reality in order to critique the society and state. Chandrani Chatterjee and Vikki Gayakavad through their case study of "Yeh duniya" from *Pyaasa* (1957) and its adaptation by Piyush Mishra in the movie *Gulaal* (2009), explore translationality of the Hindi film song. The interweaving of shabd, sangeet and chitra particularly stands out in the paper by Asijit Duta where he analyses the use of poetry and music used in the film *Haider* (2014) by Vishal Bhardwaj. Dutta demonstrates how Bharadwaj specifically employs certain poetry and musical arrangement (use of instruments like the local *sarangi* and *rabab*) in order to depict the reality of Kashmir that often gets misrepresented in hegemonic imagination.

He has illustrated how the subversive reinterpretation of Lal Ded's Shaivite poetry known as Vakhs (literally meaning Voice) and the rendition of Faiz Ahmed Faiz's "Gulon mein rang bhare," "locate the authentic Kashmiri identity prior to Armed Forces (Special Powers) Act (AFSPA) of 1990 [sic]" (pp 72, 73). Dutta peels multiple layers of the use and choice of poetry (and certain words like chutzpah), music arrangement, cinematic portrayal of Kashmir that depicts heterogeneity of positions within Kashmiri society and the critique of state cruelty.

Representation of Lived Reality

The next three papers in the anthology examine song-text as a representative of changing social and political landscape and evolving trends in cultural expressions. Shelmi Sankhil looks at the evolution of love songs by Lamkang artists from the 1950s as documenting the tribe's history. According to him,

> (In) the absence of serious literary culture, songs functioned as an important site for the Lamkang to engage with his or her social reality in a creative way. (p 101)

He illustrates how the changes in linguistics of the songs correspond to the socio-economic and political status of the tribe and exposure brought in by education. Along with it, music too is influenced by Bollywood, rock and in recent times K-pop (Korean pop music). George Pioustin looks at the historical developments and politics that led to the vernacularisation of the liturgical music of the Syrian Christians of Malabar. Significantly, the linguistic base formation of Kerala in 1956 and inculturation process encouraged by Second Vatican Council led to the adoption of Carnatic style music in liturgy. Critically examining this process, Pioustin notes that "the desire to bring 'pure' Carnatic music in the liturgy, with the belief that it is 'the native and pure music' reflects the hegemony that classical arts impart in the country" (p 136). This adoption that results from imagining a "Sanskritic past" (p 136) manifests "a tilt towards right wing ideologies." The author does not emphasise on reinstallation of Syrian chants but stresses on studying these developments and adaptations as an attempt to understand the history of the region and the community.

Bhakti Tradition

Some of the papers specifically examine the song-text from the bhakti traditions from Assam, Bengal, Karnataka, Tamil Nadu and Maharashtra. They focus on one or two saint-poets as the subject of their analysis. The role of the Bhakti poetry in reclaiming agency and challenging the hierarchical social order is running thread through these papers. While the saint-poets express their bhakti—devotion to the lord—they simultaneously, through their compositions, are critical of the social hierarchies, oppression and injustice as they claim equality in the universal spiritual realm. Bashabi Barua, Nishtha Saxena and Chitra Sreedharan focus on poetry of female saint-poets in their respective papers. They point out the distinctness in the poetry of women saint-poets as they also challenge the gender hierarchy. Barua observes, "While all the major bhakti texts have invested much in portraying Radha's beauty and virtues in hyperbolic terms, the female bhakti writers speak of the beauty of Krishna" (p 172). Saxena's paper on Akka Mahadevi discusses the politics of spirituality in Akka's *vachanas* and her awareness of her body and primal instincts. Akka, as Saxena illustrates through her poetry, did not look down upon "primary emotions of lust, greed, anger, passion and envy" (p 186). This is illustrated in the following translation of Akka's poem ("Till you've earned/ knowledge of good and evil/it is/lust's body,/site of rage/ambush of greed/ house of passion, fence of pride,/mask of envy./Till you know and lose this knowing/you've no way/of knowing/my lord white as jasmine," p 188). Saxena explains, how for Akka, the spiritual is not sought by negating the material but by transcending it. Therefore, the poetry of the Bhakti movement is not only a site for expressing the devotion but also forms an integral part of discourse contesting dominant philosophical positions within the Indian tradition.

Forms of Resistance

Although almost all the song-texts can be analysed through political lens and employed to attain political objectives, as one can glean from other papers, the last four papers specifically focus on poetry and music that are used in protest as a part of larger political resistance. Sumangala Damodaran focuses on left-wing cultural group Indian People's Theatre Association's songs, and addresses conceptual and critical questions relating to protest poetry and protest music. Tushar Meshram in his paper traces the origins of literary history of Mahars of Maharashtra to the Bhakti movement citing the verses of Chokhamela. He then focuses on 20th century compositions revering Ambedkar known as Bhim Geet. He not only analyses the poetic and musical expression by the pioneers of Bhim Geet—Bhimrao Kardak and Wamandada Kardak—who through their compositions spread the message of Ambedkar and Buddhism by travelling extensively, but also looks at the poetic and musical expressions of emerging young Ambedkarite artists.

Through the example of a band named Dhamma Wings established by Kabeer Shakya, Meshram draws our attention to their adaptation of rock music which is "consciously a dogmatic effort" (p 269) and use of languages in addition to Marathi. In the absence of traditional modes of documentation literature, Benil Biswas takes a "performance-centred approach" (p 303) where he looks at the Kavigaan performance of marginalised Namasudra community in Bengal as representative of their history, having agency, identity formation as Namasudra, expression of their experience as stigmatised caste, of being a refugee and of their statelessness. He states that,

> Kavigaan/Kobi Gaan for the Namasudra is one such illustration of radical alternative aesthetics in practice which interweaves artistic practices, political activism and theory production, transgressing both the trivial statements like "Every art is political" or "Art is never political," and vague claims of political pedagogy with artistic means. (p 307)

He raises pertinent questions regarding neglect of caste in literary, cultural studies and performance studies, subaltern studies and mainstream bias in history and historiography. An independent researcher based in Trinidad and Tobago, Sharda Patasar, gives us a glimpse into the Pichakaree songs influenced by Indian folk tunes and hindi film songs where the lyrics express the angst and aspirations of the youngsters of the Indo–Trinidad community.

In Conclusion

The papers in the anthology present a rich repertoire of poetic and musical expression in the Indian oral tradition. This richness is manifested in both linguistic and musical diversity that has resulted from the exchanges from within the literary and musical tradition of India as well as across borders. Even if the title is *Shabd aur Sangeet*, primacy is still on the intent of the textual content. Music seems to play only a complementary role, aiding the text in the song-text to achieve its objective or adapted to appeal to the contemporary audience. Barring the paper by Damodaran, in almost all the papers there is only brief discussion of the nitty-gritties and technicalities of musical expression.

Nonetheless, the study of these music choices itself becomes important from both artistic and sociological point of view as the change in musical preferences occurs due to exposure to the world music and technological developments that facilitate the mechanical reproduction. At a time when there is an attempt to impose a homogenised identity and romanticise Indian culture as a harmonised monolith, the papers present a diversity that is not merely in the expression of the cultural artefacts but of the contesting claims that often challenge the hierarchical Brahminical social order.

Though the anthology attempts to bring together poetic expressions from varied linguistic and social backgrounds as from different time periods, there is not a single paper on Urdu/Persian poetic expression of the Mughal era. This, however, is not a point of criticism but an expectation that the subsequent volume would attempt to address. The book holds a cross-disciplinary appeal and beyond academia, anyone with a keen interest in poetry and music in Indian tradition could find it worth a read.

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Recreation of Disparities

K SUDHA, RAMANATHAN ANJANA

This article is an insight into the recent decision delivered by a five-judge constitution bench of the Supreme Court in *Chebrolu Leela Prasad Rao and Others v State of Andhra Pradesh and Others* on 22 April 2020. In effect, the Court nullified the 100% reservation to local Scheduled Tribes for posts of teachers in the Schedule v areas. Three focal concerns that the Supreme Court has overlooked while rendering this important decision are examined and it is shown how the apex court has been oblivious to the unique nature of the Schedule v scheme as laid out in the Constitution and has thereby failed to uphold the rights of the Adivasis. Following the judgment, Adivasi communities across Andhra Pradesh and Telangana are extremely agitated and the state governments of Andhra Pradesh and Telangana seem to be set to prefer a review of this judgment.

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In a recent decision delivered by a five-judge constitution bench of the Supreme Court in the matter of *Chebrolu Leela Prasad Rao and Others v State of Andhra Pradesh and Others* (2020), the Court dealt with matters concerning Adivasi communities that come within the ambit of Schedule v of the Constitution. The issue was primarily with regard to the legality of government orders (GO) Ms No 3, Social Welfare (E) Department, dated 10 January 2000 brought forth by the erstwhile state of Andhra Pradesh (AP) (GO3) providing 100% reservation to "local Scheduled Tribes"[1] for the post of teachers in schools in the Scheduled Areas of the state. The said government order was passed in the pre-bifurcated state of AP in order to promote education among the Scheduled Tribes (STs) with a view to develop educational infrastructure in those areas and to address the issue of rampant teachers' absenteeism in schools. The constitution bench, on 22 April 2020, held the order providing for 100% reservation to STs in teacher posts to be unconstitutional and struck it down.

The brief facts of the case are as follows: By virtue of GO Ms No 275 dated 5 November 1986 (GO275), issued by the governor exercising his power under Para 5(1) of Schedule v to the Constitution of India, it was directed that, notwithstanding anything contained in any other order, rule or law in force, the posts of teachers in educational institutions in the Scheduled Areas shall be reserved for STs only. The same notification was quashed by the AP Administrative Tribunal by an order dated 25 August 1989. Subsequently, another GO Ms No 73 (GO73) dated 25 April 1987 was issued to amend GO275 to allow the appointment of non-tribals to hold the posts of teachers in the Scheduled Areas till such time as the qualified local tribals were not made available.

Subsequently, non-tribals who were appointed as teachers in the Scheduled Areas filed a writ petition No 5276/1993 in the High Court of AP at Hyderabad against termination of their services. The same was allowed in the order dated 5 June 1996, and GO73 along with the advertisements were held to be violative of Article 14 of the Constitution. In a writ appeal, the order of the single bench was set aside by the division bench of the erstwhile High Court of AP vide judgment and order dated 20 August 1997. Against this, the non-tribal appointees preferred Civil Appeal 6437/1998 in the Supreme Court, which was allowed on 18 December 1998.

It must be noted that the AP government issued a fresh notification through GO3 once again effectively providing for 100% reservation in respect of appointment to the posts of teachers in the Scheduled Areas. However, the AP Administrative Tribunal set aside the government order. Aggrieved thereby, writ petitions by way of *Pulusam Krishna Murthy v T Sujan Kumar and Others* (2001) were filed in the erstwhile High Court of AP. The validity of GO3 was upheld by a 2:1 majority in a three-judge bench. Now, after almost 19 years, the case at hand, that is *Chebrolu Leela Prasad Rao and Others v State of Andhra Pradesh and Others* (2020), assumes contemporary relevance. Ever since the Supreme Court delivered this judgment there has been a sustained and widespread unrest in the agency tracts of AP and Telangana with Adivasis registering their protest against the order (Bhattacharjee 2020). The Adivasis seem to be far more distressed of the outcome of this Court order than the ongoing pandemic. They have taken to the streets and have also enforced bandhs successfully in the Scheduled Areas. Human rights organisations (*Hindu* 2020a), activists and academicians have also voiced serious concern over the Supreme Court order (Sundar 2020; Sangal 2020). The AP government is all set to prefer a review petition against the same judgment (*Prajasakti Telugu News Daily* 2020a) and the Telangana government also seems to be moving along those lines (Apparasu 2020). The AP government is also seriously contemplating passing a law to continue this affirmative action (*Prajasakti Telugu News Daily* 2020b). Adivasi groups are also pressurising the centre to pass an ordinance (*Hindu* 2020b). Why are the Adivasis so angry and why are the two state governments taking these steps?

The Supreme Court has identified, among others, four central issues: (i) whether the governor has the legislative power under Para 5(1), Schedule V to the Constitution; (ii) whether such power of the governor overrides any parallel exercise of power by the President under Article 371D; (iii) whether the 100% reservation is permissible under the Constitution; and (iv) whether the notification merely contemplates a classification under Article 16(1) and not reservation under Article 16(4).

The authors will critically comment on the issues that the Court has dealt in *Chebrolu Leela Prasad Rao and Others v State of Andhra Pradesh and Others* (2020) by probing into three centrally focal questions: (i) Does the governor have legislative power under Para 5(1) of Schedule V of the Constitution? (ii) By virtue of having non-obstante clauses both in Schedule V and Article 371D of the Constitution there arises a question of which law will prevail over the other? (iii) Is the provision of 100% valid or beyond the scope of the Constitution? In addressing these questions, the authors seek to elucidate how the Court has erred.

Governor's Legislative Powers

Schedule V of the Constitution is principally concerned with the governance of Scheduled Areas and STs by virtue of Article 244(1) of the Constitution. There are unique provisions contained in it that recognise the characteristics of the Adivasis as distinct from the rest of the population. It enjoins that there can be special schemes that are made exclusively for the betterment of STs. A perusal of the constitutional debates makes clear that the framers believed that the governors ought to have absolute discretion in making special provisions and that they must be vested with the powers to do so (Constitution of India 1949). However, it must be emphasised that the powers so conferred with the governor by way of the subsection (1) of Para 5 are solely for the welfare of the STs. Time and again, the Supreme Court had held that beneficial legislation ought to be interpreted liberally.[2] Yet, in this case, it has failed to recollect the said precedents while interpreting Para 5(1) of Schedule V.

In the operative part of the judgment, the Court admitted that the governor had the power to pass such an order under Para 5(2) but not under 5(1). A Court which has constantly searched for different sources within and without the enabling acts to uphold the constitutionality of a subordinate legislation or its *vires* has found it difficult in this case to uphold the GO3 even though it could locate the legislative power of the governor in Para 5(2). It would be apt to cite the same Court's observations in *N Mani v Sangeetha Theatre and Others* (2004) where it held:

> It is well settled that if an authority has a power under the law merely because while exercising that power the source of power is not specifically referred to or a reference is made to a wrong provision of law, that by itself does not vitiate the exercise of power so long as the power does exist and can be traced to a source available in law.

Moreover, Para 5(1) of Schedule V of the Constitution is not even an inappropriate provision. It is an enabling provision that empowers the governor to modify laws enacted by Parliament and the state legislatures. The Court found fault with GO3 for modifying the "service rules" passed under Article 309 of the Constitution, which are nothing but delegated legislation. In effect, this means that the governor can modify a statute but not a subordinate legislation. This is clearly absurd.

The Court also held that reservations cannot be brought about through executive orders. It conveniently shelved the precedents lined up starting with *M R Balaji and Others v State of Mysore* (1962) right through to *Indra Sawhney and Others v Union of India and Others* (1992), which state that an executive order would suffice.

The Court took exception to the fact that the AP government was repeatedly introducing 100% reservation in favour of the local Adivasi candidates by passing successive GOs[3] even though the high court and administrative tribunal were constantly striking down the notifications and it apprehended it would do the same now. It is true that the government did pass GO3, though the high court struck down GO275 that runs on similar lines. The Supreme Court seems to oversee the real benefit that GO3 intends to provide. We need to ponder as to why the government as well as the Tribal Advisory Council (TAC) are insisting that this affirmative action should continue. The Court ought to have asked this question and squarely confronted and examined it rather than perceiving it as a contempt of court issue.

It is not often that state governments steadfastly and enthusiastically endeavour to safeguard the interests of weaker sections through a beneficial legislation. The multiple Court proceedings and the series of notifications in this case clearly show that the government did not act in haste and that it was a well-considered move. According to the scheme of Schedule V, the executive actions of the governor are periodically reviewed by the President. Moreover, the government had consulted the TAC before passing GO3. The government cannot be blamed for acting in an arbitrary manner. In fact, it was going against the tide by undoing Court orders and doggedly pursuing the matter. This actually comes as a pleasant surprise because it is otherwise a herculean task to convince government agencies to take up such measures.

Ironically, these events remind the authors of the Court versus legislature saga of the 1960s and 1970s that finally led to the "basic structure doctrine" in the *Kesavananda Bharati Sripadagalvaru v State of Kerala* (1973). This case should be regarded a basic structure moment for the Adivasis. It is high time that the Supreme Court declares Schedules V and VI as part of the basic structure of the Constitution. Even if the Supreme Court does not choose to say it in so many words, it is still a part of the basic structure as these schedules flow out of the equal protection clause of Article 14.

Under Article 371D

The Supreme Court had to interpret the operation of the non-obstante clauses present in Para 5(1) and Article 371D. Both these constitutional provisions are protective legislation that operate on two different planes and serve two different purposes. The former empowers the governor to prevent exploitation and oppression of STs, while the latter addresses the persistent problem of regional disparities in public employment, one of the issues that eventually led to the bifurcation of AP. While GO3 provides 100% reservations for "local Scheduled Tribes," the Presidential Order[4] passed under Article 371D states that 80% of the posts must be filled by local candidates. According to Rule 22 of the Andhra Pradesh State and Subordinate Service Rules, 1992, 6% of posts ought to be reserved for the STs.

It is important to note that geographical and demographic figures play a significant role in understanding such beneficial legislation. Out of the 23 districts in undivided AP, the President had notified Scheduled Areas only in nine districts. Post bifurcation, the Telangana government reorganised districts in the state. The AP government has however chosen not to opt for reorganisation of districts, as yet. Whether reorganised or not, the area notified as a Scheduled Area in these two states remains the same. Only a few mandals in a district are partially or fully notified as Scheduled Areas. For instance, in Visakhapatnam district, out of 43 mandals only 11 are notified as Scheduled Areas under Schedule V. From the reasoning of the Court, one gets the impression that non-tribals and non-local Adivasis in a district consisting of a Scheduled Area are precluded from being appointed in their respective districts by virtue of Article 371D. This is categorically not the reality. They are eligible to gain employment in the non-scheduled areas in their districts. Even the non-tribals and non-local Adivasis who reside in the agency area can seek employment in non-scheduled areas in their districts. These facts and figures were lost on or overlooked by the judges. Based upon this distraught assumption that non-tribals and non-local Adivasis are losing out, the judges drew a conclusion that Article 371D would prevail over Para 5(1) of Schedule V.

Pertinently, the classifications mooted under both these constitutional provisions are fair, just and equitable. It is an interplay of affirmative actions and the Court was at the crossroads. It could have simply risen to the occasion and reconciled them by opting for a harmonious construction of these invaluable constitutional provisions and the measures taken thereunder. Keeping in mind this affirmative action criss-cross, both horizontally and vertically, was it not the duty of the apex court to uphold the equal protection clause? The Court ought to have given due consideration to the ever-existing intersectionality.

Beyond Constitution's Scope?

The seminal point here is whether the 100% reservation comes under the purview of Article 16(1) or 16(4). For this we have to look at the reasons and objectives of this measure. Para 9 of the GO3 states:

> And Whereas, the Government of Andhra Pradesh in order to strengthen the educational infrastructure in the Scheduled Areas, to promote educational development of tribals, to solve the phenomenal absenteeism of teachers situated in Scheduled Areas, and with a view to protect the interests of local tribals have decided to reserve the posts of teachers in favour of local Scheduled Tribe candidates

The GO3 is emphatic that this measure is being taken to promote educational development, expansion of educational infrastructure and to address the problem of teachers' absenteeism in the Scheduled Areas. According to Article 16(4),

> Nothing in this Article shall prevent the State from making any provision for the reservation of appointments or posts in favour of any backward class of citizens which in the opinion of the State, is not adequately represented in the services under the State.

Reading Para 9 of GO3 and Article 16(4) makes it evident that the state is not providing this reservation because the local Adivasis are not adequately represented in public employment. Rather, the 100% reservation is an attempt to guarantee the right to education of Adivasi children and not an attempt to provide employment to local Adivasi teachers. The Court also did not mention that this is a case of colourable legislation. If the purpose is to guarantee the right to education of Adivasi children then it definitely will not attract Article 16(4). Can reservation be provided under other provisions of the Constitution? Yes, they can be. It is possible under Article 14 and under Article 16(1). Several kinds of reservations that do not fall under the ambit of Article 16(4) were upheld by this Court.[5] What has to be proven is whether it withstands the test of reasonable classification laid down in the *Ram Krishna Dalmia v Justice S R Tendolkar and Others* (1958) case.

Tribal children in the Fifth Schedule area are a distinct class and are in an extremely disadvantageous situation compared to non-tribal children. There is an intelligible differentia between them. The object of GO3 is to provide teachers to these children living in the far-flung remote villages of the Schedule V area where schools are plagued with the problem of absenteeism. This classification falls within the purview of the Dalmia test as there is an intelligible differentia and also a rational relation with the object sought to be achieved.[6] Most of these places are inaccessible and lack any kind of infrastructure. A 2012 special report of the National Commission for Scheduled Tribes (NCST) on Good Governance for Tribal Development and Administration (NCST 2012) is illustrative of the pathetic state of schools in the Scheduled Areas. Relevantly, the Comptroller and Auditor General (CAG) Report for Telangana indicates that non-availability of teachers is one of the socio-economic reasons for high dropout rates of ST children from schools (CAG 2017).

If the reservation does not attract Article 16(4) then a discussion on the application of case law starting from *State of Madras v Champakam Dorairajan and Others* (1951) to *Indra Sawhney and Others v Union of India and Others* (1992) would become completely irrelevant. Furthermore, if Article 16(4) is not attracted how will the mythical 50%

limit laid down in the *M R Balaji and Others v State of Mysore* (1962) case be applicable? The Balaji case applies only to reservations covered under Articles 15(4) and 16(4) and not to other kinds of classifications.

If the 50% limit is not applicable, the next question that arises is whether providing 100% reservation is just. Courts on several occasions have upheld 100% reservations.[7] For that matter Article 371D itself speaks of 80% reservation. If we have to go by the Court's reasoning that GO3 is violative of the fundamental rights and goes against the basic structure of the Constitution, then the same logic must apply to Article 371D also.

The Supreme Court was wrong both on the question of law and fact. It misconstrued that the reservation comes under Article 16(4), and that the 50% limit is applicable, and that it is violative of the fundamental rights, and that it tinkers with the basic structure of the Constitution.

With respect to the question of fact, the Supreme Court ought to have done a thorough fact check as to why the 100% reservation was provided to Adivasi candidates and that too "local Adivasi candidates" in the Scheduled Areas who were, or their parents were, residing in the area since 26 January 1950. The AP government's policy is similar to what the NCST also recommends. In its 2012 special report, it suggested that as far as possible "local tribal candidates" should be appointed as teachers in these schools. This is also the view of researchers who have worked on these issues (Hima Bindu 2014; Sahu 2014; Brahmanandam and Bosu Babu 2016). The Court's apathy and parochialism is evident from the following observations in Para 133 of the judgment:

> There were no such extraordinary circumstances to provide a 100 percent reservation in Scheduled Areas. It is an obnoxious idea that tribals only should teach the tribals. When there are other local residents, why they cannot teach is not understandable. The action defies logic and is arbitrary. Merit cannot be denied in toto by providing reservations.

There is an underlying assumption here that local tribal candidates are not meritorious. What was the basis for the Supreme Court to jump to the conclusion that non-tribal candidates are more meritorious? The Supreme Court has the wherewithal to constitute an enquiry committee to look into this experiment carried out by the AP and Telangana governments in the Scheduled Areas and gauge its progress and thereupon draw a conclusion whether this is working well or not. It also observed that no such review took place. Without probing into this matter and giving it due consideration, it is not fair on the part of the Court to come to a conclusion that it is counterproductive and a negation of merit.

The second question of fact which the Supreme Court misconstrued was the fixing of the cut-off date as 26 January 1950 to decide who is a local Adivasi candidate. The Supreme Court stated that it is unreasonable as it would exclude other non-locals, including non-tribals residing in the Scheduled Areas. If the Supreme Court had done a preliminary inquiry into the legislative history of Schedule V of the Constitution it would not have interpreted the question of law and fact in such a flawed manner.

The framers of the Constitution wanted to address the historical injustice meted out to the Adivasi communities. That led to the drafting of Article 244 coupled with Schedules V and VI of the Constitution, which were already contained in the Government of India Act, 1935. Schedule V is the lifeline of the Adivasis. It is the only bridge between them and the rest of the country. Imparting education to the ST children, though a very important commitment, is not the only concern of Schedule V. These clusters of constitutional provisions together with the provisions of the Panchayats (Extension to Scheduled Areas) Act, 1996 clearly seek to ensure protection of the rights of the STs over natural resources, forest and land and guarantee their civil, political, social and cultural rights. There are several pressing constitutional commitments that could not be fulfilled in these 71 years. Who would know this better than the Supreme Court that had rendered the monumental judgment in *Samatha v The State of Andhra Pradesh and Others* (1997). The non-tribals are not supposed to carry out businesses and exploit the natural resources in those areas not only since 26 January 1950 but also since Government of India Act, 1935 came into effect, that is, from 1 April 1937. One cannot even blame the constitution bench of selective amnesia. They had the benefit of going through the invaluable arguments presented by senior advocate Rajeev Dhavan and in the Andhra Pradesh High Court the arguments of late K Balagopal,[8] as well as the majority decision in *Pulusam Krishna Murthy v T Sujan Kumar and Others* (2001). It is a reasoned decision where every aspect was discussed threadbare.

The Supreme Court also speaks of the exclusion of the Adivasis who came and settled down in these areas after the cut-off date. Why disentitle them? The ongoing conflict between the Lambada community and the Scheduled Area tribes in Telangana throws light on this issue (Minhaz 2018). The Scheduled Area Tribes and the Particularly Vulnerable Tribal Groups (PVTGs) are in a far more disadvantageous position than non-Scheduled Area STs. Non-scheduled area tribes like the Lambada community could avail of the benefits of the reservation policy in a highly disproportionate manner, occupy fairly large tracts of land in the Schedule V region and attain upward mobility and social, economic and political clout. The demand for sub-classification among the STs has also gained ground in recent times. The Court ought to have been closer to social reality and considered all these facts.

Conclusions

Finally, what is seriously amiss in the Supreme Court order is a woeful lack of understanding of ground-level realities as also empathy towards the Adivasis. Significantly, the Court was bogged down by an inadequate appreciation of the constitutional provisions that safeguard their rights and entitlements. While there has been some progress over the past seven decades, much more needs to be done for Adivasis in the Schedule V areas, which is yet an unfulfilled promise of the republic. The Adivasis of AP and Telangana are worried about this absence of understanding of their life situation and their predicaments by the highest court of the land. Worryingly, this is not the first instance in recent times that the Court has gone wrong.[9] The Adivasis are also deeply concerned that this general apathy is a precursor to the incremental dismantling of Schedule v itself and the various entitlements that it guarantees. The judiciary, which is the bastion of justice, should be the last institution that creates this kind of insecurity among the people, particularly those who are most vulnerable.

As mentioned earlier, both the AP and Telangana governments are preparing to file a review petition. Let us hope that this time around, the Supreme Court would grasp the seminal essence and tapestry of the Schedule v of the Constitution and its substantive nature. Bridging the gaps of "our" knowledge about "our" law and "their" lives is what needs to be done. Now, that would qualify as "meritorious."

NOTES

1 Local Scheduled Tribes are those tribal persons or whose family were continuously residing in the Scheduled Areas since 26 January 1950.

2 See, for example, *Union of India v Prabhakaran Vijay Kumar and Others* (2008) para 11; *S M Nilajkar and Others v Telecom, District Manager, Karnataka* para 12; *Kunal Singh v Union of India and Others* (2003) para 9.

3 GO Ms No 275 of 1986; GO Ms No 3 of 2000.

4 The Andhra Pradesh Public Employment (Organisation of Local Cadres and Regulation of Direct Recruitment) Order 1975 dated 20 October 1975.

5 See, for example, *Pulusam Krishna Murthy v T Sujan Kumar and Others* (2001) para 51; *Siddaraju v State of Karnataka* (2020) para 9; *Indra Sawhney and Others v Union of India and Others* (1992) para 21.

6 See, for example, *Ram Krishna Dalmia v Justice SR Tendolkar and Others* (1958) paras 13, 14, 15.

7 See, for example, *Satyanarayana Reddy v State of Andhra Pradesh* (1987) para 31; *Samata v The State of Andhra Pradesh* (1997).

8 In fact, in an interview given by late K Balagopal to human rights activist G Sukumaran and published in *Dalit Murasu* magazine, from Chennai, in April 2006, he refers to his arguments in the high court in *Pulusam Krishna Murthy v T Sujan Kumar and Ors* (2001) saying: "But there is one case which I argued almost single-handed and succeeded, and which gives me a lot of personal satisfaction."

9 See, for example, *Wildlife First and Others v Union of India and Others* (2019).

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The Making of Girlhood
Girls' Everyday Lives and Their Schooling

Krishna Kumar, Latika Gupta

A significant divergence characterises girls' socialisation at home and at school, on the one hand, and their intellectual development through education, on the other. Although both home and school are agencies of socialisation, the two do not converge in the case of girls. This article analyses data from several different domains of girls' lives ranging in ages from five to 18 years.

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This article is written with two major objectives in mind. The first was to examine whether the socialising and intellectual capacity-building functions of education develop coherently in the case of girls. The second objective was to examine the relationship between girls' socialisation at home and in the school to ascertain whether these two processes of socialisation are symmetrical. Our attempt was aimed at drawing a rich portrait of girls' everyday lives in both rural and urban settings. This portrait shows that girlhood, as a gendered state of being (Kumar 2017), extends to more facets of personal growth and starts earlier in childhood than is generally realised. We argue that the opportunity to avail institutionalised education introduces contradictory pulls that are often too weak to encounter the established forces of gender socialisation.

Education and Socialisation

Socialisation consists of processes that enable the young to become part of the world or reality constituted by the adult generation. Though by itself an agency of socialisation, education is construed to be a wider process as it carries the potential to enable the young become conscious of the presence and influence of society in their own life. Some among the educated might even feel motivated to reflect on the process of their own socialisation. Thus, education carries the potential to perform a deeper and more complex role than mere socialisation or preparation for entry into the adult world. In the case of girls, educational planners often assume that the process of education will impart a wider frame of aspirations and also impart the intellectual means to pursue such aspirations. While this hope may not be altogether misplaced, a parallel argument also holds some truth suggesting that girls' socialisation at home commonly prepares them for conventional roles in matrimony and motherhood. That is one reason why many educated women experience a sharp contradiction between their aspirations and capacities, on one hand, and the demands that social institutions, such as the family and kinship, make on them. While educational planners emphasise the transformative potential of education, anthropologists emphasise the strength of social structures and cultural patterns.

Our study was designed to ask whether indeed the learning involved in girls' socialisation at home is contrary to their learning and socialisation at school. We also wanted to explore the possibility of two parallel processes operating within education: one creating intellectual capacities; the other socialising girls into a socially acceptable idea of an educated woman. We felt a need to examine whether the process of education itself is riddled with contradictory elements and pulls, the main contradiction being between the role of education as a distributor of economic opportunities and intellectual capacities, on the one hand, and its socialising function, which responds to the pressures exercised by sociocultural structures, on the other.

Methodology

Socialisation covers a vast number of processes and interactions to which the overall gendering of girls can be attributed. We focused on four domains in our attempt to probe the spheres of girls' everyday lives shared by home and school. The domains are: (i) customs and rituals; (ii) time and space; (iii) media, and (iv) education.

In the first domain, we explore the dimensions of time and space to determine the extent to which personal autonomy is permitted and developed from the early years onwards. Under the dimension of time, the study charts a girl's everyday life from the time she wakes up to the time she goes to sleep. Under space, the study probes the activities occupying a girl's daily routine in specific spaces. The second domain concerns the rituals associated with religious and other customs to which girls are exposed from early childhood onwards and which form a regime under which girls' everyday lives are traditionally lived. These customs and rituals are observed in the family and the community. The customs are associated with the caste system, while the rituals are a part of broader religious beliefs and practices. The third domain covers the media, including cinema and the electronic media, which are playing a pervasive role in the socialisation of children in contemporary society. The fourth domain covers schooling, in terms of the personal experience arising out of a girl's engagement with life at school and inside the classroom.

Our study covered four age-groups: A (ages 4–5), B (ages 9–10), C (ages 14–15), and D (ages 17–18). In all, we interviewed 84 girls in rural and urban settings in Etah and Faizabad districts of Uttar Pradesh. In both these districts, two villages and the district towns were determined as the universe. We also collected data from an additional sample of Delhi-based respondents in order to include a major city in the urban sample. The girls we interviewed belonged to three broad caste-categories: upper caste, Other Backward Classes (OBCs) and the Scheduled Castes (SCs). The tool for data collection consisted of a semi-structured questionnaire. For each of the four domains mentioned above, a separate questionnaire was designed, and each of the questionnaires was calibrated to cover the four age groups of respondents. The data were recorded in one-to-one settings, mostly in the homes of respondents. The data generated by the interviews were analysed and interpreted in a socio-psychological framework. Our data analysis attempted to distinguish between developmental features of socialisation and socio-economic and cultural features.

Analysis

The domain-wise analysis presented below attempts to capture the highlights of our analysis. We will also attempt to discuss the interaction among the four domains. Girls' lives, we feel, need to be understood in a holistic manner if the purpose is to assess the potential of education for unsettling entrenched gender-specific constraints.

Time and Space

The data pertaining to domain one show the manner in which girls spend the different parts of the day and the spaces where they use for different routine activities during an ordinary day. This domain is an important component of the life-pattern into which girls' adjust or fit their individual lives. Their gendering involves habitual perceiving of an average day in terms of the different activities and routines that are associated with different parts of the day. The questions asked to cover this domain focused on eliciting information about the activities performed during different segments of a day as well as about the manner in which these segments are perceived. For instance, it is common knowledge that girls are expected to assist their mothers in performing the chores that running a household requires in the morning hours. The questions asked in this context attempted to find out whether there is substantial rural–urban and caste-related difference. We were also keen to ascertain how school-related routines intersect the household-related routines in which girls are involved. With increase in access to education, girls of all social background are expected to leave for school in the morning. To what extent this has influenced the expectation made from them regarding participation in household chores was the aim of several of the questions asked.

Our data demonstrates strong perceptual association of specific chores with morning, evening and night. For the majority of girls, the day starts early and so do the evening and night. The term "early" is a relative expression. Its relative character needs to be seen within the range of answers elicited. For three-fourths of the girls interviewed, morning begins latest by 6 am or earlier. There is a difference between rural and urban girls and also a difference between upper-caste girls and others. This difference indicates that the data are a valid indicator of an important aspect of socialisation which reflects the demands made on a growing child by her social surroundings and ethos. Wake-up time as a factor of socialisation needs to be seen across age-groups. In this matter, we can see that at the youngest age level, seven out of 10 urban and six out of 10 rural girls wake up latest by 6 am. Getting to school is the activity mentioned by the majority as a morning activity (except in group D covering senior girls). But when asked about other activities, the majority of the respondents mention household chores such as cooking. Most of the rural girls belonging to age groups B, C and D perform household chores. They are also studying in a school, hence the expectation from them is that they will perform their household duties before proceeding to school.

Our data show that girls imbibe self-restrictions and justifications for them at an early age. Almost 80% of the girls of different age-groups that we interviewed, in both rural and urban areas, play inside the home or in front of it. Climbing a tree stops being an ordinary pastime for urban girls well before puberty and soon after it for their rural counterparts. The grounds they mention on which parents object to tree climbing include the risk of a broken limb which might cause trouble at the time of marriage. Rural girls of an older age mention this ground, suggesting that restrictions emerge earlier in urban areas. Our interviews in the domain of education (discussed below) also indicate that gendered choices in games also emerge sooner among urban girls.

Customs and Rituals

Domain two of the inquiry focused on the role of religious festivals, rituals and customs in socialising girls. The interview schedule used for this part of the inquiry attempted to find out the level and kind of information that respondents had concerning all major Hindu festivals. They were also asked about forms of worship specific to different festivals and the gods associated with them. Customs such as fasting and making special offerings were also covered. Rituals associated with marriage and symbolic rites associated with the married status of a woman were another area covered in this domain. An attempt was made to elicit responses on personal life-events. The main objective was to examine how and at what age does the awareness of role-differentiation based on gender emerge, and whether this awareness is related to rural and urban environments or to caste differences.

Our analysis has helped us to identify the specific forms of knowledge in which the impact of gender socialisation can be seen as early as age five. In the case of most topics that were chosen for questioning, the pattern of increasing awareness of gender-appropriate behaviour is fairly uniform. It starts with one-fourth of the sample at age five, and in older age-groups, successively greater proportion of girls show the relevant awareness. This general pattern is applicable to rituals and practices associated with the major Hindu festivals.

For instance, giving help in cooking special food items associated with Navratra increases with age. In the youngest age group, 22% of the respondents say that they give such help to their mothers; in group B, C, and D, respectively 29%, 52% and 85% of the respondents say so. If we compare this pattern with the growth of awareness about the reason why *karva chauth* is observed, the data reveal that this awareness is acknowledged by 39% of the girls in group A, 76% in group B and C, and 90% in the seniormost group D. Thus, in the case of a festival associated directly with married life, the awareness of the reason why it is observed is acquired by three-fourths of the sample by the age of nine. The meaning of this pattern becomes clearer when we notice that in festival-related rituals where gender roles differ, the knowledge of this difference also sets in early.

For instance, the knowledge that boys, and not girls, go out of the home to see the bonfire lit to celebrate Holi is acquired by as many as 52% of the respondents by the time they are nine. The same observation can be made about other gender-specific forms of awareness concerning religious rituals and beliefs, such as the Shivratri fast, belief regarding Hanuman, and so on (Table 1).

Table 1: Awareness of Religious Rituals (%)

	A	B	C	D
Girls are not allowed to perform pooja on certain days on account of menstruation	28	19	26	90
Girls are not supposed to go to Hanuman temple	33	43	60	75
Unmarried girls should not worship Tulsi	11	38	56	90
Going to temple is not for boys	0	29	40	75
Sindoor is proof of being married	33	43	68	75

Source: Authors' study.

These data in Table 1 are indicative of a strong element of learning through socialisation in the family about one's identity and role as a female child. That the life of a girl is oriented towards marriage is a common place in social anthropology. This study clearly establishes that the knowledge of marriage-related rituals and symbols is acquired both in rural and urban areas at an early age. Among these symbols, *sindoor* has the most significant place. On being shown, as many as 78% of the youngest age-group girls recognised it and mentioned its symbolic significance. Interestingly, in older age-groups, many respondents showed reluctance to state the reason of its importance, apparently on account of feeling bashful, thereby signifying the extent to which they had internalised the cultural significance of vermilion.

The importance of matrimony in a woman's life is reflected in the answers given by the respondents to various other questions directly pertaining to rituals, practices and attire associated with the wedding ceremony. The significance of dowry is learnt by girls in early childhood. This and other wedding-related data are assembled age-group wise in Table 2.

Table 2: Responses to Questions Related to Weddings (%)

Bride gets dowry at the time of wedding	50	52	80	100
Mangalsutra ceremony shows man's right over his wife	17	38	68	90
Bride wears heavy red sari or lehnga	33	81	96	95

Source: Authors' study.

Cooking forms a major aspect of learning at home, both as a skill and as a function in the life of the family. That the respondents perceive it as a major aspect of their identity is obvious enough. In our data, three responses offer somewhat unusual clues to the importance of cooking in a girl's upbringing. One has to do with the celebration of birthdays. The percentage of girls who said that their birthday is *not* celebrated, is, respectively, 22, 52, 62 and 60 in groups A, B, C, and D. Those who said that they cook a special dish for their brother's birthday constituted, respectively, 22%, 38%, 44% and 70% in the four groups. In their answers to another question, respectively 22%, 29%, 52% and 85% of the girls in the four age-groups acknowledged the help they routinely give to their mother in cooking and for special rituals involving cooking. If these data are looked at caste-wise, the involvement is greatest among upper-caste girls and relatively less among OBC and SC girls.

The association of cooking and preparing food with a woman's life and role in the family comes off most strongly in the projective questions included towards the end of the interview in this domain. In these questions, the respondents were shown two pictures and were asked what they notice and think or feel. One was the picture of a man throwing away a *thali*, and the other was of a woman throwing food away. The data show an overwhelming tendency, manifesting from an early age, to blame the victim in the case of male aggressiveness displayed in the act of throwing the thali presented to him. Already at the age of five, as many as 78% of the respondents want to blame the woman. They refer to reasons such as excessive salt and the food not being well-cooked in order to justify the man's act shown in the picture. In the group of respondents of 9–10 years of age, 90% do the same thing. The obverse of this line of reasoning is evident in the question accompanying the picture of a woman throwing food. One-third of the respondents in the youngest age-group feel that the woman should be beaten in order to be punished. More than half of the girls in each age-group say that they have never seen such a thing. Not even one respondent out of the total sample could imagine that the woman shown in the picture might be throwing food that had gone bad. Food and the process of preparing it are a part and parcel of socially accepted womanhood. Knowledge concerning food preparation was the subject of some of the questions asked in this domain. One was the difference between the dough required for making puris and the dough required for making rotis. One-third of the "A" age-group sample knew the correct answer. In the older age groups, the proportion grew successively, that is 48%, 84%, 90%, respectively, in groups B, C, and D.

A girl's life is expected to follow the accepted pattern in a vast range of matters, including laughing and washing hair. When they are small, they have greater freedom, but as they grow older, the freedom declines. On being asked whether someone objects when they laugh loudly, 39% of the youngest age-group said that their fathers object, whereas in the older age-groups, this proportion successively declined because the occasion does not arise. On the question pertaining to the association between days of the week and washing of hair, 28% of the youngest age group said that it can be done on any day. This proportion declined to 5% in the oldest age-group. It is clear that as they grow older, the "knowledge" about certain days being inauspicious for washing hair takes hold. Notion of a beautiful girl was the subject of another set of questions asked in this domain. Certain characteristics emerged as being so typical that we can call them ingredients of a stereotype of beauty. These features are fair complexion, thin nose and sharp features and moderate height.

Media

Domain three relates to socialisation through television, radio, cinema and newspapers. Although some of these media are believed to exercise great attraction for the young and are known to occupy a considerable proportion of their everyday routine, little knowledge exists about how they relate to the content of the media. In the case of girls, this is an important question to ask, at least partly because of the intimate place that television has acquired in the home or family space across different socio-economic classes and in both urban and rural areas of the country. The other, more important, reason why girls' response to the media needs probing is that the content includes narratives, images and roles that have an obvious emotional value and power for the audience. If socialisation is to be understood as both knowledge and disposition, its study cannot exclude the objects of emotional engagement. The popularity of family serials, or soap operas as they are called, points in this direction.

The initial questions asked in this domain were about access to television. Answers to these questions reveal that availability of television at home and the supply of electricity mark a difference between urban and rural respondents. In terms of duration, the data show that as girls grow up, their viewing time settles around a routine of one to two hours a day. There are some who watch television for more than two to three hours, and a few who watch for less than an hour, but it is the category of viewers who spend one to two hours per day that shows consistent growth from an early age onwards.

There is not much difference in this regard between urban and rural respondents. Possession of a television set at home is far more common among upper castes than among SCs, but the availability of television at a neighbour's or a relative's home makes up for this difference. With reference to the programmes that are most popular among the respondents, soap operas or family-based serials are the topmost category and news the lowest. Given this reality, it is hardly surprising that the respondents' recognition of major political figures is quite poor. When asked to name the serials they watch, even the youngest give specific titles though the choices vary. Religious programmes are not particularly popular, but television is a means of watching films for a substantial proportion of respondents. In the urban sample, more than one-third of the respondents watch films on television while in the rural sample, about one-fourth do so. They were asked to narrate the story of their favourite serial. Interestingly, this proved a difficult thing to do for most of the respondents, except those in the senior-most group.

Compared to television, the radio and the newspaper have very little presence among the girls who comprised our sample. Only a third, mostly urban, receive a newspaper at home, and they too demonstrate ignorance of what all a newspaper might contain. There is no particular pattern in the news stories the participants remember, but news about accidents, natural disasters and violence are categories mentioned by more respondents than other types of news. Just two respondents mention sports-related items. This indicates that interest in sports has not found a place in girls' lives.

Advertisements are an important aspect of exposure to the media. It is through the media that commodities acquire a brand value. An attempt was made to assess the respondents' familiarity with popular brands of objects of daily use that are sold and advertised to attract the attention of girls and women. The data show that brand recognition starts as early as age four to five. Items used as common cosmetics are recognised almost as much as the brands used for selling them, showing thereby how important the culture of advertisements is as a socialising force in the lives of girls, both in rural and urban areas. Objects for which an item was recognised by greater proportion than a popular brand were the following: powder, hair oil, tea and spices. On the other hand, objects for which a brand was recognised by greater proportion than the item were shampoo, detergent, body lotion, fairness cream and sanitary napkin. This shows how effective branding of certain items that are specifically targeted for consumption by girls has proved. The most effective use of branding is in the case of fairness cream: it is recognised by the majority of girls from the earliest age onwards. Some of the data are presented below:

Table 3: Development of Recognition of Certain Popular Branded Items (%)

	A	B	C	D
Hair oil	28	33	36	45
Shampoo	33	48	52	50
Fairness cream	72	76	76	60

Source: Authors' study.

In Table 3, it is instructive to notice the high level of popularity that a fairness cream enjoys from the youngest age. It is equally interesting that the level declines in the last age-group, indicating the possibility that its continued use since early childhood seems no more very promising to some of the respondents. The fact that as many as 72% of the youngest age-group respondents recognise this branded item demonstrates that the negative consciousness of a dark complexion is a part of primary socialisation of girls. It is an aspect of self-rejection that sets in long before a self-identity has formed in the course of cognitive and emotional development.

The last few questions asked in this domain had to do with the respondents' ability to recognise reputed actors and actresses who play the roles of, respectively, hero and heroine in popular Bollywood cinema. Our analysis shows that all major actors whose photographs were shown were recognised by a substantial proportion of respondents, but more in the urban than the rural sample. Despite the popularity of cinema on television, rural–urban difference is quite evident. Far more interesting, from the point of view of this study, is the respondents' recognition of popular actresses who perform the role of the heroine in popular movies. The levels of recognition are lower in this case than in the case of male actors performing a hero's role. It is no simple matter to interpret this difference which is quite stark, not merely for the youngest age-group, but equally for the older age-groups, including the oldest. Apparently, the heroines do not elicit the same kind of interest that the heroes do. Nor do they evoke the kind of identification that heroes do. If this were merely a matter of attraction for the opposite sex, it would not be manifest in the data pertaining to group "A," representing ages four to five.

We get some insight into the difference of popularity between heroes and heroines from the answers to questions about the respondents' perception of what a hero or heroine does in a film. In answer to the question concerning the difference between a hero and a villain, over 90% respondents in groups B C, and D reported the following set of characteristics of the hero: he beats the villain, sings, saves girls, falls in love, and fights for the country. There is no such overwhelming or clear articulation in response to the question what a heroine does in a film. There are rather few answers given to this question. Responses in groups B, C, and D acknowledge the heroine's actions in terms of household chores, looking after the hero and loving him. One-third of the respondents in groups A, B and C say that the heroine dances and gives special scenes. Clearly, there is nothing particular about a heroine's role that the respondents find attractive. As spectators, they do perhaps identify with her generalised figure, her role, and ignore the specific actress playing that generalised role. They apparently see no individuality in her role, hence the low rate of response to the question seeking recognition of specific actresses.

Two projective questions were asked to elicit imagined responses: first, to a boy singing an item number, and second, to a boy who might whistle in a scene where the respondent is present. The data indicate that very few of the respondents subscribe to the idea of ignoring such male behaviour. Preference for retaliating verbally or physically is shown in a growing pattern across the four age-groups, accounting for 45% of the girls in the oldest age-group in the case of a boy singing an item number to seek their attention. Compared to this, 25% of the girls in this age-group said that they will walk away. In the case of a boy who might whistle at the respondent, the preferred option is of scolding or verbally abusing the boy. This response was made by 39%, 57%, 72% and 90% of the girls, respectively, in age-groups A, B, C, and D. The likelihood of getting scared was expressed by 17% of the respondents in the A group, 0% in group B, 12% in group C, and 30% in group D. Getting scared was mentioned by a total of 20% among the urban respondents, whereas in the rural sample, the proportion was only 9%. This contrasts with the distribution of the response comprising physical retaliation by hitting, that is, a far greater proportion of urban than rural girls mentioned it. These data point to a changing social scenario in which many girls manifest an imagined behaviour that does not conform to established gender stereotypes.

Education

Girls' lives at school remain vulnerable as the diverse factors that shape their life at home maintain pressure on school life. It is common knowledge that girls' regularity at school is affected by the demands that home and family make on them. In response to a question about reasons for taking leave from school, 76% girls out of our total sample mention family-related responsibilities as the main reason. These responsibilities include the need to take care of someone sick at home, a wedding, festive preparations or a visit by relatives.

Subject preference among girls has been an important policy and research concern. Our data show that mathematics, science and social science subjects are low-rated preferences among both rural and urban girls, but the age-wise pattern is important. Table 4 shows that between age-groups A and B, the proportion of girls who like these subjects increases quite dramatically, but declines thereafter.

Table 4: Preference for Mathematics and Science (%)

	A	B	C	D
Math	27.8	38	28	5
Science	5.5	23.8	32	20

Source: Authors' study.

If we match these selected data with the data about subjects taught by women teachers, an interesting pattern emerges (Table 5).

Table 5: Subjects Taught by Women Teachers (%)

	A	B	C	D
Math	27.8	42.8	16	15
Science	5.5	52.4	32	10

Clearly, the availability of women teachers is a positive factor in instilling interest in math and science in small girls. This association is confirmed by the fact that the availability of women teachers declines towards higher classes. Among other subjects, we found considerable attraction for English. Games and sports are a major source of socialisation at school. In this area, the study shows that gender distinctions in the type of game played emerge early. Even at the youngest age level, that is, five, certain games are monopolised by boys. Our data also show that girls do not associate female achievers in sports with womanhood. As many as 56% of the girls we interviewed thought that the sportswoman whose picture was shown to them does not menstruate.

Conclusions

The highlights of our study presented in this article suffice to indicate the worth of our hypothesis. We wanted to assess the gap and overlap between girls' everyday lives and their life at school, in order to ascertain the actual potential of education for bringing gender equality. Our analysis shows that educational experience at school does not suffice to counter the powerful impact of family and the media.

The internalisation of religious customs and rituals begins early and by the time they are adolescents, the coverage of such internalisation becomes total, that is, spreading over the entire sample of the oldest group. What might be taught at school and what girls might learn from it may be too little and too late to make a difference, in terms of cultivating reflective and critical intellectual capacities necessary for gaining awareness of one's own socialisation. Our analysis shows that the rural–urban difference is neither sharp nor normatively different enough to warrant support for a general theory of change on account of urbanisation. As for the differential rate at which girls from different caste categories might be absorbing the influences of broader change in social and economic life, we must wait for larger samples studied with the kind of investigation of everyday life we tried to make. Broad parameters such as enrolment or attendance at school may not reveal the real state of girls' education.

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Court as a Theatre of Politics
Sikh–Muslim Confrontation in Colonial Punjab

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A communal conflict between Sikhs and Muslims in a village of late colonial Punjab got transplanted into the courtroom. The courts acted as an extension of the public arena. Contestation in the courtroom became a theatre of politics, the target audience of which was not only the immediate litigants but also the larger religious communities outside.

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Community politics during the late colonial period is often seen in the context of a nationalist movement that relegates the quotidian juridico-political machinery into oblivion and tends to focus more on the nationalist metanarratives. Despite such attempts to obscure internecine communal conflict, there is a tendency that these erupt nonetheless in the "public arena." More pertinently, the historiography of communalism in colonial India is dominated by Hindu–Muslim conflicts. This paper is an attempt to move away from this dominant trope. It is a modest exercise to understand how communal antagonism originated in the public arena but also played out in the legal sphere.

The paper attempts to question popular assumption about legal processes being the domain of depoliticised, rational, orderly and objective discussions and assessments of claims and counterclaims. It discusses a case of communal conflict in the village of Kot Bhai Than Singh in late colonial Punjab where the Muslim landowner Sardar Muhammad Nawaz Khan and the local Gurdwara leadership clashed over drawing water from a local stream. The confrontation, followed by a riot, took place in July 1937 and was initially settled by the district magistrate. However, it was pursued at the higher court by the Sikhs later.

Courtroom Politics

During the entire dispute, law and legality played a crucial role in the way politics unfolded. The courtroom transformed into a theatre of politics, offering performative space to religious communities to act out politics in their own ways during the trial, while posing as an impartial referee to the dispute. The discussion of this particular case highlights the colonial tendency to imagine communities as mutually exclusive. In the late colonial period, litigation not only allowed the colonial state to intervene in community lives, but also consolidated its position further by upholding litigated communalism. The politics of the street was projected as disorderly and the legality of the British courts as apparently orderly.

At the provincial level, politics unfolded in unexpected ways, and the political motivation was guided by communitarian concerns. In certain cases, local conflicts infused energy into broader provincial political confrontations. In some instances, the provincial government, when in a difficult position, would steer confrontations away from the streets into the courtroom. The communal confrontations thus continued at two levels. First, the courtroom did not de-communalise the situation and instead would extend the communalism from the public arena to the legal arena. Second, while litigation continued in the courtroom, the suit would be argued simultaneously with a more raucous battle in the streets.

Though the dispute considered here might occur as an example of local hydropolitics, the intention of the discussion is to focus more on the courtroom politics and the effect it generated. Local hydropolitics (Joy and Paranjape 2007: 29–57; Mosse 2006: 61–90) was a potent area of contention in colonial India, and continues to remain so, especially in relation to caste politics. Several incidents indicating to this reality include the harassment and violence on Dalits by the upper castes for bathing in a public pond in Chakwara village in Rajasthan in December 2001, the social boycott of Dalits for a year by entire village community in Raigad, Maharashtra for drawing water from a common well in March 2004, seizure of land, abuse and assault faced by Dalits for protesting against obstruction of irrigation water to their lands in Kantepudi village in Guntur, Andhra Pradesh in July 2006 (Thorat and Sabharwal 2014: 17–20).

However, the most significant historical conflict over water resource remains the Mahad satyagraha led by B R Ambedkar on 20 March 1927. The issue pertained to the use of water from a public tank in Mahad in Maharashtra (Tejani 2013). The colonial government passed a resolution in the Bombay legislative assembly in 1923 that the places built and maintained by the government should be made accessible to the depressed classes. The local municipal council of Mahad passed a resolution in 1924 to enforce the order. It faced challenges and ultimately failed to implement the order because of opposition and protests by the upper castes. To assert Dalit right to use water from public resources, Ambedkar launched a satyagraha.

When the outcome of caste politics around access to water is closely paid attention to, scholars have noted that two competing models of legality were at play there: one redefined customary practice as the exercise of law; the other redefined custom as the perpetuation of injustice contrary to a more encompassing standard of justice (Rao 2009: 86). The Mahad water tank case was decided in favour of Dalit defendants but mostly "reflected the concerns of colonial property regime that privileges private property rights" (Rao 2009: 86), emphasising that a community cannot be excluded from using a water tank that was maintained by municipal funds. Scholars have amply discussed the resemblance between custom and contract and have revealed that the two differently organised structures of exclusion, that is, "religioritual conceptions of differentiated personhood versus private property and contract regimes," were "productively aligned to support exclusion and spatial segregation" (Rao 2009: 86).

The dispute to be discussed in this paper offers an interesting contrast to the Mahad water tank case. It will reveal similar governmental strategies of the colonial administration of establishing control over the discourse when access to water became a source of communalism and litigation.

Contested Rights

During the late colonial period, the Punjab province experienced numerous clashes between Sikhs and Muslims. A major incident of communal conflict arose in Kot Bhai Than Singh, Campbellpur, Attock district, due to contestation over the right to draw water from a stream called "dotal nullah." The immediate cause was a Muslim discontent over Sikhs visiting the stream when allegedly Muslim women were bathing there. It began as an issue of protecting the honour of women of one community but soon metamorphosed into a provincial issue. Objections from Muslims followed by a confrontation between the religious communities, leading to local riots, prompting the district magistrate to impose orders under Section 144 of the Code of Criminal Procedure (CrPC), barring Sikhs from visiting the stream. This is when the incident first came to the attention of the highest echelons of the provincial administration.

The stream around which the dispute of Kot Bhai Than Singh occurred was a part of the property that belonged to the Sardar of Kot, Muhammad Nawaz Khan. He was a landlord of the famous state of Kot Fateh Khan of Campbellpur. Historians have already investigated that the domains of religious and political power in Punjab overlapped, and have also emphasised the significance of *biraderi* or kinship (Talbot 1982: 8) when it came to political allegiance. Ian Talbot (1982, 2009) and David Gilmartin (1979) have pointed out the key role played by landlords (and Pirs) in effectively influencing politics in late colonial Punjab.

Khan was a unionist, had served in the colonial military, was a member of the Indian legislative assembly, and was also appointed as a first-class honorary magistrate in his area till 1937. Talbot has argued that the British co-opted such "natural leaders" like landlords into their administrative system by offering them semi-official and honorary posts. These "natural leaders" offered "mediatory role," aided the implementation of government policy and represented the interests of their community to the colonial administration (Talbot 1991). Scholars have also argued that the colonial government consciously "avoided upsetting age-old rural set-up," therefore, official patronage reinvigorated the rural elite with a new lease of life (Malik 1995: 297). Khan's status thus granted him privilege and power from the British administration and offered him effective influence on his community.

On 29 July 1937, representatives of the Sardar of Kot and Sikhs from the nearby Gurdwara Kot Bhai Than Singh appeared before the district magistrate to challenge the notices issued by him under Section 144 of CrPC, over the stream-related dispute. The district magistrate responded by emphasising the urgency and significance of communal concord. Newspapers reported that the discussions between the district magistrate and the counsels on behalf of both the parties lasted for about two hours. After deliberation, it was decided that the Sikhs would draw water from the stream between 10 am and noon, and again from 3 pm to 5 pm. The Sardar of Kot agreed to ensure that his Muslim employees would not visit the stream during these hours. In addition to his employees, over whom he had direct control, the Sardar of Kot was also urged to use his influence to ensure that local Muslims too accepted this restriction. If any party would decide to terminate the agreement, a notice of at least four days was to be provided to the district magistrate. This agreement came into force the following day, 30 July 1937 (*Tribune* 1937a).

The conflict started when the women, while washing themselves felt violated by the presence of men from the other religious community. Rather than fixing separate timings for women and men, the administration facilitated an agreement that allotted different time slots for the use of a stream to each religious community. It, thus, occurs as a blind spot of law or the local administration which failed to settle the dispute by focusing on the issue of women only. It could not imagine religious coexistence and instead reified mutual exclusiveness of communities. As a result, the communal question trumped the gender question in this case.

Communal Politics

Some background to communal politics in late colonial Punjab is necessary here. The unionist government led by Sikandar Hayat Khan came to power in Punjab following the first elections held under the Government of India (GoI) Act, 1935 in the spring of 1937. The unionist government in Punjab was a broad coalition and was unique in the fact that the landed class, which was feudal in nature, was the main constituent of the government. Talbot (1991: 213) has observed that the Unionist Party cut across class and community interests with support base constituting of both large landowners and peasant proprietors amongst Hindus and Muslims. Others have noted that the Unionist Party "was a particularly Punjabi institution" (Oren 1974: 397).

The majority of the Muslim population and Hindu Jats of Haryana were strong supporters of the party. Noticeably, Sikhs were not integrated well in the government. Oren (1974) has emphasised that the "roots of this lay in the Gurdwara dispute of the 1920s which had alienated Sikhs from the British." As a result, "the mainly rural Sikhs organised under the banner of Akali Dal." This kind of Sikh mobilisation emerged "in coalition with the Indian National Congress." Congress was the voice of Indian nationalism all over India, but in Punjab, it was "the organ of urban Hindus mainly belonging to Khatri and other trading castes" (Oren 1974).

Deprived of due representation in the Punjab government, Sikh politics became sharper, since it was effectively mobilising Sikh peasants since the 1920s through the 1930s. The politics between the 1920s and 1940s intensified with the introduction of the GoI Act, 1935 (J S Grewal 1991: 157–80). J S Grewal has argued that the struggle for freedom was not always constitutional but often involved agitation and militancy. The general meeting of Sikh leaders at Lahore in March 1919, and later at Amritsar in December 1919, led to the formation of the Central Sikh league. Its objectives as published by its organ *Akālī* were to reconstruct the Gurdwara Rakabganj, to transfer control of the Khalsa College at Amritsar to the representatives of the Sikh community, and to launch a movement to free Gurdwaras from the control of Mahants, etc (Fazal 2015).

Among many such exclusively Sikh objectives, intensifying Sikh participation in the country's freedom struggle was also pledged. Gurdwaras became a significant point of contention and politics became prominent and militant, hence transforming the political mood of Sikhs in Punjab. The British had become suspicious of such political mobilisation in the aftermath of the Ghadar movement and subsequent events. Moreover, local communal confrontations challenged the conflict resolution capabilities of colonial authorities. Such local conflicts often utilised the metadiscourse of nationalist politics to settle scores at the local level.

In the first quarter of the 20th century, Sikh politics increasingly gained a tendency to revolve around numerous Gurdwara related issues. Most significant of these are the two disputes—of the Shaheed Ganj mosque[1] issue in Lahore, and the Rakab Ganj Gurdwara issue in Delhi. The former dispute was between Muslims claiming Shaheed Ganj mosque, and Shiromani Gurdwara Parbandhak Committee (SGPC), arguing that the property belonged to the Sikhs (Khurshid and Malik 2011). However, on the night of 7 July 1935, while the dispute was in court, the Sikhs demolished the mosque (*The Mosque, Masjid Shahid Ganj and Others v Shiromani Gurdwara Parbandhak Committee, Amritsar* 1940). This was an incident that fed the local clashes between the Muslims and Sikhs.

The latter dispute concerned a Gurdwara constructed by Sardar Baghel Singh in Raisina (Delhi) in 1783. Much later, at the beginning of the 20th century, the British demolished a portion of the Gurdwara while constructing a road to the secretariat (G S Grewal 1991). Because the SGPC was taking control of Sikh religious properties and the same site had already been in controversy in the past, the issue regained currency in the 1930s. Since the wall of the Gurdwara had been demolished by the British officials, it allowed Akalis to agitate for Sikh rights and stand up for Sikh honour against the colonial state (Gandhi 1993). A variety of reasons were responsible for such a confrontational politics, such as the repression of the Ghadar movement in Punjab, police and military atrocities at Jallianwala Bagh and the agitations that followed with the passing of the Rowlatt bills.

What is pertinent to the Kot Bhai Than Singh dispute is its occurrence in the aftermath of the passing of the GoI Act, 1935. Both the GoI Act, 1919 followed by the GoI Act, 1935 were the two major constitutional moments of the late colonial period. It was a phase in Punjab politics when broader Sikh mobilisation was taking place on the ground. One act followed another, aimed at widening the ambit of the colonial model of representative government in India. The passing of the GoI Act, 1935 further sharpened the political contestation at an all-India level. Politics transformed with the introduction of separate electorates. The provincial nature of politics emphasised the idea of a shared horizontal governmental responsibility among Indians. However, the vertical hierarchy of power was mostly dominated by colonial administrators.

In the 1910s, Punjab had witnessed the invocation of extraordinary laws to curb anticolonial revolutionary activities and instil fear of law in the protesting population of Punjab as well as other provinces. In the aftermath of the Punjab agitation of 1919, the Sikh League had adopted M K Gandhi's non-violent satyagraha in the 1920s, after Gandhi extended his support to the broader Sikh religious demands. Increasingly, the frequent use of a more specific law—Section 144 of CrPC—became a manipulative tool for the colonial administration to control public spaces in the name of public order. Notably, it fell into a wider category of laws designed to maintain "public peace and tranquillity," and could prohibit the use of public space for a person or a group. Section 144 of CrPC dealt with the power to issue an order in urgent cases of nuisance or apprehended danger. It would be invoked in cases where, as per the opinion of a designated district magistrate, there were sufficient grounds for invoking it and would result in the immediate prevention of a disturbance to law and order administration.

A magistrate in such situations could direct any person to abstain from a certain act in a certain place and if he considered that its invocation was likely to prevent obstruction, annoyance or injury to any person lawfully employed, or could protect human life, health and safety, or could maintain public peace and tranquillity. With the increase in political confrontations in the 1920s, 1930s, and 1940s, Section 144 of CrPC became a handy tool for the administration to control local political mobilisation. Political contestations often led to communal and labour riots. Often, that also resulted in confrontations between groups and the local police authorities.

In all such cases, Section 144 of CrPC created conditions for the justification of administrative repression. Through the Kot Bhai Than Singh case, the paper will highlight further the colonial effort to criminalise politics by creating the figure of the protesting Akali as a problem category, exposing its own legal vulnerabilities.

Public to Legal Arena

The Sikhs who had consented to the agreement in the presence of the district magistrate on 30 July 1937 soon started to express their discontent over it (*Governor's Fortnightly Report Punjab* 1937). Dissatisfaction emerged from within their ranks, drawing in Akali activists from elsewhere in the province. Part of the agreement had been an order by the district magistrate prohibiting Sikhs from visiting the stream east of Pindigheb road. The matter was challenged by Sikh community leaders in the higher court. They sought telegraphic advice and assistance from the SGPC at Amritsar. The matter had acquired significance because it impinged on the Gurdwara's ability to draw water for the langar, which held moral and religious importance for the Sikhs.

Master Tara Singh, who was at that point president of the SGPC, immediately telegraphed Punjab premier Sikandar Hayat Khan and Sunder Singh Majithia (*Tribune* 1937b). Majithia was one of the largest landowners in Punjab and a revenue member of the government. The Akali movement decided to send out morchas in batches of two to the stream to create a public confrontation with the government by giving in courting arrests. Thus, an issue that needed to be resolved at the village level acquired provincial proportions and began to be articulated as a violation of Sikh rights. With the larger Shaheed Ganj mosque and Raqab Ganj Gurdwara issue as the background that fuelled communal discord, the SGPC also instructed the Sikhs to initiate satyagraha against the imposition of Section 144 by the district magistrate. Satyagraha was deployed as a performance of defying the law. Two *sewadars* (volunteers who offer services to Gurdwara) proceeded to the stream on 4 August 1937 and were arrested by the police for defying magisterial orders.

While the satyagraha continued, sewadars refused to draw water from the Western end of the stream, which was still permitted according to the magistrate's orders. They argued that the water there was polluted and unfit for drinking. Meanwhile, the SGPC opened an office at Rawalpindi to direct the satyagraha at Kot Bhai Than Singh. The Gandhian model of civil disobedience was actively adopted by the Akalis. Shortly after the arrest of the two sewadars, there were reports that two Akali members of the provincial legislature were also about to visit Kot Bhai Than Singh with the intention of defying the orders of the district magistrate (*Tribune* 1937d). The colonial administration dispatched a large police force from Campbellpur to Kot Fateh Khan to keep the situation under control (*Tribune* 1937c). The Sikh legislators planned to defy the law while they themselves were part of the government and supposed to be maintaining it. Participation by legislators would have experimented with the potential to subvert the law. However, such subversion would not be possible through legality, but morality only.

An emergency meeting of the Gurdwara Committee Panja Sahib was summoned for 5 August 1937. It swiftly condemned the order under Section 144 of CrPC and conformed to the decision to launch satyagraha. It was decided to file a revision application in the Punjab High Court challenging the validity of the district magistrate's order (*Tribune* 1937e). Meanwhile, the administration's response also escalated. Some newspapers regularly reported the prosecution of sewadars arrested for defying magisterial orders. Sewadars who continued to defy orders were produced before the additional district magistrate, Campbellpur, summarily tried and sentenced to pay a fine of ₹30 each, or in default of which they would undergo three weeks' rigorous imprisonment. This was an arbitrary increase in punishment as the first volunteers were sentenced to two-week rigorous imprisonment for precisely the same transgression. By 10 August, the seventh batch of two sewadars was sentenced to three months' rigorous imprisonment by the additional district magistrate. There was an enhancement of punishment for the same crime over the period of one week.

More prominent Sikh leaders began to arrive at Kot Bhai Than Singh to study the situation, while the langar of the Gurdwara remained closed, owing to the scarcity of water, sending an important signal that normal religious life had been suspended. The provincial administration reacted with incomprehension as to why such an escalation had taken place, insisting that the district magistrate's imposition of Section 144 applied to the "taking of water from the *nullah* only on the east side of Pindigheb road" (*Tribune* 1937f). There was no restriction against the drawing of water from the west side.

Regular arrival and arrests of sewadars continued, while prominent Sikhs like Master Tara Singh, Gyani Kartar Singh (MLA [member of legislative assembly]), and Sardar Harnam Singh (advocate), arrived to chalk out a line of action. As the langar could not remain closed for a long time, the Gurdwara committee decided to import water from Fatehganj that was 12 miles away from Kot Bhai Than Singh. On one occasion, a tonga carrying water for the Gurdwara was stopped on its way by the police constables seeking to restrict access to the area, but the inspector of police quickly ordered his men not to prevent sewadars from taking water (*Tribune* 1937g).

In light of the Akali satyagraha, Sandra Freitag's understanding of the "public arena" in India remains pertinent, where communities have been expressing and redefining themselves through collective activities in public spaces (Freitag 1989a). The collective activities expressing these values, according to Freitag (1989b: 204–06), tended to be of three types: public performances, collective ceremonies, and collective protests. Freitag's framework of "public arena" enables us to make sense of the Sikh–Muslim communal clashes and collective protests.

As the conflict progressed, the performances of defiance of magisterial orders by Akalis in the public arena of the street, would soon be transferred to the "legal arena," that is, the court. The legal arena became an extension of Frietag's "public arena" where communalism of the street was continued into the courtroom. The controversy suggests that "religious" sentiments, colonial politics, and secular law were inextricably intertwined.

Performativity and Participation

Once the Sikhs challenged the order of the district magistrate by petition to the high court, the colonial state acquired an active agency to negotiate the implications of the traditional authority of both the communities and acquired legitimacy to adjudicate the conflict. Bernard Cohn (1959: 90) has noted that the character of the Indian peasant society failed to accept the court system and therefore abused its processes. Robert Kidder (1973) has argued that the unsatisfactory results of the judicial processes in India should be attributed to an understanding of litigation more as negotiation rather than adjudication. Kidder's understanding highlighted that the courts could not provide quick and decisive outcomes because they are complex social systems in themselves.

Mendelsohn (1981) disagrees with both and argues that understanding the concrete issues of litigation could shed light on the "pathology of the judicial process" in India. For him, the British authorities perceived the establishment of courts as the corollary of defining and allocating rights and duties in the land. This led to litigation by disputants who came to courts for the defence of rights to be claimed under the new legal system instituted by the British.

As a result, the British had dictated court use in the same way in which they intervened in the case of (social) relations. Mendelsohn (1981: 863) alerts us to consider the procedures and claims that are exploited in the litigation process because it "will be contingent on the character of the society in question." In light of Mendelsohn's argument, the motives of the colonial state cannot be overlooked. By transferring the conflict to the more "orderly" legal arena, the court did not dissipate the communalism of the street, it only continued it.

In August 1937, the focus of the confrontation shifted back to the law courts when the revision of the original order to impose Section 144 came up for hearing before Justice Bhide of the Lahore High Court. The counsel for the Gurdwara, Advocate Harnam Singh, argued that the district magistrate had no jurisdiction to use Section 144 of the CrPC to restrict the Sikhs from drawing water from the stream. He argued that the district magistrate had powers for the protection of civil rights of the people and not for their suppression (*Tribune* 1937h). On behalf of one Sukhnandan Singh and six other sewadars, Harnam Singh filed an application in the Lahore High Court for the transfer of their case from the court of district magistrate Attock to the court of district magistrate Rawalpindi. The counsel argued that "it was in the interest of justice that the case should be tried in a free and purely judicial atmosphere" (*Tribune* 1937i). It was granted by Justice Bhide.

Late colonial litigants often evaluated certain officials as communal and sought justice in the name of fairness. Colonial administration would also attempt to depoliticise issues by maintaining that courts were the impartial avenues of justice only concerned with justice and legality, and therefore dissociated from community interests. The colonial juridico-political order was reflected as a machine. Ronald Inden (1990: 12) has argued that the major effect of the comparison of a polity with a machine is to transfer the physical scientists' notion of a "system" from mechanics to a body politic. Such a perspective understood a system as consisting of hierarchically arranged levels of discrete, interdependent parts, and claimed to order itself by the principle of a binary opposition among its levels. Therefore, the state and its administrative hierarchies possessed the absolute sovereignty.

Such a perspective is also characterised by mutual exclusion among its parts. The orderliness of the late British colonial state was based on the principles of mutual exclusion of communities in the society, the unity of sovereignty across its administrative departments, determinacy of law for dispute resolution, and uniformity of procedure. Since the early 19th century, the British colonial administration and law in India acted as the "transcendent knower of the Indological discourse" (Inden 1990: 88). It proceeded by discovering mutually exclusive categories reduced to a single order: the order of modern law. Such an order resolved disputes according to the sociopolitical distribution of power.

Rajiv Dhavan (1994: xvii) has noted that the British legal scholarship was self-protectively encapsulated in a "black letter law" tradition that separated "law" from morality and sought to interpret the law as a distinct, relatively autonomous reality. Thus, the emphasis was on the self-constitution of legal principles and concepts. Dhavan further argues that such a "black letter law" tradition worked at two levels. At one level, it sought to redefine and reconstitute people's understanding of their social, political and economic relations, guaranteeing the exclusiveness and derived strength from the notion of "rule of law."

On another level, it presented itself as a fair arrangement, drawing support from the legal reconstruction of social reality while granting full power to the state to contain transgressions of the letter and spirit of "rule of law" (Dhavan 1994: xvii). In Kot Bhai Than Singh, the colonial administration upheld a similar strategy. But a trial might be different from what it appears to be. Despite the spirit of the "rule of law" maxim, there were often supplementary intentions behind such a trial. Judith Shklar (1986: 144) asserts that a "trial, the supreme legalistic act, like all political acts, does not take place in a vacuum. It is part of a whole complex of other institutions, habits, and beliefs."

In the Kot Bhai Than Singh case, the trial had diverse meanings. It would establish the colonial state as the sole impartial arbiter of disputes and would reflect that the social and political life of religious communities was mutually exclusive. The trial assumed the character of a theatre, a political performance (Austin 1962: 1–11; Butler 2015: 176; Searle 1993). The consistent and elaborate newspaper reporting about the trial connected the inside, the court, with the outside, the street/public.

Various scholars have argued that performativity plays a pivotal role in how identities express themselves. Courts and, therefore, legal discourse also thrive on performativity that enables subjects to articulate their identity in a juridical idiom. John Austin (1962: 1–11) argued that the meaning of a word depends on its use, and classified performative utterances as locution, illocution, and perlocution. Most importantly, the effect of a speech act, perlocution, is what matters in performing politics through legality. What is pertinent is that the law dictates the form of performance. In Kot Bhai Than Singh, courts enabled the realisation of such subjectivity. It allowed performativity of subject/citizen claims. By citing and reciting law in the court, the satyagrahis/Akalis temporarily staged subversive use of performativity. The performance of temporary subversion reinscribed the normative hegemony of law but also demonstrated how claims could be made intelligible to seek justice from the colonial state. It reflected that articulating legal processes correctly naturalised assumptions that it was a law that constituted reality.

Sardar Ujjal Singh, MLA, arrived in Rawalpindi on 11 August 1937 in connection with the Kot Bhai Than Singh satyagraha. Ujjal Singh and Sardar Kartar Singh, presidents of the Gurdwara Committee Panja Sahib, had a meeting with Cuthbert King, Commissioner of Rawalpindi Division. When interviewed by the *Associated Press*, Sardar Ujjal Singh stated that the attitude of the commissioner was most sympathetic, and he was hopeful of a settlement soon (*Tribune* 1937j). But these attempts to de-escalate the conflict were more apparent than real. Elsewhere, a change in political vocabulary indicated an upping of the ante. Various prominent members of the Sikh community issued a joint statement expressing the opinion that the Kot Bhai Than Singh affair had "reached such an impasse that no person who has some humanitarian feeling can sit quiet," while reasserting that it was "undoubtedly the birth right of every human being to have a free access to light, air and water" (*Tribune* 1937k).

A conference of prominent *panthie* (belonging to a *panth* or a particular religious tradition) workers was summoned along with representatives of various organisations in the province to take concerted action in this direction and to create a mass mobilisation to vindicate the cause of civil liberties. It was emphasised in their statement that the agitation was not communal but guided by humanitarian actualities only (*Tribune* 1937k). Notably, colonial (modern) law enabled Sikhs to argue that the trials were impartial, that is, they were based only on rules and regulations and, hence, depoliticised in nature. The issue was pitched not to be a matter of community power and communal rights but a question of civil rights and a humanitarian issue. It turned into a derivative trial for the colonial state (Kirchheimer 1961: 46).

To mark a further escalation, the meeting of the executive committee of the Shiromani Akali Dal held on 15 August 1937, decided to expand the scope of the protest and to send a jatha of 100 Sikhs who would leave from Amritsar on 25 August 1937. While pointing out the emergent communalism in late colonial Punjab, Ian Talbot (1991: 205) notes that "there was ... an even more threatening influence emanating from the urban population," a rivalry between "the Muslim, Hindu and Sikh habitants of Punjab's towns." At the above-mentioned executive committee meeting of Shiromani Akali Dal, resolutions were passed expressing alarm and condemning the unionist government of Punjab. It condemned restrictions imposed on Sikhs and appealed to the Sikh community to help the Akali Dal in making the Kot Bhai Than Singh agitation a success (*Tribune* 1937l). Such resolutions highlight that the Akalis used the issue to assault the credibility of the unionist government at large.

Procedural Value of the Trial

Lynda Mulcahy (2011: 178) has argued that the "public adjudication will always be enriched by the physical presence of participants and the absence of bodies can serve to impoverish the performance of important public functions and rituals." The SGPC and Shiromani Akali Dal must have felt ecstatic when, on 19 August 1937, a bench comprising of Justices Jailal and Bhide delivered a judgment to a courtroom packed to its utmost capacity, as one newspaper reported. The judgment pertained to the revision petition filed by advocate Harnam Singh on the behalf of Gurdwara Committee Panja Sahib. The petition had challenged the order under Section 144 of CrPC issued by the district magistrate of Attock that restrained Sikhs from drawing water from the stream. The bench held that the order of the district magistrate as it existed was an improper one, thereby rendering it no longer valid. Moreover, it suggested that the Sikhs should be allowed to take water from the stream during fixed hours (*Tribune* 1937m).

Mulcahy (2011) has asserted that face-to-face contact is much more likely to confer interaction with meaning and an important reason why mediators encourage litigants to use the power of face-to-face interaction in dispute resolution. Therefore, it presents an opportunity to the disputing parties to have their say in the presence of those who had earlier failed to listen. It is an opportunity for the acknowledgement of one's narrative as the trial unfolds. This face-to-face interaction between litigants does not just have procedural value but, as Mulcahy (2011: 178) notes, "an intrinsic value because it speaks to our political morality." Undertaking to administer the law in the government's courts, the British took the decisive step towards a modern legal system that initiated the process, which is called by Galanter (1994) as "expropriation of law."

Expropriation of Law

Galanter (1994: 17) argues that this expropriation made the power to find, declare and apply the law as a monopoly of the government. The legal arguments made by the petitioning counsel are highly relevant here and deserve detailed scrutiny. Elaborating on the design of the administrative action in the conflict, Harnam Singh argued that given it was a small village, the district magistrate should not have promulgated the orders unless they had found the police force incompetent to deal with the first clash. He added that the district magistrate could have managed the situation simply by the police force posted in front of the Gurdwara. He argued that the propriety and validity of such an order had to be satisfied first.

The advocate stressed that whilst the legislature had given wide powers to the magistrate to issue prohibitory orders, the magistrate also had greater responsibility to safeguard the exercising of such powers. He reasserted that the powers of prohibition should have been used only if the district magistrate thought that other measures were inadequate. Even after that, if such an order was to be enforced, the civil rights of the Sikhs would have to be protected. The counsel emphasised that the dispute in question was, in fact, one between individual Sikh residents attached to the Gurdwara and the Sardar of Kot, rather than the clash of the communities. Therefore, individual citizens were prioritised over community rights by the counsel.

The colonial administration itself had become a party to the conflict because the initial order under Section 144 of CrPC was being challenged in the court along with the right of Sikhs to draw water from the stream. Challenging Harnam Singh's plea, Diwan Rani Lal, advocate general arguing on behalf of the Crown, replied that the position taken by the petitioner's counsel ignored the circumstances forming the basis of the order of the district magistrate. He clarified that the order was promulgated because the conflict did not dissipate despite the agreement, and Sikhs from outside the locality went to the stream shouting slogans. Therefore, the Sikhs broke the terms of the earlier compromise and started taking water from the stream to provoke the other party.

According to advocate general's arguments, each of the incidents mentioned by the district magistrate proved that there was "a danger to the breach of peace." In an interesting twist, Justice Jai Lal remarked that the district magistrate had, in fact, upheld the right of the Sikhs, whereas it was the Sardar of Kot who was responsible for the breach of the agreement and not the Sikhs. The rights of the parties were settled by the district magistrate subject to the approval of the Sardar, which had not been forthcoming.

Justice Jai Lal's remark intended to protect the decision of the magistrate and reflected that it was the communities who lacked in providing sufficient support to the administration in mitigating the conflict. Before adjourning for lunch, the bench offered that it could modify the order and fix a period of four hours for the Sikhs to draw water. To this, the advocate general requested time to consult Barkat Ali, counsel for the Sardar of Kot. Barkat Ali was also a leading politician and, in fact, the only Muslim league MLA in Punjab after the 1937 elections. His involvement as the defence lawyer for the Sardar of Kot is noteworthy here.

Once the discussions resumed, the advocate general submitted that three hours were sufficient and that Sikhs could draw water from the stream from 12 pm to 3 pm, when the Muslim women of the village did not visit the spot. Barkat Ali said that the order of the district magistrate under Section 144 of the CrPC affecting the compromise was binding on the Sikhs and on the Sardar of Kot, but did not apply to others in the village. He reiterated that the conflict emerged because Muslim women objected to Sikh men visiting the stream when they were bathing there. He argued that the stream was on the village *shamlat*[2] in the possession of the Sardar of Kot who could forbid the Sikhs from going into his land. The district magistrate had given the Sikhs merely the permission to take water; it did not establish their right to it and hence was within his jurisdiction to promulgate Section 144 of the CrPC to enforce public peace.

Harnam Singh, on behalf of the Gurdwara committee, assured the court that the Sikhs would abstain from provocative slogans and will visit the stream peacefully at the designated time. He gave an undertaking that they would do so peacefully and would not offend the Muslims of the village. The bench concluded that the order of the district magistrate was not a "proper" order. A new agreement was drafted, which allowed Sikhs to use the stream from 10.30 am to 1.30 pm. The advocate general could neither give assurance nor rejected the proposal, so the bench left this question to be decided by the district magistrate, if necessary, by a supplementary order (*Tribune* 1937n).

On 26 August 1937, Kartar Singh (advocate), president of the Gurdwara Committee Panja Sahib and of the Sikh All-Parties Committee, in a press statement declared that the agitation at Kot Bhai Than Singh had ended and the right claimed by the Sikhs had been vindicated. He expressed his gratification that the decision of the Gurdwara Committee Panja Sahib to file a revision petition in the high court had proved successful. However, he complained that the provincial government was yet to release the Sikh agitators who were arrested due to the original order under Section 144, which the highest court had now termed improper. Appealing to the unionist government and the premier directly, the statement read:

> Will Sikandar Hayat Khan and the Government rise to the height of the occasion and without losing more time issue an order for the release of the prisoners in question before they appeal to the high court to seek redress. (*Tribune* 1937o)

Despite the court order, it is evident from the newspaper reports that the arrested second batch of Sikh agitators was not released before completing three weeks of jail sentence as a punishment for defying the magisterial prohibition order. Upon their release from jail, they were taken in a procession through the bazaar in Campbellpur, and reportedly, the women outnumbered men in the processions (*Tribune* 1937p).

Galanter (1994: 36) has noted that the strength of the British law lay in its techniques, which were able to replace local laws by an official law. The official law strove to not tolerate any rivals, it dissolved away that which could not be transformed into modern law and absorbed the remainder. Early colonial law had many rivals up to the end of the 19th century. But after 1857, efforts to establish an active legal system began to intensify, mainly because the Crown took over the governance and established a written Indian Penal Code, modern courts, and an organised police force by 1860. The further consolidation of law happened in the 1890s. This challenge is amply discussed in scholarship that deals with "customary law," colonial prisons and other discussions around colonial legal pluralism (Arnold 1994: 148–84; Guha 1997; Mamdani 1996; Mukhopadhyay 2006; Snyder 1981). Law began to be active in all aspects of social and political life. As a result, it created numerous classes of professionals who formed the connecting links of the nation state and a vast array of vested rights and defined expectations.

The politics of challenging a magisterial order provided a boost to the agenda of Sikh politics and was a tactical gain for the Akalis to mobilise and radicalise Sikhs in the name of the Gurdwara. On the one hand, the colonial administration acted as a disciplinary power by instituting prohibitory orders, and the other, it created a new set of power filters by articulating administrative power allowing the appeal in the higher court while recognising community claims. By steering the protest to the courtroom, it prescribed that the court was the only "legitimate" place and method of resolving the conflict, and reinforced the administrations' role as an impartial mediator.

Even though the initial magisterial order was challenged and deemed improper, the final outcome in the form of a new agreement at the higher court was not quite different from the earlier one. In fact, Sikhs now had reduced time to access water in comparison to the earlier settlement. The courtroom facilitated not only the expectations of the religious communities but colonial administration too. Both the Sikhs and the colonial administration derived legitimacy by resorting to the courtroom and transforming the trial into a spectacle, which had effects on Sikh mobilisation in Punjab province, much beyond the courtroom and the village of Kot Bhai Than Singh.

In Conclusion

The case of Kot Bhai Than Singh provides us with important insights into the operation of prohibition orders and the responding local politics. First, the argument made by the lawyer of Sikhs that extraordinary powers were provided to the district magistrate to protect civil rights and not their suppression highlights that, at convenient occasions, the colonised population was willing to participate in the game of law by demanding its proper enforcement. While challenging the magisterial order, the lawyer for Sikhs also conceded that the order of prohibition would have been justified if the police had been "incompetent" to cope with the situation.

Therefore, the Sikh counsel upheld the validity of the legal procedure when it gets followed in letter and spirit. It allowed the colonial administration to serve as an impartial judge in communal disputes, which it always claimed as its real aim. The fact is that law, which should be standard and firm, is indecisive in nature here; first, there is a difference of opinion in assessing the same prohibitory order by the local and the high courts, and second, the court meted divergent punishments for the same crime of defying a prohibitory order. These punishments were, thus, quite arbitrary.

The contestation of issues arising from extraordinary legislation like Section 144 cut both ways, however. Adopting satyagraha allowed Sikhs to argue that the agitation was for civil liberties, motivated by "human actualities" rather than "communal animosity." Hence, they pressured the colonial administration to be more alert to its own administrative philosophy. While Akali satyagrahis repetitively defied administrative orders and exacerbated the law-and-order situation, extraordinary legislation like Section 144 of CrPC got normalised, whilst also getting reintegrated into the rule-of-law myth by opening it up to the courts.

The use of Section 144 of the CrPC had more of a tactical purpose than it being aimed at actual conflict resolution. Prohibitory orders had implications on the language of legality, with emphasis on human rights and citizenship contrasted with the language of community rights. The challenge to the magisterial order allowed the local administration to conduct the disorder of the streets in the "orderly" legal arena. Confrontational situations provided the colonial government with opportunities to invoke public order laws, institute curfews and justify police action to enhance its own administrative calculations, that is, permitting unsuspecting administrative intervention in community relations.

Simultaneously, the courts could argue that the religious communities were mutually exclusive and hence incapable of resolving their own conflicts. Prohibitory orders highlight the administration's attempt to establish its view of public order and enabled it to mark public space with invisible signs of state power. A significant ability of the extraordinary orders of prohibition was to declare spaces and political gatherings as unlawful, but also enabled the administration to take charge of the issue. However, it was often challenged by defiance. For example, the Akali satyagrahis volunteered to court arrest to challenge the magisterial order.

The criminalisation of local politics, by deeming protests unlawful, led to the emergence of a "counter-public." Later, the arrival of volunteers from Amritsar and Lahore created an administrative challenge for the provincial government. The usual binary of insiders and outsiders to a dispute got complicated, as Sikhs from outside Kot Bhai Than Singh also were a party in the conflict. In the end, it was often the influence of outsiders that would bring settlements to such conflicts.

Pertinently, the administration transplanted the communalism of the street into the courtroom. The trial transformed into a spectacle, which became derivative for the colonial state and the religious communities. Notably, both the counsels argued the issue as a conflict between individual citizens. However, neither the issue of Muslim women in whose name the Sardar of Kot instituted the expulsion of Sikhs from the stream nor the issue of Sikhs collectively drawing water and arguing for the defence of their religious rights was discussed.

Steering conflicts to the courtroom enabled the administration to depoliticise events and to project these episodes as cases of individual rights, citizenship and legality, rather than everyday politics. The theatrics of law and legality enabled colonial administration to enforce its might and replenish a certain moral legitimacy for itself while also allowing parties to argue their case articulated though a language of community rights case in an "impartial" atmosphere, that is, the court. Therefore, courts became a theatre of politics where constitutionalism and "rule of law" led, maintained and guided local politics.

NOTES

1 The case ensued at different administrative levels involving claims put forth by both the communities. Later, the courts decided in favour of Sikhs in most of the instances including in 1938 and in 1940.

2 Huge tracts of wasteland around the cultivated land, owned by the original founding families of a village, were called "shamlat" land. It was collectively owned by the village owners or the founding family who had a right either to reclaim the land themselves or allow others to do so.

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— (1937c): "Satyagraha at Kot Bhai Than Singh, Sewadars Arrested, Gurudwara Committee Summoned," 5 August, p 2.

— (1937d): "Akali MLA's to Defy Ban, Satyagraha at Kot Fateh Khan," 6 August, p 3.

— (1937e): "Satyagraha at Kot Bhai Than Singh, 2 More Arrests, Revision Application to be Filed," 7 August, p 7.

— (1937f): "Drawing of Water from Dotal Nullah, Restrictions Only on Eastern Side," 8 August, p 11.

— (1937g): "Satyagraha at Kot Bhai Than Singh, Sikh Leaders Studying Situation," 10 August, p 2.

— (1937h): "Dispute Over Dotal Nullah, Revision Petition in High Court," 11 August, p 1.

— (1937i): "Kot Bhai Than Singh Riot Case, Transfer Application Accepted," 11 August, p 7.

— (1937j): "Settlement Likely, Kot Bhai Than Singh Dispute, S Ujjal Singh Interviews Commissioner," 13 August, p 2.

— (1937k): "Sikh Leaders Meet, Kot Affairs, Conference to be Called," 17 August, p 7.

— (1937l): "Morcha at Kot Bhai Than Singh, Akali Dal to Assume Charge, Jatha of 100 to Leave Amritsar on 25 August," 18 August, p 5.

— (1937m): "Attock Magistrate's Order Set Aside, High Court's Verdict, Sikhs Should be Allowed to Take Water from Nala during Certain Hours," 20 August, p 1.

— (1937n): "Judgment in Kot Bhai Than Singh Case, District Magistrate's Order Set Aside," 20 August, p 9.

— (1937o): "Release 'Morcha' Prisoners, S Kartar Singh's Appeal," 28 August, p 9.

— (1937p): "Dotal Nala Satyagraha, Second Batch Released," 31 August, p 5.

BANK OF AMERICA

BANK OF AMERICA, N.A. (INDIA BRANCHES)

(Incorporated in U.S.A. With Limited Liability)

Independent Auditor's Report

To the Chief Executive Officer
Bank of America N.A. (India Branches)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bank of America N.A. (India Branches) (the 'Bank'), which comprise the Balance Sheet as at 31 March 2020, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 (the 'Act') in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at 31 March 2020, and its profit, and its cash flows for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') specified under Section 143 (10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the financial statements* section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

As more fully described in Note 18(III) to the financial statements, the extent to which the COVID-19 pandemic will have an impact on the Bank's financial performance is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

Other information

The Bank's management is responsible for the other information. The other information comprises the information included in the Basel III Pillar 3 Disclosures report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's responsibility for the financial statements

The Bank's management is responsible for the matters stated in Section 134 (5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit/ loss and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, provisions of Section 29 of the Banking Regulation Act, 1949 and the circulars and guidelines issued by Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Bank's management is also responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the bank has adequate internal financial controls with reference to the financial statements in place and the operating effectiveness of such controls.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements

The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

A. As required by sub-section (3) of Section 30 of the Banking Regulation Act, 1949, we report that:
   (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
   (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
   (c) since the key operations of the Bank are automated with the key applications integrated to the core banking systems, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein. However, during the course of our audit we have visited two branches.

B. Further, as required by Section 143 (3) of the Act, we report that:
   (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
   (b) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;

(c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;

(d) in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, to the extent they are not inconsistent with the accounting policies prescribed by RBI;

(e) the requirements of Section 164 (2) of the Act are not applicable considering the Bank is a branch of Bank of America N.A., which is incorporated in the United States of America; and

(f) with respect to the adequacy of the internal financial controls with reference to the financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in 'Annexure A'.

C. with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. the Bank has disclosed the impact of pending litigations as at 31 March 2020 on its financial position in its financial statements – Refer Note 18 (V) (18) to the financial statements;

ii. the Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 18 (V) (18) to the financial statements;

iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank; and

iv. The disclosures required on holdings as well as dealing in Specified bank notes during the period from 8 November 2016 to 30 December 2016 as envisaged in notification G.S.R. 308(E) dated 30 March 2017 issued by the Ministry of Corporate Affairs is not applicable to the Bank.

D. In our opinion and according to the information and explanations given to us, the provisions of section 197 of the Act and rules thereunder are not applicable to the Bank.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

sd/-
Sameer Mota
Partner
Membership No: 109928
UDIN No. 20109928AAAAEF2602

Place: Mumbai
Date: 26 June 2020

Annexure A to the Independent Auditor's Report of even date on the financial statements of Bank of America N.A. (India Branches) for the year ended 31 March 2020

Bank of America N.A. (India Branches)

Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (Referred to in paragraph B (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to the financial statements of Bank of America N.A. (India Branches) (the 'Bank') as of 31 March 2020 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

In our opinion, the Bank has, in all material respects, adequate internal financial controls with reference to the financial statements and such internal financial controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to the financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the 'Guidance Note').

Emphasis of Matter

As described in Emphasis of Matter paragraph of our report to the financial statements, the extent to which the COVID 19 pandemic will have impact on the Company's internal financial controls with reference to the financial statements is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

Management's responsibility for internal financial controls

The Bank's management is responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to the financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (the 'Act').

Auditor's responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to the financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing prescribed under section 143 (10) of the Act, to the extent applicable to an audit of internal financial controls with reference to the financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to the financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to the financial statements and their operating effectiveness. Our audit of internal financial controls with reference to the financial statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls with reference to the financial statements.

Meaning of internal financial controls over financial reporting

A bank's internal financial controls with reference to the financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles. A bank's internal financial controls with reference to the financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.

Inherent limitations of internal financial controls with reference to the financial statements

Because of the inherent limitations of internal financial controls with reference to the financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to the financial statements to future periods are subject to the risk that the internal financial controls with reference to the financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

sd/-
Sameer Mota
Partner
Membership No: 109928
UDIN No. 20109928AAAAEF2602

Place: Mumbai
Date: 26 June 2020

ECONOMIC & POLITICAL WEEKLY

BANK OF AMERICA, N.A. (INDIA BRANCHES)

(Incorporated in U.S.A. With Limited Liability)

BALANCE SHEET AS AT MARCH 31, 2020

	Schedule	As at March 31, 2020 (Rs. '000)	As at March 31, 2019 (Rs. '000)
CAPITAL AND LIABILITIES			
Capital	1	**31,882,612**	31,882,612
Reserves and Surplus	2	**90,460,773**	78,462,193
Deposits	3	**396,381,927**	226,252,885
Borrowings	4	**58,922,059**	128,335,241
Other Liabilities and Provisions	5	**148,535,364**	75,770,003
TOTAL		**726,182,735**	540,702,934
ASSETS			
Cash and balances with Reserve Bank of India	6	**13,571,642**	12,802,358
Balances with Banks and Money at Call and Short Notice	7	**104,920,736**	41,651,755
Investments	8	**256,565,160**	225,503,895
Advances	9	**235,890,650**	194,517,476
Fixed Assets	10	**1,131,267**	1,179,045
Other Assets	11	**114,103,280**	65,048,405
TOTAL		**726,182,735**	540,702,934
Contingent Liabilities	12	**9,019,277,713**	5,891,263,534
Bills for Collection		**445,596,481**	326,357,868

Significant accounting policies and notes to the Financial Statements 18

Schedules referred to above form an integral part of the Balance Sheet

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2020

	Schedule	Year Ended March 31, 2020 (Rs. '000)	Year Ended March 31, 2019 (Rs. '000)
I. INCOME			
Interest earned	13	**36,462,888**	23,200,600
Other income	14	**10,712,461**	9,046,328
TOTAL		**47,175,349**	32,246,928
II. EXPENDITURE			
Interest expended	15	**16,576,407**	9,312,256
Operating expenses	16	**7,947,549**	7,338,792
Provisions and contingencies	17	**10,652,813**	7,018,137
TOTAL		**35,176,769**	23,669,185
III. PROFIT			
Net profit for the year		**11,998,580**	8,577,743
Profit brought forward		**6,503,151**	13,184,975
TOTAL		**18,501,731**	21,762,718
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		**2,999,645**	2,144,436
Transfer (From) / to Investment Reserve Account		**(112,046)**	111,772
Transfer to Investment Fluctuation Reserve Account		**1,921,046**	1,503,359
Amount retained in India for meeting Capital to Risk-weighted Asset ratio (CRAR)		**5,000,000**	11,500,000
Balance carried over to Balance Sheet		**8,693,086**	6,503,151
TOTAL		**18,501,731**	21,762,718

Significant accounting policies and notes to the Financial Statements 18

Schedules referred to above form an integral part of the Profit and Loss Account

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
Firm Registration Number: 101248W/W-100022

Sd/-
Sameer Mota
Partner
Membership Number: 109928

Place: Mumbai:
Date: June 26, 2020

As per our report of even date attached

For BANK OF AMERICA, N.A. (INDIA BRANCHES)

Sd/-
Kaku Nakhate
Chief Executive Officer

Sd/-
Viral Damania
Chief Financial Officer

BANK OF AMERICA, N.A. (INDIA BRANCHES)

(Incorporated in U.S.A. With Limited Liability)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020

PARTICULARS		Year Ended March 31, 2020 (Rs. '000)	Year Ended March 31, 2019 (Rs. '000)
Cash flow from operating activities			
Net profit before taxation		**21,427,316**	15,333,006
Adjustments for:			
Depreciation		**309,623**	282,413
(Profit) / Loss on sale of fixed assets		**(2,174)**	65
Provision for Enhancing Credit Supply		**351,429**	24,486
Provision for Standard Assets and unhedged foreign currency exposure		**624,353**	495,469
Provision for leave encashment and sick leave		**75,098**	64,337
Provision for gratuity		**86,365**	20,496
(Writeback of) / Provision for country risk		**(16,964)**	7,531
Provision for / (Writeback of) depreciation on investments		**265,259**	(264,612)
Operating profit before working capital changes		**23,120,305**	15,963,191
Adjustments for:			
(Increase) / Decrease in investments		**(31,326,524)**	(75,491,729)
(Increase) / Decrease in advances		**(41,373,174)**	(41,055,074)
(Increase) / Decrease in other assets		**(48,306,767)**	(37,760,823)
Increase / (Decrease) in deposits		**170,129,042**	35,522,908
Increase / (Decrease) in other liabilities and provisions		**71,645,080**	40,116,632
Cash used in Operations		**143,887,962**	(62,704,895)
Taxes Paid (net of refunds received)		**(10,176,842)**	(5,853,465)
Net Cash generated / (used in) Operating Activities	**(A)**	**133,711,120**	(68,558,360)
Cash flow from investing activities			
Purchase of fixed assets		**(277,857)**	(301,806)
Proceeds from sale of fixed assets		**18,184**	19,873
Net Cash used in Investing Activities	**(B)**	**(259,673)**	(281,933)
Cash flow from Financing Activities			
(Decrease) / Increase in borrowings (net)		**(69,413,182)**	52,855,798
Capital Received from Head Office		**-**	22,029,120
Net Cash (used in) / generated from Financing Activities	**(C)**	**(69,413,182)**	74,884,918
Net Increase in cash and cash equivalents	**(A+B+C)**	**64,038,265**	6,044,625
Cash and Cash equivalents at the beginning of the year as per Schedule 6 and 7		**54,454,113**	48,409,488
Cash and Cash equivalents at the end of the year as per Schedule 6 and 7		**118,492,378**	54,454,113
Net Increase in cash and cash equivalents		**64,038,265**	6,044,625

Notes to the Cash Flow Statement

1) The above cash flow statement has been prepared under "Indirect method" as set out in Accounting Standard- 3 "Cash Flow Statements" specified under Section 133 of the Companies Act, 2013.

As per our report of even date

For B S R & Co. LLP
Chartered Accountants
Firm Registration Number: 101248W/W-100022

Sd/-
Sameer Mota
Partner
Membership Number: 109928

Place: Mumbai:
Date: June 26, 2020

For BANK OF AMERICA, N.A. (INDIA BRANCHES)

Sd/-
Kaku Nakhate
Chief Executive Officer

Sd/-
Viral Damania
Chief Financial Officer

BANK OF AMERICA, N.A. (INDIA BRANCHES)

(Incorporated in U.S.A. With Limited Liability)

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at March 31, 2020 (Rs. '000)	As at March 31, 2019 (Rs. '000)
SCHEDULE 1 - Capital		
I. Deposit kept with Reserve Bank of India under Section 11(2)(b)(ii) of the Banking Regulation Act, 1949	**20,800,000**	18,720,000
II. Amount brought in as start-up capital	**2,000**	2,000
Tier I Capital augmented by Head Office	**31,880,612**	31,880,612
TOTAL	**31,882,612**	31,882,612
Note: Additional Capital Received from Head Office during the year : Nil *(Previous Year Rs. 22,029,120 ('000))*		
SCHEDULE 2 - Reserves and Surplus		
I. **Statutory Reserve**		
Opening balance	**20,480,454**	18,336,018
Add : Transfer from Profit and Loss Account	**2,999,645**	2,144,436
	23,480,099	20,480,454
II. **Capital Reserve**		
Opening balance	**3,457,657**	3,457,657
Add : Transfer from Profit and Loss Account	**-**	-
	3,457,657	3,457,657
III. **Amount Retained in India for meeting Capital to Risk-Weighted Asset Ratio (CRAR)**		
Opening balance	**46,375,501**	34,875,501
Add : Transfer from Profit and Loss Account	**5,000,000**	11,500,000
	51,375,501	46,375,501
IV. **Revenue and Other Reserves**		
<u>Investment Reserve</u>		
Opening balance	**142,071**	30,299
Add : Transfer from Profit and Loss Account	**(112,046)**	111,772
	30,025	142,071
<u>Investment Fluctuation Reserve</u>		
Opening balance	**1,503,359**	-
Add : Transfer from Profit and Loss Account	**1,921,046**	1,503,359
	3,424,405	1,503,359
V. **Balance in Profit and Loss Account**	**8,693,086**	6,503,151
TOTAL (I, II, III, IV and V)	**90,460,773**	78,462,193
SCHEDULE 3 - Deposits		
A. I. **Demand Deposits**		
i) From Banks	**13,327,261**	5,969,568
ii) From Others	**148,889,426**	108,867,902
II. **Savings Bank Deposits**	**1,136,537**	264,844
III. **Term Deposits**		
i) From Banks	**-**	-
ii) From Others	**233,028,703**	111,150,571
TOTAL (I, II and III)	**396,381,927**	226,252,885
B. i) Deposits of Branches in India	**396,381,927**	226,252,885
ii) Deposits of Branches outside India	**-**	-
TOTAL	**396,381,927**	226,252,885

	As at March 31, 2020 (Rs. '000)	As at March 31, 2019 (Rs. '000)
SCHEDULE 4 - Borrowings		
I. **Borrowings in India**		
i) Reserve Bank of India	**-**	71,800,000
ii) Other Banks	**-**	-
iii) Other Institutions and Agencies	**33,277,217**	31,219,737
	33,277,217	103,019,737
II. **Borrowings outside India**	**25,644,842**	25,315,504
TOTAL (I and II)	**58,922,059**	128,335,241
Secured borrowings in I and II above	**33,277,217**	103,019,737
SCHEDULE 5 - Other Liabilities and Provisions		
I. Bills payable	**524,679**	550,398
II. Inter-office adjustments - net	**32,848**	503
III. Interest accrued	**1,511,986**	1,003,867
IV. Others [including provisions]	**146,465,851**	74,215,235
TOTAL	**148,535,364**	75,770,003
SCHEDULE 6 - Cash and Balances with Reserve Bank of India		
I. **Cash in hand** (including foreign currency notes)	**41,296**	38,196
II. **Balances with Reserve Bank of India**		
(i) In Current account	**13,530,346**	12,764,162
(ii) In Other accounts	**-**	-
TOTAL (I and II)	**13,571,642**	**12,802,358**
SCHEDULE 7 - Balances with Banks and Money at Call and Short Notice		
I. **In India**		
i) **Balances with banks**		
a) In Current accounts	**136,698**	92,740
b) In Other deposit accounts	**-**	-
ii) **Money at call and short notice**		
a) with banks	**68,500,000**	-
b) with other institutions	**33,728,156**	14,403,701
TOTAL (i and ii)	**102,364,854**	14,496,441
II. **Outside India**		
i) In Current accounts	**2,555,882**	27,155,314
ii) In Other deposit accounts	**-**	-
iii) Money at call and short notice	**-**	-
	2,555,882	27,155,314
TOTAL (I and II)	**104,920,736**	41,651,755

BANK OF AMERICA

BANK OF AMERICA, N.A. (INDIA BRANCHES)

(Incorporated in U.S.A. With Limited Liability)

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at March 31, 2020 (Rs. '000)	As at March 31, 2019 (Rs. '000)
SCHEDULE 8 - Investments		
I. Investments in India		
(i) Government securities *	**256,830,419**	193,073,071
(ii) Other approved securities	-	-
(iii) Shares	-	-
(iv) Debentures and bonds	-	-
(v) Subsidiaries and/or joint ventures	-	-
(vi) Others (including Certificate of Deposits & Commercial Papers)	-	32,430,824
Gross Investments	**256,830,419**	225,503,895
Less : Provision for depreciation	**265,259**	-
	256,565,160	225,503,895
II. Investments outside India	-	-
TOTAL (I and II)	**256,565,160**	225,503,895

* Includes securities of Face Value Rs. 56,020,000 (‘000) deposited with Clearing Corporation of India Limited (CCIL) as margin deposit [Previous Year: Rs. 45,080,000 (‘000)], Rs. 20,000,000 (‘000) pledged with Reserve Bank of India for funds borrowed under liquidity adjustment facility/marginal standing facility [Previous year: Rs. 71,086,620 (‘000)] and securities pledged in the repo market through CCIL Rs.30,990,000 (‘000) [Previous year : Rs. 584,100 (‘000)].

	As at March 31, 2020 (Rs. '000)	As at March 31, 2019 (Rs. '000)
SCHEDULE 9 - Advances		
A. (i) Bills purchased and discounted	**39,513,637**	45,540,533
(ii) Cash credits, overdrafts and loans repayable on demand	**185,441,143**	141,288,669
(iii) Term loans	**10,935,870**	7,688,274
TOTAL	**235,890,650**	194,517,476
B. (i) Secured by tangible assets (including book debts)	**22,087,683**	15,953,051
(ii) Covered by Bank/ Government guarantees	-	-
(iii) Unsecured	**213,802,967**	178,564,425
TOTAL	**235,890,650**	194,517,476
C. I. Advances in India		
(i) Priority sector	**59,771,721**	49,104,149
(ii) Public sector	-	-
(iii) Banks	**8,028,978**	8,593,794
(iv) Others	**168,089,951**	136,819,533
	235,890,650	194,517,476
II. Advances outside India	-	-
TOTAL (I and II)	**235,890,650**	194,517,476

	As at March 31, 2020 (Rs. '000)	As at March 31, 2019 (Rs. '000)
SCHEDULE 10 - Fixed Assets		
I. Premises	-	-
II. Other Fixed Assets (including Furniture and Fixtures)*		
At Cost on March 31 of preceding year	**2,480,015**	2,061,183
Additions during the year	**317,142**	503,451
	2,797,157	2,564,634
Deductions during the year	**158,064**	84,619
	2,639,093	2,480,015
Accumulated depreciation/ amortization	**1,551,924**	1,384,354
	1,087,169	1,095,661
Capital Work in Progress	**44,098**	83,384
TOTAL (I and II)	**1,131,267**	1,179,045
* [Refer Note 17- Schedule 18(V)]		
SCHEDULE 11 - Other Assets		
I. Interest accrued	**4,797,222**	3,916,175
II. Advance tax and tax deducted at source	**1,240,043**	1,096,562
[net of Provision for Taxation of Rs. 74,231,114 (‘000) (*Previous Year Rs. 64,197,752 (‘000)*)]		
III. Deferred tax assets [Refer Note 14 - Schedule 18(V)]	**1,526,667**	922,041
IV. Others	**106,539,348**	59,113,627
TOTAL	**114,103,280**	65,048,405
SCHEDULE 12 - Contingent Liabilities		
I. Claims against the Bank not acknowledged as Debts (including tax related matters)	**1,337,296**	1,120,995
II. Liability for partly paid investments	-	-
III. Liability on account of outstanding foreign exchange contracts	**3,175,750,196**	2,923,662,656
IV. Liability on account of outstanding derivative contracts	**5,781,711,976**	2,908,298,871
V. Guarantees given on behalf of constituents *		
(a) in India	**36,680,967**	34,345,064
(b) outside India	**4,298,055**	6,660,566
VI. Acceptances, endorsements and other obligations	**4,513,349**	5,873,395
VII. Other items for which the Bank is contingently liable		
– Committed Lines of credit	**14,648,373**	10,988,980
– Capital Commitments	**23,388**	41,825
– Depositor Education and Awareness Fund (DEAF) [Refer Note 38 - Schedule 18(V)]	**314,113**	271,182
TOTAL	**9,019,277,713**	5,891,263,534

* Guarantees outstanding on the balance sheet have been shown after deducting therefrom any cash margin.

BANK OF AMERICA

BANK OF AMERICA, N.A. (INDIA BRANCHES)

(Incorporated in U.S.A. With Limited Liability)

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Year Ended March 31, 2020 (Rs. '000)	Year Ended March 31, 2019 (Rs. '000)
SCHEDULE 13 - Interest Earned		
I. Interest/discount on advances/bills	**15,081,085**	11,591,476
II. Income on investments	**17,966,696**	8,752,226
III. Interest on balances with Reserve Bank of India and other inter-bank funds	**1,902,805**	640,470
IV. Others	**1,512,302**	2,216,428
TOTAL	**36,462,888**	23,200,600
SCHEDULE 14 - Other Income		
I. Commission, exchange and brokerage	**1,134,401**	1,244,271
II. Profit on sale of investments (net)	**3,115,404**	1,172,657
III. Profit / (Loss) on sale of land, buildings and other assets (net)	**2,174**	(65)
IV. Profit on exchange / derivative transactions (net)	**5,483,948**	5,520,268
V. Miscellaneous income [Refer Note 42 - Schedule 18(V)]	**976,534**	1,109,197
TOTAL	**10,712,461**	9,046,328
SCHEDULE 15 - Interest Expended		
I. Interest on deposits	**11,597,688**	7,060,200
II. Interest on Reserve Bank of India/inter-bank borrowings	**362,536**	732,816
III. Others	**4,616,183**	1,519,240
TOTAL	**16,576,407**	9,312,256

	Year Ended March 31, 2020 (Rs. '000)	Year Ended March 31, 2019 (Rs. '000)
SCHEDULE 16 - Operating Expenses		
I. Payments to and provisions for employees	**3,600,636**	3,478,894
II. Rent, taxes and lighting	**448,505**	420,291
III. Printing and stationery	**79,026**	68,301
IV. Advertisement and publicity	**330**	802
V. Depreciation on Bank's property	**309,623**	282,413
VI. Directors' fees, allowances and expenses	**-**	-
VII. Auditors' fees and expenses	**15,673**	11,432
VIII. Law Charges	**15,947**	19,285
IX. Postages, Telegrams, Telephones, etc	**185,121**	209,067
X. Repairs and maintenance	**210,112**	236,778
XI. Insurance	**282,946**	215,106
XII. Other expenditure [Refer Note 33 and 41 - Schedule 18(V)]	**2,799,630**	2,396,423
TOTAL	**7,947,549**	7,338,792
SCHEDULE 17 - Provisions and Contingencies		
I. Provision for Standard Assets and unhedged foreign currency exposure	**624,353**	495,469
II. (Write back of) / Provision for country risk	**(16,964)**	7,531
III. Provision for Taxation [Refer Note 15 - Schedule 18(V)]	**10,033,362**	7,040,993
IV. Deferred Tax (Write back) [Refer Note 14 - Schedule 18(V)]	**(604,626)**	(285,730)
V. Provision for / (Write back of) depreciation on investments	**265,259**	(264,612)
VI. Other provisions [Provision for Enhancing Credit Supply]	**351,429**	24,486
TOTAL	**10,652,813**	7,018,137

SCHEDULE 18 – SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

I) Background

The financial statements for the year ended March 31, 2020 comprise the accounts of the India branches of Bank of America, N.A. (the Bank), which is incorporated in the United States of America with limited liability.

II) Basis of preparation

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting, unless otherwise stated and are in accordance with the generally accepted accounting principles in India, requirement prescribed under the Third Schedule of the Banking Regulation Act, 1949, circulars and guidelines issued by Reserve Bank of India (RBI) from time to time and Accounting Standards (AS) prescribed under Section 133 of the Companies Act, 2013 and other relevant provisions of the Companies Act, 2013 and Companies Act, 1956, to the extent applicable and conform to the statutory requirements prescribed by RBI from time to time and current practices prevailing within the banking industry in India.

The financial statements are presented in Indian Rupees rounded off to the nearest thousand unless otherwise stated.

III) Use of Estimates

The preparation of the financial statements, in conformity with the Generally Accepted Accounting Principles, requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities as at the date of the financial statements. Actual results could differ from those estimates and difference between the actual results and estimates are recognized in the period in which the results are known. Any revision in the accounting estimates is recognized prospectively in the current and future periods.

The novel coronavirus (‘COVID-19’) pandemic continues to spread rapidly across the globe including India. On 11 March 2020, COVID-19 outbreak was declared a global pandemic by the World Health Organization. COVID-19 continues to spread across the globe and has contributed to increase in volatility in financial markets and an unprecedented level of disruption on socio-economic activities, the extent of which is currently unascertainable. Various governments, civil society and many organizations, including the Bank, have introduced a variety of measures to contain the spread of the virus to protect lives and livelihood. On 24 March 2020, the Indian government announced a strict 21 days lockdown which was further extended by 19 days and again by 14 days across the country to contain the spread of virus. The bank has also taken wide-ranging steps to ensure the safety and security of its employees, including deep sanitisation of offices, monitoring of body temperature, providing masks, facilitating WFH and arranging medical support for employees.

There is a high level of uncertainty about the time required for life and business to get normal. The extent to which COVID-19 pandemic will impact the Bank’s operations and financial results is dependent on the future developments, which are highly uncertain, including among many the other things, any new information concerning the severity of the pandemic and any action to contain its spread or mitigate its impact, whether government mandated or elected by the Bank.

IV) Significant Accounting Policies

1) Revenue recognition

i) Interest income is recognized in the Profit and Loss Account on an accrual basis, except in case of interest on non-performing assets which is recognized as income upon receipt in accordance with the income recognition and asset classification norms of RBI. Interest income on discounted instruments is recognized over the tenor of the instrument.

ii) Commission on guarantees and letters of credit is recognized upon receipt except commission exceeding the rupee equivalent of USD 50,000, which is recognized on a straight line basis over the life of the contract.

2) Foreign Exchange Transactions

Transactions in foreign currency are recorded and translated at exchange rates prevailing on the date of the transaction. Exchange differences arising on the settlement of monetary items or on reporting an enterprise’s monetary items at rates different from those at which they were initially recorded during the period, or reported in the previous financial statements, are recognized as income or as expenses in the period in which they arise.

Foreign currency monetary items are reported at the balance sheet date at exchange rates notified by the Foreign Exchange Dealers’ Association of India (FEDAI) and the resulting exchange differences are recognized as income or as expense in the Profit and Loss Account.

Foreign exchange spot and forward contracts outstanding as at the balance sheet date and held for trading, are revalued at rates of exchange notified by FEDAI and the resulting gains / losses are recognized in the Profit and Loss Account.

Foreign exchange forward contracts not intended for trading, which are entered into for establishing the amount of reporting currency required or available at the settlement date of a transaction, and are outstanding at the balance sheet date, are valued at the closing spot rate. Premium / discount arising at the inception of such contracts are amortized in the Profit and Loss Account over the life of the contract.

Contingent liabilities on account of foreign exchange contracts, guarantees and acceptances, endorsements and other obligations denominated in foreign currencies at the balance sheet date are disclosed by using the closing rates of exchange notified by the FEDAI.

3) Derivatives

The Bank enters into derivative contracts such as interest rate swaps, cross-currency swaps, currency options, as well as exchange-traded interest rate futures, currency futures and currency options.

All derivative contracts are classified as trading derivatives. Outstanding exchange-traded interest rate futures, currency futures and currency options are marked-to-market using the closing price of relevant contracts as published by the exchanges / clearing corporation. Margin money deposited with the exchanges is presented under ‘Other Assets’. All other outstanding derivative contracts are valued at the estimated realizable market price (fair value). The resulting gains / losses are recognized in the Profit and Loss Account under ‘Other Income’. The corresponding unrealized gains are presented under ‘Other Assets’ and unrealized losses under ‘Other Liabilities’ on the Balance Sheet.

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Fair value is determined by reference to a quoted market price or by using a valuation model. In case the market prices do not appropriately represent the fair value that would be realized for a position or portfolio, valuation adjustments such as market risk close-out costs and bid-offer adjustments are made to arrive at the appropriate fair value. These adjustments are calculated on a portfolio basis and reported as part of the carrying value of the positions being valued, thus reducing trading assets or increasing trading liabilities.

Valuation models, where used, calculate the expected cash flows under terms of the specific contracts, taking into account the relevant market factors viz. interest rates, foreign exchange rates, volatility, prices etc.

The Bank also maintains general provision for standard assets on the current mark-to-market value of the contract, arising on account of derivative and foreign exchange transactions in accordance with the RBI Master circular (DBR.No.BP.BC.2/21.04.048/2015-16 dated July 1, 2015) on prudential norms on income recognition, asset classification and provisioning pertaining to advances.

Any overdue receivables representing positive mark-to-market value of derivative and foreign exchange contracts are treated as non-performing assets, if remaining unpaid for a period of 90 days or more pursuant to the above guidelines.

4) Investments

Investments are accounted for in accordance with the RBI Master Circular (DBR No. BP.BC. 6/ 21.04.141 / 2015-16 dated July 1, 2015) on prudential norms for classification, valuation and operation of investment portfolio by banks.

Classification

Investments are accounted on settlement date basis and are classified as “Held to Maturity” (HTM), “Held for Trading” (HFT) and “Available for Sale” (AFS) at the time of purchase in accordance with the RBI norms. Under each of these classifications, investments are further categorized as i) Government Securities ii) Other approved securities iii) Shares iv) Debentures and Bonds v) Subsidiaries and/or joint ventures and vi) Others.

Valuation

Investments held under HTM classification are carried at acquisition cost. If the acquisition cost is more than the face value, the premium is amortized over the remaining tenor of the investments.

Investments classified under HFT and AFS portfolio are marked-to-market on a monthly basis. Investments classified under HFT and AFS portfolio are valued as per rates declared by Financial Benchmark India Pvt. Ltd. (FBIL) and in accordance with RBI guidelines. Consequently net depreciation, if any, under each of the classifications in respect of any category mentioned in ‘Schedule 8-Investments’ is provided for in the Profit and Loss Account. The net appreciation, if any, under any classification is ignored, except to the extent of any depreciation provided previously. The book value of the individual securities is not changed consequent to periodic valuation of investments.

Treasury Bills, Commercial Paper and Certificates of Deposit, being discounted instruments, are valued at carrying cost. Cost of investments is based on the weighted average cost method.

Investment Reserve Account

In accordance with the aforesaid Master Circular, in case the provision on account of depreciation in the HFT and AFS categories is found to be in excess of the required amount, the excess is credited to the Profit and Loss Account and an equivalent amount net of taxes, if any, adjusted for transfer to Statutory Reserve as applicable to such excess provision is appropriated to the Investment Reserve Account.

The provision required to be created on account of depreciation in investments in AFS and HFT categories is debited to the Profit and Loss Account and an equivalent amount net of tax benefit, if any and net of consequent reduction in transfer to Statutory Reserves is transferred from the Investment Reserve Account to the Profit and Loss Account, to the extent available.

Investment Fluctuation Reserve

In accordance with the RBI Circular - DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018, an Investment Fluctuation Reserve was created to protect against increase in yields. As required by the aforesaid circular the transfer to this reserve will be lower of the following – i) net profit on sale of investments during the year ; ii) net profit for the year less mandatory appropriations, until the amount of the reserve is at least 2 percent of the HFT and AFS portfolio, on a continuing basis.

Transfer between classifications

Transfer of investment between classifications is accounted for in accordance with the extant RBI guidelines, as under:

a) Transfer from AFS/HFT to HTM is made at the lower of book value or market value at the time of transfer.

b) Transfer from HTM to AFS/HFT is made at acquisition price/book value if originally placed in HTM at a discount and at amortized cost if originally placed in HTM at a premium.

c) Transfer from AFS to HFT is made at book value and the related provision for depreciation held, if any, is transferred to provision for depreciation against the HFT securities and vice-versa.

Repo transactions

Market repurchase and reverse repurchase transactions are accounted for as secured borrowing and lending transactions in accordance with the RBI guidelines. Borrowing costs on the market repurchase transactions are accounted as interest expense and revenue on reverse repurchase transactions are accounted as interest income.

Market repurchase and reverse repurchase transactions with the RBI under the Liquidity Adjustment Facility and Marginal Standing Facility are also accounted for as secured borrowing and lending transactions.

Brokerage and Commission

Brokerage and Commission paid at the time of acquisition of a security is charged to Profit and Loss Account.

Broken period interest

Broken period interest paid at the time of acquisition of the security is charged to the Profit and Loss Account.

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5) Tangible fixed assets and capital work-in-progress

Tangible fixed assets are stated at the original cost of acquisition and related expenses less accumulated depreciation and/ or accumulated impairment losses, if any. The cost comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use, any trade discounts and rebates are deducted in arriving at the purchase price. Assets, which are not under active use and are held for disposal, are stated at lower of their net book value and net realizable value. Capital work-in-progress comprises cost of fixed assets that are not yet ready for their intended use as at the reporting date.

Profit on disposal of fixed assets is recognized in the Profit and Loss Account and an equivalent amount net of taxes, if any adjusted for applicable transfer to Statutory Reserve is appropriated to the Capital Reserve; losses on disposal are recognized in the Profit and Loss Account.

6) Intangible assets

The Bank capitalizes intangible assets, where it is reasonably estimated that the intangible asset has an enduring useful life. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and accumulated impairment losses, if any.

7) Depreciation and amortization

i) Except for items forming part of (iii) and (iv) below, depreciation on tangible assets is provided, pro-rata for the period of use, by straight line method (SLM), over the estimated useful life of each asset as determined by management and as stated in the table below

Category	Useful Life
Server, networking, computer and other computer equipment	2 to 5 years
Furniture and fixtures	10 years
Vehicles	5 years
Other equipment (mechanical / electronic)	3 to 6.67 years
Enterprise Core Network (larger complex core routers)	10 years

ii) The Bank has arrived at the above estimates of useful lives based on an internal assessment and technical evaluation and believes that the useful lives stated above represent the best estimate of the period over which it expects to use the assets. With the exception of Furniture and Fittings, the useful lives estimated by the Bank as stated in the table above are different from the useful lives prescribed under "Part C" of "Schedule II" of the Companies Act, 2013 Part C.

iii) Tangible assets costing less than the rupee equivalent of USD 2,500 are fully depreciated in the year of purchase.

iv) Leasehold improvements are depreciated over the lease period including the renewal periods, if any. Assets associated with premises taken on lease are depreciated on straight line basis over the lease period or the useful lives stated above, whichever is shorter.

v) Intangible assets are amortized over their useful lives as estimated by the management commencing from the date the asset is available for use as stated in the table below:

Category	Useful Life
Software*	2 to 5 years

* Software individually costing less than the rupee equivalent of USD 10,000 is fully amortized in the year of purchase.

8) Impairment of Assets

An asset is considered as impaired when at the balance sheet date, there are indications that the asset may be impaired and the carrying amount of the asset, or where applicable, the cash generating unit to which the asset belongs, exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value-in-use). The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired based on internal/external factors. If any such indication exists, the Bank estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the impairment loss is recognized as an expense in the Profit and Loss Account.

9) Advances

Advances are classified into performing and non performing advances in accordance with RBI Master Circular (DBR.No.BP. BC.2/21.04.048/2015-16 dated July 1, 2015) on prudential norms on income recognition, asset classification and provisioning pertaining to advances. Further, non-performing assets (NPA) are classified into sub-standard, doubtful and loss assets as per RBI guidelines.

Specific loan loss provisions in respect of non-performing advances are made based on management assessment of the degree of impairment, subject to the minimum provisioning norms laid down by RBI. Interest on non-performing advances is not recognized in the Profit and Loss Account until received.

Advances are stated net of bills re-discounted, specific loan loss provisions and interest-in-suspense for non-performing advances in accordance with the prudential norms.

The Bank also maintains general provisions on standard assets over and above the specific provisions to cover potential credit losses inherent in any loan portfolio.

Provision on standard assets, un-hedged foreign currency exposure of borrowers, country risk exposure and enhancing credit supply to large borrowers is made in accordance with the norms prescribed by RBI and disclosed under Schedule 5 – 'Other Liabilities and Provisions'.

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

10) Employee Benefits

Provident fund

The Bank contributes to a Government administered provident fund in respect of its employees. The Bank has no further obligation beyond making the contributions. Contributions to provident fund are made in accordance with the statute, and are recognized as an expense when employees have rendered services entitling them to the contributions.

Gratuity

The Bank has a gratuity scheme, a defined benefit plan, for all eligible employees, which is administered by a trust set up by the Bank. The costs of providing benefits under the gratuity scheme are determined using the Projected Unit Credit Method on the basis of actuarial valuation carried out by an independent actuary at each balance sheet date. The Bank makes periodical contributions to the trust. Gratuity benefit obligations recognised on the Balance Sheet represent the present value of the obligations as reduced by the fair value of plan assets. Actuarial gains and losses are recognised in the Profit and Loss Account in the year in which they arise.

During the current year, the trust transferred management of a portion of its funds to a private insurance company.

Compensated Absences

Liability for defined benefit plans in the nature of sick leave and privilege leave for all eligible employees is recognized based on actuarial valuation carried out by an independent actuary as at the balance sheet date.

Pension

The Bank has a pension scheme, a defined contribution plan, for all eligible employees, which is administered by a trust set up by the Bank. The Bank's contribution towards the pension scheme is accounted for on an accrual basis and recognized as an expense in the Profit and Loss Account during the period in which employee renders the related service. The Bank has no further obligation beyond making the contributions.

During the current year, the trust transferred management of a portion of its funds to a private insurance company.

11) Taxation

Taxes on income are accounted for in accordance with Accounting Standard (AS 22) on "Accounting for Taxes on Income" and comprise current and deferred tax. Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and laws in respect of taxable income for the year, in accordance with the Income tax-Act, 1961.

Deferred tax is recognized in respect of timing differences between taxable income and accounting income i.e. difference that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets arising on account of carry forward losses and unabsorbed depreciation under tax laws are recognized only if there is virtual certainty of its realization, supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets on account of other timing differences are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realized.

12) Accounting for leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating leases. For operating leases, lease payments are recognized as an expense in the statement of Profit and Loss Account on a straight line basis over the lease term.

13) Provisions, contingent liabilities and contingent assets

A provision is recognized if, as a result of a past event, the Bank has a present obligation that can be estimated reliably and is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are recognized at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provisions are measured on an undiscounted basis. A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best available estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and the related income are recognized in the period in which the change occurs.

14) Employee stock compensation

Liability in respect of restricted stocks / restricted units of the Ultimate Controlling Enterprise granted to the employees of the Bank in terms of the global long-term incentive compensation plans of the Ultimate Controlling Enterprise is accounted for initially at the fair value of the awards on the date of grant. The difference between the fair value on the date of grant and fair value on the date of vesting is accounted for when the stocks vest. At the balance sheet date, liability in respect of unvested stocks is re-measured based on the fair value of the stocks on that date.

15) Cash flow statement

Cash Flow Statement is prepared by the indirect method set out in Accounting Standard 3 on "Cash Flow Statements" and presents the cash flows by operating, investing and financing activities of the Bank. Cash and cash equivalents consist of Cash and Balances with Reserve Bank of India and Balances with Banks and Money at Call and Short Notice.

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V) Other Disclosures

1. Capital to risk weighted assets ratio (CRAR)

The Bank's capital adequacy ratio computed under Basel III framework is given below:

Sr. No.	Particulars	As at March 31, 2020	As at March 31, 2019
i)	Common Equity Tier I capital ratio (%)	**16.72%**	23.87%
ii)	Tier 1 capital ratio (%)	**16.72%**	23.87%
iii)	Tier 2 capital ratio (%)	**0.90%**	0.81%
iv)	Total Capital to Risk Weighted Assets ratio [CRAR] (%)	**17.62%**	24.68%
v)	Percentage of the shareholding of the Government of India in public sector banks	**Nil**	Nil
vi)	Amount of equity capital raised	**Nil**	Nil
vii)	Amount of Additional Tier 1 capital raised; of which Perpetual Non-Cumulative Preference Shares [PNCPS]: Perpetual Debt Instruments [PDI]:	**Nil** **Nil** **Nil**	Nil Nil Nil
viii)	Amount of Tier 2 capital raised; of which Debt capital instrument: Preference Share Capital Instruments: *[Perpetual Cumulative Preference Shares (PCPS)/Redeemable Non-Cumulative Preference Shares (RNCPS)/Redeemable Cumulative Preference Shares (RCPS)]*	**Nil** **Nil** **Nil**	Nil Nil Nil

2. Investments **(Rs. '000)**

Particulars	As at March 31, 2020	As at March 31, 2019
1) Value of investments		
i) Gross Value of investments		
(a) In India	**256,830,419**	225,503,895
(b) Outside india	**Nil**	Nil
ii) Provisions for Depreciation on investments		
(a) In India	**265,259**	Nil
(b) Outside India	**Nil**	Nil
iii) Net Value of investments		
(a) In India	**256,565,160**	225,503,895
(b) Outside India	**Nil**	Nil
2) Movement of provisions held towards depreciation on investments		
i) Opening balance	**Nil**	264,612
ii) Add: Provisions made during the year	**265,259**	Nil
iii) Less: Write-back of excess provision during the year	**Nil**	264,612
iv) Closing balance	**265,259**	Nil

The Bank has not held any security in Held to Maturity (HTM) category and has not sold or transferred securities to or from HTM category during the year ended March 31, 2020 and the previous year ended March 31, 2019.

3. Information on Repo and Reverse Repo Transactions (in face value terms) **(Rs. '000)**

Year ended March 31, 2020	**Minimum Outstanding during the year**	**Maximum Outstanding during the year**	**Daily Average Balance Outstanding during the year**	**Outstanding as at March 31, 2020**
Securities sold under repo*				
• Government securities	**Nil**	**175,579,996**	**53,031,987**	**30,990,000**
• Corporate debt securities	**Nil**	**Nil**	**Nil**	**Nil**
Securities purchased under reverse repo*				
• Government securities	**13,860,000**	**146,324,550**	**57,039,033**	**92,707,050**
• Corporate debt securities	**Nil**	**Nil**	**Nil**	**Nil**

* Includes repo and reverse repo transactions under the Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) with RBI.

(Rs. '000)

Year ended March 31, 2019	Minimum Outstanding during the year	Maximum Outstanding during the year	Daily Average Balance Outstanding during the year	Outstanding as at March 31, 2019
Securities sold under repo*				
• Government securities	Nil	103,280,391	9,112,548	102,406,699
• Corporate debt securities	Nil	Nil	Nil	Nil
Securities purchased under reverse repo*				
• Government securities	8,434,300	96,940,060	34,921,421	13,860,000
• Corporate debt securities	Nil	Nil	Nil	Nil

* Includes repo and reverse repo transactions under the Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) with RBI.

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4. Non-SLR Investment Portfolio

(i) Issuer Composition of Non-SLR Investments

As at March 31, 2020

(Rs. '000)

Sr. No.	**Issuer**	**Amount (Book Value)**	**Extent of private placement**	**Extent of 'below investment grade' securities**	**Extent of 'unrated' securities**	**Extent of 'unlisted' securities**
(1)	**(2)**	**(3)**	**(4)#**	**(5)#**	**(6)#**	**(7)#**
1)	Public Sector Undertakings	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
2)	Financial Institutions	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
3)	Banks	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
4)	Private corporate	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
5)	Subsidiaries/Joint ventures	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
6)	Others	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
7)	Provision held towards depreciation	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
	Total	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**

Amounts reported under columns (4), (5), (6) and (7) above are not mutually exclusive.

As at March 31, 2019

(Rs. '000)

Sr. No.	Issuer	Amount (Book Value)	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities
(1)	(2)	(3)	(4)#	(5)#	(6)#	(7)#
1)	Public Sector Undertakings	23,469,006	Nil	Nil	Nil	Nil
2)	Financial Institutions	Nil	Nil	Nil	Nil	Nil
3)	Banks	8,961,818	5,836,598	Nil	Nil	Nil
4)	Private corporate	Nil	Nil	Nil	Nil	Nil
5)	Subsidiaries/Joint ventures	Nil	Nil	Nil	Nil	Nil
6)	Others	Nil	Nil	Nil	Nil	Nil
7)	Provision held towards depreciation	Nil	Nil	Nil	Nil	Nil
	Total	32,430,824	5,836,598	Nil	Nil	Nil

Amounts reported under columns (4), (5), (6) and (7) above are not mutually exclusive.

(ii) Non-Performing Non-SLR Investments

There are no non-performing non-SLR Investments as at March 31, 2020 *(as at March 31, 2019: Nil).*

5. Derivatives

(i) Interest Rate Swaps

(Rs. '000)

Sr. No.	**Particulars**	**As at March 31, 2020**	As at March 31, 2019
i)	The notional principal value of interest rate swaps	**5,602,542,148**	2,763,093,505
ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	**45,342,672**	14,444,470
iii)	Collateral required by the bank upon entering into swaps	**7,089,797**	2,596,288
iv)	Concentration of credit risk arising from the swaps (in the banking industry)	**99.6%**	99.2%
v)	The fair value of interest rate swaps – Gains/(Losses)	**(2,316,599)**	(186,168)

Notes:

a) There are no forward rate agreements outstanding as at March 31, 2020 (*as at March 31, 2019: Nil).*

b) For accounting policies relating to the Interest Rate Swaps, please refer Note (IV) (3) – Schedule 18.

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

(ii) Nature and terms of interest rate swaps:
As of March 31, 2020

(Rs. 000's)

Nature	No. of Contracts	Notional Principal	Benchmark	Term
Trading	**2**	**850,000**	INBMK	Fixed Payable vs Floating Receivable
Trading	**238**	**118,280,000**	MIFOR	Fixed Payable vs Floating Receivable
Trading	**176**	**100,550,000**	MIFOR	Floating Payable vs Fixed Receivable
Trading	**2,805**	**2,365,341,142**	MIBOR	Fixed Payable vs Floating Receivable
Trading	**2,383**	**1,839,318,527**	MIBOR	Floating Payable vs Fixed Receivable
Trading	**297**	**483,948,504**	LIBOR	Fixed Payable vs Floating Receivable
Trading	**286**	**450,050,585**	LIBOR	Floating Payable vs Fixed Receivable
Trading	**66**	**193,702,402**	LIBOR	Floating Payable vs Floating Receivable
Trading	**16**	**14,733,059**	EURIBOR	Fixed Payable vs Floating Receivable
Trading	**16**	**14,733,059**	EURIBOR	Floating Payable vs Fixed Receivable
Trading	**4**	**18,083,935**	FEDFUNDS	Fixed Payable vs Floating Receivable
Trading	**2**	**2,950,935**	FEDFUNDS	Floating Payable vs Fixed Receivable
Total	**6,291**	**5,602,542,148**		

As of March 31, 2019

(Rs. 000's)

Nature	No. of Contracts	Notional Principal	Benchmark	Term
Trading	2	850,000	INBMK	Fixed Payable vs Floating Receivable
Trading	180	90,530,000	MIFOR	Fixed Payable vs Floating Receivable
Trading	87	45,550,000	MIFOR	Floating Payable vs Fixed Receivable
Trading	985	781,188,767	MIBOR	Fixed Payable vs Floating Receivable
Trading	1,060	954,778,037	MIBOR	Floating Payable vs Fixed Receivable
Trading	210	340,203,776	LIBOR	Fixed Payable vs Floating Receivable
Trading	216	356,766,398	LIBOR	Floating Payable vs Fixed Receivable
Trading	57	141,836,902	LIBOR	Floating Payable vs Floating Receivable
Trading	1	1,728,875	OIS	Fixed Payable vs Floating Receivable
Trading	1	1,728,875	OIS	Floating Payable vs Fixed Receivable
Trading	16	13,592,688	EURIBOR	Fixed Payable vs Floating Receivable
Trading	16	13,592,688	EURIBOR	Floating Payable vs Fixed Receivable
Trading	5	13,831,000	FEDFUNDS	Fixed Payable vs Floating Receivable
Trading	4	6,915,500	FEDFUNDS	Floating Payable vs Fixed Receivable
Total	2,840	2,763,093,506		

MIFOR : Mumbai Interbank Forward Offer Rate
MIBOR : Mumbai Interbank Offered Rate
INBMK : India Benchmark

(iii) Exchange Traded Interest Rate Derivatives

(Rs. '000)

Sr. No.	Particulars	As at March 31, 2020	As at March 31, 2019
1)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year, – Interest rate futures (Government bond)	**121,403,674**	15,613,800
2)	Notional principal amount of exchange traded interest rate derivatives outstanding as at March 31, – Interest rate futures (Government bond)	**2,872,600**	Nil
3)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	**2,872,600**	NA
4)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective"	**51,204**	NA

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(iv) Disclosure on Risk Exposure in Derivatives

a. Qualitative Disclosure

- The Bank enters into derivative contracts for the purposes of trading and to meet customer requirements to manage their risks.
- The Bank has a policy in place for measurement, reporting, monitoring and mitigating credit, market and operational risk.
  - o Credit risk is managed based on the risk profile of the borrower or counterparty, repayment sources and other support given the current events, conditions and expectations. Credit risk for a derivative contract is sum of the potential future changes in value and the replacement cost, which is the positive mark-to-market value of the contract.
  - o The Bank uses Value-at-Risk (VaR) modeling and stress testing to measure and manage market risk. Trading limits and VaR are used to manage day-to-day risks and are subject to testing where expected performance is compared to actual performance. All limit excesses are communicated to senior management for review.
  - o There exists an organizational set up for the management of risk. All lines of business are responsible for the risks within the business including operational risks. Such risks are managed through corporate-wide and/or line of business specific policies and procedures, controls, and monitoring tools.
- Treasury front-office, mid-office and back-office are managed by officials with necessary systems support and clearly defined responsibilities.
- There exist policies for recording derivative transactions, recognition of income, valuation of outstanding contracts, provisioning and credit risk mitigation. The gains or losses are reported under the head 'Profit on exchange/derivative transactions' in the Profit and Loss account. On the Balance Sheet, unrealized gains are reported under "Other Assets" in Schedule 11 and unrealized losses are reported under "Other Liabilities" in Schedule 5. Outstanding amounts in respect of unrealized gains and losses summarized by major product types forming part of "Other Assets" and "Other Liabilities" respectively are as under:

(Rs. '000)

Particulars	**As at March 31, 2020**		As at March 31, 2019	
	Asset (+)	**Liability (-)**	Asset (+)	Liability (-)
Forward exchange contracts	**53,228,368**	**(48,917,967)**	38,768,170	(37,218,211)
Interest rate swap	**45,342,673**	**(47,659,271)**	14,444,470	(14,630,638)
Cross-currency interest rate swap	**920,482**	**(3,340,738)**	1,524,857	(1,108,694)
Interest rate futures	**51,204**	**Nil**	Nil	Nil
Currency futures	**Nil**	**(8,889)**	Nil	Nil
Options	**472,228**	**(1,061,174)**	560,893	(1,047,940)
Total	**100,014,955**	**(100,988,039)**	55,298,390	(54,005,483)

b. Quantitative Disclosure

(Rs. '000)

Sr. No.	**Particulars**	**Currency Derivatives* As at March 31, 2020**	**Interest Rate Derivatives**As at March 31, 2020**
1)	Derivatives (Notional Principal Amount)		
	a) For hedging	**Nil**	**Nil**
	b) For trading	**176,297,229**	**5,605,414,747**
2)	Marked to Market Positions		
	a) Asset (+)	**1,392,710**	**45,393,877**
	b) Liability (-)	**(4,410,801)**	**(47,659,271)**
3)	Credit Exposure#	**10,194,288**	**86,461,362**
4)	Likely impact of one percentage change in interest rate (100*PV01) ***		
	a) on hedging derivatives	**Nil**	**Nil**
	b) on trading derivatives	**1,172,424**	**1,030,824**
5)	Maximum and Minimum of 100*PV01 observed during the year ***		
	a) on hedging	**Nil**	**Nil**
	b) on trading (Maximum)	**1,380,704**	**3,132,903**
	c) on trading (Minimum)	**902,820**	**2,097**

Notional principal amount of outstanding foreign exchange contracts classified as trading and hedging as at March 31, 2020 amounted to Rs. 3,175,750,196 ('000) and NIL respectively.

* Currency Derivatives include currency futures, cross-currency swaps and currency options.

** Interest Rate Derivatives include interest rate swaps and interest rate futures.

*** absolute values considered.

Credit exposure is computed based on the current exposure method representing the sum of potential future exposure and positive mark-to-market value of contracts.

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(Rs. '000)

Sr. No.	Particulars	Currency Derivatives* As at March 31, 2019	Interest Rate Derivatives** As at March 31, 2019
1)	Derivatives (Notional Principal Amount)		
	a) For hedging	Nil	Nil
	b) For trading	145,205,366	2,763,093,505
2)	Marked to Market Positions		
	a) Asset (+)	2,085,750	14,444,470
	b) Liability (-)	(2,156,634)	(14,630,638)
3)	Credit Exposure#	9,561,980	36,211,477
4)	Likely impact of one percentage change in interest rate (100*PV01) ***		
	a) on hedging derivatives	Nil	Nil
	b) on trading derivatives	963,834	48,846
5)	Maximum and Minimum of 100*PV01 observed during the year ***		
	a) on hedging	Nil	Nil
	b) on trading (Maximum)	986,647	1,209,473
	c) on trading (Minimum)	367,915	17,557

Notional principal amount of outstanding foreign exchange contracts classified as trading and hedging as at March 31, 2019 amounted to Rs. 2,923,662,656 ('000) and NIL respectively.
* Currency Derivatives include currency futures, cross-currency swaps and currency options.
** Interest Rate Derivatives include interest rate swaps and interest rate futures.
*** absolute values considered.
# Credit exposure is computed based on the current exposure method representing the sum of potential future exposure and positive mark-to-market value of contracts.

6. Asset quality

(i) Non-Performing Assets (Funded)

(Rs. '000)

Sr. No.	Item	As at March 31, 2020	As at March 31, 2019
1)	Net NPAs to Net Advances (%)	**Nil**	Nil
2)	Movement of NPAs (Gross)		
	(a) Opening balance	**Nil**	Nil
	(b) Additions during the year	**2,236**	Nil
	(c) Reductions during the year	**2,236**	Nil
	(d) Closing balance	**Nil**	Nil
3)	Movement of Net NPAs		
	(a) Opening balance	**Nil**	Nil
	(b) Additions during the year	**1,677**	Nil
	(c) Reductions during the year (recoveries)	**1,677**	Nil
	(d) Closing balance	**Nil**	Nil
4)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	(a) Opening balance	**Nil**	Nil
	(b) Provisions made during the year	**559**	Nil
	(c) Write-off	**Nil**	Nil
	(d) Write-back of excess provisions	**559**	Nil
	(e) Closing balance	**Nil**	Nil

(ii) Disclosure on NPA Divergence

There is no divergence in asset classification and provisioning during the current year requiring detailed disclosures pursuant to RBI/2018-19/157 circular no. DBR.BP.BC.No.32/21.04.018/2018-19 dated April 1, 2019 and RBI/2016-17/283 circular no. DBR. BP. BC.No.63/21.04.018/2016-17 dated 18 April 2017. Disclosure pertaining to current year and previous year is given below:

(Rs. '000)

Sr No.	Particulars	During the year March 31, 2020	During the year March 31, 2019
1	Gross NPAs as at the beginning of the year as reported by the Bank	**Nil**	Nil
2	Gross NPAs as at the beginning of the year as assessed by RBI	**Nil**	130,174
3	Divergence in Gross NPAs (2-1)	**Nil**	130,174
4	Net NPAs as at the beginning of the year as reported by the Bank	**Nil**	Nil
5	Net NPAs as at the beginning of the year as assessed by RBI	**Nil**	97,630
6	Divergence in Net NPAs (5-4)	**Nil**	97,630
7	Provisions for NPAs as at the beginning of the year as reported by the Bank	**Nil**	Nil
8	Provisions for NPAs as at the beginning of the year as assessed by RBI	**Nil**	32,544
9	Divergence in provisioning (8-7)	**Nil**	32,544
10	Reported Net Profit after Tax (PAT) for the previous year	**8,577,743**	7,343,248
11	Adjusted (notional) Net Profit after Tax (PAT) for the previous year after taking into account the divergence in provisioning	**8,577,743**	7,324,920

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6 (iii) Particulars of accounts restructured for year ended March 31, 2020

Rs. crore

Sr. no	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification / Details		Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total
1	Restructured accounts as on 1st April, 2019	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2	Fresh re-structuring during the financial year 2019-20	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3	Upgradation to restructured standard category during the financial year 2019-20	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of next year	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	Downgradation of restructured accounts during the financial year 2019-20	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6	Writeoff of restructured accounts during the financial year 2019-20	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
7	Restructured accounts as on March 31, 2020	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

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6 (iii) Particulars of accounts restructured for year ended March 31, 2019

Rs. crore

Sr. no	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification / Details		Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total
1	Restructured accounts as on April 1, 2018	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2	Fresh re-structuring during the financial year 2018-19	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3	Upgradation to restructured standard category during the financial year 2018-19	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of next year	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	Downgradation of restructured accounts during the financial year 2018-19	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6	Writeoff of restructured accounts during the financial year 2018-19	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
7	Restructured accounts as on March 31, 2019	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

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(iv) Details of financial assets sold to Securitization/ Reconstruction Company for Asset Reconstruction

No Financial assets were sold to Securitization/Reconstruction Company for asset reconstruction during the year ended March 31, 2020 (*Previous year ended March 31, 2019: NIL*).

(v) Details of non-performing financial assets purchased/sold

There were no non-performing financial assets that were purchased or sold during the year ended March 31, 2020 (*Previous year ended March 31, 2019 : NIL*).

(vi) Provision on standard assets

(Rs. '000)

Particulars	**As at March 31, 2020**	As at March 31, 2019
Provision on standard assets	**1,343,622**	999,263

(vii) Provision for COVID-19 Deferment cases:

As per RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020, April 17, 2020 and May 23, 2020, all commercial banks were permitted to grant a moratorium of three months on payment of all instalments falling due between March 1, 2020 and May 31, 2020 (further extended by three months till August 31, 2020). The Bank has laid down LMT approved policy on April 6, 2020 for any borrower who wants to avail deferment period for a Term Loan/Overdraft facility. None of the borrowers have requested the Bank to provide moratorium for the payment of overdraft facility/instalments and/ or interest falling due between March 1, 2020 to March 31, 2020.

Disclosure required as part of COVID-19 Regulatory Package - Asset Classification and Provisioning:

(Rs. '000)

Particulars	**Amount**
Advances outstanding in SMA/overdue categories, where the moratorium/deferment was extended	Nil
Amount where asset classification benefits is extended upto March 31, 2020	Nil
Provisions made as per para 5 of the COVID-19 Regulatory Package for the financial year ended March 31, 2020	Nil
Provisions adjusted during the financial year ended March 31, 2020	Nil
Residual provisions in terms of paragraph 6 of the COVID-19 Regulatory Package as at March 31, 2020	Nil

7. Business Ratios

Sr. No.	**Particulars**	**For the year ended March 31, 2020**	For the year ended March 31, 2019
a)	Interest income as a percentage to working funds*	**6.00%**	5.99%
b)	Non-interest income as a percentage to working funds*	**1.76%**	2.40%
c)	Operating Profit as a percentage to working funds*	**3.73%**	4.03%
d)	Return on assets@	**1.97%**	2.22%
e)	Business (Deposits plus Advances) per employee (Rs. '000)#	**1,329,635**	902,722
f)	Profit per employee (Rs. '000)	**25,776**	18,668

*Working funds are the average of total assets as reported to RBI in Form X under Section 27 of the Banking Regulation Act, 1949 during the twelve months of the financial year.

@ Return on assets computed with reference to working funds as described above.

#For the purpose of Business (Deposits plus Advances) per employee, inter-bank deposits are excluded. Business per employee is calculated basis average employees for the year.

8. Asset Liability Management

Maturity Pattern of certain items of assets and liabilities

(Rs. in Crores)

As at March 31, 2020	**Advances**	**Investments**	**Deposits**	**Borrowings**	**Foreign Currency Assets**	**Foreign Currency Liabilities**
Day 1	**388**	**14,373**	**5,127**	**3,660**	**253**	**435**
2 to 7 days	**1,470**	**3,169**	**4,382**	**-**	**10**	**103**
8 to 14 days	**1,235**	**-**	**2,851**	**-**	**30**	**103**
15 to 30 days	**4,309**	**2,811**	**4,745**	**-**	**79**	**1**
31 days and upto 2 months	**2,794**	**505**	**3,576**	**2,232**	**1,051**	**2,232**
Over 2 months and upto 3 months	**2,295**	**699**	**955**	**-**	**2,858**	**2,466**
Over 3 months and upto 6 months	**4,971**	**221**	**1,566**	**-**	**2,651**	**-**
Over 6 months and upto 1 year	**1,817**	**227**	**1,607**	**-**	**-**	**-**
Over 1 year and upto 3 years	**3,973**	**3,652**	**14,819**	**-**	**270**	**2,767**
Over 3 years and upto 5 years	**337**	**-**	**7**	**-**	**-**	**-**
Over 5 Years	**-**	**0**	**3**	**-**	**148**	**-**
Total	**23,589**	**25,657**	**39,638**	**5,892**	**7,350**	**8,107**

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(Rs. in Crores)

As at March 31, 2019	Advances	Investments	Deposits	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	465	11,071	2,497	3,802	2,744	121
2 to 7 days	1,260	4,901	1,920	4,950	-	121
8 to 14 days	2,016	1,562	1,754	1,550	8	121
15 to 30 days	2,452	1,332	1,721	-	64	7
31 days and upto 2 months	2,310	657	1,386	2,531	430	2,531
Over 2 months and upto 3 months	2,094	401	563	-	1,511	624
Over 3 months and upto 6 months	4,108	252	1,495	-	2,221	-
Over 6 months and upto 1 year	1,729	154	915	-	-	-
Over 1 year and upto 3 years	2,706	2,115	10,366	-	-	3,261
Over 3 years and upto 5 years	312	105	7	-	-	-
Over 5 Years	-	-	1	-	135	-
Total	19,452	22,550	22,625	12,833	7,113	6,786

9. Exposures

(i) Exposure to Real Estate Sector **(Rs.'000)**

Category	**As at March 31, 2020**	As at March 31, 2019
Direct Exposure		
i) Residential Mortgages	**Nil**	Nil
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; Of which Individual Housing Loans included in Priority Sector advances	**Nil**	Nil
ii) Commercial Real Estate Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	**Nil**	Nil
iii) Investment in mortgage backed securities (MBS) and other securitized exposures a. Residential, b. Commercial Real Estate.	**Nil**	Nil
Indirect Exposure		
Fund based and non-fund based exposures to National Housing Bank and Housing Finance Companies	**Nil**	Nil
Total Exposure to Real Estate Sector	**Nil**	Nil

(ii) Exposure to Capital Market **(Rs. '000)**

Sr. No.	**Particulars**	**As at March 31, 2020**	As at March 31, 2019
1)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	**Nil**	Nil
2)	Advances against shares/bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures and units of equity oriented mutual funds;	**Nil**	Nil
3)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	**Nil**	Nil
4)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	**Nil**	Nil
5)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	**Nil**	Nil
6)	Loans sanctioned to corporate against the security of shares/ bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	**Nil**	Nil
7)	Bridge loans to companies against expected equity flows/issues;	**Nil**	Nil
8)	Underwriting commitments taken up by the Bank in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	**Nil**	Nil
9)	Financing to stockbrokers for margin trading;	**Nil**	Nil
10)	All exposures to Venture Capital Funds (both registered and unregistered)	**Nil**	Nil
11)	Non-fund based exposure in the nature of guarantees	**Nil**	1,380,023
	Total Exposure to Capital Market	**Nil**	1,380,023

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(iii) Risk Category-wise Country Exposure **(Rs. '000)**

Risk Category	Exposure (net) as at March 31, 2020	Provision held as at March 31, 2020	Exposure (net) as at March 31, 2019	Provision held as at March 31, 2019
Insignificant	**6,882,992**	**Nil**	33,809,327	16,964
Low	**1,183**	**Nil**	941	Nil
Moderate	**5,744**	**Nil**	18,544	Nil
High	**Nil**	**Nil**	Nil	Nil
Very High	**Nil**	**Nil**	Nil	Nil
Restricted	**Nil**	**Nil**	Nil	Nil
Off-Credit	**Nil**	**Nil**	Nil	Nil
Total	**6,889,919**	**Nil**	33,828,812	16,964

(iv) Single and Group Borrower limits

During the year ended March 31, 2020 the Bank did not exceed the single and group borrower limits in respect of any of its clients (*Previous Year ended March 31, 2019 : Nil*)

(v) Unsecured Advances

During the year ended March 31, 2020, the Bank has not given loans against intangible securities such as rights, licenses, authority etc *(Previous Year ended March 31, 2019 : Nil).*

10. Penalties levied by RBI

RBI has not imposed any penalty on the Bank during the year ended March 31, 2020 (*Previous Year ended March 31, 2019: Rs. 10,000 ('000)*).

11. Disclosures under Accounting Standard (AS) 15 Employee Benefits

The Bank has classified the various benefits provided to employees as under:-

a) Defined Contribution Plan – Pension Fund

During the year ended March 31, 2020, the Bank has recognized **Rs. 41,918 ('000)** *(Previous year ended March 31, 2019 : Rs. 42,140 ('000))* in the Profit and Loss account as Employers' Contribution to Pension Fund.

b) Defined Benefit Plan – Contribution to Gratuity Fund

Liabilities recognized in Balance Sheet in respect of funded defined benefit obligations: **(Rs. '000)**

Particulars	As at March 31, 2020	As at March 31, 2019
Projected Benefit Obligation at the end of year	**677,261**	590,450
Ending Asset	**589,938**	526,283
Fund Status asset/(liability)	**(87,323)**	(64,167)
Unrecognized past service cost - non vested benefits	**Nil**	Nil
Liability recognized in the Balance sheet	**(87,323)**	(64,167)

Gratuity Expenses during the year: **(Rs. '000)**

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Current Service Cost	**66,436**	61,926
Interest Cost	**40,762**	38,231
Expected return on plan asset	**(40,605)**	(37,270)
Net Actuarial losses /(gains) recognized in the year	**15,796**	16,209
Past Service Cost	**Nil**	Nil
Effect of Curtailments	**Nil**	Nil
Expenses recognized in the statement of Profit and Loss account	**82,389**	79,096

Reconciliation of defined benefit obligations (Gratuity) during the year: **(Rs. '000)**

Particulars	As at March 31, 2020	As at March 31, 2019
Projected Benefit Obligation at the beginning of the year	**590,450**	529,485
Current Service Cost	**66,436**	61,926
Interest Cost	**40,762**	38,231
Contribution by plan participation	**Nil**	Nil
Actuarial Losses	**24,249**	12,601
Plan Amendments Cost/(Credit)	**Nil**	Nil
Acquisition/Business combination/Divestiture	**3,975**	1,085
Benefits Paid	**(48,612)**	(52,878)
Past service cost	**Nil**	Nil
Amalgamations	**Nil**	Nil
Curtailments	**Nil**	Nil
Settlements	**Nil**	Nil
Projected Benefit Obligation at the end of year	**677,261**	590,450

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Change in fair value of assets: **(Rs. '000)**

Particulars	As at March 31, 2020	As at March 31, 2019
Plan Asset at beginning of year	**526,283**	486,898
Expected Return on Plan Asset	**40,605**	37,271
Employer Contribution	**63,209**	58,600
Employee Contribution	**Nil**	Nil
Benefits Payment	**(48,612)**	(52,878)
Actuarial Gains/(Losses)	**8,453**	(3,608)
Amalgamations	**Nil**	Nil
Settlements	**Nil**	Nil
Ending Asset	**589,938**	526,283

Investment pattern:

Particulars	As at March 31, 2020	As at March 31, 2019
Government of India securities	**36.53%**	42.70%
High quality corporate bonds (including public sector bonds)	**58.78%**	51.60%
Cash (Special deposit scheme)	**1.07%**	0.90%
Others	**3.62%**	4.80%

Principal actuarial assumptions:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Discount rate (per annum)	**6.40%**	7.20%
Salary escalation rate p.a	**9.00%**	9.00%
Expected rate of return on assets (p.a)	**6.22%**	7.61%
Attrition rate	**10.00%**	10.00%

Experience Adjustments **(Rs. '000)**

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018	For the year ended March 31, 2017	For the year ended March 31, 2016
Defined benefit obligation	**677,261**	590,450	529,485	598,766	516,062
Plan assets	**589,938**	526,283	486,898	456,590	408,242
(Surplus)/deficit	**87,323**	64,167	42,586	142,176	107,820
Experience Adjustment on plan liabilities (Gain)/Loss	**24,249**	12,601	(134,153)	28,556	(9,070)
Experience Adjustment on plan assets (Gain)/Loss	**(8,453)**	3,608	13,209	10,141	(1,962)

The mortality assumptions and rates considered in assessing the Bank's post retirement liabilities are as per the published rate under the Indian Assured Lives Mortality (2006-08) Ultimate table.

The estimates of future salary increase, considered in actuarial valuation, take into account the inflation, seniority, promotion and other relevant factors.

c) Provident Fund Contribution

During the year ended March 31, 2020, Bank's contribution to provident fund was **Rs. 95,069 ('000)** *(Previous year ended March 31, 2019 : Rs. 88,090 ('000))*.

d) Compensated Absences

The provision for compensated absences as on March 31, 2020 was **Rs. 342,993 ('000)** *(Previous year ended March 31, 2019 : Rs. 284,719 ('000))*.

12. Segmental Reporting

In accordance with RBI guidelines, the Bank has identified two primary segments: Treasury and Corporate Banking. These segments are identified based on nature of services provided, risk and returns, organizational structure of the Bank and the internal financial reporting system.

Treasury operations comprise derivatives trading, money market operations, investment in bonds, treasury bills and government securities and foreign exchange operations. The revenues of this segment consist of interest earned on investments, profit/(loss) on sale of investments and profits/(loss) on exchange/derivative transactions. The principal expenses of this segment consist of interest expense on funds borrowed, occupancy expenses, personnel costs, other direct overheads and allocated expenses.

Corporate Banking primarily comprises funded and non-funded facilities to clients, cash management activities and fee-based activities. Revenues of this segment consist of interest earned on loans given to clients, on cash management services and fees received from non-fund based activities i.e. issuance of letters of credit, guarantees etc. The principal expenses of this segment consist of interest expenses on funds borrowed, occupancy expenses, personnel costs, other direct overheads and allocated expenses.

Unallocated expenses are reviewed for attribution to the primary segment on an ongoing basis.

The Bank does not have Retail banking and residual operations hence no segmental disclosures for Retail banking and other banking operations have been made.

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(Rs. '000)

Business Segments	For the year ended March 31, 2020				For the year ended March 31, 2019			
	Treasury	Corporate Banking	Unallocated	Total	Treasury	Corporate Banking	Unallocated	Total
Segment Revenue	**30,045,243**	**17,127,933**	**2,173**	**47,175,349**	18,454,604	13,652,751	139,573	32,246,928
Segment Result (Operating Profit)	**21,066,450**	**1,582,770**	**2,173**	**22,651,393**	14,423,260	1,033,047	139,573	15,595,880
Provisions and Contingencies	**(463,139)**	**(426,473)**	**(334,465)**	**(1,224,077)**	515,289	(770,632)	(7,531)	(262,874)
Income taxes/ other provisions				**(9,428,736)**				(6,755,263)
Net profit				**11,998,580**				8,577,743
Segment Assets	**470,471,875**	**238,588,136**	**17,122,724**	**726,182,735**	328,232,277	197,077,496	15,393,161	540,702,934
Total Assets				**726,182,735**				540,702,934
Segment liabilities	**236,703,832**	**361,183,328**	**5,952,190**	**603,839,350**	197,077,329	232,563,194	717,606	430,358,129
Capital and Reserves				**122,343,385**				110,344,805
Total Liabilities				**726,182,735**				540,702,934

The Bank operates as a single unit in India and as such has no identifiable geographical segments subject to dissimilar risks and returns. Hence, no information relating to geographical segments are presented.

13. Related Party Disclosures

a) Head Office*

Bank of America N.A. and its branches

b) Ultimate Controlling Enterprise*

Bank of America Corporation

c) Subsidiaries of Head Office

- Bank of America Singapore Limited
- Bank of America Merrill Lynch International Limited

d) Fellow Subsidiaries of Head Office

- BA Continuum India Private Limited
- DSP Merrill Lynch Limited
- Merrill Lynch Global Services Pte Ltd
- Merrill Lynch International
- Merrill Lynch(Asia Pacific) Limited
- Merrill Lynch Japan Securities Ltd
- Merrill Lynch Markets Singapore Pte Ltd
- BofA Securities S.A.

e) Key Management Personnel*

Mrs. Kaku Nakhate, Chief Executive Officer

Transactions with related parties are in the ordinary course of business (Figures for year ended March 31, 2020 are shown in bold. Figures for Previous year ended March 31, 2019 are shown in brackets):

(Rs. '000)

Items/Related Party	**Subsidiaries of Head office**	**Fellow Subsidiaries of Head office**
Transactions during the year		
Sales/Redemption of Securities	**379,738,983** (285,671,904)	**Nil** (Nil)
Purchase of Securities	**384,250,230** (269,005,937)	**Nil** (Nil)
Term Deposits	**Nil** (Nil)	**114,325,256** (92,645,75)
Guarantees issued	**Nil** (Nil)	**25,256** (40,000)
Interest Received	**Nil** (Nil)	**31** (1)

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Items/Related Party	**Subsidiaries of Head office**	**Fellow Subsidiaries of Head office**
Interest Paid	**Nil** (Nil)	**2,209,108** (1,522,198)
Fees on Cards	**Nil** (Nil)	**15,492** (14,123)
Commission Received	**Nil** (Nil)	**2,233** (2,424)
Bank charges Received	**Nil** (Nil)	**728** (554)
Payment in respect of retirement benefits of transferred employees, (net).	**Nil** (Nil)	**3,975** (1,085)
Rendering of Services	**102,972** (113,008)	**112,620** (137,491)
Receipt of Services	**Nil** (Nil)	**36,887** (59,162)
Outstanding at the year end		
Term Deposits	**Nil** (Nil)	**43,227,425** (30,302,169)
Demand Deposits	**Nil** (Nil)	**23,925,308** (181,296)
Balance in Current Account	**9,112** (9,691)	**Nil** (Nil)
Advances	**Nil** (Nil)	**63,663** (47,884)
Other Assets	**37,155** (27,028)	**59,469** (75,359)
Other Liabilities	**Nil** (Nil)	**713,525** (411,643)
Derivatives Contracts: Notional Value	**Nil** (23,038,500)	**Nil** (5,091,457)
Positive Mark-to-Market value	**Nil** (Nil)	**Nil** (Nil)
Negative Mark-to-Market value	**483,917** (96,933)	**Nil** (3,815)
Guarantees	**Nil** (Nil)	**103,176** (77,920)
Maximum outstanding during the year		
Term Deposits	**Nil** (Nil)	**48,827,425** (33,345,175)
Demand Deposits	**Nil** (Nil)	**30,921,228** (24,255,005)
Guarantees	**Nil** (Nil)	**103,176** (77,920)
Maximum outstanding during the year		
Term Deposits	**Nil** (Nil)	**33,345,175** (61,687,285)
Demand Deposits	**Nil** (Nil)	**24,255,005** (20,939,330)
Guarantees	**Nil** (Nil)	**77,920** (37,920)

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Material related party transactions #:

(Rs. '000)

Particulars	Subsidiaries of Head office	Fellow Subsidiaries of Head office
Sales/Redemption of Securities		
Bank of America Singapore Limited	**379,738,983** (285,671,904)	**Nil** (Nil)
Purchase of Securities		
Bank of America Singapore Limited	**384,250,230** (269,005,937)	**Nil** (Nil)
Payment in respect of retirement benefits of transferred employees, net		
DSP Merrill Lynch Limited	**Nil** (Nil)	**3,975** (1,085)
Rendering of Services		
DSP Merrill Lynch Limited	**Nil** (Nil)	**94,177** (116,468)
Bank of America Merrill Lynch International Limited	**102,972** (113,008)	**Nil** (Nil)
Receipt of Services		
DSP Merrill Lynch Limited	**Nil** (Nil)	**15,733** (30,177)
Merrill Lynch Global Services Pte Ltd	**Nil** (Nil)	**21,154** (28,984)

* In accordance with RBI Master Circular (DBR.BP.BC.No.23/21.04.018/2015-16 dated July 1, 2015) on 'Disclosure in Financial Statements – Notes to Accounts', where there is only one entity/person in any category of related parties, the Bank has not disclosed any details pertaining to that related party other than the relationship with that related party.

In accordance with the Accounting Standard 18, a specific related party transaction is disclosed as a material related party transaction when it exceeds 10% of total related party transactions in that category, other than cases which are in the nature of banker – customer relationships, where the Bank has obligation under the law to maintain confidentiality.

14. Deferred Tax

The Deferred Tax Asset (DTA) as at March 31, 2020 amounting to **Rs. 1,526,667 ('000)** (*Deferred Tax Asset as at March 31, 2019 (DTA) Rs. 922,041 ('000)*). The components that gave rise to the deferred tax assets included in the balance sheet are as follows:

(Rs. '000)

Particulars	As at March 31, 2020	As at March 31, 2019
Deferred tax assets/(Deferred tax liability)		
Depreciation on fixed assets	**159,403**	141,216
Disallowances under section 43B of Income-tax Act 1961	**356,503**	298,579
Provisions	**1,010,761**	482,246
Total	**1,526,667**	922,041

15. Provision for Current Taxation

(Rs. '000)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Income Tax for the year	**9,972,767**	7,026,000
Income tax adjustments for prior years	**60,595**	14,993
Total	**10,033,362**	7,040,993

16. Leases

Information in respect of premises taken on operating lease of non-cancellable nature is as under:

(Rs. '000)

Sr. No.	Future minimum lease payments	As at March 31, 2020	As at March 31, 2019
1)	Up to 1 year	**5,645**	5,645
2)	More than 1 year and up to 5 years	**2,352**	7,997
3)	More than 5 years	**Nil**	Nil

- The lease payments, recognized in the Profit and Loss account for the year ended March 31, 2020: **Rs. 327,179 ('000)** (*Previous year ended March 31, 2019 : Rs. 320,440 ('000)*).
- The Bank has not sub-leased any part of the above premises.

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- There are no lease payments recognized in the Profit and Loss Account for contingent rent.
- The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

17. Other Fixed Assets (including furniture & fixtures)

Other Fixed Assets under Schedule 10(II) include software acquired by the Bank, details for which are given below: **(Rs. '000)**

Particulars	**For the year ended March 31, 2020**	For the year ended March 31, 2019
At Cost as at March 31, of preceding year	**205,531**	197,974
Additions during the year	**61,677**	7,557
Deductions during the year	**(2,986)**	NIL
At Cost as at March 31	**264,222**	205,531
Accumulated amortization	**(183,002)**	(168,254)
Written down value as at March 31	**81,220**	37,277

18. Provisions, Contingent liabilities and Contingent Assets

The Bank has assessed its obligations arising in the normal course of business, including pending litigations, proceedings pending with tax authorities and other contracts including derivative and long term contracts. In accordance with the provisions of Accounting Standard - 29 on 'Provisions, Contingent Liabilities and Contingent Assets', the Bank recognizes a provision for material foreseeable losses when it has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure to this effect is made as contingent liabilities in the financial statements. The Bank does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.

Description of Contingent Liabilities stated in Schedule 12

a) Claims against the Bank not acknowledged as Debts

The Bank is a party to certain legal proceedings in the normal course of business. This also includes claims/demands raised by income tax and service tax authorities which are disputed by the Bank.

The Sabka Vishwas (Legal Dispute Resolution) Scheme, 2019 (the 'Scheme'), a scheme proposed in the Union Budget, 2019, was introduced to resolve all disputes relating to the erstwhile Service Tax and Central Excise Acts, which are now subsumed under GST. The Bank had applied for settlement in two outstanding matters under the Scheme. The Bank has made payment of 9.92 crores and further made a provision of Rs. 19.60 crores after availing applicable relief on the disputed amount and also waiver of penalty amount. The Bank had earlier reported in relation to these outstanding matters under contingent liabilities an aggregate amount of Rs 36.43 crores as at March 31, 2019.

b) Liability on account of foreign exchange and derivative contracts

The Bank enters into foreign exchange contracts, currency options, currency swaps, interest rate swaps, interest rate futures and currency futures with inter-bank participants on its own account and for its customers.

Foreign exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency options give the buyer, on payment of a premium, the right but not an obligation, to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date. Currency Futures contract is a standardized foreign exchange derivative contract traded on a recognized stock exchange to buy or sell one currency against another on a specified future date, at a price specified on the date of contract. Currency Swaps are commitments to exchange cash flows by the way of interest/ principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities are typically amounts used as a basis for the calculation of interest component of the contract and do not necessarily indicate the amounts of future cash flows involved or the current fair value of such contracts and, therefore, do not indicate the Bank's exposure to credit or price risks. These contracts become favorable (assets) or unfavorable (liabilities) as a result of movements in the market rates or prices relative to their terms. Interest Rate Futures contract is a standardized derivative contract with an interest bearing instrument viz government bond as the underlying asset.

c) Guarantees given on behalf of Constituents, Acceptances, Endorsements and other obligations

As a part of its corporate banking activities, the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the customers of the Bank. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of customer failing to fulfill its financial or performance obligations.

d) Other items for which the Bank is contingently liable

These include i) Committed Lines of Credit, ii) Capital Commitments and iii) Depositor Education and Awareness Fund (DEAF).

e) Movement in Provision for Contingencies

(Rs. '000)

Particulars	**As at March 31, 2020**	As at March 31, 2019
Opening Provision	**21,905**	21,043
Additions	**Nil**	1,472
Reversals	**Nil**	610
Closing Provision	**21,905**	21,905

19. Employee stock compensation expense: -

Restricted stocks/restricted units of the Bank's Ultimate Controlling Enterprise, Bank of America Corporation (BAC), are granted to the eligible employees of the Bank in terms of the global long-term incentive compensation plans of the Ultimate Controlling Enterprise. These restricted stocks/restricted units vest in three equal annual installments beginning one year from the grant date. During the year ended March 31, 2020, **256,470 numbers** of restricted stocks/restricted units were granted (*Previous Year ended March 31, 2019– 264,636 numbers*) and the average estimated fair value per unit on the date of grant was **US$ 32.46**

(*Previous year – US$ 27.09*). Payments to and provisions for employees for the year includes **Rs. 722,698 ('000)** (*Previous year – Rs. 770,979 ('000)*) towards these awards. The liability towards restricted stocks/restricted units recognized as at March 31, 2020 is **Rs. 797,718 ('000)** (*as at March 31, 2019 – Rs. 476,253 ('000)*).

20. Floating Provisions

The Bank does not hold any floating provision as at March 31, 2020 (*as at March 31, 2019 – Nil*).

21. Draw down from Reserves

During the year ended March 31, 2020 there has been a draw down from Investment reserve of **Rs. 112,046 ('000)** *(Previous year ended March 31, 2019 :Nil)* in accordance with the RBI master circular on Prudential Norms for Classification, valuation and operation of Investment Portfolio by Banks.

22. Disclosure of Complaints/Unimplemented awards of Banking Ombudsmen

In accordance with RBI Master Circular on Customer Services in Banks DBR No.Leg.BC.21/09.07.006/2015-16 dated July 1, 2015 details of customer complaints and awards passed by Banking Ombudsman are as follows:

A. Customer complaints

Sr. no.	Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
a)	No. of complaints pending at the beginning of the year	**Nil**	Nil
b)	No. of complaints received during the year	**21**	12
c)	No. of complaints redressed during the year	**21**	12
d)	No. of complaints pending at the end of the year	**Nil**	Nil

B. Awards passed by the Banking Ombudsmen

Sr. no.	Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
a)	No. of unimplemented awards at the beginning of the year	**Nil**	**Nil**
b)	No. of awards passed by the Banking Ombudsmen during the year	**Nil**	**Nil**
c)	No. of awards implemented during the year	**Nil**	**Nil**
d)	No. of unimplemented awards at the end of the year	**Nil**	**Nil**

23. Letters of Comfort issued

The Bank has not issued any Letter of Comfort during the year ended March 31, 2020 *(Previous year ended March 31, 2019: Nil).*

24. Provision Coverage ratio

In accordance with RBI guidelines, the Bank's Provision Coverage Ratio as at March 31, 2020 was NIL (*as at March 31, 2019 – Nil*).

25. Bancassurance Business

The Bank is not into the business of Bancassurance and has not received any fees/remuneration in respect of the same during the year ended March 31, 2020. *(Previous year ended March 31, 2019: Nil).*

26. Concentration of Deposits, Advances, Exposures and NPAs

1) Concentration of Deposits **(Rs. '000)**

Particulars	As at March 31, 2020	As at March 31, 2019
Total Deposits of twenty largest depositors	**203,192,656**	113,694,944
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	**51.26%**	50.25%

2) Concentration of Advances* **(Rs. '000)**

Particulars	As at March 31, 2020	As at March 31, 2019
Total Advances to twenty largest borrowers	**222,103,330**	180,652,728
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	**37.79%**	38.46%

* Advances represent Credit Exposure including derivatives furnished in Master Circular on Exposure Norms DBR.No.Dir. BC.12/13.03.00/2015-16 dated July 1, 2015

3) Concentration of Exposures **(Rs. '000)**

Particulars	As at March 31, 2020	As at March 31, 2019
Total Exposure of twenty largest borrowers/customers	**222,103,330**	187,806,085
Percentage of Exposure to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	**37.79%**	38.08%

4) Concentration of NPAs **(Rs. '000)**

Particulars	As at March 31, 2020	As at March 31, 2019
Total Exposure of top four NPA accounts	**NIL**	NIL

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27 a. **Sector-wise advances**

(Rs. '000)

SI NO.	Sector	As at March 31, 2020		
		Outstanding Total Advances #	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
	Priority Sector			
1	Agriculture and allied activities	75,016	Nil	Nil
2	Advances to industries sector eligible as priority sector lending	51,983,587	Nil	Nil
3	Services	7,713,118	Nil	Nil
4	Personal loans	Nil	Nil	Nil
	Sub-Total (A)	59,771,721	Nil	Nil
	Non-Priority Sector			
1	Agriculture and allied activities	Nil	Nil	Nil
2	Industry	84,195,168	Nil	Nil
3	Services	91,923,761	Nil	Nil
4	Personal loans	Nil	Nil	Nil
	Sub-Total (B)	176,118,929	Nil	Nil
	Total (A+B)	235,890,650	Nil	Nil

Represent gross advances

(Rs. '000)

SI NO.	Sector	As at March 31, 2019		
		Outstanding Total Advances #	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
	Priority Sector			
1	Agriculture and allied activities	Nil	Nil	Nil
2	Advances to industries sector eligible as priority sector lending	40,541,349	Nil	Nil
3	Services	8,562,800	Nil	Nil
4	Personal loans	Nil	Nil	Nil
	Sub-Total (A)	49,104,149	Nil	Nil
	Non-Priority Sector			
1	Agriculture and allied activities	Nil	Nil	Nil
2	Industry	74,203,753	Nil	Nil
3	Services	71,209,574	Nil	Nil
4	Personal loans	Nil	Nil	Nil
	Sub-Total (B)	145,413,327	Nil	Nil
	Total (A+B)	194,517,476	Nil	Nil

Represent gross advances

b. **Investment in Priority Sector Lending Certificate**

(Rs. '000)

Particulars	**As at March 31, 2020**	As at March 31, 2019
General	**5,000,000**	Nil
Small and Marginal Farmer	**Nil**	Nil
Agriculture	**Nil**	Nil
Micro Enterprises	**12,350,000**	9,580,000

28. **Movement of NPAs** **(Rs. '000)**

Particulars	**As at March 31, 2020**	As at March 31, 2019
Gross NPAs as on April 01 (Opening Balance)	**Nil**	Nil
Additions (Fresh NPAs during the year)	**2,236**	Nil
Sub-total (A)	**2,236**	Nil
Less: -		Nil
(i) Upgradations	**2,236**	Nil
(ii) Recoveries (excluding recoveries made from upgraded accounts)	**Nil**	Nil
(iii) Write-offs	**Nil**	Nil
Sub-total (B)	**2,236**	Nil
Gross NPAs as on March 31 (Closing balance) (A-B)	**Nil**	Nil

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

29. Overseas Assets, NPAs and Revenue **(Rs. '000)**

Particulars	March 31, 2020	March 31, 2019
Total Assets	**Nil**	Nil
Total NPAs	**Nil**	Nil
Total Revenue	**Nil**	Nil

30. Off-Balance sheet SPVs (Domestic & Overseas) sponsored – There were no Off Balance sheet SPVs (Domestic & Overseas) sponsored as at March 31, 2020 *(as at March 31, 2019: Nil).*

31. Unamortised Pension and Gratuity Liabilities – There were no Unamortised Pension and Gratuity Liabilities as at March 31, 2020 *(as at March 31, 2019: Nil).*

32. Disclosures on Remuneration

The Bank's compensation policies including that of CEO's, is in conformity with the Financial Stability Board principles and standards. In accordance with the requirements of RBI Circular No. DBOD No.BC.72/29.67/001/2011-12 dated January 13, 2012; the Regional Office of the Bank has submitted a declaration to RBI confirming the aforesaid matter.

33. Corporate Social Responsibility (CSR) expenditure –

The Bank's CSR approach in India is aligned to the global strategy, adapted to focus on local priorities, helping communities thrive with a specific focus women and children (especially adolescent girls) and disadvantaged communities.

In line with this strategy, the Bank has extended support to Non-Governmental Organizations (NGOs) in the areas of Arts & Culture, Education & Skills Development, Sanitation & Hygiene and Energy Access.

Arts & Culture – Focus is on conservation and preservation of arts wherein the Bank has supported two museums i.e. the Chhatrapati Shivaji Maharaj Vastu Sangrahalaya (CSMVS) and Bhau Daji Lad Museum. At CSMVS, the Bank helped create Mumbai's first ever Children's Museum which is a creative hub for children. In partnership with schools and NGOs, the museum conducts workshops and sessions through the year to help children develop an understanding on the need to protect and preserve rich Indian heritage.

Education & Skills Development – Focus is on strengthening the education system for children in government run and low-income private schools as well as providing market relevant technical and life skills to youth, especially adolescent girls and young women. In the education and skills space the Bank supports Akanksha Foundation, Teach for India, Quest Alliance, Medha and Indian Institute of Management Ahmedabad. These programs have contributed in enhancing the quality of education to under privileged children in India. The teaching community has benefited from training programs rolled out under these initiatives.

With an increased focus on mainstreaming individuals with intellectual and developmental disabilities (IDDs), the Bank has supported organizations focused on enhancing education and employability skills for individuals with disabilities including Enable India, Muskaan – PAEPID, Bethany Society and Umeed Child Development Center. The Bank also continued its support as a strategic partner for the Dasra Adolescent Collaborative aimed at addressing development issues for adolescent girls. The Collaborative aims to reach 3.5 million adolescents in 3 years.

Sanitation and Hygiene – Focus is on creating an efficient sanitation ecosystem for communities with a specific emphasis on providing a safe and hygienic alternative for adolescent girls as well as critical hygiene awareness, especially menstrual hygiene management training, aimed at behaviour change. The Bank has partnered with Gramalaya, Shelter Associates, Gujarat Mahila Housing Trust and Vatsalya. These long-term programs are aimed not only at building a robust sanitation infrastructure but also effecting a positive change, especially among adolescent girls.

Energy Access/Renewable Energy – Focus is on creating decentralized renewable energy infrastructure for disadvantaged communities providing energy access that not only satisfies basic lighting needs but also enhances development through enhanced sustainable livelihood, education, healthcare etc. The Bank has partnered with PRADAN to roll out this integrated development model. The Bank's programs in this vertical are focused on improving gender outcomes, positively impacting women.

(Rs. '000)

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
(1) Gross amount required to spent by the Bank during the year	**280,980**	257,970
(2) Amount spent during the year on:		
i) Construction/acquisition of any asset	**-**	-
– in cash	**-**	-
– Yet to be paid in cash	**281,068**	257,975
ii) any other purpose	**-**	-
– in cash		
– Yet to be paid in cash		
Total	**281,068**	257,975

34. Disclosure relating to securitization

There are no securitization transactions which were originated by the bank during the year ended March 31, 2020 (*Previous Year ended March 31, 2019: Nil).* Hence these disclosures are not applicable.

35. Disclosures pertaining to Micro and Small Enterprises

Following disclosure is made as per the requirement of The Micro, Small and Medium Enterprises Development Act, 2006.

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(Rs. '000)

Particulars	As At March 31, 2020	As At March 31, 2019
The principal amount remaining unpaid to any supplier	**6,994**	4,183
The interest due thereon(above principal amount) remaining unpaid to any supplier	**156**	571
The amount of interest paid by the buyer in terms of section 16, along with the amount of the payment made to the supplier beyond the appointed day for the year ended	**NIL**	NIL
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;	**NIL**	NIL
The amount of interest accrued and remaining unpaid at the end of the year	**156**	571
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23	**NIL**	NIL

36. Credit Default Swaps

The Bank has not transacted in credit default swaps during the year ended March 31, 2020 (*Previous year ended March 31, 2019: Nil*).

37. Intra Group Exposures: - **(Rs. '000)**

Particulars	As at March 31, 2020	As at March 31, 2019
(a) Total amount of intra-group exposures	**376,112**	2,669,571
(b) Total amount of top-20 intra-group exposures	**376,112**	2,669,571
(c) Percentage of intra-group exposures to total exposure of the bank on borrowers/customers	**0.05%**	0.45%

38. Transfers to Depositor Education and Awareness Fund (DEAF): - **(Rs. '000)**

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Opening balance of amounts transferred to DEAF	**271,182**	241,303
Add : Amounts transferred to DEAF during the year	**42,931**	33,346
Less : Amounts reimbursed by DEAF towards claims	**Nil**	3,467
Closing balance of amounts transferred to DEAF	**314,113**	271,182

39. Unhedged Foreign Currency Exposure ("UFCE") of borrowers: -

UFCE of the borrowers is an area of risk for the individual entity as well as the entire financial system. Entities who do not hedge their exposures may incur significant losses due to exchange rate movements, which in turn can reduce their capability to service the loans taken from banks.

The Bank recognizes the importance of the risk of adverse fluctuation of foreign exchange rates on the profitability and financial position of borrowers, who are exposed to currency risk. In this regard, the Bank, in line with RBI circular on UFCE dated January 15, 2014 has put in place requisite procedures for monitoring and mitigation of currency induced credit risk of borrowers. These include the following:

- Details of UFCE sought from the borrower at the time of granting fresh credit facilities.
- Periodic monitoring of un-hedged foreign currency exposures of existing borrowers.
- Incremental provisioning (over and above provision applicable for standard assets) is made in Bank's Profit and Loss Account, on borrower counterparties having UFCE, depending on the likely loss/EBID# ratio. Incremental capital is maintained in respect of borrower counterparties in the highest risk category. These requirements are given below.

Likely Loss/EBID# (%)	Incremental provisioning requirement on total credit exposure over & above standard asset provisioning	Incremental capital requirement
Upto 15%	NIL	NIL
More than 15% and upto 30%	20 bps	NIL
More than 30% and upto 50%	40 bps	NIL
More than 50% and upto 75%	60 bps	NIL
More than 75% or data unavailable	80 bps	25% increase in the risk weight

#EBID, as defined for purposes of computation of Debt Service Coverage Ratio = Profit After Tax + Depreciation + Interest on debt + Lease Rentals, if any.

- In case of borrowers exposed to currency risk where declarations are not submitted, provision for currency induced credit risk and incremental capital are maintained as per highest risk category, i.e. 80bps and 25% increase in the risk weight respectively. Provision held for currency induced credit risk as at March 31, 2020 was **Rs. 1,110,739 ('000)** *(as at March 31, 2019: Rs. 830,745 ('000))*. Incremental Risk weighted assets value considered for the purpose of CRAR calculation in respect of currency induced credit risk as at March 31, 2020 was **Rs. 58,378,309 ('000)** *(as at March 31, 2019 : Rs. 30,341,418 ('000))*.

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40. i) Liquidity Coverage Ratio (LCR):

The Bank has been computing its LCR on a daily basis since January 2017 in line with the extant RBI guidelines. The following table sets forth, the quarterly average of unweighted and weighted values of the LCR of the Bank. The simple average has been computed based on daily values for the three months ended June 30, 2019, September 30, 2019, December 31, 2019 and March 31, 2020.

(Rs. Crores)

		Q1 FY 19-20		Q2 FY 19-20		Q3 FY 19-20		Q4 FY 19-20	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)	14,231	14,231	15,893	15,893	25,064	25,064	29,520	29,520
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	1	0	1	0	1	0	1	0
	(i) Stable deposits								
	(ii) Less stable deposits	1	0	1	0	1	0	1	0
3	Unsecured wholesale funding, of which:	27,136	10,958	28,790	11,167	35,607	14,033	39,230	15,601
(i)	Operational deposits (all counterparties)	7,717	1,929	9,264	2,315	10,136	2,533	10,554	2,637
	(ii) Non-operational deposits (all counterparties)	19,419	9,029	19,527	8,852	25,471	11,500	28,676	12,964
	(iii) Unsecured debt								
4	Secured wholesale funding	7,131	-	10,704	-	1,495	-	1,406	-
5	Additional requirements, of which	2,719	1,894	2,636	1,701	1,829	1,140	2,653	1,658
	(i) Outflows related to derivative exposures and other collateral requirements	1,660	1,660	1,460	1,460	933	933	1,407	1,407
	(ii) Outflows related to loss of funding on debt products								
	(iii) Credit and liquidity facilities	1,059	233	1,176	242	896	207	1,246	251
6	Other contractual funding obligations	710	710	769	769	730	730	1,005	1,005
7	Other contingent funding obligations	21,795	996	22,731	1,049	25,121	1,158	27,515	1,270
8	Total Cash Outflows	59,492	14,557	65,631	14,687	64,784	17,060	71,810	19,533
Cash Inflows									
9	Secured lending (e.g. reverse repos)	2,475	-	3,232	-	6,929	-	11,533	-
10	Inflows from fully performing exposures	5,466	5,065	7,539	4,658	7,743	4,912	6,834	4,319
11	Other cash inflows	791	931	1,305	951	836	482	1,240	898
12	Total Cash Inflows	8,732	5,995	12,076	5,609	15,509	5,395	19,608	5,217
13	**TOTAL HQLA**	**14,231**	**14,231**	**15,893**	**15,893**	**25,064**	**25,064**	**29,520**	**29,520**
14	**Total Net Cash Outflows**	**50,760**	**8,562**	**53,555**	**9,078**	**49,274**	**11,665**	**52,202**	**14,316**
15	**Liquidity Coverage Ratio (%)**		**166.21**		**175.07**		**214.85**		**206.20**

Financial Year : 2018-2019

The LCR positions of the Bank based on simple average of month-end values for the three months ended June 30, 2018, September 30, 2018, December 31, 2018 and March 31, 2019.

		Q1 FY 18-19		Q2 FY 18-19		Q3 FY 18-19		Q4 FY 18-19	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)	7,857	7,857	10,774	10,774	13,727	13,727	9,790	9,790
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	1	0	1	0	1	0	1	0
	(i) Stable deposits								
	(ii) Less stable deposits	1	0	1	0	1	0	1	0
3	Unsecured wholesale funding, of which:	18,392	6,892	18,785	7,081	22,348	8,291	20,747	7,751
	(i) Operational deposits (all counterparties)	6,076	1,518	6,572	1,642	7,396	1,848	7,650	1,912
	(ii) Non-operational deposits (all counterparties)	12,316	5,374	12,213	5,439	14,952	6,444	13,097	5,839
	(iii) Unsecured debt								
4	Secured wholesale funding	975	-	358	-	75	-	3,753	-
5	Additional requirements, of which	2,693	1,784	2,708	1,729	2,525	1,827	2,864	2,074

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		Q1 FY 18-19		Q2 FY 18-19		Q3 FY 18-19		Q4 FY 18-19	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
	(i) Outflows related to derivative exposures and other collateral requirements	1,600	1,600	1,553	1,553	1,685	1,685	1,864	1,864
	(ii) Outflows related to loss of funding on debt products								
	(iii) Credit and liquidity facilities	1,092	183	1,155	175	840	142	1,000	210
6	Other contractual funding obligations	420	420	597	597	1,067	1,067	957	957
7	Other contingent funding obligations	17,042	763	19,133	853	19,390	866	20,496	925
8	Total Cash Outflows	39,524	9,859	41,581	10,260	45,406	12,051	48,818	11,707
Cash Inflows									
9	Secured lending (e.g. reverse repos)	2,446	-	3,955	-	5,362	-	1,884	-
10	Inflows from fully performing exposures	5,688	3,964	5,677	3,876	4,277	4,626	6,695	4,756
11	Other cash inflows	1,030	710	1,123	803	835	714	1,248	998
12	Total Cash Inflows	9,164	4,674	10,754	4,679	10,474	5,340	9,826	5,754
13	**TOTAL HQLA**	**7,857**	**7,857**	**10,774**	**10,774**	**13,727**	**13,727**	**9,790**	**9,790**
14	**Total Net Cash Outflows**	**30,359**	**5,185**	**30,827**	**5,581**	**34,932**	**6,711**	**38,992**	**5,953**
15	**Liquidity Coverage Ratio (%)**		**151.53**		**193.05**		**204.54**		**164.46**

40. **ii) Qualitative disclosure around LCR :**

The Bank measures and monitors the LCR in line with RBI's guidelines on "BASEL III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards" dated June 09, 2014 as amended by "Prudential Guidelines on Capital Adequacy and Liquidity Standards" dated March 31, 2015 along with the amendments issued by RBI.

The LCR guidelines aim at measuring and promoting short term resilience of banks to potential liquidity disruptions, by ensuring that banks maintain an adequate level of unencumbered High Quality Liquid Assets (HQLAs) to meet net cash outflows over next 30 days in a severe liquidity stress scenario.

The minimum LCR requirement was 100% for FY 2019-20. The Bank has incorporated LCR as part of its risk appetite metric and has maintained LCR above the regulatory threshold for every month end from April 2019 to March 2020.

The Bank has been maintaining HQLA in the form of excess CRR balance and SLR investments over and above mandatory requirement apart from regulatory dispensation allowed in the form of borrowing limit available through Marginal Standing Facility (MSF) and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR). The Bank's HQLA consists mostly of Level 1 assets which are the most liquid assets as indicated by RBI. The main drivers of the LCR computation consist of outflows from eligible deposits and inflows from eligible advances, computed on the basis of run-off rates prescribed by RBI.

The Bank's Asset Liability Committee (ALCO) is the primary governing body for the oversight of the Bank's liquidity risk management, while the day-to-day management of liquidity risk is the responsibility of Corporate Treasury.

41. Other expenditure in 'Schedule 16 – Operating Expenses' includes Head office administration Expenditure of **Rs. 433,149 ('000)** for the year ended March 31, 2020 *(Previous year ended March 31, 2019 : Rs. 460,192 ('000))* and expenses for Information Technology Support Services amounting to **Rs. 637,861 ('000)** for the year ended March 31, 2020 (*Previous Year ended March 31, 2019 : Rs. 523,978 ('000)*) attributable to the Banks Operations in India.

42. Miscellaneous Income includes service fee income of **Rs. 957,907 ('000)** for the year ended March 31, 2020 *(Previous year ended March 31, 2019: Rs. 1,085,247 ('000))* from overseas branches and affiliates accounted as per contractual terms.

43. Outstanding commitments as of March 31, 2020 relating to securities purchase and sale contracts stood at **Rs. 37,730,932 ('000)** & **Rs. 28,796,986 ('000)** respectively *(as at March 31, 2019: Rs. 11,801,143 ('000) and Rs. 16,330,706 ('000) respectively).*

44. The disclosures required on holdings as well as dealing in Specified bank notes during the period from 8 November 2016 to 30 December 2016 as envisaged in notification G.S.R. 308(E) dated 30 March 2017 issued by the Ministry of Corporate Affairs is not applicable to the Bank.

45. Previous year figures have been regrouped and reclassified wherever necessary to confirm to the presentation for the year ended March 31, 2020.

Signatures to schedules 1 to 18

For **B S R & Co. LLP**
Chartered Accountants
Firm Registration Number: 101248W/W-100022

For **BANK OF AMERICA, N.A. (INDIA BRANCHES)**

sd/-
Sameer Mota
Partner
Membership Number: 109928

sd/-
Kaku Nakhate
Chief Executive Officer

sd/-
Viral Damania
Chief Financial Officer

Place: Mumbai
Date: 26 June 2020

Place: Mumbai
Date: 26 June 2020

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BASEL III – PILLAR 3 DISCLOSURES AS AT MARCH 31, 2020

Table DF-1: Scope of Application

Name of the entity to which the framework applies: Bank of America N.A. (India branches)

The Basel III Pillar 3 disclosures contained herein relate to Bank of America, N.A. – India Branches (hereafter referred to as the "the Bank" or "BANA India") for the period ended March 31, 2020. Bank of America Corporation ("BAC" or "the Company") has a subsidiary, Bank of America, N.A. ("BANA U.S.") into which BANA India is consolidated. The Pillar 3 disclosures are compliant with Reserve Bank of India (the "RBI") Master circular DBOD. No. BP.BC. 1/21.06.201/2015-16 dated July 1, 2015 on BASEL III Capital Regulations along with Master circular DBOD. No. BP.BC. 5/21.06.001/2014-15 dated July 1, 2014 on Prudential Guidelines on Capital Adequacy and Market Discipline – New Capital Adequacy Framework.

RBI has implemented Basel III capital regulations effective April 1, 2013 with transitional arrangements as below:

Transitional Arrangements - BASEL III Capital Regulations

		(% of RWAs)			
Minimum capital ratios		**March 31, 2020**	**March 31, 2021**	**March 31, 2022**	**March 31, 2023**
Minimum Common Equity Tier 1 (CET1)	A	5.500	5.500	5.500	5.500
Capital conservation buffer (CCB)	B	1.875	2.500	2.500	2.500
Global Systemically Important Banks buffer (GSIB) (^)	C	2.500	2.500	2.500	2.500
Minimum Tier 1 capital	D	7.000	7.000	7.000	7.000
Minimum Total Capital (*)	E	9.000	9.000	9.000	9.000
Minimum Regulatory Capital Requirement	F = E + B+ C	13.375	14.000	14.000	14.000

^ GSIB percentage as applicable currently for Bank of America (prescribed by Federal Reserve Board)

*The difference between the minimum total capital requirement of 9% and Tier I requirement can be met with Tier 2 and higher forms of capital.

Under BASEL III norms - transitional arrangements, the bank is currently required to maintain a minimum total capital to risk weighted assets ratio ("CRAR") of 13.3750% (including CCB and G SIB requirement) and a minimum Common Equity Tier 1 CRAR of 5.5% and minimum Tier 1 CRAR of 7.0%.

Considering the potential stress on account of COVID-19, RBI has decided to defer the implementation of the last tranche of 0.625% of the CCB from 31 March 2020 to 30 September 2020

I. Qualitative disclosures:

The provisions of Accounting Standard ("AS") 21 - Consolidated Financial statements, AS 23 Accounting for Investments in Associates in Consolidated Financial statements & AS 27 - Financial Reporting of Interest in Joint Ventures, issued by The Institute of Chartered Accountants of India ("ICAI") and notified by the Companies (Accounting Standards) Rules 2006 do not apply to the Bank. BANA India has not invested its capital in any of the entities operating in India and owned by BAC. Further, the Bank does not have any interest in insurance entities. Hence the qualitative disclosures are only made for BANA India as a standalone entity.

a. List of group entities considered for consolidation

Name of the entity/Country of incorporation	Whether the entity is included under accounting scope of consolidation (yes/no)	Explain the method of consolidation	Whether the entity is included under regulatory scope of consolidation (yes/no)	Explain the method of consolidation	Explain the reasons for difference in the method of consolidation	Explain the reasons if consolidated under only one of the scopes of consolidation
Not Applicable						

b. List of group entities not considered for consolidation both under the accounting and regulatory scope of consolidation

Name of the entity/Country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity) INR mm*	% of bank's holding in the total equity	Regulatory treatment of bank's investments in the capital instruments of the entity	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity) INR mm
DSP Merrill Lynch Limited/India *	Securities Broker/ Dealer and Merchant Banker	23,807	NIL	Not Applicable	39,116

** Amounts are as per last audited financial statements (F.Y. ending March 31, 2019)*

II. Quantitative disclosures

c. List of group entities considered for consolidation

Name of the entity/ country of incorporation (as indicated in (i) a. above)	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity
Not Applicable			

d. **The aggregate amount of capital deficiencies in all subsidiaries which are not included in the regulatory scope of consolidation i.e. that are deducted:**

Name of the subsidiaries/country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity	Capital deficiencies
Not Applicable				

e. **The aggregate amounts (e.g. current book value) of the bank's total interests in insurance entities, which are risk-weighted:**

Name of the insurance entities/country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity/ proportion of voting power	Quantitative impact on regulatory capital of using risk weighting method versus using the full deduction method
Not Applicable				

f. **Any restrictions or impediments on transfer of funds or regulatory capital within the banking group:** Disclosures for BANA India are given as a standalone entity and therefore this disclosure requirement is not applicable.

Table DF-2: Capital Adequacy

I. **Qualitative disclosures**

The Bank is required to comply with all applicable laws and regulations in India including guidelines issued by RBI and other relevant regulatory bodies.

The Internal Capital Adequacy Assessment Process ("ICAAP") document assesses the capital adequacy for the Bank and details the process by which this assessment is made based on a reference date and looking forward, over a three-year planning horizon ("ICAAP Planning Horizon").

ICAAP establishes a framework for banks to perform a comprehensive assessment of the risks they face and relate capital to those risks. The capital analysis performed by the Bank is expected to encompass all risks, not just the risks captured by the Basel III Pillar 1 minimum regulatory capital calculation. Successful risk identification and measurement requires having a comprehensive process to quantify measure and aggregate these various risks in order to ensure that the Bank's capital resources are sufficient to cushion volatility in earnings due to unexpected losses.

The authority to develop the ICAAP document is delegated to the Finance department. The Bank's Chief Financial Officer ("CFO") is responsible for the production of ICAAP with inputs from Front Line Units ("Businesses" or "Business"), Independent Risk Management and Control Functions. Enterprise-wide functions, including Enterprise Financial and Strategic ("EFAS") Risk and International Capital Management and Advocacy ("ICMA") also review the ICAAP to ensure adequate challenge and consistency with Enterprise practices.

The Bank has established an Internal Capital Guideline ("IGL") and maintains capital levels in excess of this guideline. Bank has set up a "Tripwire" above the IGL to serve as an early warning signal to prompt action and avoid a capital breach.

The ICAAP document is presented to the Asset Liability Committee ("ALCO") and the Local Management Team ("LMT") for final review and approval on an annual basis. The ICAAP is also validated by Corporate Audit periodically, as required under RBI guidelines.

ICAAP is an integral management tool for determining the adequacy of the Bank's capital resources throughout the ICAAP planning horizon. It is also utilized to assess the risks being faced by the Bank and assess the adequacy of BANA India's capital under Baseline as well as Stress Scenarios over the ICAAP Planning Horizon. The ALCO and the LMT are responsible for acting at an early stage to prevent capital from falling below the minimum levels required to support risk characteristics.

Capital Requirements for Pillar 1 risks (i.e. Credit Risk, Market Risk and Operational Risk)

The Bank has adopted Standardized Approach ("SA") for credit risk, Standardized Duration Approach ("SDA") for market risk and Basic Indicator Approach ("BIA") for operational risk for computing its capital requirement.

Under the SA for credit risk, the Bank relies upon the ratings issued by the external credit rating agencies specified by the RBI for assigning risk weights for capital adequacy purposes under the Basel III guidelines. The risk weights applicable for claims against banks, sovereign, corporate and other Assets are as per the Basel III guidelines. In compiling the credit exposures, the Bank does not reduce cash collateral received if any, against credit exposures as eligible credit mitigants, as permitted by the RBI.

Under the SDA for computing the capital requirement for market risk, the Bank has adopted the "duration" method.

The minimum capital requirement for market risk is computed in terms of:

a. "Specific risk" charge for each security, to protect against an adverse movement in the price of an individual security owing to factors related to the individual issuer.

b. "General market risk" charge towards interest rate risk in the portfolio, where long and short positions in different securities or instruments can be offset.

Under the BIA, the Bank holds capital for operational risk equal to 15% of average positive gross annual income for the previous three financial years.

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BASEL III – PILLAR 3 DISCLOSURES AS AT MARCH 31, 2020

II. Quantitative disclosures

Capital Structure as on March 31, 2020

	INR mm
Common Equity Tier 1	110,092
Additional Tier 1	-
Tier 2	5,909
Total Capital Funds	**116,001**

Capital Structure as on March 31, 2019

	INR mm
Common Equity Tier 1	102,158
Additional Tier 1	-
Tier 2	3,482
Total Capital Funds	105,640

Capital requirement and CRAR INR mm

	31-Mar-20	31-Mar-19
Capital requirements for credit risk:		
– Portfolios subject to standardized approach	62,542	37,255
– Securitization exposures	-	-
Capital requirements for market risk:		
Interest rate risk		
– General market risk	18,062	11,353
– Specific risk	-	2,004
Equity risk		
General market risk	-	-
– Specific risk	-	-
Foreign exchange risk (including gold)	1,396	1,396
Capital requirements for operational risk: (Basic indicator approach)	6,071	5,244
Total Capital Requirements	**88,071**	**57,252**
Common Equity Tier I capital ratio	16.72%	23.87%
Tier I capital ratio	16.72%	23.87%
Tier II capital ratio	0.90%	0.81%
Total capital ratio	**17.62%**	**24.68%**

Risk Exposure and Assessment

Risk management is a disciplined approach to identify, analyze, assess and control unacceptable risk to minimize the volatility of financial results, drive sustainable earnings and protect the Bank's brand and reputation. The Bank takes a comprehensive approach to risk management, integrating it with strategic, capital and financial operating plans. Risk management and capital utilization are integral parts of the strategic planning process and are considered throughout the process to align the Business strategies with capital considerations. This holistic approach promotes the risk versus reward analysis needed to make informed strategic and business decisions.

Bank of America's Risk Framework requires that strong risk management practices are integrated in key strategic, capital and financial planning processes and in day-to-day business processes, thereby ensuring risks are appropriately considered, evaluated and responded to in a timely manner.

The front line units have primary responsibility for managing risks inherent in their businesses. The bank employs an effective risk management process, referred to as Identify, Measure, Monitor and Control ("IMMC"), as part of its daily activities.

Some of the risks that the Bank is exposed to are described below:

- Credit risk is the risk of loss arising from the inability or failure of a borrower or counterparty to meet its obligations. BANA India manages credit risk to a borrower or counterparty based on its risk profile, which includes assessing repayment sources, underlying collateral, if any, and the expected effects of the current and forward-looking economic environment on the borrowers or counterparties. Underwriting, credit management and credit risk limits are proactively reassessed as a borrower's or counterparty's risk profile changes.
- Market risk is the risk of loss due to changes in the market values of the Bank's assets and liabilities caused by changing interest rates, currency exchange rates, and security prices. Market risk is inherent in the Bank's operations and arises from both trading and non-trading positions. Trading exposures represent positions taken in a wide range of financial instruments and markets which expose the Bank to various risks, such as interest rate risk, foreign exchange risk, etc. The Bank manages these risks by using trading strategies and other hedging actions which encompass a variety of financial instruments in both the cash and derivatives markets. Key market risk exposures are assessed at both specific and aggregate levels. At the specific level, market risk sensitivities are assessed by evaluating the impact of individual risk factors such as interest rates and foreign exchange. At the aggregate level, market risk is assessed using two key measures, which are Value-at-Risk ("VaR") and Bi-Weekly Maximum Observed Loss ("MoL").
- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. BANA India manages the operational risks of its business activities using the enterprise-wide Operational Risk Framework. Enterprise Operational Risk policies, processes, tools, and standards are implemented by the Businesses/ECFs with Oversight from the Independent Business/ECF Risk Teams (Regional Function). Each have a quality assurance role and through direct action or Oversight, these stakeholders are collectively responsible for execution of the Operational Risk Program requirements, achievement of risk management objectives, and ensuring timely action is taken in response to concerns and issues.

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- Strategic risk is the risk resulting from incorrect assumptions about external or internal factors, inappropriate business plans (e.g., too aggressive, wrong focus, ambiguous); ineffective business strategy execution; or failure to respond in a timely manner to changes in the regulatory, macroeconomic or competitive environments in the geographic locations in which we operate (such as competitor actions, changing customer preferences, product obsolescence and technology developments).
- Liquidity risk is the inability to meet expected or unexpected cash flow and collateral needs while continuing to support our businesses and customers under a range of economic conditions. The primary objective of liquidity risk management is to ensure that BANA India can meet expected or unexpected cash flow and collateral needs while continuing to support our businesses and customers with the appropriate funding sources, under a range of economic conditions.
- Reputational risk is the risk that negative perceptions regarding BANA India's conduct or business practices may adversely impact its profitability or operations. Reputational risk may result from many of the bank's activities, including those related to the management of strategic, operational, compliance and credit risks. As a result, the potential impact to the bank's reputation of all our activities and all risks we face is evaluated. Reputational risk may arise from negative perception on the part of key stakeholders (e.g., customers, counterparties, investors, regulators, rating agencies), scrutiny from external parties (e.g., politicians, consumer groups, media organizations) and the ongoing threat of litigation. These reputational risk events could adversely impact the bank's financial standing through an inability to maintain or establish business relationships.
- Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to the reputation of the Bank arising from the failure of the Bank to comply with the requirements of applicable laws, rules, regulations, related self-regulatory organizations' standards and codes of conduct. BANA India manages compliance risk through an integrated set of controls and processes to address external and internal risks, including a complex and dynamic regulatory environment and the evolving products, services and strategies of the front line units and control functions
- Interest Rate Risk in Banking Book (IRRBB) refers to the potential adverse financial impact on the Bank's net interest income from changes in interest rates. Due to the fundamental nature of its business, the Bank carries various interest sensitive assets and liabilities in its balance sheet. This exposes the Bank to risk on from changes in interest rates. These assets and liabilities essentially reside in the banking book. In other words, IRRBB refers to the risk associated with interest rate sensitive instruments that are not held in the trading book of the Bank. Interest rate risk in the trading book is covered in the market risk section.
- Credit concentration risk arises due to imperfect diversification of credit exposures in two ways. One, by having very large exposures to a small set of obligors due to which, default by a big customer could result in a huge loss. This is known as name (single/group) concentration risk. Second type of concentration is due to excessive exposure to a particular industry sector. It is observed that defaults in a particular industry sector are generally correlated. Hence, if an industry is under a severe recession, it could result in multiple defaults leading to huge losses.
- Other Risks
  - **Securitization Risk**

    The Bank, as of March 31, 2020, does not have any such investments. The bank has also not securitized any of its assets
  - **Settlement Risk** arises out of exposures on counterparties during the settlement of a deal when the Bank has performed its obligation in the contract and the counterparty is yet to perform its part (either delivery or payment). It is of transient nature; and may arise from counterparty default, operational problems, market liquidity constraints and other factors.
  - **Pension obligation risk** is the risk of a shortfall of pension funds available in the future to meet pension obligations for its eligible employees. The Bank provides for its pension liability which is a defined contribution scheme, for all its eligible employees.
  - **Model Risk** is the potential for adverse consequences from decisions based on incorrect or misused model output and reports. The Enterprise Model Risk Policy ("EMRP") provides comprehensive guidance for understanding monitoring, and managing model risk at Bank of America. The EMRP is consistent with applicable rules and regulations, and establishes a framework of corporate responsibilities and standards for effectively managing model risk across the enterprise.
  - **Risk of Under-estimation of Credit Risk under the Standardized Approach**

    The use of standardized approach for calculating the Pillar 1 capital requirement in respect of credit risk is a conservative approach given the portfolio primarily consists of corporate customers with strong credit profiles and the credit risk in the portfolio is well managed by the credit risk management processes in place.

Risk Governance

BANA India has the following senior management level local committees or groups for risk governance.

Local Management Team ("LMT")

The LMT is chaired by the Country Executive Officer of the Bank. It is the primary body which provides strategic direction to the Bank and ensures compliance with regulatory requirements and the internal policies of the Bank. It is responsible for branch governance and oversight of branch operations. It is also responsible for reviewing and approving new business and products. It reviews the country performance with respect to strategic objectives. The LMT holds meetings six times in a financial year or more frequently if required. The LMT reviews and approves the ICAAP on an annual basis or upon any revision in the interim.

Asset Liability Committee ("ALCO")

The ALCO is chaired by the Country Executive Officer of the Bank. The ALCO is responsible for establishing policies and providing directives to manage the structural balance sheet risks arising over time, resulting from the Bank's business activities originating from the changing asset-liability mix. It provides management oversight of balance sheet, capital and liquidity management activities of the Bank. The ALCO holds meetings four times in a financial year or more frequently if required. The ALCO reviews and approves the ICAAP on an annual basis or upon any revision in the interim.

Risk Management Committee ("RMC")

RMC is independently chaired by the Chief Risk Officer. RMC serves as an oversight body to provide strategic direction for a progressive risk management system and policies & strategy to be followed to mitigate the risks associated with the business. RMC comprises senior management of the Bank and representatives from front line units and relevant control & support functions. RMC meets at least on a quarterly basis.

Customer Service Committee ("CSC")

Customer Service Committee ('CSC') is responsible for activities relating to customer service and client services issues. CSC meets four times in a year. The committee is chaired by Head - Banking Operations.

Audit Council

The Audit Council assists LMT in exercising oversight of the effectiveness of the Bank's system of internal controls and policies and procedures for managing and accessing risk, integrity of the financial statements of the Bank, and compliance by the Bank with legal and regulatory requirements. The Council also provides direct oversight over the audit function. The Audit Council meets at least four times in a year.

The Audit council is mainly responsible for:

- Providing direction and overseeing the operation of the audit function in the Bank,
- Obtaining and reviewing half-yearly reports from the Compliance Officer, and
- Following up on issues raised in LFAR and discussing the financial statements

Technology Steering Committee ("TSC")

The TSC is chaired by the Chief Information Officer ("CIO"). The Technology Steering Committee (TSC) oversees projects in partnership with the Regional/Global Technology and other Functional teams across the Bank including common infrastructure or other projects cutting across businesses or support groups. The TSC meets at least six times in a year or more frequent, if required**.**

The TSC is mainly responsible for:

- To assist the Executive Management in implementing Information technology ("IT") Strategy that has been approved by the by global/regional and local management forums,
- Setting project priorities, reviewing critical project status and milestones,
- Monitoring IT governance, risk and controls, and
- Providing regular updates to the India LMT on significant Technology matter

Returns Governance Group ("RGG")

Returns Governance Group (RGG) was formed based on guidance by RBI in 'Approach Paper on Automated Data Flow from Banks' and guidance on Supervisory Program for Assessment of Risk and Capital (SPARC). RGG is the governance body responsible for providing oversight to all regulatory submissions, including Risk Based Supervision. RGG, as required by RBI shall inter-alia comprise of representatives from Compliance, Business, Technology, etc. and perform inter-alia the following roles.

- Act as the owner of all the layers indicated in the end state from the process perspective and in the context of automated submission systems, ensure governance around Data Acquisition, Data conversion and Data submission.
- Provide oversight and guidance to Technology Steering Committee, which is currently managing the automation of regulatory reports, etc.
- Review and escalation point for Technology Steering Committee for handling change request for any new requirement by Reserve Bank and also handling ad-hoc queries.
- Ensuring governance that the metadata is as per the regulatory definitions.

Table DF-3: Credit Risk: General Disclosures

I. Qualitative disclosures

Robust risk management policies and procedures are laid out in the Global Banking and Markets Core policy. It is supplemented by the Credit Compliance Manual. Written policies, procedures, standards, and guidelines are updated on a regular basis to provide a clear direction to officers for meeting the requirements for which they are accountable. Approval authority is vested via an Approval Grid which takes into account the quantum, internal risk rating and nature of exposure and the position/experience of the approver.

The Bank manages credit risk based on the risk profile of the borrower or counterparty, repayment sources, the nature of underlying collateral, and other support given current events, conditions and expectations. Credit risk management begins with an assessment of the credit risk profile of the borrower or counterparty based on an analysis of their financial position. As part of the overall credit risk assessment of a borrower or counterparty, credit exposures are assigned a risk rating and are subject to approval based on defined credit approval standards. High Value Proposals are subject to approvals by Credit Approval Council ("CAC"). Subsequent to loan origination, risk ratings are monitored on an ongoing basis. If necessary, risk ratings are adjusted to reflect changes in the financial condition and cash flow of a borrower or counterparty.

BANA India follows the policy of internal rating on a scale of Risk Rating ("RR") 1-11, and the RR is regularly monitored. Exposures with RR of 8 or worse (criticized assets) are subject to additional scrutiny and monitoring.

Unhedged Foreign Currency Exposure ("UFCE") of the borrower is an area of risk for the individual entity as well as for the entire financial system; as entities who do not hedge their exposure may incur significant losses due to exchange rate movements, which in turn can reduce their capability to service the loans taken from the banks. In line with the RBI circular dated January 15, 2014, BANA India has put in place a process to ascertain the amount of UFCE, estimate the extent of likely loss and riskiness due to UFCE, and provide for incremental capital & make incremental provision, as warranted.

In order to address concentration risk in banking industry the RBI has issued 'Guidelines of Enhancing Credit Supply' requiring banks to create additional provision and also apply additional risk weights on specified borrowers effective April 01, 2018. BANA India has put in place a process to ensure compliance with requirements of the said guidelines/directions.

In accordance with RBI guidelines relating to COVID-19 Regulatory Package dated 27 March 2020, 17 April 2020 and 23 May 2020 ('RBI Circulars'), the Bank has laid down a LMT approved policy for borrowers who want to avail moratorium on the payment of overdraft facility/instalments and/or interest, as applicable.

Definitions

- **Overdue:** Any amount due to Bank under any credit facility is 'overdue' if it is not paid by the due date.

Norms for determining when to classify various types of assets as non-performing

- Term loans are treated as non-performing if the interest and/or installments of principal remain overdue for a period of more than 90 days.
- Cash credits & overdrafts are treated as non-performing if the accounts remain out of order for a period of more than 90 days.

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- An account will be treated "out of order" if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In case where the outstanding balance is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on balance-sheet date or credits are not enough to cover the interest debited during the same period, these accounts will be treated as out of order.
- Bills purchased/discounted are treated as non-performing if the bill remains overdue and unpaid for a period of more than 90 days.
- Any overdue receivables representing positive mark-to-market value of a foreign exchange and interest rate derivative contracts will be treated as non- performing asset if these remain unpaid for 90 days or more, upon becoming due
- Any other facility will be treated as non-performing if any amount to be received remains overdue for a period of more than 90 days during the financial year

II. Quantitative disclosures

a. Total Gross credit exposures

INR mm	31-Mar-20	31-Mar-19
Fund Based	**413,650**	300,583
Non-Fund Based [1]	**165,714**	98,729

b. Geographic distribution

INR mm	31-Mar-20		31-Mar-19	
	Domestic	Overseas [2]	Domestic	Overseas [2]
Fund Based	**413,650**	-	300,583	-
Non-Fund Based [1]	**165,714**	-	98,729	-

[1]Includes market as well as non-market related exposures
[2] As per the clarification given in the guidelines for Pillar 3 disclosures, definition of Overseas and Domestic should be as adopted for segment reporting in compliance with Accounting Standard- 17 issued by ICAI. As the Bank does not have any overseas operations, all exposures are reported under domestic exposures.

c. Distribution of Exposures by sector/industry **INR mm**

Sr.no	Particulars	31-Mar-20		31-Mar-19	
		Funded Exposure	Non Funded Exposure*	Funded Exposure	Non Funded Exposure*
1.	**Agriculture & Allied Activities**				
	Agri - Direct	-	-	-	-
	Agri - Indirect	75	20	400	-
	1. Total	**75**	**20**	**400**	**-**
2.	**Industry (Micro & Small, Medium and Large)**				
a.	Construction	4,025	1,223	5,747	816
b.	Gems & Jewellery	-	-	-	-
c.	Cement & Cement products	-	-	-	-
d.	Infrastructure	35,649	3,124	15,388	1,210
e.	Textiles	1	502	3,174	85
f.	Basic metal and metal products	8,940	3,849	7,224	741
g.	Mining and Quarrying	128	11	671	6
h.	All Engineering	15,324	10,576	16,691	9,743
i	Chemicals and chemical products	37,434	2,241	28,600	4,659
j	Petroleum, coal products and nuclear fuels	11,651	4,332	6,143	1,639
k	Vehicles, vehicle parts and transport equipment	13,943	1,978	8,447	1,822
l.	Beverage & Tobacco	9,240	353	11,775	62
m	Food Processing	5,824	56	8,633	972
n	Other Industries	389	100	654	59
o	Paper & paper products	633	91	1,092	18
p	Rubber, plastic & their products	2,395	73	1,119	81
q	Leather & leather products	-	-	-	-
r	Wood and Wood products	-	-		
s	Glass and glassware	-	-	-	-
	2. Total	**145,578**	**28,509**	**115,357**	**21,915**
3.	**Services**				
c.	Aviation	-	651	-	609
d.	Shipping	-	-	-	-
e.	Commercial Real Estate	-	-	-	-
b.	Banks	10,729	100,562	35,856	49,591
a.	Non-Banking Financial Companies	49,192	6,307	30,962	5,621
t.	Computer Software	8,754	10,997	10,018	7,227
v.	Trade	13,046	2,099	18,307	1,044
f.	Other Services	172,727	13,257	79,372	9,910
e.	Professional and Other services	6,592	2,216	3,444	1,987
c.	Transport Operators	6,867	965	6,495	795
d.	Tourism Hotels and Restaurants	90	131	372	29
	3. Total	**267,997**	**137,185**	**184,826**	**76,814**
	Grand Total	**413,650**	**165,714**	**300,183**	**98,729**

** Includes market as well as non-market related exposures*
Note: Previous year figures have been regrouped and reclassified wherever necessary to confirm to current year's presentation

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d. Residual contractual maturity pattern for assets.

As of March 31, 2020 **INR mm**

Particulars	Cash	Advances	Balance with RBI	Balances with other Banks	Fixed Assets	Investments	Other Assets
Next Day	41	3,879	1,223	103,042	-	143,734	856
2 - 7 days	-	14,698	-	-	-	31,686	3
8-14 days	-	12,348	-	1,879	-	-	6
15-30 days	-	43,093	4,813	-	-	25,617	-
31 days to 2 month	-	27,937	1,537	-	-	8,182	-
2-3 months	-	22,948	1,192	-	-	6,344	103,116
3-6 months	-	49,716	416	-	-	2,211	4,568
6 months to 1 year	-	18,172	426	-	-	2,269	-
1-3 years	-	39,731	3,920	-	-	36,522	-
3-5 years	-	3,369	2	-	-	-	-
5-7 years	-	-	0	-	-	0	-
7-10 years	-	-	1	-	-	-	-
10-15 years	-	-	0	-	-	0	-
Over 15 years	-	-	-	-	1,131	-	5,554
TOTAL	**41**	**235,891**	**13,530**	**104,921**	**1,131**	**256,565**	**114,103**

As of March 31, 2019 **INR mm**

Particulars	Cash	Advances	Balance with RBI	Balances with other Banks	Fixed Assets	Investments	Other Assets
Next Day	38	4,647	2,831	41,652	-	110,710	952
2 - 7 days	-	12,605	-	-	-	49,009	1
8-14 days	-	20,158	-	-	-	15,621	65
15-30 days	-	24,523	3,840	-	-	13,318	-
31 days to 2 month	-	23,103	511	-	-	6,567	-
2-3 months	-	20,941	878	-	-	4,015	57,409
3-6 months	-	41,078	551	-	-	2,518	3,591
6 months to 1 year	-	17,291	337	-	-	1,541	-
1-3 years	-	27,060	3,810	-	-	21,154	-
3-5 years	-	3,114	5	-	-	1,050	-
5-7 years	-	-	0	-	-	1	-
7-10 years	-	-	0	-	-	0	-
10-15 years	-	-	-	-	-	-	-
Over 15 years	-	-	-	-	1,179	-	3,030
TOTAL	38	194,517	12,764	41,652	1,179	225,504	65,048

e. Amount of NPAs (Gross) – Nil (March 31, 2019 – Nil)

f. Net NPAs –Nil (March 31, 2019 – Nil)

g. NPA Ratios

– Gross NPA to Gross Advances – **Nil** (March 31, 2019 – Nil)

– Net NPA to Net Advances –**Nil** (March 31, 2019 – Nil)

h. Movement of NPAs (Gross)

INR mm	**31-Mar-20**	31-Mar-19
Opening balance	**-**	-
Additions during the year	**2.24**	-
Reductions during the period	**2.24**	-
Closing balance	**-**	-

i. Movement of provision for NPAs

INR mm	**31-Mar-20**	31-Mar-19
Opening balance	**-**	-
Provisions made during the year	**0.56**	-
Write-off	**-**	-
Write-back of excess provisions	**0.56**	-
Closing balance	**-**	-

j. Non-Performing Investments: Nil (March 31, 2019 – Nil)

k. Provisions for Non-Performing Investments – Nil (March 31, 2019 – Nil)

l. Movement of provision for Depreciation on Investments

INR mm	31-Mar-20	31-Mar-19
Opening balance	-	265
Provisions made during the year	**265**	-
Write-off	-	-
Write-back of excess provisions	-	265
Closing balance	**265**	-

Table DF-4: Credit Risk: Disclosures for Portfolios Subject to the Standardised Approach

I. Qualitative disclosures

The Bank adopts the following basis for assignment of risk weights for different categories of counterparties:

a. Scheduled Banks including foreign bank branches in India:

The bank has applied risk weights on exposures to scheduled banks for the purpose of Pillar 1 calculation in line with Basel III regulations as prescribed by RBI.

b. Foreign Banks:

Ratings for foreign banks have been sourced from websites of Fitch, Moody's and Standard & Poor's. The bank has applied risk weights relevant to the ratings assigned by international credit rating agencies as prescribed by RBI. In case of unrated exposures, bank has applied risk weights as prescribed by RBI guidelines.

c. Corporates:

Where the obligors have obtained rating of the facility from any of the accredited credit rating agencies viz. Brickwork Ratings India Pvt. Limited, Credit Analysis & Research Limited (CARE), CRISIL Limited, ICRA Limited (ICRA), India Ratings and Research Private Limited (Fitch), SME Rating Agency of India Ltd. (SMERA) as specified by the RBI, the Bank has applied the risk weights relevant to the ratings assigned by the credit rating agencies. Unrated corporate exposures have been risk weighted at 150% as per RBI guidelines.

II. Quantitative disclosures

a. Total Gross credit exposures

INR mm	31-Mar-20	31-Mar-19
Fund Based		
Below 100% risk weight	**263,883**	188,795
100% risk weight	**7,102**	108,533
More than 100% risk weight	**142,665**	3,255
Deducted	-	-
Total	**413,650**	300,583

INR mm	31-Mar-20	31-Mar-19
Non-Fund Based [5]		
Below 100% risk weight	**109,391**	60,943
100% risk weight	**1,694**	37,637
More than 100% risk weight	**53,629**	149
Deducted	-	-
Total	**165,714**	98,729

[5]Includes market as well as non-market related exposures.

Table DF-5: Credit Risk Mitigation: Disclosures for Standardized Approaches

I. Qualitative disclosures

In determining credit risk capital, the Bank has not reduced the facility amounts by any corresponding eligible collateral amount in the form of cash margins.

The risk weighted assets are computed based on the gross outstanding facility amount.

II. Quantitative disclosures

The Bank has not availed Credit Risk Mitigation Techniques ("CMT") as at March 31, 2020

Table DF-6: Securitization Exposures: Disclosure for Standardized Approach

I. Qualitative disclosures

There are no securitization transactions originated by the Bank.

II. Quantitative disclosures

A. Banking Book

Total amount of exposures securitized by the Bank: **Nil** (March 31, 2019: Nil)

Amount of assets intended to be securitized within a year: **Nil** (March 31, 2019: Nil)

Total amount of assets securitized and unrecognized gain or losses on sale: **Nil** (March 31, 2019: Nil)

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Aggregate amount of on-balance sheet and off-balance sheet securitization exposures purchased and break-up by exposure type

INR mm	31-Mar-20		31-Mar-19	
	Exposure Type	**Exposure Amount**	Exposure Type	Exposure Amount
On Balance Sheet	-	-	-	-
Off Balance Sheet	-	-	-	-
Total		-		-

Securitization exposures purchased and the associated capital charge by different risk weight bands

INR mm	As at 31-Mar-2020			As at 31-Mar-2019		
	Exposure	**Risk Weighted Assets**	**Capital Requirement**	Exposure	Risk Weighted Assets	Capital Requirement
Below 100% risk weight	-	-	-	-	-	-
100% risk weight	-	-	-	-	-	-
More than 100% risk weight	-	-	-	-	-	-
Total	-	-	-	-	-	-

Securitization Exposures deducted entirely from Tier 1 capital, credit enhancing Interest Only Strips (I/Os) deducted from total capital, and other exposures deducted from total capital: Nil (March 31, 2019: Nil)

B. Trading book

- Aggregate amount of exposures securitised by Bank for which bank has retained some exposures and which is subject to market risk approach: **Nil** (March 31, 2019: Nil)
- Aggregate amount of on-balance sheet securitisation exposures retained or purchased: **Nil** (March 31, 2019: Nil)
- Aggregate amount of off-balance sheet securitisation exposures: **Nil** (March 31, 2019: Nil)
- Aggregate amount of securitization exposures retained or purchased subject to Comprehensive Risk Measure for specific risk : **Nil** (March 31, 2019: Nil)
- Aggregate amount of securitization exposures retained or purchased subject to securitization framework for specific risk broken into different risk weight bands: **Nil** (March 31, 2019: Nil)
- Aggregate amount of capital requirements for the securitisation exposures subject to securitisation framework: **Nil** (March 31, 2019: Nil)
- Securitisation Exposures deducted entirely from Tier 1 capital, credit enhancing Interest Only Strips (I/Os) deducted from total capital, and other exposures deducted from total capital: **Nil** (March 31, 2019: Nil)

Table DF-7: Market Risk in Trading Book

I. Qualitative disclosures

Market risk is the risk of loss due to changes in the market values of the Bank's assets and liabilities caused by changing interest rates, currency exchange rates, and security prices. Market risk is inherent in the Bank's operations and arises from both trading and non-trading positions. Trading exposures represent positions taken in a wide range of financial instruments and markets which expose the Bank to various risks, such as interest rate risk, foreign exchange risk, etc. The Bank manages these risks by using trading strategies and other hedging actions which encompass a variety of financial instruments in both the cash and derivatives markets.

Key market risk exposures are assessed at both specific and aggregate levels. At the specific level, market risk sensitivities are assessed by evaluating the impact of individual risk factors such as interest rates and foreign exchange. At the aggregate level, market risk is assessed using two key measures, which are Value-at-Risk ("VaR") and Bi-Weekly Maximum Observed Loss ("MoL").

VaR is a statistical measure of potential portfolio market value loss resulting from changes in market variables, during a given holding period, measured at a specified confidence level. The Branch uses historical simulation approach for VaR and it is calculated over a one-day holding period at a 99% confidence level, using three years of historical data. The performance of VaR model is monitored through daily back-testing and is performed at both Entity and Line of Business (LoB) level. MOL is the potential market value loss on a portfolio over a 10-day holding period using historical data with start date anchored to January 1st, 2007

VaR and MOL are supplemented with stress tests, which are performed to assess extreme tail events or shocks. The stress tests are designed to highlight exposures to unlikely but plausible events or extremely volatile conditions, both hypothetically and historically.

Market Risk Management Architecture

The market risk function is independent of the front office and monitors all prudential limits governing trading activities and reports exceptions to senior management.

Market Risk Management Control

Market risk of the Branch is primarily managed through establishing and monitoring limits. Investment policy and FX/derivatives policy of the Branch (or BANA Mumbai) lists the applicable limits and approval processes.

Market Risk Management utilizes a suite of reports which assess risk on a daily basis. These reports are distributed to Senior Management on daily basis. Limit excesses, limit changes (temporary, or permanent) are communicated to Senior Management, as well as to relevant forum such as the LMT, Risk management Committee and the ALCO where applicable.

Market Risk Management Policies and Procedures

The Market Risk Management is guided by market risk policies and guidelines. Global market risk management policy is in place and is followed. The policy describes how market risk is managed by establishing the key market risk measures, defining roles and responsibilities and describing key monitoring processes in place. In addition, the Investment policy and FX/derivatives policy of the Branch lists the applicable limits and approval processes.

The market risk capital requirement is expressed in terms of two separately calculated charges:

General market risk charge from the interest rate risk in the portfolio in different securities or instruments.

- Specific risk charge for each security, which is designed to protect against an adverse movement in the price of an individual security owing to factors related to the individual issuer.

For regulatory capital, the requirements for general market risk are designed to capture the risk of loss arising from changes in market prices and interest rates. The capital charge is the sum of four components:

- the net short or long position in the whole trading book.
- a small proportion of the matched positions in each time-band - vertical disallowance.
- a larger proportion of the matched positions across different time bands - horizontal disallowance.
- a net charge for positions in options.

The general market risk charge is measured by using the modified duration method. Foreign exchange open positions (higher of limit or actual) are risk-weighted at 100%.

II. Quantitative disclosures

INR mm	**31-Mar-20**	31-Mar-19
Capital requirements for:		
Interest rate risk		
- general market risk	**18,062**	11,353
- specific risk	**-**	2,004
Equity position risk	**-**	-
- general market risk	**-**	-
- specific risk	**-**	-
Foreign exchange risk	**1,396**	1,396
Total	**19,458**	14,753

Table DF-8: Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational Risk Events: inadequate or failed internal processes, people, systems and external events may result in unexpected or undesired consequences including a financial loss, an unexpected gain, a near miss and/or an opportunity cost (lost future revenue). The events associated with these unintended and/or undesired consequences are termed as operational risk events.

Operational Loss: an operational loss is the recorded financial consequence (excluding insurance reimbursements or tax effects) resulting from an operational loss event, including all expenses associated with an operational loss event except for opportunity costs, foregone revenue, and costs related to risk management and control enhancements implemented to prevent future operational losses. Operational loss events can also result in unintended financial gains. BAC classifies operational losses using the Basel II categories and definitions: Internal Fraud; External Fraud; Employment Practices and Workplace Safety; Clients, Products, and Business Practices; Damage to Physical Assets; Business Disruption and System Failures; and Execution, Delivery, and Process Management.

BANA India manages the operational risks of its business activities using the enterprise-wide Operational Risk Framework. Enterprise Operational Risk policies, processes, tools, and standards are implemented by the Businesses/ECFs with Oversight from the Independent Business/ECF Risk Teams (Regional Function). Each have a quality assurance role and through direct action or Oversight, these stakeholders are collectively responsible for execution of the Operational Risk Program requirements, achievement of risk management objectives, and ensuring timely action is taken in response to concerns and issues.

Governance of Operational Risk

Operational risk is managed by all employees as part of our day-to-day activities. Front line units and control functions own operational risk and are responsible for monitoring, assessing and testing the effectiveness of controls, while continuing to identify, escalate, debate and report operational risks. Front line units/control functions may have business Oversight or control teams that support business leaders in the implementation of the program.

The Operational Risk management function at Bank of America (BAC) is independent of front line unit/control function, and is responsible for designing the program and overseeing its implementation and execution in accordance with the Policy and its supporting Standards. Operational Risk Teams are also responsible for objectively assessing, challenging and advising the front line units/control functions on operational risk.

Risk Management Process

BAC's Operational Risk Management Program has been built around ten interrelated requirements that are set out in the Operational Risk Management - Enterprise Policy, which also specifies the responsibilities and accountabilities of the first and second lines of defense. These requirements work together to drive a comprehensive risk-based approach for the proactive identification, management, mitigation and escalation of operational risks throughout the Company. These ten core requirements are:

1) Operational risk appetite
2) Key Risk Indicators
3) Risk and Control Self-Assessment
4) Scenario Analysis

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5) Internal Operational Loss Event Data
6) External Operational Loss Event Data
7) Quality Assurance (QA) Program
8) Operational Risk Coverage Plans
9) Operational Risk Reporting and Escalation
10) Operational Risk Capital Model Oversight.

Table DF-9: Interest Rate Risk in the Banking Book (IRRBB)

I. Qualitative disclosures

Interest Rate Risk in Banking Book (IRRBB) refers to the potential adverse financial impact on the Bank's net interest income from changes in interest rates. Due to the fundamental nature of its business, the bank carries various interest sensitive assets and liabilities in its balance sheet. This exposes the Bank to risk on from changes in interest rates. These assets and liabilities essentially reside in banking book. In other words, IRRBB refers to risk associated with interest rate sensitive instruments that are not held in the trading book of the Bank. Interest rate risk in the trading book is covered in the market risk section

Presently the Bank uses the following tools for managing interest rate risk:

Gap analysis: The interest rate gap or mismatch risk is measured by calculating gaps over different time intervals at a given date. This static analysis measures mismatches between rate sensitive liabilities ("RSL") and rate sensitive assets ("RSA"). The report is prepared monthly by grouping rate sensitive liabilities, assets and off-balance sheet positions into time buckets according to residual maturity or next re-pricing period, whichever is earlier. The difference between RSA and RSL for each time bucket signifies the gap in that time bucket. The direction of the gap indicates whether net interest income is positively or negatively impacted by a change in interest rates and the magnitude of the gap helps in assessing the change in net interest income for any given interest rate shift. The interest rate sensitivity/gap reports are reviewed by the ALCO on a regular basis.

Earnings at risk ("EaR"): The interest rate gap reports mentioned above indicate whether the Bank is in a position to benefit from rising interest rates by having a positive gap (RSA > RSL) or whether it is in a position to benefit from declining interest rates by having a negative gap (RSL > RSA). EaR measures the change in NII over a one year time horizon for various levels of parallel shift in interest rates.

Economic value: Change in the interest rates have a long-term impact on the capital position of the Bank, as the economic value of the Bank's assets, liabilities and off-balance sheet positions get affected by these rate changes. The Bank applies a modified duration approach and monitors impact of various levels of parallel shift in interest rate curves on the capital position. The interest rate sensitivity/ gap reports are reviewed by the ALCO on a regular basis.

II. Quantitative disclosures

The increase/(decline) in earnings and economic value (on a pre-tax basis) for an upward/downward rate shock broken down by currency is as below

a. Impact on net interest income over the next 12 months (earnings perspective)

INR mm	**31-Mar-2020**		31-Mar-2019	
	If interest rate were to go up by 100 basis points	**If interest rate were to go down by 100 basis points**	If interest rate were to go up by 100 basis points	If interest rate were to go down by 100 basis points
Currency				
INR	(877)	877	11	(11)
USD	137	(137)	65	(65)
Others	2	(2)	(1)	1
Total	**(738)**	**738**	75	(75)

b. Impact on market value of equity (economic value perspective):

INR mm	**31-Mar-2020**		31-Mar-2019	
	If interest rate were to go up by 200 basis points	**If interest rate were to go down by 200 basis points**	If interest rate were to go up by 200 basis points	If interest rate were to go down by 200 basis points
Currency				
INR	3,478	(3,478)	1,448	(1,448)
USD	911	(911)	1,097	(1,097)
Others	57	(57)	108	(108)
Total	**4,446**	**(4,446)**	2,653	(2,653)

Table DF-10: General Disclosure for Exposures Related to Counterparty Credit Risk

I. Qualitative disclosures

Discussion of methodology used to assign economic capital and credit limits for counterparty credit exposures

A credit approval document is used to analyze the counterparty's creditworthiness, document transaction structure and risk mitigation, and approve the Traded Products limit(s). Specific requests, including limit structure and attributes is also included in the credit approval document. BANA India adopts standardized model and does not assign economic capital for counterparty credit exposures.

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Discussion of policies for securing collateral and establishing credit reserve

Collateralization is one of the key credit risk mitigation techniques available in the market. The term "Collateral" means assets pledged as security to ensure payment or performance of an obligation. When facing derivative counterparties, BAC enters into master netting arrangements and, in appropriate circumstances, collateral arrangements which provide in the event of a customer default, the right to liquidate collateral and the right to offset counterparty's rights and obligations. BAC also monitors the fair market value of the underlying securities used as collateral, including accrued interest, and, as necessary, requests additional collateral to ensure that the relevant transactions are adequately collateralized. BANA India makes appropriate provisions for credit risk as per regulatory guidelines.

Discussion of policies with respect to wrong-way risk exposures

Transactions that include significant positive correlation between the performance of the counterparty and the exposure profile of the underlying product are called Wrong Way Risk ("WWR") trades. The BAC Wrong Way Risk Policy outlines the characteristics of WWR trades, and describes the approval escalation requirements and associated monitoring and reporting of WWR exposure.

Discussion of the impact of the collateral the bank would have to provide given a credit rating downgrade

As per local contractual agreements, BANA India is not required to post any collateral given a credit rating downgrade.

II. Quantitative disclosures

As at March 31, 2020

INR mm	Forward Exchange Contracts	Interest Rate Derivative Contracts	Cross Currency Swaps	Options
Gross positive fair value of contracts	53,228	45,394	920	472
Netting benefits	43,072	-	-	-
Netted current credit exposure (positive mark-to-market)	10,156	45,394	920	472
Collateral held*	-	-	-	-
Net derivatives credit exposure	10,156	45,394	920	472
Exposure at default under Current Exposure Method	84,615	86,461	7,441	2,753

INR mm	
Notional value of credit derivative hedges Institution's own credit portfolio • Protection bought • Protection sold Institution's Intermediation activity credit portfolio • Protection bought • Protection sold	Not Applicable

As at March 31, 2019

INR mm	Forward Exchange Contracts	Interest Rate Derivative Contracts	Cross Currency Swaps	Options
Gross positive fair value of contracts	38,768	14,444	1,525	561
Netting benefits	33,114	-	-	-
Netted current credit exposure (positive mark-to-market)	5,654	14,444	1,525	561
Collateral held*	-	-	-	-
Net derivatives credit exposure	5,654	14,444	1,525	561
Exposure at default under Current Exposure Method	72,333	36,211	6,916	2,646

INR mm	
Notional value of credit derivative hedges Institution's own credit portfolio • Protection bought • Protection sold Institution's Intermediation activity credit portfolio • Protection bought • Protection sold	Not Applicable

Note: Previous year figures have been regrouped and reclassified wherever necessary to confirm to current year's presentation.

** The Bank has not availed any Credit Risk Mitigation Techniques*

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Table DF-11: Composition of Capital

Sr. no	Particulars	Amt in INR mm	Amounts Subject to Pre-Basel III Treatment	Reference No.
	Common Equity Tier 1 capital: instruments and reserves			
1.	Directly issued qualifying common share capital plus related stock surplus (share premium)	31,883		A1
2.	Retained earnings	78,313		A2+A3
3.	Accumulated other comprehensive income (and other reserves)	–		
4.	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies1)	–		
5.	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	–		
6.	**Common Equity Tier 1 capital before regulatory adjustments**	**110,196**		
	Common Equity Tier 1 capital: regulatory adjustments			
7.	Prudential valuation adjustments	–		
8.	Goodwill (net of related tax liability)	–		
9.	Intangibles (net of related tax liability)	104		C1
10.	Deferred tax assets	–	-	A4
11.	Cash-flow hedge reserve	–		
12.	Shortfall of provisions to expected losses	–		
13.	Securitisation gain on sale	–		
14.	Gains and losses due to changes in own credit risk on fair valued liabilities	–		
15.	Defined-benefit pension fund net assets	–		
16.	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	–		
17.	Reciprocal cross-holdings in common equity	–		
18.	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–		
19.	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	–		
20.	Mortgage servicing rights (amount above 10% threshold)	–		
21.	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–		
22.	Amount exceeding the 15% threshold	–		
23.	of which: significant investments in the common stock of financial entities	–		
24.	of which: mortgage servicing rights	–		
25.	of which: deferred tax assets arising from temporary differences	–		
26.	National specific regulatory adjustments (26a+26b+26c+26d)	–		
26a	of which: Investments in the equity capital of the unconsolidated insurance subsidiaries	–		
26b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries	–		
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	–		
26d	of which: Unamortised pension funds expenditures	–		
27.	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	–		
28.	**Total regulatory adjustments to Common equity Tier 1**	**104**		
29.	**Common Equity Tier 1 capital (CET1)**	**110,092**		

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Sr. no	Particulars	Amt in INR mm	Amounts Subject to Pre-Basel III Treatment	Reference No.
30.	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	–		
31.	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	–		
32.	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	–		
33.	Directly issued capital instruments subject to phase out from Additional Tier 1	–		
34.	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	–		
35.	of which: instruments issued by subsidiaries subject to phase out	–		
36.	**Additional Tier 1 capital before regulatory adjustments**	**–**		
	Common Equity Tier 1 capital: instruments and reserves			
	Additional Tier 1 capital: regulatory adjustments			
37.	Investments in own Additional Tier 1 instruments	–		
38.	Reciprocal cross-holdings in Additional Tier 1 instruments	–		
39.	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	–		
40.	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–		
41.	National specific regulatory adjustments (41a+41b)	–		
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	–		
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	–		
42.	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–		
43.	**Total regulatory adjustments to Additional Tier 1 capital**	**–**		
44.	**Additional Tier 1 capital (AT1)**	**–**		
45.	**Tier 1 capital (T1 = CET1 + AT1) (29 + 44)**	**110,092**		
	Tier 2 capital: instruments and provisions			
46.	Directly issued qualifying Tier 2 instruments plus related stock surplus	–		
47.	Directly issued capital instruments subject to phase out from Tier 2	–		
48.	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	–		
49.	of which: instruments issued by subsidiaries subject to phase out	–		
50.	Provisions	5,909		B1+B2+ B3+B4
51.	**Tier 2 capital before regulatory adjustments**	**5,909**		
52.	Investments in own Tier 2 instruments	–		
53.	Reciprocal cross-holdings in Tier 2 instruments	–		
54.	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	–		
55.	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–		
56.	National specific regulatory adjustments (56a+56b)	–		
56a	of which: Investments in the Tier 2 capital of unconsolidated subsidiaries	–		

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Sr. no	Particulars	Amt in INR mm	Amounts Subject to Pre-Basel III Treatment	Reference No.
56b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	–		
57.	**Total regulatory adjustments to Tier 2 capital**	**–**		
58.	**Tier 2 capital (T2)**	**5,909**		
59.	**Total capital (TC = T1 + T2) (45 + 58)**	**116,001**		
60.	**Total risk weighted assets (60a + 60b + 60c)**	**658,478**		
60a	of which: total credit risk weighted assets	467,605		
60b	of which: total market risk weighted assets	145,480		
60c	of which: total operational risk weighted assets	45,393		
Capital ratios				
61.	**Common Equity Tier 1 (as a percentage of risk weighted assets)**	**16.72%**		
62.	**Tier 1 (as a percentage of risk weighted assets)**	**16.72%**		
63.	**Total capital (as a percentage of risk weighted assets)**	**17.62%**		
64.	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	**9.88%**		
65.	of which: capital conservation buffer requirement	**1.88%**		
66.	of which: bank specific countercyclical buffer requirement	–		
67.	of which: G-SIB buffer requirement	**2.50%**		
68.	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) – (Point 61 – Point 71)	**7.15%**		
	National minima (if different from Basel III)			
69.	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%		
70.	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%		
71.	National total capital minimum ratio (if different from Basel III minimum)	9.00%		
	Amounts below the thresholds for deduction (before risk weighting)			
72.	Non-significant investments in the capital of other financial entities	–		
73.	Significant investments in the common stock of financial entities	–		
74.	Mortgage servicing rights (net of related tax liability)	NA		
75.	Deferred tax assets arising from temporary differences (net of related tax liability)	–		
	Applicable caps on the inclusion of provisions in Tier 2			
76.	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	5,909		
77.	Cap on inclusion of provisions in Tier 2 under standardised approach	5,845		
78.	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	–		
79.	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	–		
	Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)			
80.	Current cap on CET1 instruments subject to phase out arrangements	–		
81.	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	–		
82.	Current cap on AT1 instruments subject to phase out arrangements	–		
83.	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–		
84.	Current cap on T2 instruments subject to phase out arrangements	–		
85.	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–		

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Table DF-12: Composition of Capital- Reconciliation Requirement

INR mm		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
		As on 31-Mar-2020	As on 31-Mar-2020
A	**Capital & Liabilities**		
i	Paid-up Capital	31,883	31,883
	Reserves & Surplus	90,460	90,460
	Minority Interest	-	-
	Total Capital	122,343	122,343
ii	Deposits	396,382	396,382
	of which: Deposits from banks	13,327	13,327
	of which: Customer deposits	383,055	383,055
	of which: Other deposits (pl. specify)	-	-
iii	Borrowings	58,922	58,922
	of which: From RBI	-	-
	of which: From banks	25,645	25,645
	of which: From other institutions & agencies	33,277	33,277
	of which: Others (pl. specify)		
	of which: Capital instruments	-	-
iv	Other liabilities & provisions	148,535	148,535
	Total	**726,183**	**726,183**
B	**Assets**		
i	Cash and balances with Reserve Bank of India	13,572	13,572
	Balance with banks and money at call and short notice	104,921	104,921
ii	Investments:	256,565	256,565
	of which: Government securities	256,565	256,565
	of which: Shares	-	-
	of which: Debentures & Bonds	-	-
	of which: Subsidiaries/Joint Ventures/Associates	-	-
	of which: Others (Commercial Papers, Certificate of Deposits etc.)	-	-
iii	Loans and advances	235,891	235,891
	of which: Loans and advances to banks	8,029	8,029
	of which: Loans and advances to customers	227,862	227,862
iv	Fixed assets	1,131	1,131
v	Other assets	114,103	114,103
	of which: Goodwill and intangible assets	104	104
	of which: Deferred tax assets	1,527	1,527
vi	Goodwill on consolidation	-	-
vii	Debit balance in Profit & Loss account	-	-
	Total Assets	**726,183**	**726,183**

INR mm		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Reference no.
		As on 31-Mar-20	As on 31-Mar-20	
A	**Capital & Liabilities**			
	Paid-up Capital	31,883	31,883	**A1**
	of which: Amount eligible for CET1	31,883	31,883	
	of which: Amount eligible for AT1	-	-	
	Reserves & Surplus	94,460	94,460	
	Statutory Reserves	23,480	23,480	A2
	Capital Reserves	54,833	54,833	A3

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INR mm		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Reference no.
		As on 31-Mar-20	As on 31-Mar-20	
	Investment Reserve Account	30	30	B1
	Investment Fluctuation Reserve	3,424	3,424	
	Balance in Profit & Loss A/c	8,693	8,693	
	of which :			
	Unallocated Surplus	1,503	1,503	
	Current period profits not reckoned for Capital Adequacy	7,190	7,190	
	Minority Interest	-	-	
i	**Total Capital**	122,343	122,343	
ii	**Deposits**	396,382	396,382	
	of which: Deposits from banks	13,327	13,327	
	of which: Customer deposits	383,055	383,055	
	of which: Other deposits (pl. specify)	-	-	
iii	**Borrowings**	58,922	58,922	
	of which: From RBI	-	-	
	of which: From banks	25,645	25,645	
	of which: From other institutions & agencies	33,277	33,277	
	of which: Others (pl. specify)	-	-	
	of which: Capital instruments	-	-	
iv	Other liabilities & provisions	148,535	148,535	
	of which: Provision for Standard Assets	4,798	4,798	B2
	of which: Provision for Country risk	-	-	B3
	of which: General Provision	-	-	B4
	of which: Provision for Enhancing Credit Supply	-	-	
	of which: DTLs related to goodwill	-	-	
	of which: DTLs related to intangible assets	-	-	
	Total Capital and Liabilities	**726,183**	**726,183**	
B	**Assets**			
i	**Cash and balances with Reserve Bank of India**	13,572	13,572	
	Balance with banks and money at call and short notice	104,921	104,921	
	Investments	256,565	256,565	
	of which: Government securities	256,565	256,565	
	of which: Other approved securities	-	-	
	of which: Shares	-	-	
	of which: Debentures & Bonds	-	-	
	of which: Subsidiaries/Joint Ventures/Associates	-	-	
	of which: Others (Commercial Papers, Certificate of Deposits etc.)	-	-	
	Loans and advances	235,891	235,891	
	of which: Loans and advances to banks	8,029	8,029	
	of which: Loans and advances to customers	227,862	227,862	
	Fixed assets	1,131	1,131	
	Other assets	114,103	114,103	
	of which:			
	Goodwill	-	-	
	Other intangibles (excluding MSRs)	104	104	C1
	Deferred tax assets	1,527	1,527	A4
	Goodwill on consolidation	-	-	
	Debit balance in Profit & Loss account	-	-	
	Total Assets	**726,183**	**726,183**	

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Table DF-13: Main Features of Regulatory Capital Instruments

The Bank has not issued any Regulatory Capital instruments

Disclosure template for main features of regulatory capital instruments		
1	Issuer	Not Applicable
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	
3	Governing law(s) of the instrument	
	Regulatory treatment	
4	Transitional Basel III rules	
5	Post-transitional Basel III rules	
6	Eligible at solo/group/ group & solo	
7	Instrument type	
8	Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date)	
9	Par value of instrument	
10	Accounting classification	
11	Original date of issuance	
12	Perpetual or dated	
13	Original maturity date	
14	Issuer call subject to prior supervisory approval	
15	Optional call date, contingent call dates and redemption amount	
16	Subsequent call dates, if applicable	
	Coupons/dividends	
17	Fixed or floating dividend/coupon	
18	Coupon rate and any related index	
19	Existence of a dividend stopper	
20	Fully discretionary, partially discretionary or mandatory	
21	Existence of step up or other incentive to redeem	
22	Noncumulative or cumulative	
23	Convertible or non-convertible	
24	If convertible, conversion trigger(s)	
25	If convertible, fully or partially	
26	If convertible, conversion rate	
27	If convertible, mandatory or optional conversion	
28	If convertible, specify instrument type convertible into	
29	If convertible, specify issuer of instrument it converts into	
30	Write-down feature	
31	If write-down, write-down trigger(s)	
32	If write-down, full or partial	
33	If write-down, permanent or temporary	
34	If temporary write-down, description of write-up mechanism	
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	
36	Non-compliant transitioned features	
37	If yes, specify non-compliant features	

Table DF-14: Full Terms and Conditions of Regulatory Capital Instruments

Instruments	Full Terms and Conditions
The Bank has not issued any Regulatory Capital instruments	

Table DF-15: Disclosure Requirements for Remuneration

The Bank's compensation policies including that of CEO's, is in conformity with the Financial Stability Board principles and standards. In accordance with the requirements of the RBI Circular No. DBOD No.BC.72/29.67/001/2011-12 dated January 13, 2012; the Regional Office of the Bank has submitted a declaration to RBI confirming the aforesaid matter and hence this disclosure is not applicable.

BANK OF AMERICA

BANK OF AMERICA, N.A. (INDIA BRANCHES)

(Incorporated in U.S.A. With Limited Liability)

BASEL III – PILLAR 3 DISCLOSURES AS AT MARCH 31, 2020

Table DF-16: Equities – Disclosure for Banking Book Position - Nil

Table DF-17: Summary Comparison of Accounting Assets vs Leverage Ratio Exposure Measure

	Item	INR million
1	Total consolidated assets as per published financial statements	626,168
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting frame-work but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	181,271
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	60,004
7	Other adjustments (Asset amounts deducted in determining Basel III Tier 1 capital)	(104)
8	**Leverage ratio exposure**	**867,339**

Table DF-18: Leverage Ratio Common Disclosure Template

	Item	INR million
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	523,940
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(104)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**523,836**
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	56,943
5	Add-on amounts for PFE associated with all derivatives transactions	124,328
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivative exposures (sum of lines 4 to 10)**	**181,271**
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	102,228
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	-
15	Agent transaction exposures	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**102,228**
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	259,679
18	(Adjustments for conversion to credit equivalent amounts)	(199,675)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**60,004**
	Capital and total exposures	
20	Tier 1 capital	110,092
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**867,339**
	Leverage ratio	
22	**Basel III leverage ratio (per cent)**	**12.69%**

SBM BANK (INDIA) LIMITED

INDEPENDENT AUDITORS' REPORT

To,
The Members of SBM Bank (India) Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of SBM Bank (India) Limited ("the Bank"), which comprise the Balance Sheet as at 31 March 2020, the Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the section 29 of the Banking Regulation Act, 1949, as well as the Companies Act, 2013 ('Act') and circulars and guidelines issued by the Reserve Bank of India, in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act, read with rules made thereunder of the state of affairs of the Bank as at 31 March 2020, and its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 37 of Scheduled 17B which describes the business uncertainties due to the outbreak of SARS-CoV-2 virus (COVID-19). In view of these uncertainties, the impact on the Bank's results for subsequent period is significantly dependent on future developments.

Our opinion is not modified in respect of this matter

Information Other Than Financial Statements and Auditors' Report Thereon

The Bank's Board of Directors is responsible for the preparation of Other Information, which comprises the Directors' Report and its Annexures but does not include the Standalone Financial Statements and our auditor's report thereon and the Pillar III Disclosures under the New Capital Adequacy Framework (Basel III disclosures).

Our opinion on the financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Standalone Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Bank's Management and Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cashflows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Bank's Management is also responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the bank has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matters

The financial statement of the Bank for the year ended March 31, 2019 were audited by the predecessor audit firm, who has expressed an unmodified opinion dated September 20, 2019 on such financial statements.

Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provision of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Act and Rules made thereunder.
2. As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, we report that:
   a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory.
   b. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
   c. The financial system of the bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by branches.
3. In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of Section 197 and Schedule V of the Companies Act, 2013 read with Section 35B (2A) of the Banking Regulation Act, 1949.
4. Further, as required by section 143(3) of the Act, we report that:
   a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
   b. in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us;
   c. the Balance Sheet, and the Statement of Profit and Loss, dealt with by this report are in agreement with the books of account;
   d. in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act and Rules made thereunder, to the extent they are not inconsistent with the accounting policies prescribed by RBI;
   e. on the basis of written representation received from the directors as on March 31, 2020 and taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2020 from being appointed as director in terms of Section 164 (2) of the Companies Act 2013;
   f. with respect to the adequacy of the internal financial controls with reference to financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A";
   g. with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us;
      i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements to the extent determinable/ascertainable. – Refer Schedule 12.1 and Note 23 of Schedule 17.B to the standalone financial statements.
      ii. The Bank has made provision, as required, under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts. Refer Note 25 of Schedule 17.B to the standalone financial statements.
      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

For **M P Chitale & Co.**
Chartered Accountants
ICAI FRN 101851W

Ashutosh Pednekar
Partner
ICAI M. No. 041037
UDIN: 20041037AAAABP7539

Place: Mumbai
Date: June 29, 2020

SBM BANK (INDIA) LIMITED

Annexure A to the Independent Auditor's Report of even date on the financial statements of SBM Bank (India) Limited

Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

We have audited the internal financial controls with reference to financial statements of SBM Bank (India) Limited ('the Bank') as at March 31, 2020 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('the ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ('the Act').

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') and the Standards on Auditing ('the Standards'), issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls over financial reporting, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system with reference to financial statements.

Meaning of Internal Financial Controls with reference to Financial Statements

A Bank's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Bank's internal financial control with reference to financial statements includes those policies and procedures that

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of management and directors of the bank; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion the bank has maintained, in all respects, an adequate internal financial control system with reference to financial statements and such internal financial controls with reference to the financial statements were operating effectively as at March 31, 2020, based on internal control over financial reporting criteria established by the bank considering the essential components of internal control stated in Guidance Note of Internal Control Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **M P Chitale & Co.**
Chartered Accountants
ICAI FRN 101851W

Ashutosh Pednekar
Partner
ICAI M. No. 041037
UDIN: 20041037AAAABP7539

Place: Mumbai
Date: June 29, 2020

SBM bank

SBM BANK (INDIA) LIMITED

BALANCE SHEET AS AT 31ST MARCH 2020

Balance Sheet	Schedule	As at 31 March 2020 (Amount in Rs.'000)	As at 31 March 2019 (Amount in Rs.'000)
CAPITAL AND LIABILITIES			
Capital	1	7,569,584	7,049,584
Reserves & Surplus	2	(1,759,408)	(1,771,705)
Deposits	3	18,300,372	9,841,174
Borrowings	4	150,000	–
Other Liabilities and Provisions	5	753,734	864,201
TOTAL		**25,014,282**	**15,983,254**
ASSETS			
Cash and Balances with Reserve Bank of India	6	776,735	300,204
Balances with banks and money at call and short notice	7	4,346,867	4,402,083
Investments	8	5,678,006	4,023,761
Advances	9	12,662,501	5,748,129
Fixed Assets	10	615,017	622,138
Other Assets	11	935,156	886,939
TOTAL		**25,014,282**	**15,983,254**
Contingent Liabilities	12	22,388,896	9,969,649
Bills for Collection		2,213,829	1,871,220
Accounting Policies & Notes on Accounts	17		

The Schedules referred to above form an integral part of the Balance Sheet.

As per our attached Report of even date.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2020

Profit and Loss Account	Schedule	For the year ended 31 March 2020 (Amount in Rs.'000)	For the year ended 31 March 2019 (Amount in Rs.'000)
I. INCOME			
Interest earned	13	1,267,044	324,093
Other Income	14	683,364	35,792
TOTAL		**1,950,408**	**359,885**
II. EXPENDITURE			
Interest expended	15	785,184	191,423
Operating Expenses	16	878,311	598,807
Provisions and Contingencies	17B-(27)	267,877	39,456
TOTAL		**1,931,372**	**829,686**
III. PROFIT / LOSS			
Net profit/(loss) for the year		19,036	(469,801)
Profit/(loss) brought forward from previous year		(2,755,330)	(20,888)
Profit/(loss) brought forward on amalgamation by conversion into WOS		–	(2,264,641)
TOTAL		**(2,736,294)**	**(2,755,330)**
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		4,759	–
Transfer to Capital Reserve		7,854	–
Transfer to Investment Fluctuation Reserve		6,423	–
Profit remitted to Head Office		–	–
Balance carried over to Balance Sheet		(2,755,330)	(2,755,330)
TOTAL		**(2,736,294)**	**(2,755,330)**
V. BASIC AND DILUTED EARNING PER SHARE (INR)	**17B - (36)**	**0.03**	**(2.15)**

The Schedules referred to above form an integral part of the Profit & Loss Account.

For M. P. Chitale & Co.
Chartered Accountants
ICAI Firm Registration No.: 101851W

Sd/-
Ashutosh Pednekar
Partner
ICAI Membership No. 041037

Place: Mumbai
Date: June 29, 2020

For SBM Bank (India) Limited

Sd/-
Mr. Sidharth Rath
Managing Director & Chief Executive Officer

Sd/-
Mr. Ameet Patel
Independent Director

Mr. Talib Lokhandwala
Chief Financial Officer

Mrs. Mugdha Merchant
Company Secretary

SBM BANK (INDIA) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

	Particulars	Year Ended March 31, 2020 (Amount in Rs.'000)	Year Ended March 31, 2019 (Amount in Rs.'000)
A	**Cash Flow from Operatng Activities**		
	Net Profit after Taxes	19,036	(469,801)
	Adjustments to profit/(loss) from operations		
	Loss/(Profit) from sale of fixed assets	(203)	–
	Depreciation on Fixed Assets	120,198	30,001
	Specific Provision for NPA	(198,413)	153,057
	Depreciation on Investment	29,638	(1,872)
	Direct Taxes	–	–
	Other Provisions - Deffered tax	–	9,341
	Non performing Advances written off	448,597	–
	Non performing Investments written off	–	–
	Provision for Standard Advances	(11,783)	(119,631)
	Provision for country exposure	(162)	(1,439)
	Provision for Diminution in fair value of restructed accounts	–	–
	Provision for interest capitalised on restructured accounts	–	–
	Sub-Total	**406,908**	**(400,344)**
	Changes in working capital		
	(Increase)/Decrease in Investments	(1,683,883)	(732,679)
	(Increase)/Decrease in Advances	(7,164,556)	1,674,514
	(Increase)/Decrease in Other Assets	(48,217)	500,994
	Increase/(Decrease) in Deposits	8,459,198	2,681,592
	Increase/(Decrease) in Borrowings	150,000	(3,381,090)
	Increase/(Decrease) in Other Liabilities	(98,522)	5,843
	Net Cash from Operating Activites before Income Tax	**20,928**	**348,830**
	Advance Income tax paid	–	–
	Refund received from Income Tax	–	–
	Net Cash from Operating Activites after Income Tax	**20,928**	**348,830**
B	**Cash Flow from Investing Activites**		
	Purchase of Fixed Assets	(119,816)	(66,060)
	Proceeds from sale of Fixed Assets	203	–
	Net Cash used in Investing Activites	**(119,613)**	**(66,060)**
C	**Cash Flow from Financing Activities**		
	Additional capital infused	520,000	480,000
	Net Cash from Financing Activities	**520,000**	**480,000**
D	**Cash and Cash Equivalent at the beginning of the year**		
I.	Cash in Hand (including foreign currency notes and gold)	2,252	–
II.	Balances with Reserve Bank of India	297,952	–
III.	Balances with Banks and Money at Call and Short Notice	4,402,083	–
		4,702,287	**–**
E	**Cash and Cash Equivalent on amalgamation by conversion into WOS**		
I.	Cash in Hand (including foreign currency notes and gold)	–	5,743
II.	Balances with Reserve Bank of India	–	410,840
III.	Balances with Banks and Money at Call and Short Notice	–	3,522,934
		–	**3,939,517**
F	**Cash and Cash Equivalent at the end of the year**		
I.	Cash in Hand (including foreign currency notes and gold)	24,784	2,252
II.	Balances with Reserve Bank of India	751,951	297,952
III.	Balances with Bank and Money at Call and Short Notice	4,346,867	4,402,083
		5,123,602	**4,702,287**
A	Cash Flow from Operatng Activities	20,928	348,830
B	Cash Flow used in Investing Activites	(119,613)	(66,060)
C	Cash Flow from Financing Activities	520,000	480,000
	Net Increase/ (Decrease) in Cash & Cash Equivalents (A+B+C)	**421,315**	**762,770**
D	**Cash and Cash Equivalent at the begininning of the year**	**4,702,287**	**–**
E	**Cash and Cash Equivalent on amalgamation by conversion into WOS**	**–**	**3,939,517**
F	**Cash and Cash Equivalent at the end of the year (A+B+C+D)**	**5,123,602**	**4,702,287**

Notes on Cash Flow Statement

Cash Flow Statement is prepared under Indirect Method as set out in Accounting Standard 3 - Cash Flow Statements, specified under Section 133 of Companies Act, 2013

As per our attached Report of even date.

For M. P. Chitale & Co.
Chartered Accountants
ICAI Firm Registration No.: 101851W

Sd/-
Ashutosh Pednekar
Partner
ICAI Membership No. 041037

Place: Mumbai
Date: June 29, 2020

For SBM Bank (India) Limited

Sd/-
Mr. Sidharth Rath
Managing Director & Chief Executive Officer

Sd/-
Mr. Ameet Patel
Independent Director

Mr. Talib Lokhandwala
Chief Financial Officer

Mrs. Mugdha Merchant
Company Secretary

SBM BANK (INDIA) LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31 March 2020 (Amount in Rs.'000)	As at 31 March 2019 (Amount in Rs.'000)
SCHEDULE 1 : CAPITAL		
Authorised Capital :		
1,000,000,000 equity shares of Rs. 10 each (P.Y. 1,000,000,000)	10,000,000	10,000,000
Issued, subscribed and paid-up capital :		
756,958,418 equity shares of Rs. 10 each (P.Y. 704,958,418)	7,569,584	7,049,584
	7,569,584	7,049,584
Total	**7,569,584**	**7,049,584**
SCHEDULE 2 : RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	359,880	–
Additions on amalgamation by conversion into WOS	–	359,880
Additions during the year	4,759	–
Deductions during the year	–	–
Sub Total	**364,639**	**359,880**
II. Capital Reserve		
Opening Balance	58,054	–
Additions on amalgamation by conversion into WOS	–	58,054
Additions during the year	7,854	–
Deductions during the year	–	–
Sub Total	**65,908**	**58,054**
III. Retained Earnings		
Opening Balance	320,098	–
Additions on amalgamation by conversion into WOS	–	320,098
Additions during the year	–	–
Deductions during the year	–	–
Sub Total	**320,098**	**320,098**
IV. Investment Fluctuation Reserve		
Opening Balance	–	–
Additions on amalgamation by conversion into WOS	–	–
Additions during the year	6,423	–
Deductions during the year	–	–
Sub Total	**6,423**	**–**
V. Revaluation Reserve		
Opening Balance	245,593	–
Additions on amalgamation by conversion into WOS	–	146,431
Additions during the year	–	100,733
Deductions during the year	6,739	1,571
Sub Total	**238,854**	**245,593**
VI. Balance in Profit and Loss Account	**(2,755,330)**	**(2,755,330)**
Total (I+II+III+IV+V+VI)	**(1,759,408)**	**(1,771,705)**

	As at 31 March 2020 (Amount in Rs.'000)	As at 31 March 2019 (Amount in Rs.'000)
SCHEDULE 3 : DEPOSITS		
A.I. Demand Deposits		
(i) From Banks	13,121	193,627
(ii) From Others	1,528,034	665,204
A.II. Savings Bank Deposits	944,322	493,413
A.III. Term Deposits		
(i) From Banks	266,511	11,112
(ii) From Others	15,548,384	8,477,818
Total	**18,300,372**	**9,841,174**
B.I. Deposits of branches in India	18,300,372	9,841,174
B.II. Deposits of branches outside India	–	–
Total	**18,300,372**	**9,841,174**
SCHEDULE 4 : BORROWINGS		
I. Borrowings in India		
i) Reserve Bank of India	150,000	–
ii) Other Banks	–	–
iii) Other Institutions and Agencies	–	–
Sub Total	**150,000**	**–**
II. Borrowings outside India	–	–
Total (I + II)	150,000	–
Secured Borrowings included in I & II above	150,000	–
SCHEDULE 5 : OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	9,868	9,142
II Interest Accrued	100,863	6,708
III. Deferred Tax Liability (Net)	–	–
IV. Provision for standard advances (Refer Note 14 - Schedule 17.B)	55,621	67,405
V. Others (including Provisions)	587,382	780,946
Total	**753,734**	**864,201**
SCHEDULE 6 : CASH AND BALANCES WITH RBI		
I. Cash in Hand (including Foreign Currency Notes - NIL)	24,784	2,252
II. Balances with Reserve Bank of India		
in Current Account	751,951	297,952
in Other Accounts	–	–
Total	**776,735**	**300,204**
SCHEDULE 7 : BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE		
I. In India		
i) Balances with banks in		
(a) Current Accounts	83,398	3,817
(b) Other Deposit Accounts	–	–
ii) Money at call and short notice		
(a) with Banks	4,160,000	3,491,550
(b) with Other Institutions	–	622,395
Sub Total	**4,243,398**	**4,117,762**
II. Outside India		
i) in Current Accounts	103,469	284,321
ii) in Other Deposit Accounts	–	–
iii) in Money at Call and Short Notice	–	–
Sub Total	**103,469**	**284,321**
Total (I & II)	**4,346,867**	**4,402,083**

SBM BANK (INDIA) LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31 March 2020 (Amount in Rs.'000)	As at 31 March 2019 (Amount in Rs.'000)
SCHEDULE 8 : INVESTMENTS		
I. Investments in India in		
i) Government Securities	5,342,571	3,657,985
ii) Other Approved Securities	–	–
iii) Shares	6,970	6,970
iv) Debentures and Bonds	149,959	150,662
v) Subsidiaries and / or Joint Venture	–	–
vi) Others	223,377	223,377
Sub Total	**5,722,877**	**4,038,994**
Less: Provision for Diminution	44,871	15,233
Sub Total	**5,678,006**	**4,023,761**
II. Investments outside India	**–**	**–**
Total (I & II)	**5,678,006**	**4,023,761**
SCHEDULE 9 : ADVANCES		
A i) Bills Purchased and Discounted	226,441	35,647
ii) Cash Credits, Overdrafts and Loans repayable on Demand	2,373,010	1,295,045
iii) Term loans	10,063,050	4,417,437
Total	**12,662,501**	**5,748,129**
B i) Secured by Tangible Assets (includes advances against Book debts)	12,317,770	5,360,834
ii) Covered by Bank / Government Guarantees (includes advance against standby letter of credit)	98,768	159,550
iii) Unsecured	245,963	227,745
Total	**12,662,501**	**5,748,129**
C. I Advances in India		
i) Priority Sectors	1,744,015	443,790
ii) Public Sector	–	–
iii) Banks	37,833	223,007
iv) Others	10,880,653	5,081,332
Total	**12,662,501**	**5,748,129**
II Advances outside India	**–**	–
Total (CI & CII)	**12,662,501**	**5,748,129**

	As at 31 March 2020 (Amount in Rs.'000)	As at 31 March 2019 (Amount in Rs.'000)
SCHEDULE 10 : FIXED ASSETS		
I. Premises		
At Cost at beginning of year	490,739	–
Additions on amalgamation by conversion into WOS	–	390,006
Additions during the year	–	100,733
Deductions during the year	–	–
Depreciation to date	135,539	125,559
Sub Total	**355,200**	**365,180**
II. Other Fixed Assets (including Furniture & Fixtures)		
At Cost at beginning of year	370,226	–
Additions on amalgamation by conversion into WOS	–	345,190
Additions during the year	136,257	25,036
Deductions during the year	2,402	–
Depreciation to date	282,989	168,434
Sub Total	**221,092**	**201,792**
III. Capital Work in Progress	38,725	55,166
Total (I, II & III)	**615,017**	**622,138**
SCHEDULE 11 : OTHER ASSETS		
I. Inter-Office Adjustment (Net)	–	–
II. Interest Accrued	117,792	44,881
III. Tax paid in Advance / Tax Deducted at Sources (Net of Provisions)	116,363	111,215
IV. Deferred Tax Assets (Net)	–	–
V. Stationery and Stamps	9	13
VI. Others	700,992	730,830
Total	**935,156**	**886,939**
SCHEDULE 12 : CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as Debts	92,051	81,818
II. Liability for Partly Paid Investments	–	–
III. Liability on account of outstanding Forward Exchange Contracts & Derivatives	14,512,891	6,931,710
IV. Guarantees given on behalf of Constituents		
a) In India	1,706,476	174,338
b) Outside India	788,379	4,356
V. Acceptances, Endorsements and Other Obligation	761,605	7,332
VI. Other items for which the Bank is Contingently Liable	4,527,494	2,770,095
Total	**22,388,896**	**9,969,649**

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SBM BANK (INDIA) LIMITED

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Year Ended 31 March 2020 (Amount in Rs.'000)	Year Ended 31 March 2019 (Amount in Rs.'000)
SCHEDULE 13 : INTEREST EARNED		
I. Interest / Discount on Advances / Bills	781,763	188,731
II. Income on Investments	315,767	91,582
III. Interest on Balances with RBI and Other Inter-Bank Funds	127,277	32,528
IV. Others*	42,237	11,252
Total	**1,267,044**	**324,093**
*includes Swap Gain on Funding Swaps		
SCHEDULE 14 : OTHER INCOME		
I. Commission, Exchange and Brokerage	154,946	3,407
II. Profit/(loss) on sale of Investments	30,688	8,821
III. Profit/(loss) on Revaluation of Investments	–	–
IV. Profit/(loss) on sale of Land Building & Other Assets	203	–
V. Profit on Exchange Transactions	33,397	16,300
VI. Income earned by way of Dividends etc. from Companies and / or Joint Ventures in India & Aboard	–	–
VII. Profit/(loss) on Derivative Trade	–	–
VIII. Miscellaneous Income	464,130	7,264
Total	**683,364**	**35,792**

	Year Ended 31 March 2020 (Amount in Rs.'000)	Year Ended 31 March 2019 (Amount in Rs.'000)
SCHEDULE 15 : INTEREST EXPENDED		
I. Interest on Deposits	638,876	157,933
II. Interest on Reserve Bank of India /Inter Bank Borrowings	2,319	20,838
III. Others*	143,989	12,652
Total	**785,184**	**191,423**
*includes Swap Cost on Funding Swaps		
SCHEDULE 16 : OPERATING EXPENSES		
I. Payments to and Provision for Employees	393,970	85,108
II. Exchange Commission and Brokerage	–	–
III. Rent, Taxes and Lighting	57,709	14,022
IV. Printing and Stationery	2,680	568
V. Advertisement and Publicity	15,404	6,125
VI. Depreciation on Bank's Property	120,198	30,001
VII. Auditors' Fee	1,635	5,141
VIII. Law charges (incl.Professional Fees)	88,490	19,007
IX. Postages, Telegrams, Telephones, etc.	12,775	957
X. Repairs and Maintenance	5,425	1,070
XI. Insurance	17,538	4,807
XII. Other Expenditure	162,487	432,001
Total	**878,311**	**598,807**

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

SCHEDULE 17.A – SIGNIFICANT ACCOUNTING POLICIES

a) Background

The financial statements for the year ended comprise the accounts of the SBM Bank (India) Limited, ('the Bank') which is incorporated in the India and is a wholly owned subsidiary of SBM (Bank) Holdings Limited, Mauritius ('the Parent'). The Bank is engaged in providing banking and financial services as a banking company governed by the Banking Regulation Act, 1949. The branches of the Bank as at March 31, 2020 are located at Mumbai, Chennai, Hyderabad, Ramachandrapuram, Delhi and Bengaluru.

b) Basis of preparation

The financial statements have been prepared in accordance with requirements prescribed under the Third schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by the Reserve Bank of India ("RBI") from time to time, the accounting standards notified under section 133 of the Companies Act 2013, read with the Companies (Accounts) Rules 2014 and other relevant provisions of the Companies Act, 2013 ("the Act") and the Companies (Accounting Standards) Rules, 2006 (as amended) to the extent applicable and practices generally prevalent in the banking industry in India. The Bank follows the accrual method of accounting and the historical cost convention.

c) Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current or future periods.

d) Revenue recognition

Income and expenses are recognized on accrual basis except as otherwise stated. Interest income is recognized in the Profit and Loss account on accrual basis except in case of interest on non-performing asset which is recognized on receipt basis. Interest income on discounted instruments is recognized over the tenor of the instrument on a straight line basis. Processing Fees, Commission on Letters of Credit and Locker Fees income are recognized upfront on becoming due. Commission on bank guarantees issued is amortized over the period of guarantees.

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SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

e) Foreign Exchange Transactions

Income and expenditure items are recorded at the exchange rates prevailing on the date of the transaction. Assets and liabilities denominated in foreign currencies as at the Balance Sheet date are revalued at the year-end rates as notified by Foreign Exchange Dealers Association of India (FEDAI). Net exchange differences arising on the settlement of transactions and on account of assets and liabilities are charged or credited to the Profit and Loss account as prescribed by RBI.

Outstanding forward exchange contracts are revalued at rates of exchange notified by FEDAI and the resulting profits or losses are included in the Profit and Loss account. Guarantees and Acceptances, endorsements and other obligations are stated at the year-end closing rate as notified by FEDAI.

f) Derivatives

Derivatives are financial instruments comprising of forward exchange contracts, interest rate swaps and cross currency swaps which are undertaken for either trading or hedging purposes.

Trading derivatives are marked to market as per the generally accepted practices prevalent in the industry and the resultant unrealized gain or loss is recognized in the Profit and Loss Account, with the corresponding net unrealized amount reflected in Other Assets or Other Liabilities in the Balance Sheet.

Forward Exchange contracts and other derivative contracts which have overdue receivables remaining unpaid for over 90 days or more are classified as non-performing assets and are provided as prescribed by RBI.

The Bank also maintains a general provision on derivative exposures computed as per marked to market value of the contracts in accordance with the RBI guidelines.

The Bank has undertaken Funding swaps to hedge certain loans and deposits. Premium/discount on such funding swaps is recognized as interest income/expense and is amortized on a pro-rata basis over the underlying swap period.

g) Investments

Classification

Investments are classified under "Held to Maturity" (HTM), "Available for Sale" (AFS) and "Held for Trading" (HFT) categories in accordance with RBI norms. For the purpose of disclosure of balance sheet they are classified under 6 groups viz. i) Government Securities, ii) Other Approved Securities, iii) Shares, iv) Debentures and Bonds v) Subsidiaries and / or joint ventures and vi) Other Investments.

Valuation

Investments held under HTM category are carried at acquisition cost. If the acquisition cost is more than the face value, the premium is amortized over the remaining tenor of the investments.

Investments classified under AFS and HFT portfolio are marked to market on daily basis. Investments under AFS and HFT classification are valued as per rates declared by Financial Benchmarks India Pvt. Limited (FBIL) and in accordance with the RBI guidelines. Consequently, net depreciation, if any, under these classifications mentioned in Schedule 8 is provided for in the Profit and Loss account. The net appreciation, if any, under any classification is ignored, except to the extent of depreciation previously provided. The book value of the individual securities is not changed consequent to periodic valuation of investments.

Treasury Bills, Commercial Paper and Certificate of Deposit are valued at carrying cost.

Non-Performing Investments are identified, and provision is made as per RBI guidelines.

The valuation of other unquoted fixed income securities (viz. State government securities, Other approved securities, Bonds and debentures) wherever linked to the YTM rates, is computed with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FBIL.

Investment Fluctuation Reserve

In accordance with the RBI Circular DBR.No.BP.BC.102/21.04.048/2017-18, an Investment Fluctuation Reserve was created to protect against systemic impact of sharp increase in the yields on Government Securities. As required by the aforesaid circular the transfer to this reserve shall be lower of the following – i) net profit on sale of investments during the year; ii) net profit for the year less mandatory appropriations, until the amount of the reserve is at least 2 percent of the HFT and AFS portfolio, on a continuing basis.

Transfer of Securities between Classifications

Reclassification of investments from one category to the other, if done, is in accordance with RBI guidelines and any such transfer is accounted for at the acquisition cost/book value/market value, whichever is lower, as at the date of transfer. Depreciation, if any, on such transfer is fully provided for.

Repurchase transactions

Repurchase and reverse repurchase transactions (if any) are accounted in accordance with the prescribed RBI guidelines. The difference between the clean price of the first leg and the second leg is recognized as interest income/expense over the period of the transaction in the Profit and Loss account.

Others

Brokerage, fees and commission on acquisition of securities including money market instruments, are recognized as expenses in Profit and Loss account.

h) Fixed Assets

Office Premises is stated at revalued amount less accumulated depreciation / amortization and all other Fixed Assets are stated at cost less accumulated depreciation / amortization. Capital work-in-progress comprises cost of fixed assets that are not yet ready for their intended use as at the reporting date

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Depreciation on the Fixed Assets is charged on straight-line method over the useful life of the fixed assets prescribed in Schedule II of the Companies Act, 2013. The useful life of the group of fixed assets are given below.

Type of Assets	Useful life as per Companies Act, 2013	Useful life as per Bank's Accounting Policy
Office Premises	60 years	60 years
Office equipment (including Air conditioner)	5 years	5 years
EDP Equipment's, Computers*	6 years	3 years
Software*	6 years	3 years
Furniture & Fixtures	10 years	10 years
Motor Car	8 years	8 years

* As per RBI guidelines

Revaluation of Fixed Assets

Premises are revalued in every five years by an independent valuer to reflect current market valuation. Appreciation, if any, on revaluation is credited to Revaluation Reserve. Depreciation on the revalued portion of asset is adjusted from revaluation reserves.

Impairment of Assets

An asset is considered as impaired when at the balance sheet date, there are indications that the assets may be impaired and the carrying amount of the asset, or where applicable, the cash generating unit to which the asset belongs, exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value-in-use). The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired based on internal/external factors. If such recoverable amount of the asset is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the impairment loss is recognized as an expense in the Profit and Loss Account.

i) Advances

a) The Bank follows prudential norms formulated by RBI for classifying the assets as Standard, Sub-Standard, Doubtful and Loss assets and are stated at net of the required provision made on such advances.

b) Provision for advances classified as Standard, Sub-Standard, Doubtful & Loss assets are made based on management's assessment, subject to minimum provisions as per RBI guidelines.

j) Retirement and employee benefits

i) Leave salary - The employees of the Bank are entitled to carry forward leave balance to the subsequent year. This carried forward balance is en-cashable at the time of either retirement or resignation.

ii) Gratuity - The Bank provides for gratuity, a defined benefit retirement plan, covering eligible employees. The plan provides for lump sum payments to vested employees at retirement or upon death while in employment or on termination of employment for an amount equivalent to 15 days' eligible salary payable for each completed year of service if the service is more than 5 years. The Bank accounts for the liability for future gratuity benefits using the projected unit cost method based on annual actuarial valuation. Gratuity fund is being managed by "LIC Group Gratuity Scheme" and any actuarial gain / loss contribution determined by the actuary are charged to Profit and Loss account and are not deferred.

iii) Provident fund - In accordance with law, all employees of the Bank are entitled to receive benefits under the provident fund, a defined contribution plan in which both the employee and the Bank contribute monthly at a pre-determined rate. Contribution to provident fund are recognized as expense as and when the services are rendered. The Bank has no liability for future provident fund benefits other than its annual contribution.

k) Net Profit / Loss

Profit/Loss for the period is arrived at after providing for non-performing advances, adjustments on valuation of investments, taxes on income, depreciation on fixed assets and other necessary and mandatory provisions.

l) Taxation

Taxes on income are accounted for in accordance with Accounting Standard (AS 22) on "Accounting for Taxes on Income" and comprise current and deferred tax. Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and laws in respect of taxable income for the year, in accordance with the Income tax Act, 1961.

Deferred tax is recognized in respect of timing differences between taxable income and accounting income i.e. difference that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets arising on account of carry forward losses and unabsorbed depreciation under tax laws are recognized only if there is virtual certainty of its realization, supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets on account of other timing differences are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Bank will pay normal income tax. Accordingly, MAT is recognized as an asset in the Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Bank.

m) Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating leases. Lease transactions are accounted in accordance with AS 19 – Leases issued by ICAI. For operating leases, lease payments are recognized as an expense in the statement of Profit and Loss account on a straight-line basis over the lease term.

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

n) Accounting for Provisions, Contingent Liabilities and contingent Assets

The Bank has assessed its obligations arising in the normal course of business, including pending litigations, proceedings pending with tax authorities and other contracts including derivative and long-term contracts. In accordance with Accounting Standard - 29 on 'Provisions, Contingent Liabilities and Contingent Assets', the Bank recognizes a provision for material foreseeable losses when it has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are measured based on best estimate of the expenditure required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

In cases where the available information indicates that the loss on the contingency is reasonably possible, but the amount of loss cannot be reasonably estimated, a disclosure to this effect is made as contingent liabilities in the financial statements. The Bank does not expect the outcome of these contingencies to have a materially adverse effect on its financial results. Contingent assets are neither recognized nor disclosed in the financial statements.

o) Floating and countercyclical provision

Countercyclical provisioning buffers and floating provisions is the specific amount that Bank has set aside in good times. The floating provisions can be used only for contingencies under extraordinary circumstances for making specific provisions in impaired accounts after obtaining board's approval and with prior permission of RBI. The Bank has utilized up to 33 percent and 50 percent of countercyclical provisioning buffer / floating provisions held as on March 31, 2013 and December 31, 2014 respectively, in accordance with RBI Notification dated March 30, 2015. These provisions are considered as part of NPA provisions for the purpose of compliance with the minimum RBI provisioning requirement.

p) Cash Flow Statement

Cash Flow Statement is prepared using the indirect method set out in Accounting Standard 3 on "Cash Flow Statements" and presents the cash flows by operating, investing and financing activities of the Bank. Cash and Cash Equivalents, consist of Cash and Balances with Reserve Bank of India and Balances with Banks and Money at Call and Short Notice (including effect of changes in exchange rates on cash and cash equivalents in foreign currency).

q) Earning per share

Earnings per share is calculated by dividing the Net Profit or Loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding as at the end of the period.

SCHEDULE 17.B: - NOTES TO THE FINANCIAL STATEMENTS

1. Capital to Risk Assets Ratio (CRAR)

I. The Banks are required to disclose capital adequacy ratio computed under Basel III capital guidelines of the RBI.

(***Rs. in thousand***)

Sr. No.	CRAR ratio as per Basel III	March 31, 2020	March 31, 2019
i)	CRAR – Common Equity Tier I	31.48%	47.17%
ii)	CRAR – Tier I Capital	31.48%	47.17%
iii)	CRAR – Tier II Capital	0.96%	1.67%
iv)	Total Capital Ratio (CRAR) (%)	32.44%	48.84%
v)	Percentage of the shareholding of the Government of India in public sector banks	–	–
vi)	Amount of equity capital raised	520,000	7,049,584
vii)	Amount of Additional Tier 1 capital raised; *of which* *Perpetual Non- Cumulative Preference Shares (PNCPS):* *Perpetual Debt Instruments (PDI)* :	–	–
viii)	Amount of Tier 2 capital raised; *of which* Debt capital instruments: Preference Share Capital Instruments: [*Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)*]	–	–

2. Investments

(***Rs. in thousand***)

Particulars	March 31, 2020	March 31, 2019
1. Value of Investments:		
(i) Gross Value of Investments		
a. In India	5,722,877	4,038,994
b. Outside India	–	–
(ii) Provisions for Depreciation		
a. In India	–	–
- on transfer to securities from AFS to HTM portfolio	–	–
- on securities position	44,871	15,233
b. Outside India	–	–
(iii) Net Value of Investments		
a. In India	5,678,006	4,023,761
b. Outside India	–	–
2. Movement of provision held towards depreciation on investments:		
(i) Opening balance	15,233	–
(ii) Add: Additions on amalgamation by conversion into WOS	–	17,105
(iii) Add: Provision made during the year	29,638	–
(iv) Less: Write-off/ write-back of excess provision during the year (including depreciation utilized on sale of securities)	–	1,872
(v) Closing balance	44,871	15,233

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

The net book value of investments held under the three categories, viz. Held to Maturity (HTM), Held for Trading (HFT) and Available for Sale (AFS) are as under:-

(Rs. in thousand)

Category	As at March 31, 2020		As at March 31, 2019	
	Rs. in thousand	%	Rs. in thousand	%
Held to Maturity	2,395,770	42.19	1,292,718	32.13
Held for Trading	103,830	1.83	–	–
Available for Sale	3,178,406	55.98	2,731,043	67.87
Total	**5,678,006**	**100.00**	**4,023,761**	**100.00**

3. Repurchase & Reverse Repurchase Agreement Transactions

(Rs. in thousand)

FY 2019-20	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as at March 31, 2020
Securities Sold under Repurchase Transactions *				
(i) Government Securities	30,000#	150,000	12,486	150,000
(ii) Corporate Debt Securities	–	–	–	–
Securities purchased under Reverse Repurchase Transactions *				
(i) Government Securities	139,922#	4,530,000	2,138,696	4,160,000
(ii) Corporate Debt Securities	–	–	–	–

* consist of RBI LAF disclosed at face value.

Nil outstanding on any day is ignored for reckoning minimum outstanding.

(Rs. in thousand)

FY 2018-19	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as at March 31, 2019
Securities Sold under Repurchase Transactions *				
(i) Government Securities	–	–	–	–
(ii) Corporate Debt Securities	–	–	–	–
Securities purchased under Reverse Repurchase Transactions *				
(i) Government Securities	47,750#	3,420,390	1,420,505	2,610,360
(ii) Corporate Debt Securities	–	–	–	–

* consist of RBI LAF disclosed at face value.

Nil outstanding on any day is ignored for reckoning minimum outstanding.

4. Non-SLR Investments Portfolio - Issuer Composition of Non-SLR Investments

Balances as at March 31, 2020

(Rs. in thousand)

Sr. No.	Issuer	Amount	Extent of Private Placement	Extent of below Investment grade securities	Extent of Unrated Securities**	Extent of Unlisted Securities#
1.	PSUs	–	–	–	–	–
2.	FIs	149,959	–	–	–	–
3.	Banks	–	–	–	–	–
4.	Private Corporates	–	–	–	–	–
5.	Subsidiaries/ Joint Ventures	–	–	–	–	–
6.	Others*	230,347	–	–	223,377	–
7.	Provision held towards Depreciation	(44,871)	–	–	–	–
	Total	**335,435**	–	–	**223,377**	–

*This includes security receipt received on sale of assets to ARC

**Excludes investments in equity shares in line with extant RBI guidelines.

#Excludes investments in equity shares, security receipts, commercial paper and certificate of deposits in line with extant RBI guidelines.

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SBM BANK (INDIA) LIMITED

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Balances as at March 31, 2019

(Rs. in thousand)

Sr. No.	Issuer	Amount	Extent of Private Placement	Extent of below Investment grade securities	Extent of Unrated Securities**	Extent of Unlisted Securities#
1.	PSUs	–	–	–	–	–
2.	FIs	150,662	150,662	–	–	–
3.	Banks	–	–	–	–	–
4.	Private Corporates	–	–	–	–	–
5.	Subsidiaries/ Joint Ventures	–	–	–	–	–
6.	Others*	230,347	–	–	223,377	–
7.	Provision held towards Depreciation	(15,233)	–	–	–	–
	Total	**365,776**	**150,662**	**–**	**223,377**	**–**

*This includes security receipt received on sale of assets to ARC.

**Excludes investments in equity shares in line with extant RBI guidelines.

#Excludes investments in equity shares, security receipts, commercial paper and certificate of deposits in line with extant RBI guidelines.

5. Non-Performing Non-SLR Investments

Movement in non-performing Non-SLR Investment is set out below: -

(***Rs. in thousand***)

Particulars	**March 31, 2020**	**March 31, 2019**
Opening Balance	6,970	–
Additions on amalgamation by conversion into WOS		6,970
Additions during the year since 1st April	–	–
Reductions on account of write off during the year	–	–
Closing balance	6,970	6,970
Total Provision held	**6,970**	**6,970**

6. Sale and Transfers to/ from HTM Category

During the FY 2019-2020, the Bank has not sold / transferred from HTM book to AFS book / HFT book in excess of 5% of book value of investments held at the beginning of the year under HTM category, excluding one-time transfer at the beginning of the year and sale under OMO. Bank has transferred from AFS Book to HTM Book to the extent of Face Value of INR 200,000 thousand during the year (PY: NIL).

7. Forward Rate Agreement / Interest Rate Swap

(***Rs. in thousand***)

Particulars	**March 31, 2020**	**March 31, 2019**
The notional principal of swap agreements	–	–
Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	–	–
Collateral required by the Bank upon entering into swaps	–	–
Concentration of credit risk arising from the swaps (with Banks)	–	–
The fair value of the swap book [(Payable)/Receivable]	–	–

8. Exchange Traded Interest Rate Derivatives

(***Rs. in thousand***)

Sr. No.	**Particulars**	**March 31, 2020**	**March 31, 2019**
i.	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	–	–
ii.	Notional principal amount of exchange traded interest rate derivatives outstanding (instrument-wise)	–	–
iii.	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	–	–
iv.	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	–	–

9. Disclosures on risk exposure in derivatives:

a) Qualitative Disclosures

The structure and organization for management of risk in derivatives trading:

Treasury operation is segregated into three different department's viz. front office, mid office and back office. The primary role of front office is to conduct business, that of mid office is to ensure compliance in accordance with set norms and policies and that of back office is to process/settle the transactions.

The Bank has in place policies and procedures, which have been approved by Board of Directors, to ensure adherence to various risk parameters and prudential limits.

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The scope and nature of risk measurement, risk reporting and risk monitoring systems:

i. **Risk Measurement**

For foreign exchange contracts, risk is measured through a daily report called, Value at Risk (VAR), which computes VAR on the forex, gaps using FEDAI VAR factors.

ii. **Risk Reporting and Risk monitoring systems:**

The Bank has the following reports/systems in place, which are reviewed by the top management:

- VAR
- Net Open Position
- Aggregate Gap Limit (AGL)/Individual Gap Limit (IGL)
- Stop loss limits

iii. **The Bank has the following policy paper in place, and approved by its Head Office;**

- Market Risk Policy
- Investment Policy
- Asset-Liability Management (ALM) policy

Accounting Policy:

All outstanding derivatives transactions (including forex forwards) are booked as off-balance sheet items. The trading positions are revalued on a marked to market basis whereas the funding/investment swaps follow the accrual basis of accounting.

b) Quantitative Disclosures

(Rs. in thousand)

Sr. No	Particulars	Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
		March 31, 2020	March 31, 2020	March 31, 2019	March 31, 2019
1.	Derivatives notional Principal Amount	10,282,422	–	2,497,316	–
	(a) For hedging	7,215,225	–	1,436,479	–
	(b) For trading	3,067,197	–	1,060,837	–
2.	Marked to Market position				
	(a) Asset (+)	252,816	–	17,881	–
	(b) Liability (-)	63,400	–	26,353	–
3.	Credit Exposure	236,884	–	67,827	–
4.	Likely impact of one percentage change in Interest Rate (100*PV01)				
	(a) On hedging derivatives	32,498	–	(11,929)	–
	(b) On trading derivatives	363	–	(14,428)	–
5.	Maximum and Minimum of 100*PV01 observed during the year				
	(a) On hedging				
	Maximum	920	–	–	–
	Minimum	1	–	(11,929)	–
	(b) On trading				
	Maximum	34,460	–	18,067	–
	Minimum	10,922	–	(32,495)	–

10. Non-Performing Assets (NPAs)

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
(i) Net NPAs to Net Advances	2.90%	8.81%
(ii) Movement of Gross NPAs		
(a) Opening balance	**1,493,059**	**–**
(b) Additions on amalgamation by conversion into WOS	–	893,128
(c) Additions during the year	211,500	604,323
(d) Reductions during the year	(548,793)	(4,392)
(e) Closing balance	**1,155,766**	**1,493,059**
(iii) Movement of Net NPAs		
(a) Opening balance	**506,694**	**–**
(b) Additions on amalgamation by conversion into WOS	–	59,820
(c) Additions during the year	–	446,874
(d) Reductions during the year	(138,880)	–
(e) Closing balance	**367,814**	**506,694**
(iv) Movement of provisions for NPAs (excluding provision on Standard Assets)		
(a) Opening balance	**986,365**	**–**
(b) Additions on amalgamation by conversion into WOS	–	833,308
(c) Provisions made during the year (Gross)	279,301	174,109
(d) Write-off / write-back of excess provisions	(477,714)	(21,052)
(e) Closing balance	**787,952**	**986,365**

Note :- Item (iii) & (iv) include the impact of counter cyclical provision and floating provision utilized amounting to Nil during FY 2019-2020 (PY: NIL).

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11. Details of loan assets subjected to restructuring.

There was no restructuring during FY 2019-2020 (PY: NIL).

12. Details of financial assets sold to Securitization/ Reconstruction Company for Asset reconstruction

A. Details of Sales

(Rs. in thousand)

Particulars		March 31, 2020	March 31, 2019
(i)	No. of accounts	–	–
(ii)	Aggregate value (net of provisions) of accounts sold to SC / RC	–	–
(iii)	Aggregate consideration	–	–
(iv)	Additional consideration realized in respect of accounts transferred in earlier years	–	–
(v)	Aggregate gain / loss over net book value	–	–

B. Details of Book Value of Investments in Security Receipts

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
(i) Backed by NPAs sold by the Bank as underlying	223,377	223,377
(ii) Backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	–	–
Total	**223,377**	**223,377**

FY 2019-2020:

(Rs. in thousand)

Sr. No.	Particulars	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
(i)	Book value of SRs backed by NPAs sold by the Bank as underlying	46,725	176,652	–
(ii)	Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	–	–	–
Total (i) + (ii)		**46,725**	**176,652**	**–**

FY 2018-2019:

(Rs. in thousand)

Sr. No.	Particulars	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
(i)	Book value of SRs backed by NPAs sold by the Bank as underlying	46,725	176,652	–
(ii)	Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	–	–	–
Total (i) + (ii)		**46,725**	**176,652**	**–**

13. Details of non-performing financial assets purchased/sold

(Rs. in thousand)

Sr. No.		Particulars	March 31, 2020	March 31, 2019
A.		Details of non-performing financial assets purchased:	–	–
1	a	No. of accounts purchased during the year	–	–
	b	Aggregate outstanding	–	–
2	a	Of these, number of accounts restructured during the year	–	–
	b	Aggregate outstanding	–	–
B.		Details of non-performing financial assets sold:		
1		No. of accounts sold	–	–
2		Aggregate outstanding	–	–
3		Aggregate consideration received	–	–

14. Provisions on Standard Assets

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
Provision on Standard Assets	55,621	67,405

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

15. Important Financial Ratios

Particulars	March 31, 2020	March 31, 2019
Interest Income as a percentage to Working Funds*	6.88%	6.63%
Non-Interest Income as a percentage to Working Funds*	3.71%	0.73%
Operating Profit as a percentage to Working Funds*	1.56%	(8.81)%
Return on Assets**	0.10%	(9.62)%
Business (Deposits plus Advances) per employee (Rs. in thousand) #	229,837	189,933
Profit / (Loss) per employee (Rs. in thousand)	143	(17,400)

***** Working Funds represent monthly average of total assets (excluding accumulated losses) during the year as reported to RBI in Form X under Section 27 of the Banking Regulation Act, 1949.

** Return on Assets is computed with reference to Average Working Funds (excluding accumulated losses).

Deposits exclude inter-bank deposits.

- All ratios are annualized

16. Asset Liability Management

Maturity pattern of certain items of assets and liabilities as of March 31, 2020

(Rs. in thousand)

Particulars	Day 1	2 to 7 days	8 to 14 Days	15 to 30 Days	31 days and upto 2 months	Over 2 months and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Advances	9,836	–	16,126	–	11,870	–	2,791,630	65,909	5,411,918	1,984,520	2,370,692	**12,662,501**
Investment in Securities	2,241,551	–	–	–	–	1,876	829,860	1,020,424	1,269,873	4,496	309,926	**5,678,006**
Deposits	505,671	896,238	280,383	339,131	658,095	762,730	1,869,112	5,469,450	7,442,851	76,710	1	**18,300,372**
Borrowings	–	–	–	–	–	–	–	20,000	130,000	–	–	**150,000**
Foreign Currency Assets	113,305	–	16,126	–	13,339	–	988,011	–	–	–	188,840	**1,319,621**
Foreign Currency Liabilities	138,801	81,042	4,051	14,150	717	36,535	59,244	3,025,426	3,425,296	51,142	36	**6,836,440**

Maturity pattern of certain items of assets and liabilities as of March 31, 2019

(Rs. in thousand)

Particulars	Day1	2 to 7 days	8 to 14 Days	15 to 28 Days	29 days and upto 3 months	Over 3 month and upto 6 months	Over 6 month and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Advances	25,808	60,218	17,205	29,675	21,557	36,797	458,060	2,651,296	783,073	1,664,440	**5,748,129**
Investment in Securities	2,837,350	–	–	–	–	250,907	550,852	333,154	44,528	6,970	**4,023,761**
Deposits	212,035	362,197	233,973	90,350	1,592,003	1,245,231	2,861,571	3,129,387	114,427	–	**9,841,174**
Borrowings	–	–	–	–	–	–	–	–	–	–	**–**
Foreign Currency Assets	296,356	1,596,789	–	–	670,520	242,043	864,438	622,395	–	–	**4,292,541**
Foreign Currency Liabilities	120,496	2,835,616	–	12,429	370,363	274,762	411,084	2,113,992	–	–	**6,138,742**

The information on maturity pattern has been compiled by the management based on the same estimate and assumptions as that for compiling the returns submitted to the RBI.

17. Exposure to Sensitive Sector

a. Exposure to Real Estate Sector

(Rs. in thousand)

Category	March 31, 2020	March 31, 2019
a) Direct Exposure		
(i) Residential Mortgages	1,081,296	512,071
- of which housing loans up to Rs.15 Lakhs	7,627	1,413
(ii) Commercial Real Estate	620,543	500,000
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures		
(a) Residential	–	–
(b) Commercial Real Estate	–	–
b) Indirect Exposure		
Fund based and non-fund-based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	172,469	431,386
Total Exposure to Real Estate Sector	**1,874,308**	**1,443,457**

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

b. Exposure to Capital Market

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
i. Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	6,970	6,970
ii. Advances against shares/bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	–	–
iii. Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	–	–
iv. Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/ convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	–	–
v. Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	517,250	–
vi. Loans sanctioned to corporates against the security of shares / bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	150,000	–
vii. Bridge loans to companies against expected equity flows/issues;	–	–
viii. Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	–	–
ix. Financing to stockbrokers for margin trading;	–	–
x. All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	–	–
Total Exposure to Capital Market	**674,220**	**6,970**

18. Risk category-wise country exposure

Provision for Country Risk exposure in terms of RBI Circular DBOD.BP.BC.71/21.04.103/2002-03 dated February 19, 2013 is as follows:

(Rs. in thousand)

Risk Category	Exposure (net) as at March 31, 2020	Provision held as at March 31, 2020	Exposure (net) as at March 31, 2019	Provision held as at March 31, 2019
Insignificant	97,129	–	310,105	162
Low	179,471	–	105,664	–
Moderate	65,333	–	–	–
High	–	–	–	–
Very High	–	–	–	–
Restricted	–	–	–	–
Off-credit	–	–	–	–
Total	**341,933**	**-**	**415,769**	

19. Details of Single Borrower Limit (SBL) / Group Borrower Limit (GBL) exceeded by the Bank

During FY 2019-2020, the Bank has not exceeded the single borrower limit or group borrower limit. (PY: NIL).

20. Unsecured Advances

Unsecured advances have been appropriately classified under 'Schedule 9 – Advances'. During FY 2019-20, the Bank has not given loans against intangible securities such as rights, licenses, authority etc., hence no disclosure is required for reporting advances against intangibles.

21. Disclosure of Penalties imposed by RBI

The Reserve Bank of India (RBI) has, by an order dated October 15, 2019, imposed a monetary penalty of Rs. 30,000 thousand on SBM Bank (India) Limited for non-compliance by SBM Bank (Mauritius) Limited (amalgamated with SBM Bank (India) Limited on November 30, 2018) with certain provisions of directions issued by RBI on "Time-bound implementation and strengthening of SWIFT - related operational controls" and "Cyber Security Framework in Banks". This penalty has been imposed in exercise of powers vested in RBI under the provisions of Section 47A(1)(c) read with Section 46(4)(i) of the Banking Regulation Act, 1949, taking into account the failure to adhere to the aforesaid directions issued by RBI. The Bank has paid the said penalty to RBI on October 29, 2019. (PY: NIL).

22. Prior Period Items

There are no prior period items during the FY 2019-2020. (PY: NIL).

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

23. Description of contingent liabilities

Sr. No.	Contingent Liabilities	Brief
1.	Claims against the Bank not acknowledged as debts	The Bank is a party to various legal and tax proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.
2.	Liability on account of forward exchange and derivative contracts	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with interbank participants and customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts of financial instruments of such foreign exchange contracts and derivatives provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market rates or prices relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly.
3.	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the customers of the Bank. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.
4.	Other items for which the Bank is contingently liable	- Value dated purchase of securities - Capital Commitments - Amount deposited with RBI under Depositor Education Awareness Fund

Refer Schedule 12 for amounts relating to contingent liability

24. Contingent Liabilities

Other Item of Contingent Liability includes, Income Tax of Rs. 86,960 thousand (PY: 81,818 thousand) and Service tax of Rs. 5,091 thousand (PY: Nil). The Bank has gone in appeal to Income Tax Appellate Tribunal (ITAT) and High Court against the income tax assessment order of the department for AY 1996-97, 1997-98, 1999-00 to 2008-09, 2012-13 and 2013-14. The appeals are pending for the final outcome of the ITAT and high court and the Bank is expecting favourable judicial decisions.

25. Provision for Long Term contracts

The Bank has assessed its long-term contracts (including Derivative Contracts) for material foreseeable losses and made adequate provisions in the books of accounts, under any law/accounting standards wherever applicable and disclosed the same under the relevant notes in the financial statements.

26. Deferred Tax

In accordance with AS-22 on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India (ICAI), the Bank has recognized Deferred Tax Assets on such timing differences where there is a reasonable certainty that such deferred tax assets can be reversed against the deferred tax liability. Deferred tax asset on accumulated carry forward business losses and depreciation is not recognized as there is no virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized."

The major composition of Deferred Tax Liabilities (DTL) & Deferred Tax Assets (DTA) is as under:

(Rs. in thousand)

Sr. No.	Particulars	March 31, 2020	March 31, 2019
A.	**DTA :**		
(i)	Provision for Loan Losses, Floating Provision and counter cyclical provision	104,868	117,115
(ii)	Provision for Standard Advances	7,403	8,003
(iii)	Provision for Funded Interest Term Loan	–	–
(iv)	Disallowed Expenses	8,687	5,398
(v)	Unabsorbed Losses	–	–
	Total DTA	**120,958**	**130,516**
B.	**DTL :**		
(i)	Depreciation on Fixed Assets	(120,958)	(130,516)
	Total DTL	**(120,958)**	**(130,516)**
C.	**NET DTL / (DTA)**	–	–

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SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

27. Provisions & Contingencies

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
Depreciation on Investments	29,638	(1,872)
Provision towards Non-Performing Assets / Investment (net of write-backs)	250,184	153,057
Provision for Standard Assets	(11,783)	(119,631)
Provision for Income Tax (including Deferred Tax)	–	9,341
Provisions for diminution in fair value Restructured Advances	–	–
Provision for Country Risk	(162)	(1,439)
Provision for interest capitalized on restructured accounts	–	–
Total	**267,877**	**39,456**

28. There was no instance of SGL bouncing during FY 2019-2020. (PY: NIL).

29. Letter of Comfort/ Undertaking (LOCs/ LOUs) issued

There were NIL LOCs/LOUs outstanding as of March 31, 2020. (PY: NIL).

30. Draw down from Reserves

During FY 2019-2020, there has been no drawdown from Reserves. Also Refer Schedule 2 – Reserves and Surplus. (PY: NIL).

31. Disclosure of Complaints / Unimplemented awards of banking ombudsmen

In accordance with RBI circular DBOD. No. Leg. BC.9/09.076/2009-10 dated July 01, 2009 details of customer complaints and awards passed by Banking Ombudsman are as follows:

a. Customer Complaints

	Particulars	March 31, 2020	March 31, 2019
(a)	No. of complaints pending at the beginning of the year	–	–
(b)	No. of complaints received during the year	74	–
(c)	No. of complaints redressed during the year	72	–
(d)	No. of complaints pending as at the end of the year	2	–

b. Awards passed by the Banking Ombudsman

	Particulars	March 31, 2020	March 31, 2019
(a)	No. of unimplemented Awards at the beginning of the year	–	–
(b)	No. of Awards passed by Banking Ombudsman during the year	–	–
(c)	No. of Awards implemented during the year	–	–
(d)	No. of unimplemented Awards Pending as at the end of the year	–	–

32. Segment Reporting

Part A: Business Segments

In accordance with RBI guidelines, the Bank has identified the following three primary segments: Treasury, Corporate Banking and Retail Banking. These segments are identified based on nature of services provided, risk and returns, organizational structure of the Bank and the internal financial reporting system.

Treasury Operations: Undertakes Derivative Trading, Money Market Operations, and Investment in Bonds, Treasury Bills, Government Securities, CP, CD and Foreign Exchange Operations. The revenue of this segment consist of interest earned on funding, investment income and gains on Government Securities, CP, CD's and debenture / bonds, profits / loss on exchange and derivative transactions. The principal expenses of this segment consist of cost of funds, personnel cost, other direct overheads and allocated expenses.

Corporate Banking: Primarily comprises of funded advances to Corporate. Revenues of this segment consist of interest earned on loans made to corporate clients, interest earned on cash float and fees received from fee-based activities like letter of credit, guarantee etc. The principal expenses of this segment consist of interest expenses on funds borrowed allocated based on personnel costs and allocated expenses.

Retail Banking: Consists of revenue arising out of personal loan, housing loan, etc.

FY 2019-2020

(Rs. in thousand)

Business Segments	Corporate	Treasury	Retail	Total
Revenue	970,535	549,367	73,640	1,593,542
Results	34,766	116,112	(76,866)	74,012
Un-allocable Expense**				(54,976)
Operating Profit				19,036
Income Taxes				–
Extraordinary Profit/Loss				–
Net profit/(Loss)				**19,036**
Other Information				
Segment Assets	12,242,724	11,413,047	1,127,856	24,783,627
Un-allocable Assets				230,655
Total Assets				**25,014,282**
Segment Liabilities	11,143,357	3,742,203	10,097,169	24,982,729
Un-allocable Liabilities				31,553
Total Liabilities				**25,014,282**
Capital expenditure during FY 2019-2020				38,725
Depreciation expenditure during FY 2019-2020				120,198

** includes regulatory penalty of Rs. 30,000 thousand.

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

FY 2018-2019

(Rs. in thousand)

Business Segments	Corporate	Treasury	Retail	Total
Revenue	185,509	160,483	13,892	359,884
Results	77,131	(31,813)	(38,824)	6,494
Un-allocable Expense**				(476,295)
Operating Profit				(469,801)
Income Taxes				–
Extraordinary Profit/Loss				–
Net profit/(Loss)				**(469,801)**
Other Information				
Segment Assets	5,472,080	9,704,995	599,672	15,776,747
Un-allocable Assets				206,507
Total Assets				**15,983,254**
Segment Liabilities	2,615,475	3,484,983	9,876,023	15,976,481
Un-allocable Liabilities				6,773
Total Liabilities				**15,983,254**
Capital expenditure during FY 2018-2019				55,166
Depreciation expenditure during FY 2018-2019				30,001

** includes provision for Cyber Fraud Rs. 396,653 thousand.

Part B: Geographic Segments

The Bank operates as a single unit in India and as such has no identifiable geographical segments subject to dissimilar risks and returns. Hence, no information relating to geographical segments are presented.

Notes for segment reporting:

1. In computing the above information, certain estimates and assumptions have been made by the Management and have been relied upon by the auditors.
2. Assets, liabilities, income and expenses which cannot be allocated to any segments have been classified as unallocated. The unallocated liabilities include TDS on vendor payments and service tax payable. The unallocated assets include taxes and capital work in progress. The unallocated expenses include IT expenses, repairs and maintenance, rent, conveyance, etc.

33. Disclosure under Employee Benefits – Revised Accounting Standard 15

a) The contribution to employees Provident Fund amounted to Rs. 34,122 thousand for the year ended March 31, 2020. (PY: Rs. 6,259 thousand for the period December 1, 2018 to March 31, 2019).

b) The Bank has a policy to pay leave encashment to employees either at the time of resignation or on their retirement.

c) The Bank does not have pension scheme for its employees. However, the Bank contributes up to 10% of eligible employees' salary per annum, to the New Pension Fund administered by a Pension Fund Regulatory and Development Authority (PFRDA) appointed pension fund manager. The Bank recognizes such contributions as an expense in the year when an employee renders the related service. Such contribution for the year is Rs. 2,759 thousand. (PY: Rs. 291.37 thousand for the period December 1, 2018 to March 31, 2019).

d) The Bank expects to contribute Rs. 1.45 crore to gratuity fund in financial year 2020-2021.

I) Change in the Present value of Projected Benefit Obligation:

(Rs. in thousand)

	March 31, 2020	March 31, 2019
Present Value of Benefit Obligation at the Beginning of the year	26,145	–
Interest Cost	1,971	642
Current Service Cost	6,668	1,617
(Benefit paid from the Fund)	(4,185)	–
Past Service Cost	–	–
Liability Transferred In/ Acquisitions	–	24,451
Actuarial (Gains)/Losses on Obligations - Due to Change in Demographic Assumptions	–	–
Actuarial (Gains)/Losses on Obligations - Due to Change in Financial Assumptions	(3,946)	–
Actuarial (Gains)/Losses on Obligations - Due to Experience	3,635	(565)
Present Value of Benefit Obligation at the End of the year	**30,288**	**26,145**

II) Change in the Fair Value of Plan Assets:

(Rs. in thousand)

	March 31, 2020	March 31, 2019
Fair Value of Plan Assets at the Beginning of the year	17,660	–
Expected Return on Plan Assets	1,332	450
Contributions by the Employer	–	17,161
Assets Transferred In/Acquisitions	4,454	–
(Benefit Paid from the Fund)	(4,186)	–
Actuarial Gains/(Losses) on Plan Assets - Due to Experience	(181)	49
Fair Value of Plan Assets at the End of the year	**19,079**	**17,660**

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III) Actuarial (Gains)/Losses Recognized in the Profit and Loss Account:

(Rs. in thousand)

	March 31, 2020	March 31, 2019
Actuarial (Gains)/Losses on Obligation for the year	(311)	(565)
Actuarial (Gains)/Losses on Plan Asset for the year	181	(49)
Actuarial (Gains)/Losses Recognized in the Profit or Loss Account	(129)	(614)

IV) Actual Return on Plan Assets:

(Rs. in thousand)

	March 31, 2020	March 31, 2019
Expected Return on Plan Assets	1,332	450
Actuarial Gains/(Losses) on Plan Assets - Due to Experience	(181)	49
Actual Return on Plan Assets	1,151	499

V) Amount Recognized in the Balance Sheet:

(Rs. in thousand)

	March 31, 2020	March 31, 2019
(Present Value of Benefit Obligation at the end of the year)	(30,288)	(26,145)
Fair Value of Plan Assets at the end of the year	19,079	17,660
Funded Status (Surplus/ (Deficit))	(11,209)	(8,485)
Unrecognized Past Service Cost at the end of the year	–	–
Net (Liability)/Asset Recognized in the Balance Sheet	**(11,209)**	**(8,485)**

VI) Net Interest Cost:

(Rs. in thousand)

	March 31, 2020	March 31, 2019
Present Value of Benefit Obligation at the Beginning of the year	26,145	–
(Fair Value of Plan Assets at the Beginning of the year)	(17,660)	–
Net Liability/(Asset) at the Beginning	**8,485**	**–**
Interest Cost	1,971	642
(Expected Return on Plan Assets)	(1,332)	(450)
Net Interest Cost for Current Year	**639**	**192**

VII) Expenses Recognized in the Profit or Loss Account:

(Rs. in thousand)

	March 31, 2020	March 31, 2019
Current Service Cost	6,668	1,617
Net Interest Cost	639	192
Actuarial (Gains)/Losses	(129)	(614)
Past Service Cost - Vested Benefit Recognized During the year	–	–
Expenses Recognized in the Profit or Loss Account	**7,178**	**1,195**

VIII) Balance Sheet Reconciliation:

(Rs. in thousand)

	March 31, 2020	March 31, 2019
Opening Net Liability	8,485	–
Expense Recognized in Profit or Loss Account	7,178	1,195
Net Liability/(Asset) Transfer In	–	7,290
Net (Liability)/Asset Transfer Out	–	–
(Benefit Paid Directly by the Employer)	–	–
(Employer's Contribution)	(4,454)	–
Net Liability/(Asset) Recognized in the Balance Sheet	**11,209**	**8,485**

IX) Category of Assets:

(Rs. in thousand)

	March 31, 2020	March 31, 2019
Government of India Assets	–	–
State Government Securities	–	–
Special Deposits Scheme	–	–
Debt Instruments	–	–
Corporate Bonds	–	–
Cash And Cash Equivalents	–	–
Insurance fund	19,079	17,660
Asset-Backed Securities	–	–
Structured Debt	–	–
Other	–	–
Total	**19,079**	**17,660**

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Actuarial assumptions:

	March 31, 2020	March 31, 2019
Expected Return on Plan Assets	6.84%	7.54%
Rate of Discounting	6.84%	7.54%
Rate of Salary Increase	6.88%	9.85%
Rate of Employee Turnover	6%	6%
Mortality Rate During Employment	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)

Experience Adjustments:

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
Plan Assets	19,079	17,660
Defined Benefit Obligation	30,288	26,145
Surplus / (Deficit)	11,209	8,485
Experience adjustment gain / (loss) on plan assets	(181)	49
Experience adjustment (gain) / loss on plan liabilities	3,635	(565)

34. Related Party Transactions

Related Party Transactions in terms of AS-18 on "Related Party Disclosures" are disclosed below:

Relationship during FY 2019-20:

1	Ultimate Parent	SBM Holdings Limited
2	Parent	SBM (Bank) Holdings Limited
3	Subsidiaries of Parent	SBM Bank (Mauritius) Limited
		SBM Bank (Kenya) Limited
4	Key Management Personnel	a. Board of Directors b. Managing Director & Chief Executive Officer – Sidharth Rath c. Chief Finance Officer – Talib Lokhandwala d. Company Secretary – Sanchita Kapoor* e. Chief Information Officer / Chief Operations Office – Rajeev Panikanth f. Head of Corporate Banking – Dipak Agarwal g. Head of Treasury – Mandar Pitale

* Company Secretary of the Bank vacated the office on December 09, 2019 and ceased to be a Key Management Personnel since the day.

Transactions during the FY 2019-20:

(Rs. in thousand)

Particulars	Parent		Subsidiaries of the Parent		Key Management Personnel		Total	
	Outstanding	Maximum Baance	Outstanding	Maximum Baance	Outstanding	Maximum Balance	Outstanding	Maximum Balance
Liabilities								
Deposit	–	–	60,309	658,855	14,275	14,275	74,584	673,130
Borrowings	–	–	–	493,850	–	–	–	493,850
Interest payable	–	–	–	–	–	–	–	–
MTM loss on FX forwards	–	–	–	–	–	–	–	–
Payable to group	240,424	240,424	–	–	–	–	240,424	240,424
Total	**240,424**	**240,424**	**60,309**	**1,152,705**	**14,275**	**14,275**	**315,008**	**1,407,404**
Assets								
Lending	–	–	–	–	7,377	7,377	7,377	7,377
Balances with Bank	–	–	4,218	6,906	–	–	4,218	6,906
Interest receivable	–	–	–	–	38	38	38	38
MTM gain on FX forwards	–	–	–	–	–	–	–	–
Total	**–**	**–**	**4,218**	**6,906**	**7,415**	**7,415**	**11,633**	**14,321**
Off Balance Sheet items								
FX Forwards	–	–	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

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Particulars	Parent	Subsidiaries of the Parent	Key Management Personnel	Total
Profit & Loss Account Items				
Interest Received	–	–	264	**264**
Interest Paid	–	89	550	**539**
Fees Paid	–	–	6,150	**6,150**
Salary Cost	–	–	60,191	**60,191**

Transactions during the FY 2018-19:

(Rs. in thousand)

Particulars	Parent		Subsidiaries of the Parent		Key Management Personnel		Total	
	Outstanding	Maximum Balance	Outstanding	Maximum Balance	Outstanding	Maximum Balance	Outstanding	Maximum Balance
Liabilities								
Deposit	–	–	263,284	760,278	1,645	1,645	264,928	760,278
Borrowings	–	–	–	1,563,760	–	–	–	1,563,760
Interest payable	–	–	–	–	–	–	–	–
MTM loss on FX forwards	–	–	–	–	–	–	–	–
Payable to group	216,922	216,922	–	–	–	–	216,922	216,922
Total	**216,922**	**216,922**	**263,284**	**2,324,038**	**1,645**	**1,645**	**481,850**	**2,540,960**
Assets								
Lending	–	–	–	104,663	–	–	–	104,663
Balances with Bank	–	–	2,165	–	–	–	2,165	–
Interest receivable	–	–	–	–	–	–	–	–
MTM gain on FX forwards	–	–	–	–	–	–	–	–
Total	**–**	**–**	**2,165**	**104,663**	**–**	**–**	**2,165**	**104,663**
Off Balance Sheet Items								
FX Forwards	–	–	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Particulars	Parent	Subsidiaries of the Parent	Key Management Personnel	Total
Profit & Loss Account Items				
Interest Received	–	–	–	–
Interest Paid	–	15,379	57	**15,436**
Fees Paid	–	–	3,098	**3,098**
Salary Cost	–	–	11,313	**11,313**

35. Impairment of Assets

There is no impairment of any of the fixed assets and as such no provision is required as per AS–28 on "Impairment of Assets" issued by the ICAI.

36. Earnings Per Share

Particulars	31-Mar-20	31-Mar-19
Net profit after tax	19,036	(469,801)
Weighted average number of equity shares outstanding	735,931,096	218,049,229
Basic and diluted earnings per share in INR	0.03	(2.15)

37. COVID-19

The SARS-CoV2 virus responsible for COVID-19 continues to spread across the globe and India. This has resulted in a significant decline and volatility in global and Indian markets and economic activity. Implementation of lockdown and extensions has resulted in disruptions of business and common life. With situation still unfolding, it is difficult to predict time horizons to gauge the impact.

While Bank is continuously engaged and taking updates from all the borrowers on a frequent basis irrespective of the sectors they are operating in, companies categorized in the high-risk segment are being monitored closely.

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Classification and provisioning under RBI COVID-19 Regulatory Package

Based on RBI guidelines dated April 17, 2020 announcing certain regulatory measures in the wake of the disruptions on account of COVID-19 pandemic and the consequent asset classification and provisioning norms, Bank has released the Board approved policy to provide relief to all eligible borrowers including providing moratorium of three months on payment of instalments and easing of WC financing in terms of reassessment of drawing power & the Working Capital cycle.

Subsequently, based on updated RBI guidelines on COVID from RBI dated May 23, 2020, Bank has put up a policy to Board pertaining to approval for further moratorium of three months to companies, carving of interest into FITL and the repayment period thereof, and reassessment of drawing power & the Working Capital cycle. Based on the approval from board, these will be implemented for our clients on case to case basis.

Respective amounts in Special Mention Account (SMA) / overdue categories, where the moratorium / deferment was extended, in terms of paragraph 2 and 3, in accordance with the regulatory package announced by the Reserve Bank of India, the Bank has extended the option of moratorium to its borrowers for their instalments.

In line with the RBI guidelines issued on March 27, 2020, in respect of all accounts classified as standard as on February 29, 2020, even if overdue, the moratorium period, wherever granted, shall be excluded from the number of days past-due for the purpose of asset classification. The Bank has maintained requisite provisioning, wherever necessary, in accordance with above-mentioned guidelines.

(Rs. in thousand)

Moratorium / deferment extended in respect of SMA/ Overdue accounts	No. of accounts	O/s Amount (Fund Based)
SMA 0	3	21,420
SMA 1	–	–
SMA 2	–	–
Total	**3**	**21,420**

38. Counter Cyclical / Floating Provisions

(Rs. in thousand)

Particulars	March 31, 2020		March 31, 2019	
	Counter cyclical	Floating	Counter cyclical	Floating
Opening Balance in floating provision	19,068	6,007	–	–
Add- Additions on amalgamation by conversion into WOS	–	–	19,068	6,007
Add- Provision made during the year	–	–	–	–
Less- Provision utilize during the year for specific provision	–	–	–	–
Closing balance in floating provision	**19,068**	**6,007**	**19,068**	**6,007**

39. Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act 2006 which came into force from October 02, 2006 certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on information provided by the Bank which has been relied upon by the auditors.

40. The Bank has not undertaken bancassurance business during FY 2019-20. (PY: NIL).

41. Concentration of Deposits, Advances, Exposures and NPAs

I. Concentration of Deposits

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
Total deposits of twenty largest depositors	7,871,213	5,881,749
Percentage of Deposits to twenty largest depositors to total deposits of the Bank	43.01%	59.77%

Concentration of Advances*

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
Total advances to twenty largest borrowers	8,407,751	5,335,780
Percentage of Advances to twenty largest borrowers to total advances of the Bank	51.44%	79.89%

Concentration of Exposures*

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
Total Exposures to twenty largest borrowers / customers	8,407,751	5,477,708
Percentage of Exposures to twenty largest borrowers / Customers to Total Exposures of the Bank on borrowers / Customers	50.27%	77.59%

*Excluding banking exposures

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Concentration of NPA

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
Total Exposure of top Four NPA accounts	1,048,097	1,323,878

II. Sector wise Advances

(Rs. in thousand)

Sl. No.	Sector	FY 2019-20			FY 2018-19		
		Outstanding Total Gross Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Gross Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**						
1	Agriculture and allied activities	1,014,015	–	0%	–	–	0%
2	Advances to industries sector eligible as priority sector lending	245,883	245,883	100%	760,105	760,105	100%
3	Services	730,000	–	0%	401,910	–	0%
4	Personal loans	2,225	–	0%	–	–	0%
	Sub-total (A)	1,992,123	245,883	12.34%	1,162,015	760,105	65.41%
B	**Non-Priority Sector**						
1	Agriculture and allied activities	–	–	0%	–	–	0%
2	Industry	7,172,860	897,862	12.52%	2,464,034	687,996	27.92%
3	Services	3,074,434	–	0%	1,531,324	–	0%
4	Personal loans	1,211,036	12,021	0.99%	1,577,120	44,958	2.85%
	Sub-total (B)	**11,458,330**	**909,883**	7.94%	**5,572,478**	**732,954**	13.15%
	Total (A+B)	**13,450,453**	**1,155,766**	8.59%	**6,734,493**	**1,493,059**	22.17%

III. a) Movement of Gross NPAs

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
Opening balance of Gross NPAs	1,493,059	–
Add: Additions on amalgamation by conversion into WOS	–	893,128
Add: Additions during the year	211,500	604,323
Sub-total (A)	**1,704,599**	**1,497,451**
Less:		
i. Upgradations	–	–
ii. Recoveries (excluding recoveries made from upgraded accounts)	(100,196)	(4,392)
iii. Write-offs	(448,597)	–
Sub-total (B)	**(548,793)**	**(4,392)**
Closing balance of Gross NPAs (A-B)	**1,155,766**	**1,493,059**

b)

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
Opening balance of Technical/ Prudential written-off accounts	**3,290,111**	**–**
Add: Additions on amalgamation by conversion into WOS	–	**3,295,000**
Add: Technical/ Prudential write-offs during the year	448,597	–
Sub-total (A)	**3,738,708**	**3,295,000**
Less: Recoveries made from previously technical/ prudential written-off accounts during the year (B)	(101,324)	(4,889)
Closing balance as at end of the year (A-B)	**3,637,384**	**3,290,111**

IV. Overseas Assets, NPAs and Revenue

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
Total Assets	–	–
Total NPAs	–	–
Total Revenue for the year ended	–	–

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V. Off-balance sheet SPVs sponsored - NIL

42. Revaluation of Fixed Assets

The Bank computes depreciation on revalued premises over its estimated remaining useful life and accordingly an amount of Rs. 6,700 thousand (PY: Rs. 1,571 thousand) have been accounted as depreciation and reduced from the Revaluation Reserve during FY 2019-20.

43. Software capitalized under Fixed Assets

(Rs. in thousand)

Particulars	**March 31, 2020**	**March 31, 2019**
Cost at beginning of the year	261,238	–
Additions on amalgamation by conversion into WOS	–	238,332
Additions during the year	73,327	22,906
Deductions during the year	–	–
Depreciation to date	193,539	98,315
Net Block	**141,026**	**162,923**

44. Provision Coverage Ratio (PCR)

As on March 31, 2020, the Bank has achieved the PCR ratio of 68.18% with reference to Gross NPA as on that day. (PY: 64.38%).

45. Disclosure on Remuneration

Qualitative disclosures	
(a) Information relating to the composition and mandate of the Remuneration Committee.	The remuneration committee is constituted to oversee the framing, review and implementation of compensation policy of the Bank on behalf of the board. The members of the committee are given below 1. Mr. Sanjay Kumar Bhattacharya 2. Mr. Andrew Bainbridge 3. Mr. Shyam Sundar Barik
(b) Information relating to the design and structure of remuneration processes and the key features and objectives of Remuneration policy.	The Bank follows the following practices and principles in designing and structuring the remuneration process:- A focus on long-term, risk-adjusted performance and reward mechanism by focusing on performance of the individual employee, the relevant line of business or function and the Bank as a whole. It seeks to drive accountability, and co-relate risk, financial performance and compensation. Key features and Objective of Remuneration policy are: The Bank shall follow a Cash plus Benefits (Fixed Pay plus Benefits) approach in its Compensation framework by providing competitive level of compensation to attract and retain qualified and competent staff members. The compensation should be adjusted for all types of risk.
(c) Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.	SBM has in place a robust risk and performance management system to capture, monitor, and control the risks created by its business activities. The goal is to not only manage the risks of the Firm, but also to create a culture of risk awareness, risk quantification and measurement and personal accountability. It seeks to ensure that the potential for any risk-taking by any individual, group, or business is controlled.
(d) Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration.	In determining total compensation, it considers the overall scope of an employee's responsibilities, the performance history of the individual with the Bank, comparisons with other staff within the Firm, external market compensation, and the overall performance of the function and the Bank and Group as whole. The Bank looks at sustained superior performance achieved across multiple factors over multiple time periods.
(e) A discussion of the Bank's policy on deferral and vesting of variable remuneration and a discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.	The variable/performance pay shall not exceed 70% of the fixed pay for the year. In case where the variable pay constitutes a substantial portion of the fixed pay, i.e. 50% or more, then an appropriate portion of the variable pay, i.e. around 50% of the variable pay will be deferred over a minimum period of 3 years. In the event of negative contributions of the Bank in any year, the deferred compensation will be subject to malus arrangements which permits the Bank to prevent vesting of all or part of the amount of a deferred remuneration, but it does not reverse vesting after it has already occurred.
(f) Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the Bank utilizes and the rationale for using these different forms.	There will be a proper balance between the fixed and the variable pay. The variable pay shall not exceed 70% of the fixed pay for the year. The proportion of variable pay will be higher at higher levels of responsibility and could be in cash, or stock linked instruments or mix of both.

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Quantitative disclosures
(The quantitative disclosures should only cover Whole Time Directors / Chief Executive Officer/ Other Risk Takers)

(g) Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	Total 3 Remuneration Committee meetings were held during FY 2019-20, members were paid remuneration of Rs. 450 thousand for attending the same.
(h) (i) Number of employees having received a variable remuneration award during the financial year. (ii) Number and total amount of sign-on awards made during the financial year. (iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus (iv) Details of severance pay, in addition to accrued benefits, if any	NIL during FY 2019-20 During the year, only one employee was paid the sign-on bonus amounting to Rs. 2,700 thousand. – –
(i) (i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. (ii) Total amount of deferred remuneration paid out in the financial year.	– –
(j) Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	Managing Director and Chief Executive Officer (MD & CEO) Chief Operations Officer (COO) Head – Corporate Banking Head – Retail Banking Head – Treasury **Particulars** ***(Rs. in thousand)*** Fixed: 64,166 Variable: – Perquisites: 40 TOTAL: 64,206
(k) (i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments. (ii) Total amount of reductions during the financial year due to ex-post explicit adjustments. (iii) Total amount of reductions during the financial year due to ex-post implicit adjustments.	– – –

46. Disclosure on Remuneration to Non-executive Directors

The Non-Executive Directors are paid remuneration by way of sitting fees for attending meetings of Board and its committees. An amount of Rs. 6,150 thousand was paid as sitting fees to the Non-Executive Directors during the year.

47. Accounting for leases

1. **Financial lease**
Bank has not entered into any financial lease in current year as well as previous year.

2. **Operating lease**
The lease agreement entered into pertains to use of premises by the Corporate Office, Branch and Residential House. There are no sub-lease arrangements.

(Rs. in thousand)

Particulars	**March 31, 2020**	**March 31, 2019**
1. Total future minimum lease payments as at year end:	286,839	105,168
– Not later than one year	67,114	20,203
– Later than one year but not later than five years	219,725	84,965
– Later than five years	–	–
2. Lease payments recognized in the Profit and Loss Account in Schedule 16	45,464	4,716

48. Credit Default Swaps

The Bank does not have any Credit Default Swaps during FY 2019-20. (PY: NIL).

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49. Intra-Group Exposures

In terms of RBI circular DBOD.No.BP.BC.96/21.06.102/2013-14 dated 11 February 2014, the disclosures on intra-group exposures are as below:

(Rs. in thousand)

Sr. No.	Particulars	March 31, 2020	March 31, 2019
1	Total amount of intra-group exposures	205,152	103,500
2	Total amount of top-20 intra-group exposures	205,152	103,500
3	Percentage of intra-group exposures to total exposure of the Bank on /customers	–	–
4	Details of breach of limits on intra-group exposures and regulatory action thereon, if any.	–	–

50. Transfers to Depositor Education and Awareness Fund (DEAF)

In terms of RBI circular DBOD.No.BP.BC.No.8/21.04.018/2014-15 dated 1 July 2014 on disclosures on DEAF are as below:

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
Opening balance of amounts transferred to DEAF	4,180	–
Additions on amalgamation by conversion into WOS	–	3,542
Add : Amounts transferred to DEAF during the year	1,265	638
Less : Amounts reimbursed by DEAF towards claims	–	–
Closing balance of amounts transferred to DEAF	**5,445**	**4,180**

51. Unhedged Foreign Currency Exposure

The Bank closely monitors the unhedged foreign currency exposures of its corporate clients and also factors this risk into the pricing. The information on the unhedged foreign currency exposures of the corporate is obtained on a quarterly basis and riskiness of the same with respect to the USD – INR exchange rate fluctuation is assessed.

The Bank addresses the currency induced credit risk in a comprehensive manner and the incremental provisioning and capital held by the Bank on account of the same as on 31st March 2020 is as follows:

Incremental Capital maintained by the Bank on account of unhedged foreign currency exposure is Nil. (PY: Rs 1,110 thousand).

Unhedged Foreign Currency Exposure provisions for current year:

(Rs. in thousand)

Incremental standard asset provision required as per RBI guideline	Outstanding as on March 31, 2020	Incremental standard advance provision as on March 31, 2020
0 bps	12,294,687	–
20 bps	–	–
40 bps	–	–
60 bps	–	–
80 bps	–	–

Unhedged Foreign Currency Exposure provisions for previous year:

(Rs. in thousand)

Incremental standard asset provision required as per RBI guideline	Outstanding as on March 31, 2019	Incremental standard advance provision as on March 31, 2019
0 bps	4,963,815	–
20 bps	–	–
40 bps	277,619	1,110
60 bps	–	–
80 bps	–	–

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52. Liquidity Coverage Ratio

FY 2019-20

(Rs. in thousand)

		30 June 2019		30 September 2019		31 December 2019		31 March 2020	
		Total Un weighted Value (average)	Total Weighted Value (average)	Total Un weighted Value (average)	Total Weighted Value (average)	Total Un weighted Value (average)	Total Weighted Value (average)	Total Un weighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		5,977,062		6,356,323		5,800,731		5,975,835
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	–	–	–	–	–	–	–	–
	(i) Stable deposits**	–	–	–	–	–	–	–	–
	(ii) Less stable deposits	4,664,813	466,481	1,940,562	194,056	3,020,939	302,094	3,042,029	304,203
3	Unsecured wholesale funding, of which:	–	–	–	–	–	–	–	–
	(i) Operational deposits (all counterparties)	–	–	–	–	–	–	–	–
	(ii) Non-operational deposits (all counterparties)	3,405,116	2,871,827	2,808,377	2,084,789	1,897,117	1,345,321	2,792,305	2,048,169
	(iii) Unsecured debt	–	–	–	–	–	–	–	–
4	Secured wholesale funding		–		–		–		–
5	Additional requirements, of which	–	–	–	–	–	–	–	–
	(i) Outflows related to derivative exposures and other	92,796	92,796	36,087	36,087	1,193	1,193	21,278	21,278
	(ii) Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–
	(iii) Credit and liquidity facilities	4,218,907	67,421	1,622,875	49,582	570,259	58,537	1,039,268	136,491
6	Other contractual funding obligations	7,796	7,796	11,712	11,712	659,462	659,462	769,068	769,068
7	Other contingent funding obligations	182,431	5,473	393,314	11,799	1,116,023	33,481	1,894,472	56,834
8	**TOTAL CASH OUTFLOWS**		**3,511,794**		**2,388,025**		**2,400,088**		**3,336,043**
Cash Inflows									
9	Secured lending (e.g. reverse repos)	2,491,903	–	2,337,372	–	2,109,339	–	1,569,377	–
10	Inflows from fully performing exposures	559,783	477,418	470,550	418,259	550,483	434,295	653,977	518,089
11	Other cash inflows*	1,819,022	1,269,907	939,789	566,390	132,048	68,927	98,498	61,574
12	**TOTAL CASH INFLOWS**	**4,870,708**	**1,747,325**	**3,747,711**	**984,649**	**2,791,870**	**503,222**	**2,321,852**	**579,663**
13	**TOTAL HQLA**		5,977,062		6,356,323		5,800,731		5,975,835
14	**TOTAL NET CASH OUTFLOWS**		1,764,469		1,403,376		1,896,866		2,756,380
15	**LIQUIDITY COVERAGE RATIO (%)**		338.75%		452.93%		305.81%		216.80%

FY 2018-19

		Dec'18, Jan'19, Feb'19 & Mar'19	
		Total Un weighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)		4,430,964
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:		
	(i) Stable deposits	–	–
	(ii) Less stable deposits	3,450,257	345,026
3	Unsecured wholesale funding, of which:		
	(i) Operational deposits (all counterparties)	–	–
	(ii) Non-operational deposits (all counterparties)	3,244,539	2,940,693
	(iii) Unsecured debt	–	–
4	Secured wholesale funding		
5	Additional requirements, of which		
	(i) Outflows related to derivative exposures and other	98,350	98,350
	(ii) Outflows related to loss of funding on debt products	–	–
	(iii) Credit and liquidity facilities	708,180	104,561
6	Other contractual funding obligations	783,690	783,690
7	Other contingent funding obligations	354,239	10,627
8	**TOTAL CASH OUTFLOWS**		4,282,948
Cash Inflows			
9	Secured lending (e.g. reverse repos)	1,439,906	–
10	Inflows from fully performing exposures	416,266	252,596
11	Other cash inflows	1,122,339	967,134
12	**TOTAL CASH INFLOWS**	2,978,512	1,219,730
13	**TOTAL HQLA**		4,430,964
14	**TOTAL NET CASH OUTFLOWS**		3,063,218
15	**LIQUIDITY COVERAGE RATIO (%)**		144.65

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Qualitative disclosure

The Reserve Bank of India has prescribed monitoring of sufficiency of Bank's liquid assets using Basel III – Liquidity Coverage Ratio (LCR). The LCR is aimed at measuring and promoting short-term resilience of Banks to potential liquidity disruptions by ensuring maintenance of sufficient high-quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days.

The ratio comprises of high-quality liquid assets (HQLAs) as numerator and net cash outflows in 30 days as denominator. HQLA has been divided into two parts i.e. Level 1 HQLA which comprises of primarily cash, excess CRR, excess SLR and a portion of mandatory SLR as permitted by RBI (under MSF and FALLCR) and Level 2 HQLA which normally contains the liquid Corporate Securities. Cash outflows are calculated by multiplying the outstanding balances of various categories or types of liabilities by the outflow run-off rates and cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in within next 30 days .

For classification of deposits, the Bank segregates its deposits into various customer segments, viz Retail (which includes deposits from individuals), Corporate (which includes deposits from corporates) and Others (which includes all other residuary deposits including from Financial Counterparties).

The Bank has considered the mark-to-market amounts for computing the net cash flows from derivative transactions including the CCIL deals in the LCR computation .

53. Capital Commitment

Capital Commitment outstanding as on March 31, 2020 amounts to Rs. 66,035 thousand. (PY: Rs. 12,700 thousand).

54. Fraud

Particulars	March 31, 2020	March 31, 2019
Number of frauds reported	–	–
Amount involved in frauds	–	–
Provision made	–	–
Unamortised provision debited from 'other reserves'	–	–

55. Other expenditure:

Details of expenses included in Other Expenditure in Schedule 16, exceeding 1% of the total income are set out below:

(Rs. in thousand)

Particulars	FY 2019-20	FY 2018-19
Loss on account of cyber fraud	–	396,653
IT expenses	92,241	21,043
Regulatory Penalty	30,000	–

56. Priority sector lending certificates

The amount of PSLCs (category wise) sold and purchase during the year:

(Rs. in thousand)

Sr. No.	Type of PSLCs	Purchase	Sale
1	PSLC – Agriculture	–	–
2	PSLC – SF / MF	–	–
3	PSLC – Micro Enterprises	–	–
4	PSLC – General	–	–
	TOTAL	–	–

57. RBI vide its circular dated 18th April 2017, has directed that banks shall make suitable disclosures, wherever either (a) the additional provisioning requirements assessed by RBI exceed 15 percent of the published net profits after tax for the reference period or (b) the additional Gross NPAs identified by RBI exceed 15 percent of the published incremental Gross NPAs for the reference period, or both. RBI inspection was held for the Financial Year 2018-19 and no divergence was noted in respect of the Bank's asset classification and provisioning under the extant prudential norms on income recognition asset classification and provisioning (IRACP) which require such disclosures.

58. Previous year's figures have been regrouped / reclassified, wherever considered necessary, in order to make them comparable with figures for the current year. Previous years' figures have been audited by a firm of Chartered Accountants other than M. P. Chitale & Co.

For M. P. Chitale & Co.
Chartered Accountants
ICAI Firm Registration No.: 101851W

Sd/-
Ashutosh Pednekar
Partner
ICAI Membership No. 041037

Place: Mumbai
Date: June 29, 2020

For SBM Bank (India) Limited

Sd/-
Mr. Sidharth Rath
Managing Director & Chief Executive Officer

Sd/-
Mr. Ameet Patel
Independent Director

Mr. Talib Lokhandwala
Chief Financial Officer

Mrs. Mugdha Merchant
Company Secretary

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SBM BANK (INDIA) LIMITED

Basel III – Pillar 3 disclosures for the year ended March 31, 2020

1. Scope of Application

Quantitative Disclosures:

(a) The aggregate amount of capital deficiencies in subsidiaries : Not Applicable

(b) The aggregate amount of the bank's total interests in insurance entitles : Not Applicable

2. Capital Requirement

Qualitative disclosures

Bank's approach to assessing the adequacy:

The Bank is subject to the capital adequacy guidelines stipulated by RBI, which are based on the framework of the Basel Committee on Banking Supervision. The Bank's policy is to maintain a strong capital to maintain confidence of depositors and market and to sustain future business developments.

The bank is fully committed to implementing the Basel III as adopted by the Reserve Bank of India and currently follows Standardised approach for credit and market risk and Basic Indicator approach for operational risk.

Quantitative disclosures:

The details of capital, risk weighted assets and capital adequacy ratio as at 31st March 2020 are as follows:

(Rs. in millions)

Capital Requirements for various Risks	
Credit Risk	
Capital requirements for credit risk:	
• Portfolios subject to standardised approach	1,625
• Securitisation exposures*	–

* Bank does not have any exposure to securitization transactions

(Rs. in millions)

Market Risk	
Capital requirements for market risk:	
• Standardised duration approach;	
• Interest rate risk	126
• Foreign exchange risk (including gold)	37
• Equity risk	34

(Rs. in millions)

Operational Risk	
Capital requirements for operational risk:	
• Basic Indicator Approach	100
• The Standardised Approach (if applicable)	–

Note:- Capital requirement has been computed at 10.875% of RWA

Capital Adequacy Ratios	**Ratio**
Common Equity Tier – 1 CRAR	31.48%
Tier – 1 CRAR	31.48%
Total CRAR	32.44%

3. Risk Exposure and Assessment

General qualitative disclosure on risk area, risk management objective policies and processes etc:

The Bank has identified the following risks as material to its nature of operations:

- Credit Risk
- Credit Concentration Risk
- Market Risk
- Interest Rate Risk in the Banking Book
- Liquidity Risk
- Operational Risk
- Fraud Risk
- Compliance Risk
- Strategic and Business Risk
- Reputational Risk

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SBM BANK (INDIA) LIMITED

Risk Management framework

Overview

The Bank's risk management framework is embedded in the business through the different levels supported by an appropriate level of investment in information technology and its people.

Credit Risk

The Bank has a comprehensive credit risk framework to manage Credit Risk, in a uniform and consistent manner.

- Bank maintains independence and integrity of credit decision-making, credit under working function is segregated from loan origination.
- Bank adheres to the RBI prudential requirements with respect to lending norms.
- All credit proposals are analysed through borrower's historical financial statements and projections, which includes a thorough review of traditional methods of ratio analysis, evaluation of asset conversion cycle, balance sheet structure (liquidity, capitalization, and maturity schedule of liabilities), cash flow and FX exposure.
- As a matter of policy, all credit facilities are reviewed / renewed annually. An account would be classified as NPA based on RBI guidelines.

Credit Concentration Risk

Credit Concentration Risk arises mainly on account of concentration of exposures under various categories including industry, products, geography, sensitive sectors, underlying collateral nature and single/group borrower exposures. Limits have been stipulated on single borrower, borrower group and industry. Limits on countries and bank counterparties have also been stipulated. In addition, a framework has been created for managing concentration risk.

Credit risk: General disclosures

Qualitative Disclosures

(a) Credit quality of Loans and Advances

All loans and advances in the Bank are classified according to asset quality, nature and number of days in arrears in accordance with RBI guidelines. For accounting purposes, definition of RBI for past due and impaired assets are adopted. Standard accounts include all facilities which demonstrate good financial condition, minimum risk factors and capacity to repay in line with the original terms of sanction.

Non-Performing Assets

Non-performing assets are those loans for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms. During the financial year 2019-20 bank has non-performing assets, net off provision (Gross NPA less Provision), amounting to INR 368 Mio.

The Bank has adopted the Standardised Approach under Basel III for credit risk for Financial Year 2019-20.

Total Gross Credit Risk Exposure Including Geographic Distribution of Exposure

(Rs. in millions)

Exposure distribution	**31st March 2020**		
	Fund based	**Non-fund based**	**Total**
Domestic	13,736	2,416	16,153
Overseas	197	3	201
Total	**13,934**	**2,420**	**16,354**

Distribution of Credit Risk Exposure by Industry Sector

(Rs. in millions)

Industry Classification	**Amount**	
	Fund Based	**Non-Fund Based**
Cement and Cement Products	1,375	200
Chemicals-Petro Chemicals	220	–
Construction	52	190
Drugs & Pharmaceuticals	100	–
Electricity Generation-other	573	–
Engineering-Others	662	–
Food Processing-Others	296	100
Food Processing-Edible oils	505	–
Glass & Glassware	600	–
Infrastructure-Electricity Generation	200	–
Infrastructure-Others	404	281
Infrastructure-Roadways	365	–
Iron and Steel	500	–
Leather and Leather products	524	–
Manufacturing-Electricity	–	235
Other Industries	503	–
Other Metal and Metal Products	275	–
Other residuary advances	6,429	966
Rubber plastics and other products	151	–
Textile-Cotton	150	50
Vehicles, Vehicle Parts and Transport Equipment	50	200
Wood and Wood Products	–	198
Total	**13,934**	**2,420**

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As on 31st March 2020, the Bank's exposure to the industries stated below was more than 5% of the total gross credit exposure (outstanding):

(Rs. in millions)

Sr. No.	Industry Classification	Percentage of the total gross credit exposure
1	Other residuary advances	54.79%
2	Cement and Cement Products	9.14%

Breakdown of assets

Residual Contractual Maturity Breakdown of Assets as of 31st March 2020

(Rs. in millions)

Maturity buckets	Cash	Balances with RBI	Balances with other banks	Investments	Advances	Fixed Assets	Other assets
1day	25	300	187	2,242	10	–	1
2 to 7 days	–	–	4,160	–	–	–	4
8 to 14 days	–	48	–	–	16	–	74
15 to 30 days	–	16	–	–	–	–	–
31 days to 2 months	–	15	–	–	12	–	323
Over 2 months and upto 3 Months	–	21	–	2	–	–	11
Over 3 months and upto 6 Months	–	29	–	830	2,792	–	22
Over 6 months and upto 12 Months	–	145	–	1,020	66	–	0
Over 1 year and upto 3 years	–	175	–	1,270	5,412	–	-0
Over 3 years and upto 5 years	–	1	–	4	1,985	–	–
Over 5 years	–	0	–	310	2,371	615	500
Total	**25**	**752**	**4,347**	**5,678**	**12,663**	**615**	**935**

Movement of NPAs

(Rs. in millions)

Particulars	Amount
Amount of NPAs (Gross)	
• Substandard	216
• Doubtful 1	579
• Doubtful 2	266
• Doubtful 3	–
• Loss	95
Net NPAs	368
NPA Ratios	
• Gross NPAs to gross advances	8.59%
• Net NPAs to net advances	2.90%

Movement of NPAs (Gross)	
Opening balance (1st April, 2019)	1,493
Additions	212
Reductions	(549)
Closing balance (31st March 2020)	1,156

Movement of specific provisions and general provisions

(Rs. in millions)

Movement of Provisions	Specific Provisions**	General Provisions
Opening balance (1st April, 2019)	986	67
Provisions made during the period	279	–
Write-off/ write-back of excess provisions	(478)	(11)
Closing balance (31st March 2020)	788	56

** includes Floating and Counter-cyclic Provisions

In addition, write-offs and recoveries that have been booked directly to the income statement should be disclosed separately.

(Rs. in millions)

Write-offs that have been booked directly to the income statement	449
Recoveries that have been booked directly to the income statement	101

Geography wise Distribution of NPA and Provision – Position

(Rs. in millions)

Particular	Domestic	Overseas	Total
Gross NPA	1,156	–	1,156
Specific Provision**	788	–	788

** includes Floating and Counter-cyclic Provisions

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Breakup of NPA by major Industries– Position

(Rs. in millions)

	Total (As of March 31, 2020)		During the period FY 2019-2020	
Particulars	**Gross NPA**	**Specific Provision****	**Specific Provision****	**write-offs**
Electricity Generation- other	573	306	137	–
Engineering - Others	209	113	113	–
Food Processing - Others	95	95	–	–
Infrastructure-Roadways	115	115	24	–
Other residuary advances	13	9	0	–
Rubber plastics and other products	151	151	(15)	–
Textile-Cotton	–	–	(449)	449
Drugs & Pharmaceuticals	–	–	(9)	–
Total	**1156**	**788**	**(198)**	**449**

** includes Floating and Counter-cyclic Provisions

Non-Performing Investments

NPIs and Movement of Provision for Depreciation on Investments – Position

(Rs. in millions)

	Particulars	**Amount**
A	Amount of Non-Performing Investments	7
B	Amount of Provision held for Non-performing investments	7
C	Movement of provision for depreciation on investments	
	- Opening balance as on 1st April 2019	8
	- Provision made in 2019-20	30
	- Write-offs/Write-back of excess provision	–
	- Closing balance as on 31st March 2020	38

4. **Gross Credit Risk Exposure**

Qualitative Disclosures:

- The Bank is using Credit Risk Assessment of ICRA, CRISIL, India Ratings, CARE, Brickwork and Acuite for the purpose of arriving at risk weight age wherever available.

Quantitative Disclosures

Details of Gross Credit Risk Exposure (Fund based and Non-fund based) based on Risk-Weight – Position

(Rs. in millions)

Particulars	**Amount**
Below 100% risk weight	19,781
100% risk weight	9,608
More than 100% risk weight	1,605
Deduction from capital funds	–
Total	**30,995**

Note: Exposure includes loans & advances, lendings, margins, investments in Govt Securities, T-Bills , SDLs, investments in debenture & bonds, security receipt, other fund based assets and Non-Fund based exposure including LC, Performance Guarantees, Financial Guarantees and un-availed Cash Credit, and other contingent Liabilities.

5. **Credit Risk Mitigation**

Qualitative Disclosures:

It is the policy of the bank to request for pari-pasu charge on current assets/movable fixed assets/immovable assets for corporate credits, unless the business case warrants unsecured lending. Security is recognized only as a fallback option and repayment of facilities are primarily sought from the cash flow of the borrower's business. Collateral security is an important comfort to mitigate risk. Bank insists on proper valuation of collateral security wherever stipulated.

Quantitative Disclosures

Exposures (Fund Based and Non Fund Based) covered by Eligible CRMs:

Particulars	**(Rs. in millions)**
Eligible Collaterals	2,416
Eligible Guarantees [Central Govt., State Govt., CGMSE]	–
Total	**2,416**

6. **Securitisation Exposures: Disclosure for Standardised Approach**

Qualitative and Quantities disclosures:

The bank had securitized NPA assets (Marg Ltd) through Pegasus Assets Reconstruction Pvt. Ltd. and subscribed to Security Receipts to the tune of INR 1,76,652 thousand issued by the Asset Reconstruction Company. Bank securitized the NPA asset of Arch Pharma and subscribed to the Security Receipt to the tune of INR 24,225 thousand issued by JM Asset Reconstruction Company Ltd. Bank securitized the NPA asset of Core Education and subscribed to the Security Receipt to the tune of INR 22,500 thousand issued by Rare ARC Pvt Ltd. Provision of INR 37,900 thousand is made for Security Receipts.

7. Market Risk in Trading Book

Qualitative disclosures

Market Risk

It is the risk of losses arising from changes in market rates or prices that can affect the value of financial instruments. In the Bank all Market Risk is centralized in the dealing room. Market Risk is tracked and measured on a dynamic basis by a dedicated Market Risk desk and periodic reports are circulated to senior management.

Market Risk Organization Structure at the Bank

Bank's Risk Management is controlled at the Corporate Office. The Risk Management Committee of the Board approves risk tolerance and appetite for market risk on the recommendation of Risk Department. It also monitors and reviews significant risks and effectiveness of processes and sets out management responsibilities. Risk Management Department formulates and implements the market risk policies, and operational plans and recommends changes to policies, processes and parameters for approval of Risk Management Committee after taking feedback from the stake holders.

Market Risk Limit Structure at the Bank

Market Risk limits represents strategic restrictions, reflecting the risk tolerance of the Bank, the nature of the trading activities and the perceived trading and management skills. The limit setting is to prevent the accumulation of Market Risk beyond the Bank's risk tolerance level, as determined by the Bank's top management, and to reflect mandates of individual trading units. Market Risk limits are set in a top-down process and organized in a certain hierarchy.

The Bank calculates the risk charge on market risk on the basis of standardized approach as prescribed by RBI. The portfolio contains foreign exchange and interest rate risk only. The interest rate general risk is computed on the basis of duration based approach.

Quantitative disclosures

The capital requirements for market risk are as follows:

(Rs. in millions)

Standardized Duration Approach	Amount
Interest rate risk	126
Foreign exchange risk (including gold)	37
Equity position risk	34

8. Operational Risk Disclosures

Operational Risk:

The Basel Committee on Banking Supervision (BCBS) and subsequently the Reserve Bank of India (RBI) have defined Operational Risk (OR) as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". The bank has adopted the same definition for the purpose of management of operational risk. The definition includes risk of loss due to legal risk, but excludes strategic and reputational risk. The Bank has put in place Board approved governance and organisational structure with clearly defined roles and responsibilities to mitigate operational risk arising out of the Bank's business and operations.

Governance and Organisational Structure for Managing Operational Risk: The Board of Directors (Board) is primarily responsible for ensuring effective management of the operational risks of the bank. The Board sets the overall strategy and direction for Operational Risk Management within the Bank. The Risk Management Committee (RMC) of the Board is responsible for overseeing the effective implementation of the Operational Risk Management Framework (ORMF) approved by the Board of Directors. A committee of senior management officials namely "Committee of Executives – Risk Management oversees the implementation of the ORMF approved by the Board. This committee comprises of MD & CEO, Chief Operating officer (COO), Chief Risk Officer (CRO), Chief Compliance Officer (CCO), Head of Treasury & Head of Market Risk & TMO. An independent Operational Risk Management vertical within Risk Department is responsible for implementation of the framework across the Bank. The Board approved operational risk management policy stipulates the roles and responsibilities of employees, business units, operations and support function in managing operational risk.

Monitoring & Measuring Operational Risk:

The Bank has put in place following tools and techniques to monitor and measure operational risk:

1) **Risk and Control Self-Assessment** (RCSA) is a process of periodic and subjective assessment of the bank's operational risk and controls undertaken by the respective department / function heads. This exercise leverages on the knowledge and expertise of the respective departments to assess their risks and effectiveness and adequacy of controls. This helps in identifying control gaps and consequent actions proposed to close the gaps. RCSA is used for identification & mitigation of operational risks, reporting of control deficiencies, monitoring of changes in control environment and assessment of operational risk profile. The focus of RCSA process is to ensure that all operational risks are understood and are being effectively monitored and controlled to improve business and operational efficiency.

2) **Key Risk Indicators:** These are metrics which when monitored on periodic basis can provide a warning /alert on the underlying risk or control failure. This then helps taking timely action to prevent occurrence of the risk. The Bank has identified certain metrics as Key Risk Indicators which are monitored on a periodic basis.

3) **Reporting of Operational Risk Events:** The Bank collects operational risk events. Root cause analysis is conducted for material risk events to identify the underlying risks and mitigate the gaps in control.

Information Security & Information Technology Risk:

The bank uses various technology solutions / applications to be able to carry out its various operations. Use of technology exposes the Bank to the risk of business disruption, risks related to information assets, data security, integrity, reliability and availability etc. The Bank has put in place a governance framework, information security practices and business continuity plan to mitigate information technology related risks.

The Internal Audit Department provides assurance on the management of information technology related risks. Bank conducts Business Continuity tests and Disaster Recovery tests on a periodic basis to ensure capabilities of meeting the contingency needs of the bank.

There is an independent information security team within Risk Department group which addresses information security related risks. A documented Board approved information security policy is put in place. Information security trainings and awareness are provided to all the employees of the bank. An information security steering committee is formed for an effective communication channel for management's directions and provides an ongoing basis alignment of the security programme with organizational objectives.

Fraud Risk:

Risk of frauds – internal or external are inherent to any banking entity. SBM India has identified Fraud Risk as one of the key risks facing the organization.

The Reserve Bank of India has vide its "Master Directions on Frauds – Classification and Reporting by commercial banks and select FIs" categorized the fraud in the following categories to ensure consistency in treatment of fraud–

a) Misappropriation and criminal breach of trust
b) Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property.
c) Unauthorized credit facilities extended for reward or for illegal gratification.
d) Cash shortages.
e) Cheating and forgery.
f) Fraudulent transactions involving foreign exchange
g) Any other type of fraud not coming under the specific heads as above.

Compliance Risk:

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities.

Since the bank is required to adhere to numerous regulatory guidelines and applicable laws, risk of non-adherence to these laws and guidelines is identified as a key risk for SBM India.

Strategic and Business Risk:

Strategic risk is the current or prospective risk to earnings and capital arising from changes in the business environment and/or adverse business decisions, improper implementation of decisions, or lack of responsiveness to changes in the business environment.

The Bank does its capital and business budgeting exercise every year. Such an exercise includes the impact of the Bank's strategic plans (long-term horizon), as well as business plans based on the banks' current and projected capital levels. At the strategic level, investments in related businesses, changes in business portfolio based on internal study of industrial and economic environments, would have a direct impact on the capital levels and the growth targets of the different business lines of the Bank. At the tactical level, introduction of new products, discontinuation of existing products, expansion into new customer segments, etc. would have an impact on the budgeted growth plans.

The Bank identifies the key strategic and business risks during its business plan formulation and review.

Reputational Risk:

Reputational risk is the current or prospective risk to earnings and capital arising from adverse perception of the image of the bank on the part of customers, counterparties, shareholders, investors and/or regulators.

The reputation of SBM India is founded on the trust from its employees, clients, shareholders, regulators and from the public in general. Isolated events may undermine that trust and negatively impact SBM India's reputation. Hence, SBM India acknowledges that it is essential that the reputation is protected.

The Bank has put in place a Reputational Risk Policy which deals with identification and assessment of reputational risk.

Capital Charge: The Bank follows the Basic Indicator Approach for computation of regulatory capital charge for Operational Risk.

9. Interest Rate Risk in Banking Book

Qualitative Disclosures

Interest Rate risk in Banking Book (IRRBB) refers to the risk of loss in earnings or economic value of the Bank's Banking Book as a consequence of movement in interest rates. Interest rate risk arises from holding assets/liabilities and Off-Balance Sheet [OBS] items with different principal amount, maturity dates or re-pricing dates thereby creating exposure to changes in levels of interest rates.

IRRBB Organization Structure

Asset and Liability Committee (ALCO) ensures compliance with regulatory and internal policies related to IRRBB and provides strategic direction, for achieving IRRBB management objectives. The ALCO focuses on building strong interest rate indicators, which positively contributes to optimizing the balance sheet structure and maximizes NII over time, while minimizing susceptibility to interest changes. The ALCO is convened regularly to review interest rate risk in the Bank's balance sheet and to assess the market condition.

Liquidity Risk

Liquidity Risk is the risk that the Bank is not able to fulfil its actual and potential financial obligations, as and when they are due, without incurring unacceptable losses. The Different dimensions of liquidity risks are (i) Funding risk – need to replace net outflows due to unanticipated withdrawal/non-renewal of deposits (wholesale / retail) (ii) Time risk – need to compensate for non-receipt of expected inflows of funds, for example, performing assets turning into non-performing assets and (iii) Call Risk – due to crystallization of contingent liabilities and unable to undertake profitable business opportunities when desirable. The Bank has a liquidity risk management policy in place, which acts as the principal document for management of liquidity risk.

Liquidity Risk Organization Structure

The ultimate responsibility for the Liquidity Risk of the Bank lies with the Asset & Liability Committee (ALCO). ALCO meets monthly and monitors the funding and liquidity position of the Bank and provides structural guidance and oversight. The bank prepares and analyses the structural liquidity statement reports as per RBI defined time buckets. The Bank has put in place liquidity mitigants.

Quantitative disclosures

Earnings Perspective

(Rs. in millions)

Currency	**Interest Rate Shock**	
	+200bps	**-200bps**
INR	1,074	(1,074)
USD	623	(623)
Residual	0	0
Total	**1,697**	**(1,697)**

Economic Value Perspective

(Rs. in millions)

Currency	Interest Rate Shock	
	+200bps	+200bps
INR	(183)	183
USD	107	(107)
Residual	–	–
Total	**(76)**	**(76)**

10. Exposures to Counterparty Credit Risk

Qualitative Disclosures

Bank is having counterparty credit exposure for derivative transactions only in relation to forex forward contract. All interbank forward contract upto 13 months are guaranteed by CCIL. Bank follows the current exposure method as prescribed by RBI for computing counterparty credit exposure.

Quantitative Disclosures

(Rs. in millions)

Particulars	March 31, 2020	
	Notional amounts	Current exposure
Foreign exchange contracts	10,282	237
Interest rate derivative contracts	–	–
Currency swaps	–	–
Currency options	–	–

11. Composition of Capital

Qualitative Disclosures:

Tier I capital comprises of Paid-up Capital for the purpose of meeting capital adequacy norms, statutory reserves, Capital Reserves and retained earnings including Carry Forward Losses.

Tier II capital comprises of general loan loss provisions, country risk provision, investment fluctuation reserve and revaluation reserve.

(Rs. in millions)

Basel III common disclosure template to be used for March 31, 2020			Ref No.
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	7,570	A1
2	Retained earnings	(2,435)	B3+B4
3	Accumulated other comprehensive income (and other reserves)	431	B1+B2
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	–	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	–	
6	**Common Equity Tier 1 capital before regulatory adjustments**	5,565	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	–	
8	Goodwill (net of related tax liability)	–	
9	Intangibles (net of related tax liability)	–	
10	Deferred tax assets	–	
11	Cash-flow hedge reserve	–	
12	Shortfall of provisions to expected losses	–	
13	Securitisation gain on sale	–	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	–	
15	Defined-benefit pension fund net assets	–	
16	Investments in own shares (if not already netted off paid-up capital on reported balance sheet)	–	
17	Reciprocal cross-holdings in common equity	–	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	–	
20	Mortgage servicing rights (amount above 10% threshold)	–	

SBM bank

SBM BANK (INDIA) LIMITED

(Rs. in millions)

Basel III common disclosure template to be used for March 31, 2020			Ref No.
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	
22	Amount exceeding the 15% threshold	–	
23	of which: significant investments in the common stock of financial entities	–	
24	of which: mortgage servicing rights	–	
25	of which: deferred tax assets arising from temporary differences	–	
26	National specific regulatory adjustments (26a+26b+26c+26d)	–	
26a	of which: Investments in the equity capital of unconsolidated insurance subsidiaries	–	
26b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries	–	
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	–	
26d	of which: Unamortised pension funds expenditures	–	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	–	
28	**Total regulatory adjustments to Common equity Tier 1**	–	
29	**Common Equity Tier 1 capital (CET1)**	5,565	
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)	–	
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	–	
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	–	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	–	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	–	
35	of which: instruments issued by subsidiaries subject to phase out	–	
36	Additional Tier 1 capital before regulatory adjustments	–	
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	–	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	–	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	–	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
41	National specific regulatory adjustments (41a+41b)	–	
41a	of which: Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	–	
41b	of which: Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	–	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	
43	**Total regulatory adjustments to Additional Tier 1 capital**	–	
44	**Additional Tier 1 capital (AT1)**	–	
45	**Tier 1 capital (T1 = CET1 + AT1) (29 + 44)**	5,565	
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	–	
47	Directly issued capital instruments subject to phase out from Tier 2	–	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	–	
49	of which: instruments issued by subsidiaries subject to phase out	–	
50	Provisions	168	C1+C2*0.45+C3
51	**Tier 2 capital before regulatory adjustments**	168	

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SBM BANK (INDIA) LIMITED

(Rs. in millions)

Basel III common disclosure template to be used for March 31, 2020			Ref No.
Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	–	
53	Reciprocal cross-holdings in Tier 2 instruments	–	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	–	
55	Significant investments12 in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
56	National specific regulatory adjustments (56a+56b)	–	
56a	of which: Investments in the Tier 2 capital of unconsolidated insurance subsidiaries	–	
56b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	–	
57	**Total regulatory adjustments to Tier 2 capital**	–	
58	**Tier 2 capital (T2)**	168	
59	**Total capital (TC = T1 + T2) (45 + 58)**	5,733	
60	Total risk weighted assets (60a + 60b + 60c)	17,675	
60a	of which: total credit risk weighted assets	14,945	
60b	of which: total market risk weighted assets	1,806	
60c	of which: total operational risk weighted assets	923	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	31.48%	
62	Tier 1 (as a percentage of risk weighted assets)	31.48%	
63	Total capital (as a percentage of risk weighted assets)	32.44%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	7.375%	
65	of which: capital conservation buffer requirement	1.875%	
66	of which: bank specific countercyclical buffer requirement	–	
67	of which: G-SIB buffer requirement	–	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	25.98%	
National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%	
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%	
Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financial entities	–	
73	Significant investments in the common stock of financial entities	–	
74	Mortgage servicing rights (net of related tax liability)	–	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	–	
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	55	C3
77	Cap on inclusion of provisions in Tier 2 under standardised approach	187	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	NA	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	NA	
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	NA	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA	
82	Current cap on AT1 instruments subject to phase out arrangements	NA	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	NA	
84	Current cap on T2 instruments subject to phase out arrangements	NA	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	NA	

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Row No. of template	Particular	(Rs. in million)
10	Deferred tax assets associated with accumulated losses	–
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	–
	Total as indicated in row 10	–
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	–
	of which: Increase in Common Equity Tier 1 capital	–
	of which: Increase in Additional Tier 1 capital	–
	of which: Increase in Tier 2 capital	–
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	–
	(i) Increase in Common Equity Tier 1 capital	–
	(ii) Increase in risk weighted assets	–
50	Eligible Provisions included in Tier 2 capital	60.95
	Eligible Revaluation Reserves included in Tier 2 capital	107.48
	Total of row 50	168.43

12. Capital- Recon Requirement

(Rs. in millions)

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
		As on reporting date	As on reporting date
A	**Capital & Liabilities**		
i	Paid-up Capital	7,570	7,570
	Reserves & Surplus	(1,759)	(1,759)
	Minority Interest	–	–
	Total Capital	5,810	5,810
ii	Deposits	18,300	18,300
	of which: Deposits from banks	280	280
	of which: Customer deposits	18,021	18,021
	of which: Other deposits (pl. specify)	–	–
iii	Borrowings	150	150
	of which: From RBI	150	150
	of which: From banks	–	–
	of which: From other institutions & agencies	–	–
	of which: Others (pl. specify)	–	–
	of which: Capital instruments	–	–
iv	Other liabilities & provisions	754	754
	Total	**25,014**	**25,014**
B	**Assets**		
i	Cash and balances with Reserve Bank of India	777	777
	Balance with banks and money at call and short notice	4,347	4,347
ii	Investments:	5,678	5,678
	of which: Government securities	5,343	5,343
	of which: Other approved securities	–	–
	of which: Shares	–	–
	of which: Debentures & Bonds	150	150
	of which: Subsidiaries / Joint Ventures / Associates	–	–
	of which: Others (Commercial Papers, Mutual Funds etc.)	185	185
iii	Loans and advances	12,663	12,663
	of which: Loans and advances to banks	38	38
	of which: Loans and advances to customers	12,625	12,625

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(Rs. in millions)

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
		As on reporting date	As on reporting date
iv	Fixed assets	615	615
v	Other assets	935	935
	of which: Goodwill and intangible assets	–	–
	of which: Deferred tax assets	–	–
vi	Goodwill on consolidation	–	–
vii	Debit balance in Profit & Loss account	–	–
	Total Assets	**25,014**	**25,014**

		B/S as in financial statements	B/S under regulatory scope of consolidation	Ref No
A	**Capital & Liabilities**			
i	Paid-up Capital	7,570	7,570	A1
	of which: Amount eligible for CET1	7,570	7,570	
	of which: Amount eligible for AT1	0	0	
	Reserves & Surplus	(1,759)	(1,759)	
	of which: Statutory Reserve	365	365	B1
	of which: Capital Reserve	66	66	B2
	of which: Retained Earnings	320	320	B3
	of which: Investment Fluctuation Reserve	6	6	C1
	of which: Revaluation Reserve	239	239	C2
	of which: Balance in Profit and Loss Account	(2,755)	(2,755)	B4
	Minority Interest	–	0	
	Total Capital	5,810	5,810	
ii	Deposits	18,300	18,300	
	of which: Deposits from banks	280	280	
	of which: Customer deposits	18,021	18,021	
	of which: Other deposits (pl. specify)	–	0	
iii	Borrowings	150	150	
	of which: From RBI	150	150	
	of which: From banks	–	0	
	of which: From other institutions & agencies	–	0	
	of which: Others (pl. specify)	–	0	
	of which: Capital instruments	–	0	
iv	Other liabilities & provisions	754	754	
	of which: Provision for standard assets**	55	55	C3
	of which: DTLs related to goodwill	–	0	
	of which: DTLs related to intangible assets	–	0	
	Total	**25,014**	**25,014**	
	**excludes provision for moratorium accounts			
B	**Assets**			
i	Cash and balances with Reserve Bank of India	777	777	
	Balance with banks and money at call and short notice	4,347	4,347	
ii	Investments:	5,678	5,678	
	of which: Government securities	5,343	5,343	
	of which: Other approved securities	–	–	
	of which: Shares	–	–	
	of which: Debentures & Bonds	150	150	
	of which: Subsidiaries / Joint Ventures / Associates	–	–	
	of which: Others (CP, Mutual Funds etc.)	185	185	

SBM BANK (INDIA) LIMITED

(Rs. in millions)

		B/S as in financial statements	B/S under regulatory scope of consolidation	Ref No
iii	Loans and advances	12,663	12,663	
	of which: Loans and advances to banks	38	38	
	of which: Loans and advances to customers	12,625	12,625	
iv	Fixed assets	615	615	
v	Other assets	935	935	
	of which: Goodwill and intangible assets Out of which:	–	–	
	Goodwill	–	–	
	Other intangibles (excluding MSRs)	–	–	
	of which: Deferred tax assets	–	–	
vi	Goodwill on consolidation	–	–	
vii	Debit balance in Profit & Loss account	–	–	
Total		**25,014**	**25,014**	

13. Main Features of Regulatory Capital Instruments

As on 31st March 2020

(Rs. in INR Million)

1	Issuer	SBM Bank (India) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	
3	Governing law(s) of the instrument	Applicable Indian statutes and regulatory requirements
	Regulatory treatment	
4	Transitional Basel III rules	NA
5	Post-transitional Basel III rules	Common Equity Tier I
6	Eligible at solo/group/ group & solo	Solo
7	Instrument type	Ordinary Equity Shares
8	Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date)	7,569.58
9	Par value of instrument	7,569.58
10	Accounting classification	Equity Share Capital
11	Original date of issuance	NA
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	
17	Fixed or floating dividend/coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	Fully Discretionary
21	Existence of step up or other incentive to redeem	NA
22	Noncumulative or cumulative	Non-Cumulative
23	Convertible or non-convertible	NA
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA

SBM BANK (INDIA) LIMITED

(Rs. in millions)

1	Issuer	SBM Bank (India) Limited
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	NA
31	Write-down feature	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Represents the most subordinated claim in liquidation
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

14. Requirement for Remuneration

Qualitative disclosures

(a) Information relating to the composition and mandate of the Remuneration Committee.	The remuneration committee is constituted to oversee the framing, review and implementation of compensation policy of the Bank on behalf of the board. The members of the committee are given below 1. Mr. Sanjay Kumar Bhattacharya 2. Mr. Andrew Bainbridge 3. Mr. Shyam Sundar Barik
(b) Information relating to the design and structure of remuneration processes and the key features and objectives of Remuneration policy.	The Bank follows the following practices and principles in designing and structuring the remuneration process :- A focus on long-term, risk-adjusted performance and reward mechanism by focusing on performance of the individual employee, the relevant line of business or function and the Bank as a whole. It seeks to drive accountability, and co-relate risk, financial performance and compensation. Key features and Objective of Remuneration policy are: The bank shall follow a Cash plus Benefits (Fixed Pay plus Benefits) approach in its Compensation framework by providing competitive level of compensation to attract and retain qualified and competent staff members. The compensation should be adjusted for all types of risk.
(c) Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.	SBM has in place a robust risk and performance management system to capture, monitor, and control the risks created by its business activities. The goal is to not only manage the risks of the Firm, but also to create a culture of risk awareness, risk quantification and measurement and personal accountability. It seeks to ensure that the potential for any risk-taking by any individual, group, or business is controlled.
(d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	In determining total compensation, it considers the overall scope of an employee's responsibilities, the performance history of the individual with the Bank, comparisons with other staff within the Firm, external market compensation, and the overall performance of the function and the Bank as whole. The Bank looks at sustained superior performance achieved across multiple factors over multiple time periods.
(e) A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.	The variable/performance pay shall not exceed 70% of the fixed pay for the year. In case where the variable pay constitutes a substantial portion of the fixed pay, i.e. 50% or more, then an appropriate portion of the variable pay, i.e. around 50% of the variable pay will be deferred over a minimum period of 3 years. In the event of negative contributions of the bank in any year, the deferred compensation will be subject to malus arrangements which permits the bank to prevent vesting of all or part of the amount of a deferred remuneration, but it does not reverse vesting after it has already occurred.
(f) Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.	There will be a proper balance between the fixed and the variable pay. The variable pay shall not exceed 70% of the fixed pay for the year. The proportion of variable pay will be higher at higher levels of responsibility and could be in cash, or stock linked instruments or mix of both.

Quantitative disclosures

As on 31st March, 2020

A	i) Number of meetings held by the Remuneration Committee (main body overseeing remuneration) during the financial year ii) Remuneration paid to its members (sitting fees)	Total 3 Remuneration Committee meetings were held during FY 2019-20, members were paid remuneration of Rs. 450 thousand for attending the same.
B	Number of employees having received a variable remuneration award during the financial year	Nil during FY 2019-2020
C	Number and total amount of sign-on awards made during the financial year	During the year, only one employee was paid the sign-on bonus amounting to Rs. 2,700 thousand.
D	Number and total amount of guaranteed bonus awarded during the financial year, if any	–
E	Details of severance pay, in addition to accrued benefits, if any	–
F	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	–
G	Total amount of deferred remuneration paid out in the financial year	–
H	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred, different forms used	-MD & CEO Chief Operations Officer Head – Corporate Banking Head – Retail Banking Head – Treasury **Salary** / **INR Thousand** Fixed: 64,166 Variable: – Perks: 40 Total: 64,206
I	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments	–
J	Total amount of reductions during the financial year due to ex-post explicit adjustments	–
K	Total amount of reductions during the financial year due to ex-post implicit adjustments	–

15. Equities – Disclosure for Banking Book Positions

The Bank does not have any equity under the Banking Book

16. Summary comparison of accounting assets vs. leverage ratio exposure measure

	Item	(Rs. in Million)
1	Total consolidated assets as per published financial statements	25,014
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	–
4	Adjustments for derivative financial instruments	340
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	–
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	4,586
7	Other adjustments	–
8	Leverage ratio exposure	29,940

SBM bank

SBM BANK (INDIA) LIMITED

17. Leverage Ratio

	Item	(Rs. in million)
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	24,514
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	–
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	24,514
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	210
5	Add-on amounts for PFE associated with all derivatives transactions	630
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–
8	(Exempted CCP leg of client-cleared trade exposures)	–
9	Adjusted effective notional amount of written credit derivatives	–
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–
11	Total derivative exposures (sum of lines 4 to 10)	840
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	–
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–
14	CCR exposure for SFT assets	–
15	Agent transaction exposures	–
16	Total securities financing transaction exposures (sum of lines 12 to 15)	–
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	6,091
18	(Adjustments for conversion to credit equivalent amounts)	(1,506)
19	Off-balance sheet items (sum of lines 17 and 18)	4,586
	Capital and total exposures	
20	Tier 1 capital	5,565
21	Total exposures (sum of lines 3, 11, 16 and 19)	29,940
Leverage ratio		
22	Basel III leverage ratio	18.59%

For SBM Bank (India) Limited

Mr. Sidharth Rath
Managing Director &
Chief Executive Officer

Place : Mumbai
Date : June 29, 2020

Industrial Bank of Korea
(Incorporated in Korea)
New Delhi Branch

INDUSTRIAL BANK OF KOREA

(Incorporated in Seoul, Korea with Limited Liability)

NEW DELHI BRANCH

INDEPENDENT AUDITOR'S REPORT

To
The Chief Executive
Industrial Bank of Korea
New Delhi

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Industrial Bank of Korea (the 'Bank'), which comprise the balance sheet as at 31 March 2020, and the profit and loss account, the cash flow statement for the year then ended for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 (the 'Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2020, and profit and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the *Code of Ethics* issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the Financial Statements and Auditor's Report thereon

The Bank's Management are responsible for the other information. The other information comprises the information included in the Banks' Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of Management for Financial Statements

The Bank's Management is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Management is also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. This Report does not include a statement on the matters specified in paragraph 3 and 4 of the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section 11 of Section 143 of the Act, since in our opinion and according to the information and explanations given to us, the said Order is not applicable to the Bank.
2. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.
3. As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, and Section 143(3) of the Act, we report that:
   a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.
   b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
   c) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books.
   d) the Balance Sheet and the Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
   e) in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI.
   f) the requirements of section 164(2) of the Act are not applicable considering the Bank is a branch of Industrial Bank of Korea, which is incorporated in South Korea
   g) with respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A";
   h) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
      i. the Bank does not have any pending litigations which would impact its financial position
      ii. the Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts.
      iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank

For **NAVRATN & CO LLP**
Chartered Accountants
Firm Reg No. N500107

Nitish Mittal
Partner
M.NO.: 095371

Place: Gurugram
Date: 7 July 2020
UDIN: 20095371AAAADD9175

Industrial Bank of Korea
(Incorporated in Korea)
New Delhi Branch

INDUSTRIAL BANK OF KOREA

(Incorporated in Seoul, Korea with Limited Liability)

NEW DELHI BRANCH

Annexure A to the independent auditor's report of even date on the financial statements of Industrial Bank of Korea

To
The Chief Executive
Industrial Bank of Korea
New Delhi

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

We have audited the internal financial controls over financial reporting of Industrial Bank of Korea ('the Bank') as at 31 March 2020 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls over Financial Reporting

The Bank's Management is responsible for establishing and maintaining internal financial controls based on, "the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('the ICAI')".] These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ('the Act').

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing ('the Standards'), issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A bank's internal financial control over financial reporting includes those policies and procedures that

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and directors of the bank; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2020, based on "the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the ICAI".

For **NAVRATN & CO LLP**
Chartered Accountants
Firm Reg No. N500107

Nitish Mittal
Partner
M.NO.: 095371

Place: Gurugram
Date: 7 July 2020
UDIN: 20095371AAAADD9175

Industrial Bank of Korea (Incorporated in Korea) New Delhi Branch

INDUSTRIAL BANK OF KOREA

(Incorporated in Seoul, Korea with Limited Liability)

NEW DELHI BRANCH

BALANCE SHEET AS AT 31ST MARCH 2020

(Rupees '000)

Particulars	Schedule	As at 31st March 2020	As at 31st March 2019
CAPITAL AND LIABILITIES			
CAPITAL	1	**3,926,008**	3,926,008
RESERVES AND SURPLUS	2	**475,169**	268,402
DEPOSITS	3	**2,058,207**	1,106,451
BORROWINGS	4	–	–
OTHER LIABILITIES AND PROVISIONS	5	**207,706**	207,729
TOTAL		**6,667,090**	5,508,590
ASSETS			
CASH AND BALANCES WITH RESERVE BANK OF INDIA	6	**254,778**	125,010
BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE	7	**3,689,434**	2,643,284
INVESTMENTS	8	**370,685**	520,391
ADVANCES	9	**2,037,640**	1,930,849
FIXED ASSETS	10	**9,377**	12,660
OTHER ASSETS	11	**305,176**	276,396
TOTAL		**6,667,090**	5,508,590
CONTINGENT LIABILITIES	12	**531,130**	696,788
BILLS FOR COLLECTION			
Significant Accounting Policies	18		
Notes to Accounts	19		

The accompanying schedules are an integral part of the Balance Sheet

In terms of our separate report of even date attached

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2020

(Rupees '000)

Particulars	Schedule	Year ended 31st March 2020	Year ended 31st March 2019
I. INCOME			
INTEREST EARNED	13	**397,919**	290,998
OTHER INCOME	14	**109,812**	84,258
TOTAL INCOME		**507,731**	375,256
II. EXPENDITURE			
INTEREST EXPENDED	15	**23,273**	24,895
OPERATING EXPENSES	16	**132,934**	135,517
PROVISIONS AND CONTINGENCIES	17	**144,757**	102,772
TOTAL EXPENDITURE		**300,964**	263,184
III. PROFIT/ LOSS			
NET PROFIT/ LOSS (-) FOR THE PERIOD		**206,767**	112,072
PROFIT/ LOSS (-) BROUGHT FORWARD		**192,007**	118,361
TOTAL		**398,774**	230,433
IV. APPROPRIATIONS			
TRANSFER TO STATUTORY RESERVE		**51,692**	28,018
TRANSFER TO INVESTMENT RESERVE		-	10,408
BALANCE CARRIED OVER TO BALANCE SHEET		**347,082**	192,007
TOTAL		**398,774**	230,433
Significant Accounting Policies	18		
Notes to Accounts	19		

The accompanying schedules are an integral part of the Profit and Loss Account

In terms of our separate report of even date attached

For and on behalf of
N A V R A T N & CO LLP
Chartered Accountants
(Firm Registration No: N500107)

For and on behalf of
Industrial Bank of Korea
New Delhi Branch

Nitish Mittal
Partner
Membership no. 095371

Bum Keon Lee
Chief Executive Officer

Place: New Delhi
Date: 7 July 2020
UDIN: 20095371AAAADD9175

Industrial Bank of Korea (Incorporated in Korea) New Delhi Branch

INDUSTRIAL BANK OF KOREA

(Incorporated in Seoul, Korea with Limited Liability)

NEW DELHI BRANCH

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2020

(Rupees '000)

Particulars	**Year Ended 31st March 2020**	**Year Ended 31st March 2019**
Cash flow from operating activities		
Net profit before taxes	**351,357**	208,885
Adjustments for :		
Depreciation on fixed assets	**5,850**	11,880
Provision for NPA	-	-
Provision for contingencies & others items	**166**	7,744
Sub-total	**6,016**	19,625
Cash Profit	**357,373**	228,509
Adjustments for :		
(Increase)/decrease in Investments	**149,706**	(304,083)
(Increase)/decrease in Advances	**(106,791)**	(313,781)
Increase/(decrease) in Deposits	**951,756**	67,285
(Increase)/decrease in Other Assets	**5,536**	(103,202)
Increase/(decrease) in Other liabilities and Provisions	**(189)**	103,384
Sub-total	**1,000,018**	(550,397)
Direct taxes paid	**(178,906)**	(169,078)
Net cash generated from operating activities (A)	**1,178,485**	(490,966)
Cash flow from Investing Activities		
Net purchase of fixed assets (Including CWIP)	**(2,567)**	(378)
Net cash generated from investing activities (B)	**(2,567)**	(378)
Cash flow from financing activities		
Proceeds from issue of capital	-	1,741,308
Reduction in borrowings	-	-
Net cash generated from financing activities (C)	-	1,741,308
Net increase/(decrease) in cash and cash equivalents (A) + (B) + (C)	**1,175,918**	1,249,964
Add:- Cash and cash equivalents at the beginning of the year	**2,768,294**	1,518,330
Cash and cash equivalents at the end of the year	**3,944,212**	2,768,294
Cash and Cash Equilvalent as on	**3,944,212**	2,768,294

Note: Cash and cash equivalents comprise cash in hand, balances with Reserve Bank of India and balances with banks and money at call and short notice (refer schedule 6 and 7 of the balance sheet).

In terms of our separate report of even date attached

For and on behalf of
N A V R A T N & CO LLP
Chartered Accountants
(Firm Registration No: N500107)

For and on behalf of
Industrial Bank of Korea
New Delhi Branch

Nitish Mittal
Partner
Membership no. 095371

Bum Keon Lee
Chief Executive Officer

Place: New Delhi
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Industrial Bank of Korea (Incorporated in Korea) New Delhi Branch

INDUSTRIAL BANK OF KOREA

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NEW DELHI BRANCH

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH 2020

(Rupees '000)

Particulars	As at 31st March, 2020	As at 31st March, 2019
SCHEDULE 1-CAPITAL		
I. Capital/Interest free funds from Head office		
Opening Balance	**3,926,008**	2,184,700
Capital Infusion during the period	–	1,741,308
TOTAL	**3,926,008**	3,926,008
Deposit placed with RBI u/s 11(2)(b) (ii) of Banking Regulation Act-1949	**1,500**	1,500
SCHEDULE 2- RESERVE AND SURPLUS		
I. Statutory Reserves		
Opening Balance	**65,987**	37,969
Additions during the period	**51,692**	28,018
Deductions during the period	–	–
Total	**117,679**	65,987
II. Capital Reserves		
Opening Balance	–	–
Additions during the period	–	–
Deductions during the period	–	–
Total	–	–
III. Investment Reserve Account		
Opening Balance	**10,408**	–
Additions during the period	–	10,408
Deductions during the period	–	–
Total	**10,408**	10,408
IV. Revaluation Reserve		
Opening Balance	–	–
Additions during the period	–	–
Deductions during the period	–	–
Total	–	–
V. Balance in Profit and Loss Account	**347,082**	192,007
TOTAL (I+II+III+IV+V)*	**475,169**	268,402
* The Reserve and Surplus will be held in India for capital adequacy purpose.		
SCHEDULE 3- DEPOSITS		
A) I. Demand Deposits		
i) From banks	–	–
ii) From others	**1,593,112**	893,257
II. Saving Bank Deposits	**35,331**	37,480
III. Term Deposits		
i) From banks	–	–
ii) From others	**429,764**	175,714
TOTAL	**2,058,207**	1,106,451
B) I. Deposits of branches in India	**2,058,207**	1,106,451
II. Deposits of branches outside India	–	–
TOTAL	**2,058,207**	1,106,451
SCHEDULE 4-BORROWING		
I. Borrowings in India		
i) Reserve Bank of India	–	–
ii) Others banks	–	–
iii) Others institutions and agencies	–	–
II. Borrowings outside India	–	–
TOTAL	–	–
Secured Borrowings included in I & II above	–	–

(Rupees '000)

Particulars	As at 31st March, 2020	As at 31st March, 2019
SCHEDULE 5-OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	–	–
II. Inter- Office adjustment (Net)	–	–
III. Interest accured	**4,776**	3,134
IV. Provision against Standard Assets*	**16,767**	17,891
V. Others (including Provisions)	**186,163**	186,704
TOTAL	**207,706**	207,729
*Includes provision on Unhedged Foreign Currency Exposure		
SCHEDULE 6-CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	**6,305**	2,517
II. Balances with Reserve Bank of India		
i) In Current Account*	**248,473**	122,493
ii) In Other Accounts	–	–
TOTAL	**254,778**	125,010
* Including Deposit placed of INR 15.00 lacs with RBI u/s 11(2)(b) (ii) of Banking Regulation Act-1949		
SCHEDULE 7-BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE		
I. In India		
i) Balances with banks		
a) In Current Account	**22,772**	19,515
b) In Other Deposit Accounts	**3,292,500**	2,132,500
ii) Money at call and short notice		
a) With banks	**315,000**	482,500
b) With other institutions	–	–
Total	**3,630,272**	2,634,515
II. Outside India		
i) In Current Accounts	**59,162**	8,769
ii) In Other Deposit Accounts	–	–
iii) Money at call and short notice	–	–
Total	**59,162**	8,769
TOTAL (I+II)	**3,689,434**	2,643,284
SCHEDULE 8-INVESTMENTS		
I. Investment in India in		
i) Government securities	**370,685**	520,391
ii) Other approved securities	–	–
iii) Shares	–	–
iv) Debentures and Bonds	–	–
v) Subsidaries and/or Joint Ventures	–	–
vi) Others (Deposit with NHB)	–	–
TOTAL	**370,685**	520,391
II. Investment Outside India	–	–
TOTAL (I+II)	**370,685**	520,391
Gross value of investments	**370,685**	520,391
Less: Provision for depreciation on Investments	–	–
TOTAL	**370,685**	**520,391**

INDUSTRIAL BANK OF KOREA

(Incorporated in Seoul, Korea with Limited Liability)

NEW DELHI BRANCH

Industrial Bank of Korea (Incorporated in Korea) New Delhi Branch

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH 2020

(Rupees '000)

Particulars	As at 31st March, 2020	As at 31st March, 2019
SCHEDULE 9-ADVANCES		
A) i) Bills purchased and discounted	–	–
ii) Cash credits, overdrafts and loans repayable on demand	**1,117,878**	1,669,174
iii) Term loans	**919,762**	261,675
TOTAL	**2,037,640**	1,930,849
B) i) Secured by tangible assets (includes advances against book debts)	**645,292**	251,940
ii) Covered by Bank/Government Guarantees (includes advances to banks)	–	–
iii) Unsecured	**1,392,348**	1,678,909
TOTAL	**2,037,640**	1,930,849
C) I) Advances in India		
i) Priority sectors	**290,377**	318,159
ii) Public Sectors	–	–
iii) Banks	–	–
iv) Others	**1,747,263**	1,612,690
TOTAL	**2,037,640**	1,930,849
II) Advances Outside India	–	–
TOTAL(CI+CII)	**2,037,640**	1,930,849
SCHEDULE 10-FIXED ASSETS		
I. Premises		
i) At cost as at beginning of the period	–	–
ii) Additions during the year	–	–
iii) Deductions during the year	–	–
iv) Depreciation to date	–	–
TOTAL	–	–
II. Other Fixed Assets (including furniture and fixtures)		
i) At cost as at beginning of the period	**61,946**	61,568
ii) Additions during the year	**2,567**	378
iii) Deductions during the year	–	–
iv) Depreciation to date	**(55,136)**	(49,286)
TOTAL	**9,377**	12,660
III. Capital Work in Progress	–	–
GRAND TOTAL (I to III)	**9,377**	**12,660**

(Rupees '000)

Particulars	As at 31st March, 2020	As at 31st March, 2019
SCHEDULE 11-OTHER ASSETS		
I) Deposits in Priority Sector	**29,858**	47,091
II) Interest accrued	**64,846**	41,990
III) Tax paid in advance/tax deducted at source	**178,906**	169,078
IV) Stationary and stamps	–	–
V) Deferred Tax Assets (Net)	**18,645**	5,727
VI) Others	**12,921**	12,510
TOTAL (I to VI)	**305,176**	276,396
SCHEDULE 12- CONTINGENT LIABILITIES		
I) Liabilities on account of outstanding forward exchange contracts (Including Spot Contracts)	–	–
II) Guarantees given on behalf of Constituents:		
a) In India	**531,130**	692,644
b) Outside India	–	–
III) Acceptances, endorsement and other obligation	–	4,144
IV) Other items for which the Bank is contingently liable		
1. Income tax/Interest tax disputed and in appeal not provided for is estimated at	–	–
2. Transfer to Depositor Education and Awareness Fund (DEAF)	–	–
TOTAL	**531,130**	696,788

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2020

(Rupees '000)

Particulars	As at 31st March, 2020	As at 31st March, 2019
SCHEDULE 13-INTEREST EARNED		
I) Interest/discount on advances/bills	**133,030**	142,834
II) Income on Investments	**20,637**	18,604
III) Interest on balances with Reserve Bank of India and other inter-bank funds	**244,252**	129,560
IV) Others	–	–
TOTAL (I to IV)	**397,919**	290,998
SCHEDULE 14- OTHER INCOME		
I) Commision, exchange and brokerage	**72,706**	56,815
II) Profit/(Loss) on sale/ redemption of investments Less: Loss on sale/redemption of investments	–	–
III) Profit/(Loss) on sale/ revalution of investments	–	–
IV) Profit/(Loss) on sale of land, building and other assets	–	–

INDUSTRIAL BANK OF KOREA

(Incorporated in Seoul, Korea with Limited Liability)

NEW DELHI BRANCH

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2020

(Rupees '000)

Particulars	As at 31st March, 2020	As at 31st March, 2019
SCHEDULE 14- OTHER INCOME *(Continued)*		
V) Net profit on exchange transactions	**37,106**	25,327
VI) Miscellaneous income	**–**	2,116
TOTAL (I to VI)	**109,812**	84,258
SCHEDULE 15- INTEREST EXPENDED		
I) Interest on deposits	**23,273**	24,849
II) Interest on Reserve Bank of India and Inter-bank borrowings	**–**	–
III) Others	**–**	46
TOTAL (I to III)	**23,273**	24,895
SCHEDULE 16- OPERATING EXPENSES		
I) Payment to and provisions for employees	**55,425**	57,410
II) Rent, taxes and lighting	**36,608**	35,893
III) Printing and Stationery	**194**	158
IV) Advertisement and Publicity	**1,785**	1,915
V) Depreciation on Bank's property	**5,850**	11,880

(Rupees '000)

Particulars	As at 31st March, 2020	As at 31st March, 2019
SCHEDULE 16- OPERATING EXPENSES *(Continued)*		
VI) Auditors' fees and expenses	**570**	743
VII) Law charges	**1,034**	798
VIII) Postages, telegrams, telephones,etc	**3,184**	2,767
IX) Repairs and maintenance	**14,078**	12,838
X) Insurance	**122**	54
XI) Other expenditure	**14,084**	11,061
TOTAL (I to XI)	**132,934**	135,517
SCHEDULE 17- PROVISION & CONTINGENCIES		**(Rupees)**
Provision for Loan Losses	**6,150,429**	5,944,223
Provision for Guarantee Losses-Exp	**1,456,865**	2,725,893
Provision for Loan Commitment-Exp	**5,728,701**	3,728,811
Income Tax	**144,590,363**	96,813,266
Reversal of Loan Provision	**(7,274,253)**	(2,099,336)
Reversal of Guarantee Provision	**(3,049,910)**	(872,564)
Reversal of Loan Commitment Provision	**(2,845,625)**	(3,468,651)
	144,756,570	102,771,642

SCHEDULE 18: SIGNIFICANT ACCOUNTING POLICIES

1. Background

The accompanying financial statements comprise the accounts of the India branch of Industrial bank of Korea (referred to as 'the bank'), which is incorporated in Seoul, Korea with limited liability. The Indian branch of Industrial Bank of Korea commenced its banking operations on April 06, 2015.

2. Basis of preparation

The financial statements are prepared and presented under the historical cost convention and accrual basis of accounting, except where otherwise stated, and in accordance with the generally accepted accounting principles ('GAAP') in India and statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI'), Accounting Standards ('AS') prescribed by the Companies Act, 2013 read together with Paragraph 7 of the Companies (Accounts) Rules 2014 and the relevant provisions of the Companies Act 2013 to the extent applicable and current practices prevailing within the banking industry in India. The financial statements are presented in Indian Rupees rounded off to the nearest thousand, unless otherwise stated.

3. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires the management to make estimates and assumptions that are considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of financial statements and the reported income and expense during the reported period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the financial statements.

4. Investments

(a) Accounting and Classification

Investments are recognised using the settlement date basis of accounting. In compliance with RBI guidelines, all investments, which cover both debt and equity securities, are categorised as "Held for trading" ('HFT'), "Available-for-sale" ('AFS') or "Held-to-maturity" ('HTM'). Investments acquired by the Bank with the intention of holding up to maturity are classified as HTM. Investments acquired with the intention to trade by taking advantage of short-term price/interest rate movements and are to be sold within 90 days are classified as HFT. All other investments are classified as AFS. However for the purpose of disclosure in the balance sheet, investments are classified as disclosed in Schedule 8 ('Investments').

(b) Acquisition cost

In determining acquisition cost of an investment, brokerage and commission paid at the time of acquisition are charged to revenue. Further, cost of investments is determined based on weighted average cost method.

(c) Valuation

Investments categorised under AFS and HFT are marked-to-market on a monthly and daily basis respectively. Net depreciation, if any, in any classification mentioned in Schedule 8 ('Investments') is recognised in the profit and loss account. The net appreciation if any, under each classification is ignored, except to the extent of depreciation previously provided. The book value of individual securities is not changed consequent to periodic valuation of investments.

The mark-to-market value of investments classified as HFT and AFS is determined using Yield to Maturity ('YTM') rate/prices as notified by Fixed Income Money Market and Derivatives Association ('FIMMDA') jointly with Primary Dealers Association of India ('PDAI').

Investments classified under the HTM category are carried at their acquisition cost and any premium on acquisition is amortised on a straight line basis over the remaining period to maturity. Where in the opinion of management, a diminution, other than temporary in the value of investments classified under HTM has taken place, suitable provisions are made.

Treasury Bills, Commercial Paper, Certificates of Deposit and Zero Coupon Bonds being discounted instruments, are valued at carrying cost.

(d) Transfer between categories

Transfer of investments between categories is accounted for in accordance with RBI guidelines vide master circular DBR No. BP.BC.6/21.04.141/2015-16 dated 1 July 2015 as follows:

i) Investments classified as AFS/HFT are transferred to HTM category at the lower of book value (weighted average) and market value;

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ii) Investments classified as HTM are transferred to AFS/HFT categories as follows:

- Investments originally placed in HTM at a discount, are transferred to AFS/HFT category at the acquisition price/ book value (weighted average) and;
- Investments originally placed in HTM at a premium, are transferred to AFS/HFT category at the amortised cost (weighted average);

Investments classified as AFS/HFT are transferred to HFT/AFS category at book value (weighted average) and the provisions for the accumulated depreciation, if any, held is transferred to the provisions for depreciation against HFT/AFS.

(e) **Accounting for repos/reverse repos (including liquidity adjustment facility)**

Repurchase (repos) and reverse repurchase (reverse repos) transactions are accounted for as collateralised borrowing and lending respectively with an agreement to repurchase on agreed terms in accordance with RBI guidelines vide master circular DBR No. BP.BC.6/21.04.141/2015-16 dated 1 July 2015. The difference between the consideration amounts of first and second legs is recognised as interest income/expense over the period of the transaction in the profit and loss account. Transactions with RBI under the Liquidity Adjustment Facility (LAF) are also accounted for as collateralised borrowing and lending transactions.

5. Advances

Advances are classified as per prudential norms on "Income recognition and Asset Classification and Provisioning are pertaining to Advances" as issued by RBI, into performing and non-performing assets and are stated net of specific provisions.

Non-performing advances are identified by periodic appraisals of the portfolio by management or in accordance with RBI guidelines, whichever is earlier.

Specific provisions are made on a case by case basis based on management's assessment of the degree of impairment of the advances, subject to the minimum provisioning levels prescribed by the RBI. Where there is no longer any realistic prospect of recovery, the outstanding advance is written off.

Provision on standard assets is made in line with the existing RBI guidelines and included in Schedule 5 ('Other Liabilities and Provisions').

The Bank also maintains provision for country risk exposures as per extant RBI guidelines and discloses the same in Schedule 5 – Other liabilities and provisions.

The Bank assesses the unhedged foreign currency exposure (UFCE) of corporate customers and adequate provisions are maintained as required by RBI guidelines. These provisions are part of standard asset provision mentioned above.

6. Foreign Exchange Transactions

i) Assets and Liabilities denominated in foreign currencies are translated at the year-end exchange rates notified by the Foreign Exchange Dealers' Association of India (FEDAI) and the resultant gains or losses are recognized in Profit and Loss Account.

ii) Income and expenditure in foreign currencies are translated at the rates prevailing on the date of the transaction.

iii) Contingent Liabilities denominated in currencies other than Indian Rupees are disclosed at year-end exchange rates notified by the Foreign Exchange Dealers' Association of India (FEDAI).

iv) The outstanding forward exchange contracts are stated at the closing rates notified by FEDAI. The forward exchange contract outstanding are Marked to Market using appropriate discounting rate in line with revised group policy and resulting gain or loss are recognised in the Profit and Loss Account under 'Profit on Exchange transactions' (net).

7. Fixed Assets & Depreciation

i) Fixed Assets are stated at historical cost less accumulated depreciation thereon reduced by loss on sale/scrapping of assets, if any.

ii) Depreciation is provided for on the diminishing balance method at the rates specific in Companies Act, 2013 except for Computers and Software. The details of the rate applied are as under:

a) Computers & Software are depreciated on SLM 33.33%.

b) Other Fixed Assets are depreciated on Reducing Balance Method at the following rates:

i.	Movable furniture and office equipment	25.89%
ii.	Other Furniture & Fixture (Including improvements to leasehold premises)	25.89%
iii.	Motor Car	31.23%
iv.	Office Equipment	45.07%.

iii) Depreciation on assets acquired/disposed off during the year is provided on a daily pro rata basis.

iv) The written down value of improvements in leasehold premises, if any, is fully written off in the year of expiry of the lease.

8. Revenue Recognition

Interest income is recognised in the profit and loss account on an accrual basis, except in the case of interest on non-performing assets and unless otherwise specified by RBI guidelines.

Given the uncertainty ascribed to non-performing assets, income thereon is only recognised in the profit and loss account on a receipt basis in accordance with RBI guidelines.

Fee and commission income are recognised on an accrual basis. Commission on guarantees and letters of credit are recognised over the life of the instrument.

9. Employee Benefits

a) Gratuity

Gratuity which is a defined benefit scheme is provided for based on an actuarial valuation done by an independent actuary as at the year end, using the Projected Unit Credit Method. Actuarial gains/losses are taken to the Profit and Loss Account.

b) Provident Fund

The Bank contributes an amount equal to the employees' contribution on a monthly basis to the Regional Provident Fund Commissioner (RPFC).The Bank has no liability for future provident fund benefits apart from its monthly contribution which is charged to the Profit and Loss Account.

c) Compensated Absences

Employees are not entitled to encashment of sick leave & casual leave or carry forward the same. Privilege leave which is encashable is settled at the calendar year end. Provision for the three months from January to March is made on the basis of leave encashment availed in the previous calendar year.

10. Taxes on Income

The Bank makes provision for Income-tax in accordance with the provisions of the Income Tax Act, 1961 and the rules framed thereunder.

The Bank accounts for deferred taxes in accordance with the provisions of AS 22 "Accounting for Taxes on Income". Deferred tax is provided on timing differences between the accounting and tax treatment of income and expenditure. Deferred tax assets are recognised only if there is reasonable certainty that they will be realised in the future. However, where there are unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if it is virtually certain that these assets will be realized supported by convincing evidence. Deferred tax assets are reviewed for appropriateness of their carrying value at each balance sheet date. Deferred tax liabilities are generally recognised for all taxable timing differences. Deferred tax assets and liabilities are measured using the tax rates that have been enacted or substantively enacted by the balance sheet date.

11. Net Profit

The net profit disclosed in the Profit and Loss Account is after:

i. Provision for taxes on income in accordance with statutory requirements
ii. Provision for non-performing advances
iii. Provision for depreciation on Investments
iv. Other usual and necessary provisions and contingencies

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12. Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset are classified as Operating Leases. Operating Lease payments in respect of assets taken on lease are recognized as an expense in the Profit and Loss Account on a straight line basis over the lease term.

13. Impairment of Assets

The Bank assesses at each balance sheet date whether there is any indication that an assets may be impaired and provided for impairment loss, if any, in the Profit and Loss Account.

14. Accounting for Provisions, Contingent Liabilities and Contingent Assets

The Bank makes provisions when it has a present obligation as a result of past event (s), where it is probable that an outflow of resources embodying economic benefit to settle the obligation will be required and a reliable estimate can be made of such an obligation. Contingent assets are not recognized in the Financial Statements. A disclosure of Contingent Liability is made when there is:

i. A possible obligation, arising from a past event(s), the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank, or

ii. Any present obligation that arises from past events but is not recognized because:

- **a.** It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- **b.** A reliable estimate of the amount of obligation cannot be made.

15. Corporate Social Responsibility (CSR)

Expenditure towards corporate social responsibility, in accordance with Companies Act, 2013, are recognized in the Profit and Loss account.

16. Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks/institutions and money at call and short notice.

SCHEDULE-19: NOTES TO ACCOUNTS

I. DISCLOSURES IN TERMS OF RBI CIRCULARS/GUIDE LINES

1. Capital

(Amount in INR crore)

Sr. No.	Particulars	2019-20	2018-19
i)	Common Equity Tier 1 capital ratio (%)	107.84	120.83
ii)	Tier 1 capital ratio (%)	107.84	120.83
iii)	Tier 2 capital ratio (%)	0.67	0.82
iv)	Total Capital Ratio (CRAR) (%)	108.51	121.65
v)	Percentage of the shareholding of the Government of India in public sector banks	NA	NA
vi)	Amount of equity capital raised (in the form of Interest free funds from Head office)	392.60	392.60
vii)	Amount of Additional Tier 1capital raised of which Perpetual Non- Cumulative Preference Shares (PNCPS):Perpetual Debt Instruments (PDI)	Nil	Nil
viii)	Amount of Tier 2 capital raised : of which Debt capital instruments: Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares (PCPS)/Redeemable Non-Cumulative Preference Shares (RNCPS)/Redeemable Cumulative Preference Shares (RCPS)]	Nil	Nil

2. Investments

(Amount in INR crore)

Particulars	2019-20	2018-19
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	37.07	52.04
(b) Outside India	Nil	Nil
(ii) Provisions for Depreciation		
(a) In India	Nil	Nil
(b) Outside India	Nil	Nil
(iii) Net Value of Investments		
(a) In India	37.07	52.04
(b) Outside India	Nil	Nil
(2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	Nil	Nil
(ii) Add: Provisions made during the year	Nil	Nil
(iii) Less: Write off/write back of excess provisions during the year	Nil	Nil
(iv) Closing balance	Nil	Nil

2.1. Repo Transactions (in face value terms)

(Amount in INR crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2020
Securities sold under repo i. Government securities ii. Corporate debt securities	Nil	Nil	Nil	Nil
Securities purchased under reverse repo i. Government securities ii. Corporate debt securities	Nil	Nil	Nil	Nil

2.2. Non-SLR Investment Portfolio

i) Issuer composition of Non-SLR investments

(Amount in INR crore)

S. No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade 'Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i)	PSUs	Nil	Nil	Nil	Nil	Nil
(ii)	FIs	Nil	Nil	Nil	Nil	Nil
(iii)	Banks	Nil	Nil	Nil	Nil	Nil
(iv)	Private Corporates	Nil	Nil	Nil	Nil	Nil
(v)	Subsidiaries/Joint Ventures	Nil	Nil	Nil	Nil	Nil
(vi)	Others	Nil	Nil	Nil	Nil	Nil
(vii)	Provision held towards depreciation	Nil	Nil	Nil	Nil	Nil
	Total *	Nil	Nil	Nil	Nil	Nil

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ii) Non-performing Non-SLR investments

(Amount in INR crore)

Particulars	2019-20	2018-19
Opening balance	Nil	Nil
Additions during the year since 1st April	Nil	Nil
Reductions during the above period	Nil	Nil
Closing balance	Nil	Nil
Total provisions held	**Nil**	**Nil**

2.3. Sale and Transfers to/from HTM Category

During the period ended 31st March 2020, there is no sale or transfer of securities to/from Held to Maturity (HTM) category

3. Derivatives

3.1. Forward Rate Agreement/Interest Rate Swap

(Amount in INR crore)

Particulars	2019-20	2018-19
i) The notional principal of swap agreements	Nil	Nil
ii) Losses which would be incurred if counter parties failed to fulfil their obligations under the agreements		
iii) Collateral required by the bank upon entering into swaps		
iv) Concentration of credit risk arising from the swaps		
v) The fair value of the swap book		

3.2. Exchange Traded Interest Rate Derivatives

(Amount in INR crore)

S. No.	Particulars	2019-20	2018-19
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument wise) a) b) c)	Nil	Nil
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2020 (instrument wise) a) b) c)	Nil	Nil
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not 'highly effective' (instrument wise) a) b) c)	Nil	Nil
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not 'highly effective' (instrument wise) a) b) c)	Nil	Nil

3.3. Disclosures on Risk Exposure in Derivatives

The bank has not undertaken any derivative transaction during the period ended 31st March 2020.

Asset Quality

3.4. Non-Performing Assets

There are no non-performing assets during the year ended 31st March 2020.

3.5. Particulars of Accounts Restructured

The bank has not restructured any accounts during the year ended 31st March 2020.

3.6. Details of Financial Assets sold to Securitisation/Reconstruction Company for Asset Reconstruction

No financial assets have been sold to Securitisation/Reconstruction Company for Asset Reconstruction

3.7. Details of Non-Performing Financial Assets Purchased/Sold

The bank has not purchased or sold any Non-performing financial assets during the year.

3.8. Disclosures on Strategic Debt Restructuring Scheme (SDR)

There is no account where SDR has been invoked in the Year ending March 31, 2020 and March 31, 2019

3.9. Disclosure on Exposure to Infrastructure Leasing & Financial Services Limited (ILFS) and its group entities

As per requirement of the RBI circular number RBI/2018-19/175 DBR. BP.BC.No.37/21.04.048/2018-19 dated April 24, 2019, there is no exposure in ILFS and its group entities as at March 31,2019,

3.10. Provisions on Standard Assets

Provision has been made @ 0.82% on standard assets @ 0.82 % on Guarantee and Acceptance and @ 0.55% on unutilised fund-based advances which are included in Schedule 5 ('Other Liabilities and Provisions').

(Amount in INR crore)

Particulars	2019-20	2018-19
Provisions towards Standard Assets	1.68	1.79
Provisions towards Guarantee Losses	0.43	0.59
Provisions towards Loan Commitments	0.53	0.24

4. Business Ratios

Particulars	2019-20	2018-19
(i) Interest Income as a percentage to Working Funds	6.17%	6.45%
(ii) Non-interest income as a percentage to Working Funds	1.70%	1.87%
(iii) Operating Profit as a percentage to Working Funds	5.45%	4.76%
(iv) Return on Assets	3.21%	2.48%
(v) Business (deposits plus advances) per employee (`in crore)	16.38	12.66
(vi) Profit per employee (`in crore)	0.83	0.47

Note:

a. Working funds to be reckoned as average of total assets (excluding accumulated losses, if any) as per Form X under Section 27 of the Banking Regulation Act, 1949, during the 12 months of the financial year.

b. 'Return on Assets would be with reference to average working funds (i.e. total of assets excluding accumulated losses, if any).

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SCHEDULE-19: NOTES TO ACCOUNTS

5. Asset Liability Management

Maturity pattern of certain items of assets and liabilities

As at 31.03.2020

(Amount in INR crore)

Particulars	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 3 month	Over 3 month & up to 6 month	Over 6 Month & up To 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 Years	Total
Deposits	0.32	8.51	20.43	8.77	4.96	13.48	6.74	141.75	0.80	0.06	**205.82**
Advances	-	-	-	0.56	46.93	18.54	48.75	-	60.7	28.28	**203.76**
Investments	-	-	4.91	-	19.49	12.67	-	-	-	-	**37.07**
Borrowings	-	-	-	-	-	-	-	-	-	-	**-**
Foreign Currency assets	5.92	-	-	-	-	-	-	-	-	-	**5.92**
Foreign Currency liabilities	0.01	0.24	0.52	-	-	-	-	4.34	-	-	**5.11**

As at 31.03.2019

(Amount in INR crore)

Particulars	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 3 month	Over 3 month & up to 6 month	Over 6 Month & up To 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 Years	Total
Deposits	0.18	10.11	10.42	2.66	4.23	1.75	1.54	79.44	0.17	0.15	**110.65**
Advances	-	-	-	53.00	28.29	25.95	59.67	-	0.44	25.73	**193.08**
Investments	-	4.93	-	18.33	18.11	10.67	-	-	-	-	**52.04**
Borrowings	-	-	-	-	-	-	-	-	-	-	**-**
Foreign Currency assets	0.88	-	-	-	-	-	-	-	-	-	**0.88**
Foreign Currency liabilities	-	-	0.01	-	-	-	-	0.08	-	-	**0.09**

6. Exposures

6.1. Exposure to Real Estate Sector

The bank does not have any exposure to real estate sector as at 31st March 2020.

6.2. Exposure to Capital Market

The bank does not have any exposure to capital market sector as at 31st March 2020.

6.3. Risk Category wise Country Exposure

In terms of RBI guidelines on Country Risk Management, since the net funded exposure in respect of any country (except 'home country', i.e. India) is less than 2 per cent of total assets, hence, provision for country risk is not required.

(Amount in INR crore)

Risk Category*	Exposure (net) as at March 31 2020	Provision held as at March 31 2020
Insignificant	Nil	Nil
Low	Nil	Nil
Moderate	Nil	Nil
High	Nil	Nil
Very High	Nil	Nil
Restricted	Nil	Nil
Off-credit	Nil	Nil
Total	**Nil**	**Nil**

6.4. Details of Single Borrower Limit (SGL)/Group Borrower Limit (GBL) exceeded by the bank

During the period ended 31st March 2020, there are no instances wherein the prudential exposure limits for single borrower limit exceeded. Further there has not been any breaches at Group Borrower Level.

6.5. Unsecured Advances

(Amount in INR crore)

Particulars	2019-20	2018-19
Unsecured Advances for which intangible securities such as charge over the rights, licenses, authority, etc. have been taken	Nil	Nil
Other Unsecured Advances (Net)	139.23	167.89
Total	**139.23**	**167.89**

7. Disclosure of Penalties imposed by RBI

No penalty has been imposed by the Reserve Bank of India during the period ended 31st March 2020.

II. DISCLOSURES IN COMPLIANCE WITH ACCOUNTING STANDARDS ISSUED BY INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

1. Depreciation Accounting

Break-up of total depreciation for each class of assets:

(Amount in INR crore)

Class of assets	2019-20	2018-19
Premises	Nil	Nil
Other assets (CY includes depreciation of Rs 24 lacs of previous years)	0.59	1.19
Total	**0.59**	**1.19**

2. AS 11 – Changes in accounting of exchange gains/losses on repatriation of retained earnings from foreign branches

Effective from April 1, 2016 pursuant to RBI circular no. DBR.BP.BC. No.61/21.04.2018/2016-17 dated April 18, 2017; the Bank operates as a branch of a foreign bank and doesn't hold/own any foreign branches. Hence such guidelines aren't applicable to the bank.

3. Accounting Standard 15 (revised 2005) – "Employee Benefits"

3.1. Provident Fund

The contribution to employees' provident fund amounted to INR 0.17 crore (excluding admin charges for maintenance of PF account) for the period ended 31st March 2020.

3.2. Compensated absences:

Having encashed leave at the year end of calendar year 2019, the bank has made a provision for leave encashment in the current year of INR 0.06 crore in respect of leave accruing for the period to March 2020.

3.3. Gratuity:

Gratuity is payable to eligible employees as per the Bank's policy and the Payment of Gratuity Act-1972. The liability with respect to the gratuity is determined based on an actuarial valuation done by an independent actuary at the year-end.

The following table sets out the unfunded status of the Gratuity plan and the amounts recognised in the bank's financial statements:

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i. Actuarial Assumptions

a) Economic Assumptions

Particulars	2019-20	2018-19
i) Discounting Rate	6.70	7.78
ii) Future salary Increase	8.00	8.00
iii) Expected Rate of return on plan assets	0.00	0.00

b) Demographic Assumption

Particulars	2019-20	2018-19
i) Retirement Age (Years)	58	58
ii) Mortality Table	IALM (2012-14)	IALM (2006-08)
iii) Ages	**Withdrawal Rate (%)**	**Withdrawal Rate (%)**
Up to 30 Years	3.00	3.00
From 31 to 44 years	2.00	2.00
Above 44 years	1.00	1.00

ii. Change in present value of obligation

(Amount in actual INR)

	Particulars	2019-20	2018-19
a)	Present value of obligation as at the beginning of the period	22,59,572	16,14,246
b)	Acquisition adjustment	–	–
c)	Interest cost	1,75,795	1,28,494
d)	Past service cost	–	–
e)	Current service cost	8,23,600	5,73,483
f)	Curtailment cost/(Credit)	–	–
g)	Settlement cost/(Credit)	–	–
h)	Benefits paid	–	–
i)	Actuarial (gain)/loss on obligation	4,37,128	(56,651)
j)	Present value of obligation as at the end of period	36,96,095	22,59,572

iii. Changes in the fair value of plan assets

(Amount in actual INR)

	Particulars	2019-20	2018-19
a)	Fair value of plan assets at the beginning of the period	–	–
b)	Acquisition adjustment	–	–
c)	Expected return on plan assets	–	–
d)	Employer contributions	–	–
e)	Benefits paid	–	–
f)	Actuarial gain/(loss) on plan assets	–	–
g)	Fair value of plan assets at the end of the period	–	–

iv. Fair value of plan assets

(Amount in actual INR)

	Particulars	2019-20	2018-19
a)	Fair value of plan assets at the beginning of the period	–	–
b)	Acquisition adjustment	–	–
c)	Actual return on plan assets	–	–
d)	Employer contributions	–	–
e)	Benefits paid	–	–
f)	Fair value of plan assets at the end of the period	–	–
g)	Funded status	(36,96,095)	(22,59,572)
h)	Excess of actual over estimated return on plan assets	–	–

v. Actuarial gain/loss recognized

(Amount in actual INR)

	Particulars	2019-20	2018-19
a)	Actuarial gain/(loss) for the period- obligation	(4,37,128)	56,651
b)	Actuarial (gain)/loss for the period - plan assets	–	–
c)	Total (gain)/loss for the period	4,37,128	(56,651)
d)	Actuarial (gain)/loss recognized in the period	4,37,128	(56,651)
e)	Unrecognized actuarial (gains) losses at the end of period	–	–

vi. The amounts to be recognized in balance sheet and related analysis

(Amount in actual INR)

	Particulars	2019-20	2018-19
a)	Present value of obligation as at the end of the period	36,96,095	22,59,572
b)	Fair value of plan assets as at the end of the period	–	–
c)	Funded status/Difference	(36,96,095)	(22,59,572)
d)	Excess of actual over estimated	–	–
e)	Unrecognized actuarial (gains)/losses	–	–
f)	Net asset/(liability)recognized in balance sheet	(36,96,095)	(22,59,572)

vii. Expense recognized in the statement of profit and loss

(Amount in actual INR)

	Particulars	2019-20	2018-19
a)	Current service cost	8,23,600	5,73,483
b)	Past service cost	–	–
c)	Interest cost	1,75,795	1,28,494
d)	Expected return on plan assets	–	–
e)	Curtailment cost/(Credit)	–	–
f)	Settlement cost/(credit)	–	–
g)	Net actuarial (gain)/ loss recognized in the period	4,37,128	(56,651)
h)	Expenses recognized in the statement of profit & losses	14,36,523	6,45,326

4. Accounting Standard 17- "Segment Reporting"

The Bank has recognized Business Segments as primary reporting segments and Geographical Segments as secondary segment in line with RBI guidelines on compliance with Accounting Standard-17 "Segment Reporting" issued by Institute of Chartered Accountants of India.

i. **Primary Segments: *Business segments***

(Amount in INR crore)

Business Segments	**Treasury**		**Corporate/ Wholesale**		**Other Banking operations**		**Total**	
Particulars	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**
Revenue	26.49	14.82	13.30	14.28	10.98	8.43	**50.77**	**37.53**
Result	24.15	12.74	11.98	12.54	6.77	4.02	**42.90**	**29.30**
Unallocated expenses							**(7.75)**	**(7.81)**
Operating profit							**35.15**	**21.49**
Income taxes(including deferred tax)							**(14.46)**	**(9.68)**
Provision other than taxes							**(0.02)**	**(0.59)**
Extraordinary profit/ loss	-	-	-	-	-	-	-	-
Net profit							**20.67**	**11.22**
Segment assets	437.40	332.8	207.50	198.31	0.76	1.01	**645.66**	**532.13**
Unallocated assets							**21.05**	**18.73**
Total assets							**666.71**	**550.86**
Segment liabilities	149.21	63.44	58.29	48.99	–	–	**207.50**	**112.43**
Unallocated liabilities							**19.09**	**18.98**
Capital and Reserves							**440.12**	**419.44**
Total liabilities							**666.71**	**550.86**

Note: The segment information has been prepared based on certain assumptions used by the bank, which has been relied upon by the auditors.

ii. Secondary segments; *Geographical segments*;

Since the Bank has only domestic operations, there is no reporting requirement under this segment in terms of RBI Circular DBOD. No.BP.BC.81/21.04.018/2006-07 dated 18th of April-2007.

5. Accounting Standard 18- "Related Party Disclosures"

The Bank has transactions with its related parties as defined in Accounting Standard-18 "Related Party Disclosures". The bank has identified following parties as related parties as per Accounting Standard ;

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S. No.	Name of the Related Party	Relationship
A	Bum Keon Lee	Chief Executive Officer
B	Industrial Bank of Korea, Seoul, Korea	Head Office

In accordance with RBI circular DBOD.No.BP.89/21.04.018/2002-03 dated 29th March 2003; this excludes transactions where there is only one entity in each category of related party (i.e. Head Office and its branches and Key Management Personnel).

6. Accounting Standard 19- "Leases":

The lease agreements entered into by the bank pertain to use of premises of the bank and for residential purpose of certain staff. The lease agreements do not have any undue restrictive or onerous clauses other than those normally prevalent in similar agreement regarding use of assets, lease escalations, renewals and a restriction on sub-leases.

Details of future minimum lease payments under non-cancellable operating leases are given below;

(Amount in INR crore)

S. No.	Period	2019-20	2018-19
1	Not later than 1 year	2.54	2.37
2	Later than 1 year and not later than 5 years	7.42	8.80
3	Later than 5 years	0.00	0.19
	Total	**9.96**	**11.36**

7. Accounting Standard 20- "Earning per share":

Being a branch of a Foreign Bank, the capital of the bank comprises of interest free funds received from its head office and as such does not have Share Capital. Hence the computation of Earnings per Share is not applicable. Accordingly, the disclosure as required by AS 20 'Earnings per Share' is not applicable in case of the bank.

8. Accounting Standard 22 "Accounting for Taxes on Income"

i. Details of income tax recognized during the year is given below

(Amount in INR crore)

Particulars	2019-20	2018-19
Provision for Income Tax	15.75	10.13
Adjustment for earlier years	0.00	(0.04)
Deferred Tax – (Income)/Expenditure	(1.29)	(0.49)
Total	**14.46**	**9.68**

ii. The breakup of deferred tax assets and liabilities into major items is given below

(Amount in INR crore)

Particulars	2019-20	2018-19
Deferred Tax Assets		
Deferred tax assets on account of provision for gratuity	0.06	0.03
Deferred tax assets on account of provision for Corporate Social Responsibility	0.00	0.08
Deferred tax assets on account of provision for Bonus	0.00	0.00
Deferred tax assets on account of depreciation on fixed assets	0.11	0.39
Deferred tax assets on account for leave encashment	0.02	0.00
Deferred tax assets on account of increment arrears	0.03	0.00
Deferred tax assets on account of Provision for Guarantee, loan commitment and loan losses	1.15	0.00
Total (A)	**1.37**	**0.49**
Deferred Tax Liabilities		
Deferred tax assets on account of provision for leave encashment	0.00	0.01
Deferred tax assets on account of CSR	0.08	0.00
Total (B)	**0.08**	**0.01**
Net Deferred Tax Assets/(Liabilities)	**1.29**	**0.49**
Deferred Tax Assets/(Liabilities) at the beginning of the year	**0.57**	**0.08**
Deferred Tax Assets/(Liabilities) at the end of the year	**1.86**	**0.57**

9. Accounting Standard 23 (Accounting for Investment in Associates in Consolidated Financial Statements) - Not Applicable

10. Accounting Standard 24 (Discontinuing Operations)- Not Applicable

11. Accounting Standard 25 (Interim Financial Statements)- Not Applicable

12. Accounting Standard-28-"Impairment of Assets":- The indications listed in paragraphs 8 to 10 of Accounting Standard 28–'Impairment of Assets' (issued by the ICAI) have been examined and on such examination, it has been found that none of the indications are present in the case of the Bank. A formal estimate of the recoverable amount has not been made, as there is no indication of a potential impairment loss.

13. Accounting Standard 29- "Provisions, Contingent Liabilities and Contingent Assets"

The movement in provisions for expenses is given below;

(Amount in INR crore)

Item	Amount for which the bank is contingently liable	Provisions as per AS – 29				
		Provision as at the beginning of the year	Additions during the year	Amounts used during the year	Unused amounts reversed during the year	Provision as at the close of the year
1. Claims against the Bank not acknowledged as debts (net of provisions)	Nil	Nil	Nil	Nil	Nil	Nil
2. Liability on account of –foreign exchange contracts –Derivatives	Nil	Nil	Nil	Nil	Nil	Nil
3. Guarantees issued on behalf of the constituents	53.11	0.59	Nil	Nil	0.16	0.43
4. Acceptances, endorsements and other obligations	Nil	Nil	Nil	Nil	Nil	Nil
5. Other items for which the bank is contingently liable	Nil	Nil	Nil	Nil	Nil	Nil

III. ADDITIONAL DISCLOSURES

1. Details of Provisions & Contingencies (credited) /charged to Profit & Loss Account

(Amount in INR crore)

Particulars	2019-20	2018-19
Provision for depreciation on investments	Nil	Nil
Provision towards NPA	Nil	Nil
Provision Restructured Assets (Diminution in Fair Value)	Nil	Nil
Provision for Country Risk	Nil	Nil
Provision for Income Taxes	14.46	10.09
Other provision and contingencies		
– Provision for Standard assets including provision for unhedged FCE	(0.11)	0.41
– Provision for Loan commitment	0.29	0.00
– Provision for Guarantee losses	(0.16)	0.19
– Provision for Gratuity	0.14	0.06
Total	**14.33**	**10.75**

2. Details of Floating Provisions

The bank does not hold any floating provision in its books.

3. Draw Down from Reserves: -

There is no draw down from reserves during the financial year ended 31st March- 2020.

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4. Status of Customer Complaints

Particulars	2019-20	2018-19
No. of complaints pending at the beginning of the year	Nil	Nil
No. of complaints received during the year	Nil	Nil
No. of complaints redressed during the year	Nil	Nil
No. of complaints pending at the end of the year	Nil	Nil

5. Awards passed by the Banking Ombudsman

Particulars	2019-20	2018-19
No. of unimplemented awards at the beginning of the year	Nil	Nil
No. of awards passed by Banking Ombudsman during the year	Nil	Nil
No. of awards implemented during the year	Nil	Nil
No. of unimplemented awards at the end of the year	Nil	Nil

6. Letter of Comfort issued by Bank: -

The bank has not issued any letter of comfort during the year ended 31st March-2020.

7. Provisioning Coverage Ratio (PCR)

(%)

Particulars	2019-20	2018-19
Provision Coverage Ratio (Ratio of Provision to Gross Non-Performing Assets)	Nil	Nil

8. Divergence in asset classification and provisioning for NPAs – (ref dbr.bp.bc.no. 63/ 21.04.018/2016-17 dated April 18, 2017)

NIL

9. Fee/Remuneration received in respect of Bank-assurance business undertaken by the Bank: -

The Bank has not received any fee/remuneration in respect of Bank-assurance business during the period ended 31st March-2020.

10. Concentration of Deposits

(Amount in INR crore)

Particulars	2019-20	2018-19
Total Deposits of twenty largest depositors	175.13	93.21
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	85.09%	84.24%

11. Concentration of Advances

(Amount in INR crore)

Particulars	2019-20	2018-19
Total Advances (Gross) to twenty largest borrowers	201.90	187.77
Percentage of Advances (Gross) to twenty largest borrower to Total Advances of the Bank	99.08%	97.25%

12. Concentration of Exposures

(Amount in INR crore)

Particulars	2019-20	2018-19
Total Exposure to twenty largest borrowers/customers	372.23	258.57
Percentage of Exposures to twenty largest barrowers/ customers to Total Exposure of the Bank on borrowers/customers	92.94%	84.92%

13. Concentration of NPAs

(Amount in INR crore)

Particulars	2019-20	2018-19
Total Exposure to top four NPA accounts –Gross	Nil	Nil

14. Sector wise Advances

(Amount in INR crore)

S. No.	Sector	Current Year		
		Outstanding Total Advances as at 31st March 2020	Gross NPAs	%age of NPAs to Total Advances in that sector
A	**Priority Sector**	**29.04**	Nil	Nil
1	Agriculture & allied activities	Nil	Nil	Nil
2	Industry (Micro & small, Medium and Large)	29.04	Nil	Nil
3	Services	Nil	Nil	Nil
4	Personal Loans	Nil	Nil	Nil
B	**Non Priority Sector**	**174.73**	Nil	Nil
1	Agriculture & allied activities	Nil	Nil	Nil
2	Industry (Micro & small, Medium and Large)	109.55	Nil	Nil
3	Services	65.18	Nil	Nil
4	Personal Loans	Nil	Nil	Nil
	Total (A+B)	**203.77**	**Nil**	**Nil**

15. Movement of NPAs

(Amount in INR crore)

Particulars	2019-20	2018-19
Gross NPAs* at the beginning of financial year (Opening Balance)	Nil	Nil
Additions (Fresh NPAs) during the year	Nil	Nil
Sub-total (A)	**Nil**	**Nil**
Less:-	Nil	Nil
(i) Up-gradations	Nil	Nil
(ii) Recoveries (excluding recoveries made from upgraded accounts)	Nil	Nil
(iii) Technical/Prudential Write-offs	Nil	Nil
(iv) Write off other than (iii) above	Nil	Nil
Sub-total (B)	**Nil**	**Nil**
Gross NPAs* at the end of financial Year (Closing Balance)	**Nil**	**Nil**

16. Overseas Assets, NPAs and Revenue

(Amount in INR crore)

S. No.	Particulars	2019-20	2018-19
1	Total Assets	Nil	Nil
2	Total NPAs (Gross)		
3	Total Revenue		

17. Off-balance Sheet SPVs sponsored

Amount in INR crore)

Name of the SPV Sponsored	2019-20	2018-19
Domestic	Nil	Nil
Overseas		

18. Unamortised Pension and Gratuity Liabilities

The bank does not provide any pension to the employees. Hence, there is no policy regarding amortization of pension. Gratuity is provided for based on an actuarial valuation and accordingly taken in the profit and loss account.

19. Disclosures on Remuneration

In terms of guidelines issued by RBI vide circular no. DBOD No BC 72/29.67.001/2011-12 dated 13th Jan 2012 on "Compensations of Whole Time Directors/Chief Executive Officers/Risk Takers and Control Function Staff etc.'', the bank has submitted a declaration received

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from its Head office to RBI to the effect that the compensation structure in India, including that of CEO's is in conformity with FSB principles and standards.

20. Disclosures relating to Securitization

(Amount in INR crore)

S. No.	Particulars	No./ Amount
1	No of SPVs sponsored by the bank for securitization transactions	
2	Total amount of securitized assets as per books of the SPVs sponsored by the bank	
3	Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet	
a)	Off-balance sheet exposures	
	First loss	
	Others	
b)	On-balance sheet exposures	
	First loss	
	Others	
4	Amount of exposures to securitization transactions other than MRR	
a)	Off-balance sheet exposures	Nil
i)	Exposure to own securitizations	
	First loss	
	Others	
ii)	Exposure to third party securitizations	
	First loss	
	Others	
b)	On-balance sheet exposures	
i)	Exposure to own securitization	
	First loss	
	Others	
ii)	Exposure to third party securitization	
	First loss	
	Others	

21. Credit Default Swaps

The Bank has not entered into any credit default swap during the period ended 31st March-2020.

22. Intra Group Exposure

Bank has NIL Intra Group Exposure during the year.

23. Transfer to Depositor Education and Awareness Fund (DEAF)

(Amount in INR crore)

Particulars	2019-20	2018-19
Opening balance of amounts transferred to DEAF	Nil	Nil
Add : Amounts transferred to DEAF during the year	Nil	Nil
Less : Amounts reimbursed by DEAF towards claims	Nil	Nil
Closing balance of amounts transferred to DEAF	**Nil**	**Nil**

24. Unhedged foreign currency exposure (UFCE)

Bank is required to provide UFCE for customer account having more than 25 crore exposure from the banking system. Bank follows Head Office provisioning norms which requires bank to make a total provisioning of 82 bps as provision for standard assets. Hence, no separate provision for UFCE has been made except for those customers where the total provision i.e provision for standard asset and UFCE is less than required norms as per RBI. However, due to pandemic, bank has not received certificates from customers confirming their UFCE as on March 31,2020. Accordingly, bank has created additional provision of Rs 0.11 crore based on last year provision.

25. Provisioning pertaining to Fraud Accounts

(Amount in INR crore)

Particulars	2019-20	2018-19
No of Fraud reported	Nil	Nil
Amount Involved	Nil	Nil
Recovery during the year	Nil	Nil
Provision/Write off made net of recovery	Nil	Nil
Unamortized provision debited from "other reserve"	Nil	Nil

26. Corporate Social Responsibility (CSR)

Pursuant to Section 15 of the Companies Act, 2013, the bank has prepared a CSR policy duly approved by CSR Committee. During 2018-19, the committee was in process of identifying the appropriate agencies to contribute the CSR amount. Therefore, the bank has made a provision of Rs 17,86,300. During the year 2019-20, the bank incurred an expenditure in CSR to the extent of Rs 26,56,219. The committee identified the appropriate agencies and contributed an amount of Rs 44,42,519 (which includes the amount of Rs 17,86,300 provided during the year 2018-19 and amount of Rs 26,56,219 incurred during the year 2019-20.

27. Investment Reserve

During the year 2018-19, the bank has decided to create investment fluctuation reserve to the extent of 2% of total investment. Accordingly, Rs 1.04 crore has been transferred to Investment reserve from profit after tax during the year 2018-19. For the year 2019-20, the total investment amount is less than that of the previous year, Therefore, the bank has not transferred any additional amount to the Investment Fluctuation Reserve.

28. Liquidity Coverage Ratio

(Amount in INR crore)

		2019-20		2018-19	
		Total Unweighted Value (average)	**Total Weighted Value (average)**	**Total Unweighted Value (average)**	**Total Weighted Value (average)**
High Quality Liquid Assets		38.34	38.34	49.63	49.63
1	Total High Quality Liquid Assets (HQLA)	38.34	38.34	49.63	49.63
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:				
	(i) Stable deposits	0.59	0.03	1.21	0.06
	(ii) Less stable deposits	4.50	0.45	4.90	0.49
3	Unsecured wholesale funding, of which :				
	(i) Operational deposits (all counterparties)				
	(ii) Non-operational deposits (all counterparties)	172.74	17.27	131.08	13.11
	(iii) Unsecured debt				
4	Secured wholesale funding				
5	Additional requirements, of which				
	(i) Outflows related to derivative exposures and other collateral requirements				
	(ii) Outflows related to loss of funding on debt products				
	(iii) Credit and liquidity facilities	90.46	9.05	51.10	5.11
6	Other contractual funding obligations				
7	Other contingent funding obligations	51.68	1.55	69.75	2.09
8	Total Cash Outflows	**319.99**	**28.35**	**258.04**	**20.86**
Cash Inflows					
9	Secured lending (e.g. reverse repos)				
10	Inflows from fully performing exposures				
11	Other cash inflows	164.96	164.96	152.70	152.70
12	Total Cash Inflows	**164.96**	**164.96**	**152.70**	**152.70**
			Total Adjusted Value		**Total Adjusted Value**
21	TOTAL HQLA		38.34		49.63
22	Total Net Cash Outflows		7.09		5.22
23	Liquidity Coverage Ratio (%)		**540.92%**		**951.62%**

*Net Cash Outflows and 25% of Total Cash Outflows, whichever is higher

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Qualitative disclosure around LCR

The bank measures and monitors the LCR in line with the RBI's circular dated June 9, 2014 on "Basel III Framework on Liquidity Standards-Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards". The LCR guidelines aims to ensure that bank maintains and adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be converted into cash to meet its liquidity needs for time horizon under a significantly severe liquidity stress scenario.

The main drivers of LCR are Level 1 HQLA and net cash outflows over the period of 30 days. The weighted outflow drives from deposit and other contingent funding obligation and weighted inflow from performing exposures and other sources.

Intra-period changes as well as changes over time;

The bank LCR has been constantly much above 100% throughout the year. As at year end date of 31st March 2020, LCR was well above the required percentage at 540.92%.

The composition of HQLA;

HQLA is the amount of assets that qualify for inclusion as per LCR guidelines. The composition of HQLA is mainly Level 1 Assets which comprises of excess CRR balance, Government securities in excess of minimum SLR requirement, Allowed Securities for MSF, Cash in Hand.

Concentration of funding sources;

This includes those sources of funding whose withdrawal could trigger the liquidity risk. It aims to address the funding concentration of bank by monitoring its funding requirements from significant counterparties. As on 31.03.2020, the concentration of advances and total exposures stood at 99.08% and 92.94% respectively and the ratio of Top 20 depositors to total deposits was 85.09%

Monitoring of LCR;

LCR of the bank is monitored by Asset Liability Committee which also strategizes the Balance sheet profile of the bank.

29. Micro, Small and Medium Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED), which came into force from October 2, 2006 certain disclosures are required to be made relating to Micro, Small and Medium enterprises. On the basis of the information and records available with the management and confirmation sought by the management from suppliers on their registration with the specified authority under the said Act there have been no reported cases of delays in payments to micro, medium and small enterprises or of interest payments due to delays in such payments.

30. Previous year figures have been regrouped and revised wherever considered necessary.

For and on behalf of For and on behalf of

N A V R A T N & Co LLP	**Industrial Bank of Korea**
Chartered Accountants	**New Delhi Branch**
(Firm Registration No N500107)	
Nitish Mittal	**Bum Keon Lee**
Partner	**Chief Executive Officer**
Membership no. 095371	
UDIN no:20095371AAAADD9175	

Place: New Delhi
Date: 7th July 2020

DISCLOSURES UNDER PILLAR-3-MARKET DISCIPLINE OF BASEL-III-CAPITAL REGULATIONS FOR THE PERIOD ENDED 31ST MARCH 2020

1. Scope of Application and Capital Adequacy

Table DF-1: Scope of Application

Name of the head of the banking group to which the framework applies: INDUSTRIAL BANK OF KOREA, NEW DELHI BRANCH

(i) Qualitative Disclosures:

a. List of group entities considered for consolidation
The bank is a single branch operating in India. Hence, there is no consolidation requirement applicable to bank for accounting and regulatory purposes.

b. List of group entities not considered for consolidation both under the accounting and regulatory scope of consolidation
Not applicable

(ii) Quantitative Disclosures:

c. List of group entities considered for consolidation
Not applicable

d. The aggregate amount of capital deficiencies in all subsidiaries which are not included in the regulatory scope of consolidation i.e. that are deducted
Not applicable

e. The aggregate amounts (e.g. current book value) of the bank's total interests in insurance entities, which are risk-weighted
NIL

f. Any restrictions or impediments on transfer of funds or regulatory capital within the banking group
NIL

Table DF-2: Capital Adequacy

(i) Qualitative Disclosures:

a. Bank's approach to assessing the adequacy of its capital to support current and future activities
The bank maintains a strong base of capital to comply with the local regulatory requirements and also to adequately support its current and future activities. Capital requirement is assessed taking into account: business growth plans, capital funds available with bank after accounting for redeployment of projected internal accruals, minimum regulatory capital required, buffer above minimum capital required to take care of non-Pillar-I risks, etc. The bank has adopted the following approaches for the purpose of its capital adequacy assessment in line with guidelines of Reserve Bank of India.

- Credit risk: -Standardised approach
- Market risk: -Standardised Duration approach
- Operational risk: -Basic Indicator approach

(ii) Quantitative Disclosures:

Capital requirement for credit, market and operational risk and capital ratios as on 31st March 2020 is detailed below:

(Rupees in millions)

Particulars	Amount
a. Capital requirement for credit risk	
• Portfolio subject to standardised approach	302.28
• Securitisation exposures	Nil
b. Capital requirement for market risk	
• Standardised Duration approach	
– Interest rate risk	0.89
– Foreign exchange risk	0.84
– Equity risk	Nil
c. Capital requirement for operational risk	
• Basic Indicator approach	60.87
d. Common Equity Tier–I, Tier–II and Total Capital ratios	
– Common Equity Tier–I ratio	107.84%
– Tier–II ratio	0.67%
– Total Capital ratio	108.51%

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DISCLOSURES UNDER PILLAR-3-MARKET DISCIPLINE OF BASEL-III-CAPITAL REGULATIONS FOR THE PERIOD ENDED 31ST MARCH 2020

2. Risk exposure and assessment

General qualitative disclosure requirement:

The bank has identified the following risks as material to its nature of operations:

- Credit Risk (including credit concentration risk)
- Market Risk
- Liquidity Risk
- Interest Rate Risk in the banking book
- Operational Risk

The risk management policies and procedures of the bank ensure that all types of risks are systematically identified, measured, analysed and actively managed. Risk management is the responsibility of every member of the management as well as part of the job of each staff members of the bank. Individual risk management efforts are coordinated and supervised by the CEO. The HO has the responsibility for coordination of overall risk management with respect to the business of the bank.

Risk Management Framework

The risk management framework aims to integrate the sound principles of risk management system and practices into the overall functioning and set up of the bank. The bank has created in its organisational structure a Risk management committee to oversee and discharge efficiently the risk management functions. The Management Committee defines risk strategies and policies of the bank. The bank's risk profile is regularly examined by the Risk management committee. The Risk management committee is headed by the CEO and is represented by members from Risk, Credit, Operations, Marketing, Treasury and Accounting.

Table DF-3: Credit risk: General disclosure for all banks

(i) Qualitative Disclosures:

a. Credit quality of Loans and advances

Even though the bank is following Standardisation approach, yet the bank has an established internal credit rating system that facilitates decision making by taking into account quantitative and qualitative aspects of the proposal for credit facilities. The credit rating system analyses the inherent risk relating to facility as well as the borrower and assigns a rating that is indicative risk profiling of the proposal.

The monitoring of the portfolio is undertaken on continuous as well as periodic basis. The portfolio analysis is undertaken to estimate credit concentration, asset growth as well as adherence to prudential norms.

All loans and advances in the bank are classified according to asset quality, nature and number of days in arrears in accordance with RBI guidelines.

Non-Performing Assets (NPA)

Bank has adopted the definitions of 'past due' and 'impaired' (for accounting purposes) as defined by the regulatory authority for Income Recognition and Asset Classification. An account becomes NPA if it remains overdue for a period as defined by the Reserve Bank of India. An impaired asset is an asset which has suffered a provision in accordance with the guidelines defined by the Reserve Bank of India on its becoming a NPA.

(ii) Quantitative Disclosures:

b. Total Gross credit risk exposures, Fund based and Non-fund based separately

a. Fund Based- INR 3,000.06 Million
b. Non Fund Based- INR 531.13 Million

c. Geographical distribution of exposures, Fund based and Non-fund based separately

(Rupees in millions)

Particulars	March-20 Domestic	March-20 Overseas	March-20 Total
Fund Based	3,000.06	NIL	3,000.06
Non Fund Based	531.13	NIL	531.13
Total	**3,531.19**	**NIL**	**3,531.19**

d. Industry type distribution of exposures, fund based and non-fund based separately

(Rupees in millions)

INDUSTRY CODE	INDUSTRY NAME	FUND BASED Amount	NON FUND BASED Amount
1	A. Mining and Quarrying (A.1 + A.2)	-	-
11	A.1 Coal	-	-
12	A.2 Others	-	-
2	Food Processing (sum of B.1 to B.5)		-
21	B.1 Sugar	-	-
22	B.2 Edible Oils and Vanaspati	-	-
23	B.3 Tea	-	-
24	B.4 Coffee	-	-
25	B.5 Others	-	-
3	C. Beverages (excluding Tea & Coffee) and Tobacco (sum of C.1 & C.2)	-	-
31	C.1 Tobacco and Tobacco Products	-	-
32	C.2 Others	-	-
4	D. Textiles (sum of D.1 to D.6)	-	-
41	D.1 Cotton	-	-
42	D.2 Jute	-	-
43	D.3 Handicraft/Khadi (Non Priority)	-	-
44	D.4 Silk	-	-
45	D.5 Woolen	-	-
46	D.6 Others	-	-
5	E. Leather and Leather Products	-	-
6	F. Wood And Wood Products	-	-
7	G. Paper and Paper Products	-	-
8	H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	-	-
9	I. CHEMICALS AND CHEMICAL PRODUCTS (DYES, PAINTS, ETC.) (sum of I.1 to I.4)	199.40	-
91	I.1 Fertilizers	-	-
92	I.2 Drugs and Pharmaceuticals	-	-
93	I.3 Petro-chemicals (excluding under infrastructure)	-	-
94	I.4 Others	199.40	-
10	J. Rubber, Plastic and their Products	-	-
11	K. Glass & Glassware	-	-
12	L. Cement and Cement Products	-	-
13	M. Basic Metal and Metal Products (sum of M.1 and M.2)	-	-
131	M.1 Iron and Steel	-	-
132	M.2 Other Metal and Metal Products	-	-
14	N. ALL ENGINEERING (sum of N.1 & N.2)	1399.05	-
141	N.1 Electronics	340.00	3.30
142	N.2 Others	1059.05	-
15	O. Vehicles, Vehicle Parts and Transport	179.21	-
16	P. Gems and Jewellery	-	-
17	Q. Construction	-	-
18	R. Infrastructure (sum of R.1 to R.4)	-	-
181	R.1 Transport (sum of R.1.1 to R.1.5)	-	-
1811	R.1.1 Railways	-	-
1812	R.1.2 Roadways	-	-
1813	R.1.3 Airport	-	-
1814	R.1.4 Waterways	-	-
1815	R.1.5 Others	-	-

Industrial Bank of Korea
(Incorporated in Korea)
New Delhi Branch

INDUSTRIAL BANK OF KOREA

(Incorporated in Seoul, Korea with Limited Liability)

NEW DELHI BRANCH

DISCLOSURES UNDER PILLAR-3-MARKET DISCIPLINE OF BASEL-III-CAPITAL REGULATIONS FOR THE PERIOD ENDED 31ST MARCH 2020

182	R.2 Energy (sum of R.2.1 to R.2.4)	-	-
1821	R.2.1 Electricity (generation-transportation and distribution)	-	-
18211	R.2.1.1 State Electricity Boards	-	-
18212	R.2.1.2 Others	-	-
1822	R.2.2 Oil (storage and pipeline)	-	-
1823	R.2.3 Gas/LNG (storage and pipeline)	-	-
1824	R.2.4 Others	-	-
183	R.3 Telecommunication	-	-
184	R.4 Others (sum of R.4.1 to R.4.3)	-	-
1841	R.4.1 Water Sanitation	-	-
1842	R.4.2 Social & Commercial Infrastructure	-	-
1843	R.4.3 Others	-	-
19	S. Other Industries	-	-
20	All Industries (sum of A to S)	1777.66	-
21	Residuary Other Advances (to tally with gross advances) (a+b+c)	1222.40	527.83
211	a. Education Loans	-	-
212	b. Aviation sectors	-	-
213	c. Other Residuary Advances	1222.40	527.83
22	**Total Loans and Advances**	**3000.06**	**531.13**

e. Residual Contractual maturity break down of Assets

(Rupees in millions)

MATURITY BUCKETS	Investment	Loans and Advances	Foreign Currency Assets
Next Day	-	-	59.16
2 TO 7 Days	-	-	-
8 TO 14 Days	49.14	-	-
15 to 30 days	-	5.55	-
31 days and upto 2 months	117.02	54.49	-
More than 2 months and upto 3 months	77.89	414.84	-
Over 3 months upto 6 months	126.62	185.38	-
Over 6 months upto 12 months	-	487.62	-
Over 1 year to 3 years	-	-	-
Over 3 years to 5 years	-	606.97	-
Over 5 years	-	282.79	-
Total	**370.67**	**2037.64**	**59.16**

f. Amount of NPA (Gross)
Nil

g. Net NPA's
Nil

h. NPA Ratios
- Gross NPA to gross advances: Nil
- Net NPA to net advances: Nil

i. Movement of NPAs (Gross)
Opening Balance: Nil
Additions: Nil
Reductions: Nil
Closing Balance: Nil

j. Movement of provisions for NPA
Not applicable

k. Amount of Non-performing investments
Nil

l. Amount of provision held for non-performing investments
Not applicable

m. Movement of provisions for depreciation on investments
Opening Balance: Nil
Provisions made during the period Nil
Write-off Nil
Write-back of excess provisions Nil
Closing Balance: Nil

Table DF-4: Credit risk: Disclosures for portfolio subject to the standardised approach

(i) Qualitative Disclosures:

In line with RBI directive of implementation of the New Capital Adequacy Framework, the Bank accepts the ratings of RBI prescribed following External Credit Rating Agencies (ECRA); under standardization approach:

Domestic ECRA	International ECRA
Credit Analysis and Research Limited (CARE)	Moody's
CRISIL Limited	Standard & Poor's
India Ratings and Research Private Limited (India Ratings) (formerly FITCH India)	Fitch
ICRA Limited	
Brickwork Ratings India Private Limited	
SME Rating Agency of India Limited (SMERA Ratings Limited)	

The risk weights are mapped to the ratings assigned. The facilities for which the rating from ECRA is not available are treated as unrated and corresponding risk weight is assigned depending upon the tenor of the facility.

(ii) Quantitative Disclosures:

The exposure as on 31st March 2020 under each credit risk category is as follows:

(Rupees in millions)

Risk Bucket	Amount
Below 100% Risk Weight	421.93
100% risk weight	3109.26
More than 100% risk weight	-
Total	**3531.19**

Table DF-5: Credit Risk Mitigation: Disclosures for standardised approaches

(i) Qualitative Disclosures:

a. It is the policy of the bank to request for collaterals for corporate credits, unless the business case warrants unsecured lending. Collaterals stipulated are usually mortgages, charge over business stock and debtors, financial instruments. However, collateral is important to mitigate risk. The bank has adopted norms of valuation of collateral as stipulated in the prudential guidelines of RBI. Credit facilities which are backed by corporate guarantees of parent, take into account shareholding of the parent in the borrower and the credit worthiness of the guarantor.

(ii) Quantitative Disclosures:

b. **For each separately disclosed credit risk portfolio the total exposure (after, where applicable, on- or off balance sheet netting) that is covered by eligible financial collateral after the application of haircuts:**
INR 99.40 million

c. **For each separately disclosed portfolio the total exposure (after, where applicable, on- or off-balance sheet netting) that is covered by guarantees/credit derivatives (whenever specifically permitted by RBI)**
Nil

Table DF-6: Securitisation: Disclosure for standardised approach

Not applicable as the bank has not entered into any securitisation activity during the period ended 31st March 2020.

Table DF-7: Market Risk in Trading Book

(i) Qualitative Disclosures:

Market risk is the risk arising out of movements in foreign exchange rates, interest rates or equity prices that will result in profits or losses to the bank. The bank assumes market risk in its lending and deposit taking business and its investment activities. The objective of market risk management is to control market risk exposures to achieve an optimal return while maintaining risk at acceptable levels.

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The bank calculates the risk charge on market risk on the basis of standardised approach as prescribed by RBI. The portfolio contains foreign exchange and interest rate risk only. The interest rate risk is computed on the basis of duration based approach.

(ii) Quantitative Disclosures:

The capital requirements for market risk are as follows:

(Rupees in millions)

Components of Market Risk	Amount
Interest rate risk	0.89
Foreign exchange risk	0.84
Equity risk	Nil
Total	**1.73**

Table DF-8: Operational Risk

(i) Qualitative Disclosures:

The Bank's Operational Risk Management framework includes the identification, assessment, measurement and monitoring & oversight of operational risks within the Bank. Operations of IBK New Delhi Branch currently follow Head Office policies for Operational Risk Management.

The Bank has a commitment to meeting high ethical and Operational Risk Management standards in the way it conducts its business. The governing principles and fundamental components of the Bank's operational risk management approach include accountability in the individual business lines for management and control of the significant operational risks to which they are exposed.

IBK New Delhi Branch using an effective organization structure ensures the following to manage the operational risk by:

a. Separation of duties between key functions.

b. Periodic operational risk self-assessment tools.

c. Comprehensive assessment of all new products and processes.

d. Risk mitigation programs, which use insurance policies to transfer the risk of high severity losses e.g. cash, where feasible and appropriate

e. Business Continuity Plan: Business Disruption of key business services for an extended period of time can affect the Bank's image/ downfall, unless appropriate emergency response and business resumption strategies are maintained.

As permitted by RBI, the Bank presently follows the Basic Indicator Approach for assessing the capital requirement related to capital charge for Operational Risk.

Table DF-9: Interest rate risk in the banking book (IRRBB)

(i) Qualitative Disclosures:

Interest Rate risk in Banking Book (IRRBB) refers to the risk of loss in earnings or economic value of the Bank's Banking Book as a consequence of movement in interest rates. Interest rate risk arises from holding assets/ liabilities and Off-Balance Sheet [OBS] items with different principal amount, maturity dates or re-pricing dates thereby creating exposure to changes in levels of interest rates.

IRRBB Organization Structure

Asset Liability Management Committee (ALM Committee) ensures compliance with regulatory and internal policies related to IRRBB and provides strategic direction, for achieving IRRBB management objectives. The Assets and Liabilities Management Committee of IBK New Delhi Branch has been established to provide the framework to strategically manage the bank's assets and liabilities while adhering to the risk management objectives established by the Management committee. The ALM is responsible for formulating the branch's asset and liability strategy including the pricing of advances and deposits, balance sheet planning, funding decisions, spread management and also for managing Market and Liquidity risk.

The ALM meeting is convened on a periodic basis to review risks, market condition and its impact on balance sheet.

(ii) Quantitative Disclosures:

Interest rate risk in banking book is primarily the change in the net interest income and the value of the bank's assets and liabilities, due to changes in interest rate. This is assessed from the following perspectives:

a. Earnings perspective (Earnings-at-risk) approach

From an Earnings perspective, the Interest rate sensitivity gap reports indicate whether the Bank is in a position to benefit/lose from rise/ fall in interest rates due to repricing of assets and liabilities under various interest rate movement scenarios; the impact which may be observed on the Net Interest Income of the bank.

b. Economic Value perspective (i.e. Market Value of Equity-MVE approach)

From an Economic Value perspective, the Duration Gap report indicates the impact of movement in interest rate on the value of banks assets and liabilities and thus impacting the value of equity of the Bank.

Based on assets and liabilities position as at 31st March 2020 using Traditional Gap analysis, the impact of 100 bps change upward/ downward in interest rate on Net Interest Income (NII) amounted to expected gain/loss of INR 6.99 million approx.

Table DF-10: General Disclosure for Exposures related to Counterparty Credit Risk

(i) Qualitative Disclosures:

a. The counterparty credit risk limits for the banking counterparties are assessed and approved as per internal guidelines by head Office on proposal submitted by treasury.

b. The limit review is carried out annually.

c. The bank monitors and reports the limit utilisations to internal management/HO as per laid down guidelines.

(ii) Quantitative Disclosures:

The derivative exposure is calculated using Current Exposure Method. However, there is no derivative exposure outstanding as at 31st March 2020.

Table DF-11: Composition of Capital

(Rupees in millions)

Basel III common disclosure template to be used from March 31, 2017			Amounts Subject to Pre-Basel III Treatment	Ref No.
Common Equity Tier 1 capital: instruments and reserves				
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	3926.01		a
2	Retained earnings(Statutory reserves)	117.68		b
3	Accumulated other comprehensive income (and other reserves)	347.08		
6	**Common Equity Tier 1 capital before regulatory adjustments**	**4390.77**		
Common Equity Tier 1 capital: regulatory adjustments				
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	0.11		
10	Deferred tax assets	18.64		

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Basel III common disclosure template to be used from March 31, 2017			Amounts Subject to Pre-Basel III Treatment	Ref No.
28	**Total regulatory adjustments to Common Equity Tier 1**	**18.75**		
29	**Common Equity Tier 1 capital (CET1)**	**4372.02**		
44	**Additional Tier 1 capital (AT1)**	-		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**4372.02**		
Tier 2 capital: instruments and provisions				
50	Provisions	16.77		
	Investment Reserve	10.41		
51	**Tier 2 capital before regulatory adjustments**	**27.18**		
Tier 2 capital: regulatory adjustments				
57	**Total regulatory adjustments to Tier 2 capital**	-		
58	**Tier 2 capital (T2)**	**27.18**		
59	**Total capital (TC = T1 + T2)**	**4399.19**		
60	**Total risk weighted assets (60a + 60b + 60c)**	**4054.11**		
60a	of which: total credit risk weighted assets	3358.65		
60b	of which: total market risk weighted assets	19.18		
60c	of which: total operational risk weighted assets	676.29		
Capital ratios				
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	**107.84%**		
62	Tier 1 (as a percentage of risk weighted assets)	**0.67%**		
63	Total capital (as a percentage of risk weighted assets)	**108.51%**		
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	-		
65	of which: capital conservation buffer requirement	**1.875%**		
66	of which: bank specific countercyclical buffer requirement	-		
67	of which: G-SIB buffer requirement	-		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	-		
National minima (if different from Basel III)				
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%		
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%		
71	National total capital minimum ratio (if different from Basel III minimum)	10.875%		
Amounts below the thresholds for deduction (before risk weighting)				
	Not Applicable			
Applicable caps on the inclusion of provisions in Tier 2				
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	27.18		
77	Cap on inclusion of provisions in Tier 2 under standardised approach	41.98		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	NA		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	NA		
Capital instruments subject to phase out arrangements (only applicable between March 31, 2017 and March 31, 2022)				

Table DF-12: Composition of Capital-Reconciliation Requirements

Step-1

(Rupees in millions)

S. No	Particulars	Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
		As on 31st March 2020	**As on 31st March 2020**
A	**Capital & Liabilities**		
i	Paid-up Capital(Interest free funds from Head Office)	3926.01	
	Reserves & Surplus	475.17	
	Minority Interest	-	
	Total Capital	4401.18	
ii	Deposits	2058.20	
	of which: Deposits from banks	-	
	of which: Customer deposits	2058.20	
	of which: Other deposits (pl. specify)	-	

INDUSTRIAL BANK OF KOREA

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DISCLOSURES UNDER PILLAR-3-MARKET DISCIPLINE OF BASEL-III-CAPITAL REGULATIONS FOR THE PERIOD ENDED 31ST MARCH 2020

S. No	Particulars	Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
		As on 31st March 2020	**As on 31st March 2020**
iii	Borrowings	-	
	of which: From RBI	-	
	of which: From banks	-	
	of which: From other institutions & agencies	-	
iv	Other liabilities & provisions	207.71	
	Total Liabilities	**6667.09**	
B	**Assets**		
i	Cash and balances with Reserve Bank of India	254.78	
	Balance with banks and money at call and short notice	3689.43	
ii	Investments:	370.69	
	of which: Government securities	370.69	
	of which: Other approved securities	-	
	of which: Shares	-	
	of which: Debentures & Bonds	-	
	of which: Subsidiaries/Joint Ventures/ Associates	-	
	of which: Others (Commercial Papers, Mutual Funds etc.)	-	
iii	Loans and advances	2037.64	
	of which: Loans and advances to banks	-	
	of which: Loans and advances to customers	2037.64	
iv	Fixed assets	9.38	
v	Other assets	305.17	
	of which: Goodwill and intangible assets	-	
	of which: Deferred tax assets	-	
vi	Goodwill on consolidation	-	
vii	Debit balance in Profit & Loss account	-	
	Total Assets	6667.09	

Step-2 (Rupees in millions)

S. No	Particulars	Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Ref No
		As on 31st March 2020	**As on 31st March 2020**	
A	**Capital & Liabilities**			
i	Paid-up Capital	3926.01		a
	of which: Amount eligible for CET1	3926.01		
	of which: Amount eligible for AT1	-		
	Reserves & Surplus	475.17		
	Of which: Statutory Reserves	117.68		b
	Of which : Investment reserve	10.41		c
	Of which: Balance in Profit & Loss A/c	347.08		c
	Minority Interest	-		
	Total Capital	4401.18		
ii	Deposits	2058.20		
	of which: Deposits from banks	-		
	of which: Customer deposits	2058.20		
	of which: Other deposits (pl. specify)	-		
iii	Borrowings	-		
	of which: From RBI	-		
	of which: From banks	-		
	of which: From other institutions & agencies			
iv	Other liabilities & provisions	207.71		
	Of which: DTLs related to goodwill	-		
	Of which: DTLs relatedto intangible assets	-		
	Total Liabilities	**6667.09**		

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DISCLOSURES UNDER PILLAR-3-MARKET DISCIPLINE OF BASEL-III-CAPITAL REGULATIONS FOR THE PERIOD ENDED 31ST MARCH 2020

S. No	Particulars	Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Ref No
		As on 31st March 2020	As on 31st March 2020	
B	**Assets**			
i	Cash and balances withReserve Bank of India	254.78		
	Balance with banks and money at call and short notice	3689.43		
ii	Investments	370.69		
	of which: Government securities	370.69		
	of which:Other approved securities	-		
	of which: Shares	-		
	of which: Debentures & Bonds	-		
	of which: Subsidiaries/Joint Ventures/Associates	-		
	of which: Others (Commercial Papers, Mutual Funds etc.)	-		
iii	Loans and advances	2037.64		
	of which: Loans and advances to banks	-		
	of which: Loans and advances to customers	2037.64		
iv	Fixed assets	9.38		
v	Other assets	305.17		
	of which: Goodwill and intangible assets	-		
	of which: Deferred tax assets	18.64		
vi	Goodwill on consolidation	-		
vii	Debit balance in Profit & Loss account	-		
	Total Assets	**6667.09**		

Step-3

Extract of Basel III common disclosure template (with added column) – Table DF-11(Part-II)

		Component of regulatory capital reported by bank	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from step 2
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	3926.01	a
2	Retained earnings(Statutory Reserves)	117.68	b
3	Accumulated other comprehensive income (and other reserves)	357.49	c
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	Common Equity Tier 1 capital before regulatory adjustments	-	
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	

Table DF-13: Main features of regulatory capital instruments

The Bank has not issued any Regulatory Capital Instruments forming part of Capital Funds. The Capital Funds of the bank mainly consist of Interest Free Funds received from Head Office, Reserves & Surplus and General Provisions on Standard Assets.

Table DF-14: Full Terms & Conditions of Regulatory Capital Instruments

The Bank has not issued any Regulatory Capital Instruments forming part of Capital Funds. The Capital Funds of the bank mainly consist of Interest Free Funds received from Head Office, Reserves & Surplus and General Provisions on Standard Assets.

Table DF-15: Disclosure Requirements for Remuneration

In terms of guidelines issued by RBI vide circular no. DBOD No BC 72/29.67.001/2011-12 dated 13th Jan 2012 on "Compensations of Whole Time Directors/Chief Executive Officers/Risk Takers and Control Function Staff etc.'', the bank has submitted a declaration received from its Head office to RBI to the effect that the compensation structure in India, including that of CEO's is in conformity with FSB principles and standards.

For and on behalf of
Industrial Bank of Korea
New Delhi Branch

sd/-
Bum Keon Lee
Chief Executive Officer

Place: New Delhi
Date: 7 July 2020
UDIN: 20095371AAAADD9175

JSC VTB BANK

(Incorporated in Russia, With Limited Liability)

Regus Connaught Place Business Centre, Level 1, Red Fort Capital Parsavnath Towers, Bhai Veer Singh Marg, Gole Market, New Delhi 110001.

INDEPENDENT AUDITOR'S REPORT

ON THE FINANCIAL STATEMENTS OF JSC VTB BANK, NEW DELHI BRANCH UNDER SECTION 30 OF THE BANKING REGULATION ACT, 1949

Opinion

1. We have audited the accompanying financial statements of **JSC VTB Bank** ('the Bank') which comprise the balance sheet as at 31st March 2020, the statement of profit and loss and cash flow statement for the year ended on **31st March 2020**, and notes to the financial statements, including significant accounting policies and other explanatory information.

   In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949, companies Act, 2013 & applicable provisions of RBI in case of a branch of Foreign Bank (to the extent as applicable) in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India and:

   a) True and fair view in case of the Balance Sheet, of the State of Affairs of the Bank as at March 31, 2020;

   b) True balance of profit in case of Profit & Loss Account for the year ended on that date; and

   c) True and fair view in case of Cash Flow Statement for the year ended on that date.

Basis for Opinion

2. We conducted our audit in accordance with the Standards on Auditing (SAs) issued by the Institute of Chartered Accountants of India (the ICAI). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the code of ethics issued by the ICAI together with ethical requirements that are relevant to our audit of the Financial Statements under the provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

   Emphasis of Matter

   We draw your attention to note No 01 to the accompanying standalone financial results, which describe the maintenance of minimum capital by infusion of additional capital in the Bank Branch in India for incurring the loss of Rs. 37,14,27,395/-. The Bank branch has intimated the RBI to continue operations in India in FY 2019-20 and received the approval in this regard and started the due procedure for infusion of capital. However, requisite capital was not infused during the instant FY 2019-20.

   We draw your attention to note No 14 to the accompanying standalone financial results, which describe the uncertainties due to outbreak of novel corona virus (COVID-19) and the management's assessment of its impact on the business operations of the bank. The situation continues to be uncertain and the Head office of the India Branch (Auditee) is evaluating the situation on an ongoing basis with respect to the challenges faced.

Key Audit matters

3. Key Audit Matters are those matters that in our professional judgment were of most significance in our audit of the Financial Statements for the year ended March 31, 2020. These matters were addressed in the context of our audit of the Financial Statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters. We have determined the matters described below to be the Key Audit Matters to be communicated in our report:-

Key Audit Matters	Auditor's Response
i) Classification of Advances and Identification of and provisioning for non-performing Advances in accordance with the RBI guidelines. The carrying value of these advances (net of provisions) may be materially misstated if, either individually or in aggregate, the IRAC norms are not properly followed. Considering the nature of the transactions, regulatory requirements, existing business environment, estimation/ judgement involved in valuation of securities, it is a matter of high importance for the intended users of the Financial Statements. Considering these aspects, we have determined this as a Key Audit Matter. Accordingly, our audit was focused on income recognition, asset classification and provisioning pertaining to advances due to the materiality of the balances. The Bank don't have any advances during the F.Y. 2019-20	Our audit approach towards advances with reference to the IRAC norms and other related circulars/directives issued by RBI and also internal policies and procedures of the Bank includes the testing of the following: – The accuracy of the data input in the system for income recognition, classification into performing and nonperforming Advances and provisioning in accordance with the IRAC Norms in respect of the branches allotted to us; – Existence and effectiveness of monitoring mechanisms such as Internal Audit, Systems Audit, Credit Audit and Concurrent Audit as per the policies and procedures of the Bank; We have examined the efficacy of various internal controls over advances to determine the nature, timing and extent of the substantive procedures and compliance with the observations of the various audits conducted as per the monitoring mechanism of the Bank and RBI Inspection.
ii) Assessment of Provisions and Contingent liabilities in respect of certain litigations including Direct and Indirect Taxes, various claims filed by other parties not acknowledged as debt.	Our audit approach involved :- a. Understanding the current status of the litigations/tax assessments; b. Examining recent orders and/or communication received from various Tax Authorities/ Judicial forums and follow up action thereon; c. Evaluating the merit of the subject matter under consideration with reference to the grounds presented therein and available independent legal/tax advice ; and d. Review and analysis of evaluation of the contentions of the Bank through discussions, collection of details of the subject matter under consideration, the likely outcome and consequent potential outflows on those issues.

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INDEPENDENT AUDITOR'S REPORT

iii) Modified Audit Procedures carried out in light of COVID-19 outbreak: Due to COVID-19 pandemic, Nation-wide lockdown and travel restrictions imposed by Central/State Government/Local Authorities during the period of our audit and the RBI directions to Bank to facilitate carrying out audit remotely wherever physical access was not possible, audit could not be conducted by visiting the premises of certain Branches/LHOs/ Business Units in the Corporate Office of the bank. As we could not gather audit evidence in person/ physically/ through discussions and personal interactions with the officials at the Branches/Circle/Administrative /Corporate Offices, we have identified such modified audit procedures as a Key Audit Matter. Accordingly, our audit procedures were modified to carry out the audit remotely.	Due to the outbreak of COVID-19 pandemic that caused nationwide lockdown and other travel restrictions imposed by the Central and State Governments/local administration during the period of our audit, we could not travel to the Branches/Circle /Administrative /Corporate Offices and carry out the audit processes physically at the respective offices. Wherever physical access was not possible, necessary records/ reports/ documents/ certificates were made available to us by the Bank through digital medium, emails and remote access to CBS, CCDP and other relevant application software. To this extent, the audit process was carried out on the basis of such documents, reports and records made available to us which were relied upon as audit evidence for conducting the audit and reporting for the current period. Accordingly, we modified our audit procedures as follows: a. Conducted verification of necessary records/ documents/ CBS/ CCDP and other Application software electronically through remote access/emails in respect of some of the Branches/LHOs/Administrative Offices and other offices of the Bank wherever physical access was not possible. b. Carried out verification of scanned copies of the documents, deeds, certificates and the related records made available to us through emails and remote access over secure network of the Bank. c. Making enquiries and gathering necessary audit evidence through Video Conferencing, dialogues and discussions over phone calls/conference calls, emails and similar communication channels. d. Resolution of our audit observations telephonically/ through email instead of a face-to-face interaction with the designated officials

4. Information other than financial statements and auditor's Report thereon

The bank's management is responsible for the other information. The other information comprises the information included in the Basel-III disclosures but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, examine if the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our examination, we conclude that there is material misstatement of this other information; we are required to report the fact. We have nothing to report in this regard.

Management's Responsibility for the Financial Statements

5. The bank's management is responsible for the preparation of these financial statements in accordance with the provisions of section 29 of Banking Regulation Act 1949, section 133 of Companies Act 2013 read with rule 7 of the companies (Accounts) rules 2014, Reserve Bank of India guidelines from time to time and accounting standards generally accepted in India which gives a true and fair view.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

That Management of the India Branch is also responsible for overseeing the bank's financial reporting process.

Auditors' Responsibility

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material, if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than forgone resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation structure and content of the Financial Statements, including the disclosures and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation

Materiality is the magnitude of misstatements in the Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the Key Audit Matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the **THIRD SCHEDULE** and **SECTION 29 OF THE BANKING REGULATION ACT, 1949**;
2. Subject to the limitations of the audit indicated in paragraph 1 to 5 above and as required by the Banking Regulation Act'1955 &Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980, and subject also to the limitations of disclosure required therein and required by Subsection (3) Section 30 of the Banking Regulation Act'1955 , we report that:
    a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit and have found them to be satisfactory;
    b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
    c) The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

We further report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit

b) In our opinion, proper books of accounts as required by law have been kept by the bank so far as it appears from our examination of those books;

c) The Balance Sheet, Profit and Loss account and cash flow statement dealt with by this report are in agreement with the books of account and returns;

d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the accounting standards specified under section 133 of the Companies Act 2013, read with Rule 7 of the companies (Accounts) rules, 2014 to the extent they are not in conflict with the accounting policies prescribed by Reserve Bank of India.

e) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate report in "**Annexure 1**" to this report;

f) We draw your attention to note No 01 to the accompanying standalone financial results, which describe the maintenance of minimum capital by infusion of additional capital in the Bank Branch in India for incurring the loss of Rs. 37,14,27,395/-. The Bank branch has intimated the RBI to continue operations in India in FY 2019-20 and received the approval in this regard and started the due procedure for infusion of capital. However the requisite capital was not infused during the instant FY 2019-20.

g) With respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) rules, 2014, in our opinion and to the best of our information and explanations given to us.

I. The Bank has no pending litigations against it.

II. The bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses and

III. There were no amounts which were required to be transfer to the Investor Education and Protection Fund by the bank.

IV. The provision in regards to qualification of Directors of the bank under section (2) of section 164 of the Companies Act 2013 is not applicable.

For S R K A & Company
(Chartered Accountants)
F.R.N. 020656N

sd/-
Satish Agrawal
(Partner)
M. No. 505969

Place: New Delhi
Date: 08th July, 2020
UDIN:20505969AAAADT2943

JSC VTB BANK

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Annexure - A to the Auditors' Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of JSC VTB Bank ("the Bank") as on 31st March 2020 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A Bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control over financial reporting includes those policies and procedures that

(1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorisations of management and directors of the Bank; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2020, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S R K A & Company
(Chartered Accountants)
F.R.N. 020656N

sd/-
Satish Agrawal
(Partner)
M. No. 505969
UDIN:20505969AAAADT2943

Place: New Delhi
Date: 08th July, 2020

JSC VTB BANK

(Incorporated in Russia, With Limited Liability)

Regus Connaught Place Business Centre, Level 1, Red Fort Capital Parsavnath Towers, Bhai Veer Singh Marg, Gole Market, New Delhi 110001.

(000's omitted)

BALANCE SHEET AS AT 31ST MARCH 2020

	Schedule	**As on 31st March 2020 Rs.**	As on 31st March 2019 Rs.
CAPITAL AND LIABILITIES			
Capital	1	1,105,661	1,105,661
Reserves & Surplus	2	(258,082)	(371,427)
Deposits	3	511	364
Borrowings	4	–	–
Other liabilities and provisions	5	17,613	9,932
TOTAL		**865,704**	**744,530**
ASSETS			
Cash and Balances with Reserve Bank of India	6	53,073	52,923
Balances with banks and money at call and		–	–
short notice	7	701,649	661,842
Investments	8	–	–
Advances	9	–	–
Fixed Assets	10	1,715	2,517
Other Assets	11	109,266	27,248
TOTAL		**865,704**	**744,530**
Contingent Liabilities	12	–	–
Bills for Collection		–	–

Significant Accounting Policies and Notes forming part of Accounts 17,18

The Schedules referred to herein form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our report of even date.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2020

	Schedule	**Year Ended 31st March 2020 Rs.**	Year Ended 31st March 2019 Rs.
I. INCOME			
Interest earned	13	26,103	129
Other income	14	85,600	356
TOTAL		**111,703**	**484**
II. EXPENDITURE			
Interest expended	15	–	–
Operating expenses	16	74,970	107,645
Provisions and contingencies		(76,611)	0
TOTAL		**(1,641)**	**107,645**
III. PROFIT			
Net Profit /(Loss) for the year		113,344	(107,161)
Profit /(Loss) brought forward		(388,307)	(281,146)
TOTAL		**(274,962)**	**(388,307)**
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		28,336	–
Remitted to H.O.		–	–
Balance carried over to Balance Sheet		(303,298)	(388,307)
TOTAL		**(274,962)**	**(388,307)**

Significant Accounting Policies and Notes forming part of Accounts 17,18

The Schedules referred to herein form an integral part of the Profit and Loss Account.
This is the Profit and Loss Account referred to in our report of even date.

For S R K A & Company
Chartered Accountants

sd/-
(Satish Agrawal)
Partner
Membership No. 505969
FRN - 020656N
UDIN: 20505969AAAADT2943

Place : New Delhi
Dated : 08/07/2020

For JSC VTB BANK
New Delhi Branch

sd/-
(Olga Basha)
Chief Executive Officer

JSC VTB BANK

(Incorporated in Russia, With Limited Liability)

Regus Connaught Place Business Centre, Level 1, Red Fort Capital Parsavnath Towers, Bhai Veer Singh Marg, Gole Market, New Delhi 110001.

Schedules forming part of The Balance Sheet as at 31st March 2020

(000's Omitted)

	As at 31st March 2020 Rs.	As at 31st March 2019 Rs.
Schedule 1 - Capital		
i) Amount received from Head Office	1,105,661	1,105,661
ii) Profits retained	–	–
iii) Amounts received from Head Office for acquisition of property.	–	–
iv) Amount deposited with RBI under section 11(2) of the Banking Regulation Act, 1949 Current Year Rs. 16,879,651 Previous Year Rs. 16,879,651	–	–
TOTAL	**1,105,661**	**1,105,661**
Schedule 2 - Reserves and Surplus		
I. Statutory Reserve		
Opening Balance	16,880	16,880
Additions during the year	28,336	–
Deductions during the year	–	–
sub-total	45,216	16,880
II. Revenue and other Reserve		
Opening Balance.	–	–
Additions during the year	–	–
Deductions during the year	–	–
sub-total	–	–
III. Capital Reserve		
Opening Balance	–	–
Additions during the year	–	–
Deductions during the year	–	–
sub-total	–	–
IV. Investment Fluctuation Reserve		
Opening Balance	–	–
Additions during the year	–	–
Additions during the year	–	–
sub-total	–	–
IV. Balance in Profit and Loss Account	(303,298)	(388,307)
sub-total	(303,298)	(388,307)
TOTAL (I, II,III and IV)	**(258,082)**	**(371,427)**
Schedule 3 - Deposits		
A I. Demand Deposits		
i) From banks	–	–
ii) From others	511	364
	511	**364**
II. Savings Bank Deposits	–	–
III. Term Deposits		
i) From banks	–	–
ii) From others	–	–
	–	–
TOTAL (I, II and III)	**511**	**364**
B i) Deposits of branches in India	511	364
ii) Deposits of branches outside India	–	–
TOTAL	**511**	**364**

	As at 31st March 2020 Rs.	As at 31st March 2019 Rs.
Schedule 4 - Borrowings		
I. Borrowings in India :		
i) Reserve Bank of India	–	–
ii) Other banks	–	–
ii) Other institutions and agencies.	–	–
	–	–
II. Borrowings outside India	–	–
TOTAL (I and II)	**–**	**–**
Secured borrowings included in I & II above	–	–
Schedule 5 - Other Liabilities and Provisions		
I. Bills payable	–	–
II. Inter-office adjustments (net)	–	–
III. Interest accrued	–	–
IV. Subordinated Loan in the nature of long term borrowings in foreign currency from Head Office	–	–
V. Others (including provisions)	17,613	9,932
TOTAL	**17,613**	**9,932**
Schedule 6 - Cash and Balances with Reserve Bank of India		
I. Cash in hand (including foreign currency notes)	305	155
II. Balances with Reserve Bank of India		
i) In Current Account	35,888	35,888
ii) In Other Accounts	16,880	16,880
TOTAL (I and II)	**53,073**	**52,923**
Schedule 7 - Balances with Banks and Money at Call and Short Notice		
I. In India		
i) Balance with banks		
a) In Current accounts	307,319	661,089
b) In other Deposit accounts :		
– Schedule Banks	–	–
– Placement with Other Banks	392,800	
ii) Money at call and short notice		
a) With Banks	–	–
b) With Other Institutions	–	–
TOTAL	**700,119**	**661,089**
II. Outside India		
i) In Current Accounts	1,530	753
ii) In Other Deposit Accounts	–	–
iii) Money at Call and Short Notice	–	–
TOTAL	**1,530**	**753**
TOTAL (I and II)	**701,649**	**661,842**

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Schedules forming part of The Balance Sheet as at 31st March 2020

(000's Omitted)

	As at 31st March 2020 Rs.	As at 31st March 2019 Rs.
Schedule 8 -		
A. Investments In India		
I. Gross Investments	–	–
Less. Provision for Depreciation in Investments	–	–
II. Net Investments in India	–	–
Break up of Net Investments in India in :		
i) Government Securities	–	–
ii) Other approved Securities	–	–
iii) Shares	–	–
iv) Debentures and Bonds	–	–
v) Subsidiaries and/or joint ventures.	–	–
vi) Others	–	–
B. Investments Outside India	–	–
TOTAL	–	–
Schedule 9 - Advances :		
A. i) Bills Purchased and Discounted.	–	–
ii) Cash Credits, Overdrafts and Loans repayable on demand.	–	–
iii) Term Loans	–	–
TOTAL	–	–
B. i) Secured by tangible assets * (* includes advances secured by fixed deposits and Book Debts)	–	–
ii) Covered by Bank/Government Guarantees.	–	–
iii) Unsecured	–	–
TOTAL	–	–
C. I. Advances in India		
i) Priority sectors	–	–
ii) Public sector	–	–
iii) Banks	–	–
iv) Others	–	–
II. Advances outside India	–	–
TOTAL	–	–
Schedule 10 - Fixed Assets		
I. Premises		
At cost as on 31st March of the preceding year	–	–
Additions during the year	–	–
Deductions during the year	–	–
Depreciation to date	–	–
TOTAL	–	–

	As at 31st March 2020 Rs.	As at 31st March 2019 Rs.
II. Other Fixed Assets (including furniture and fixtures)		
At cost as on 31st March of the preceding year.	2,517	3,644
Additions during the year	–	–
Deductions during the year.	90	1
Deductions due to Estimated lives adjustments.	–	–
Depreciation to date.	711	1,126
TOTAL	**1,715**	**2,517**
III. Capital work in progress	–	–
TOTAL(II, III)	**1,715**	**2,517**
III. Capital Work in Progress		–
TOTAL (I, II, III)	**1,715**	**2,517**
Schedule 11 - Other Assets		
I. Inter-Office adjustment (net)	–	–
II. Interest accrued	534	–
III. Tax paid in Advance/ Tax deducted	–	–
at source	16	16
IV. Deferred Tax Assets (Net)	77,099	–
V. Others	31,618	27,232
TOTAL	**109,266**	**27,248**
Schedule 12 - Contingent Liabilities		
I. Claims against the bank not acknowledged as debts	–	–
II. Liability for partly paid investments	–	–
III. Liability on account of outstanding-Forward exchange contracts	–	–
IRS/CRS	–	–
IV. Guarantees given on behalf of constituents		
a) In India	–	–
b) Outside India	–	–
V. Acceptances, endorsements and other obligations	–	–
VI. Other items for which the Bank is contingently liable	–	–
TOTAL	–	–

JSC VTB BANK

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Schedules forming part of the Profit and Loss Account for the Year Ended 31st March 2020

(000's Omitted)

	Year ended 31st March 2020 Rs.	Year ended 31st March 2019 Rs.
Schedule 13 - Interest Earned		
I. Interest/discount on advances/bills.	–	–
II. Income on investments.	1,192	–
III. Interest on balances with Reserve Bank of India and other inter-bank funds.	24,912	89
IV. Others	–	40
TOTAL	**26,104**	**129**
Schedule 14 - Other Income		
I. Commission, exchange and brokerage	25,618	0
II. Profit/(Loss) on sale of investments (net)	–	–
III. Profit/(loss) on sale of land, buildings and other assets(net).	178	–
IV. Profit on exchange transactions (net)	59,803	355
V. Miscellaneous Income	1	0
TOTAL	**85,600**	**355**
Schedule 15 - Interest Expended		
I. Interest on deposits	–	–
II. Interest on Reserve Bank of India/ Inter-bank borrowings.	–	–
III. Others	–	–
TOTAL	–	–

	Year ended 31st March 2020 Rs.	Year ended 31st March 2019 Rs.
Schedule 16 - Operating Expenses		
I. Payments to and provisions for employees	46,742	61,425
II. Rent, taxes and lighting.	14,484	32,097
III. Printing and stationery	249	285
IV. Advertisement and publicity	–	16
V. Depreciation on bank's property	711	1,126
VI. Local Advisory Board member's fees, allowances and expenses	–	–
VII. Auditors' fees and expenses (including branch auditors)	545	781
VIII. Law Charges	–	1,134
IX. Postage, Telegrams, Telephones, etc.	203	330
X. Repairs and maintenance	1,544	1,264
XI. Insurance	95	172
XII. Other expenditure	10,396	9,015
TOTAL	74,970	107,645

Schedule 17 – Significant Accounting Policies forming part of the accounts for the year ended 31st March 2019.

I. Significant Accounting Policies

1. BASIS OF PREPARATION

The financial statements of the JSC VTB Bank New Delhi Branch (the Bank) have been prepared and presented under the historical cost convention on the accrual basis of accounting, unless otherwise stated, and comply with generally accepted accounting principles, statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, the Accounting Standards ('AS') issued by the Institute of Chartered Accountants of India ('ICAI') and notified by Companies Accounting Standards Rules, 2014 to the extent applicable and current practices prevailing within the banking industry in India.

2. USE OF ESTIMATES

The preparation of the financial statements requires management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including Contingent Liabilities) as of the date of the Financial Statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

3. INCOME AND EXPENSE RECOGNITION

Income and Expenditure is generally accounted for on accrual basis except as stated below:

Interest income is recognised in the profit and loss account as it accrues except in the case of non-performing assets where it is recognised, upon realisation, as per the prudential norms of RBI.

a) Income from Non - Performing Advances (NPAs), comprising of Advances and Investments, which is recognized upon realisation, as per the prudential norms prescribed by Reserve Bank of India.

b) Commission on Guarantees/Letters of Credit is booked upfront.

4. TRANSACTIONS INVOLVING FOREIGN EXCHANGE

a) Monetary Assets and Liabilities in foreign currencies are translated at the exchange rates notified by the Foreign Exchange Dealers Association of India (FEDAI) as at the end of the year and the profit or loss arising out of such translation is taken to P&L A/c.

b) Income and expenditure items are accounted for at the exchange rates prevailing on the date of such transactions.

c) Contingent Liabilities are disclosed as under:

(i) Outstanding Forward Exchange Contracts at the contracted rates.

(ii) Guarantees, endorsements and other obligations at the exchange rates notified by FEDAI as at the end of the year.

5. INVESTMENTS

(a) Basis of Classification

In accordance with RBI Guidelines, Investments in India are classified into:

I. Held till Maturity

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II. Available for Sale
III. Held for Trading

The bank has classified all its Investments in `Available for Sale' category. Each category is further classified into (i) Government Securities (ii) Other Approved Securities (iii) Shares (iv) Debentures & Bonds (v) Investments in Subsidiaries/Joint Ventures and (vi) Other Investments.

(b) Valuation

The Investments have been valued as per RBI guidelines at cost or market value whichever is lower, on item-wise basis. Diminution in value of investments is recognized in the profit and loss account on item-wise basis, whereas the net appreciation, if any, in each category is ignored.

(c) For the purpose of considering the market value, prices are available from stock exchanges, or as notified by Fixed Income Money Market and Derivatives Association of India (FIMMDA)/Primary Dealers Association of India (PDAI) have been taken and wherever these are not available, the investments have been valued as per norms laid down by the RBI which are as under:

- **(i) Government Securities and Public Sector Undertaking Bonds** – Valued at yield to maturity (YTM) basis on the rates as notified by FIMMDA/PDAI.
- **(ii) Treasury Bills** – Valued at carrying cost.

6. ADVANCES

(a) Advances if any, are classified into performing and non-performing advances based on the prudential norms prescribed by RBI and are shown net of required provisions.

(b) Non-performing Assets (NPAs), if any, are further classified as Sub-standard, Doubtful and Loss assets, and provision there on is made in accordance with the prudential norms prescribed by RBI from time to time.

(c) Provisions for Loan Losses are made in respect of both funded and non-funded advances based on periodic review, at rates prescribed as per the guidelines issued by the RBI.

(d) As per RBI Guidelines, a general provision for Standard Assets & Country Risk has been made and included under "Other Liabilities and Provisions".

7. COUNTRY RISK MANAGEMENT

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risks categories namely insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

8. FIXED ASSETS AND DEPRECIATION

(a) Premises and other Fixed Assets are stated at their Written down Value as reduced by depreciation of current period.

(b) Depreciation is provided as per the Written Down Value method at the rates specified in the Schedule II of the Companies Act, 2013 except for:

- o Computer systems, which are being depreciated on straight-line basis at the rate of 33.33 per cent as per RBI guidelines.
- o Items (including computer systems), the purchase value of which is up to Rs. 30,000 are fully depreciated in the year of purchase itself.

9. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction and the resulting Profit or Loss is recognised in the Profit and Loss Account.

10. STAFF BENEFITS

As per the requirements of AS-15 (Revised 2005) - Employee benefits, the bank has determined the actuarial liability for employee benefits as per the projected unit cost method using an independent Actuary. Actuarial gain or loss is recognized in Statement Profit and Loss.

Gratuity

The Bank provides for gratuity, a defined benefit retirement plan covering all employees. Vesting occurs on completion of five years of service.

Liabilities with regard to gratuity are accounted for on actuarial valuation basis.

Compensated Absences

The Bank has provided for leave encashment benefit (long term), which is a defined benefit scheme.

Liabilities with regard to leave encashment are accounted for on actuarial valuation basis.

Provident Fund

Bank is contributing to a Recognised Provident Fund that is a Defined Contribution Scheme, for all its eligible employees. The Contributions are accounted for on an Accrual Basis and recognised in the Profit & Loss Account.

Severance Allowance

The Bank has provided for Severance Allowance, which is a defined benefit scheme.

Liabilities with regard to Severance Allowance are accounted for on the basis of contract.

11. SEGMENT REPORTING

The Bank recognises the business segment as the primary reporting segment and geographical segment as the secondary reporting segment in accordance with the RBI guidelines and in compliance with the Accounting Standard 17 issued by Institute of Chartered Accountants of India.

12. PROVISION FOR TAXATION

Income tax expense comprises of current tax, deferred tax. Current year taxes are determined in accordance with the Income-tax Act, 1961. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the period.

Deferred tax assets and liabilities are recognised on a prudent basis for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax basis, and carry forward losses. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted prior to the balance sheet date. The impact of changes in the deferred tax assets and liabilities is recognised in the profit and loss account.

Minimum Alternate Tax (Mat) paid in accordance with income Tax Act, 1961, which give rise to future economic benefits in the form of adjustment from income tax liability, is recognised when it is certain that the company will be able to set off the same and adjusted from the current tax charged for that year.

13. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A provision is recognised when the Bank has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

i. A possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non occurrence of one or more uncertain future events not within the control of the Bank; or

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ii. A present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

14. NET PROFIT/LOSS

The Net Profit/Loss disclosed in the Profit and Loss account is after considering:

a) Provision for Income Tax & Deferred Tax
b) Provision for Standard Assets & Country Risk Management.
c) Other usual and necessary provisions.

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include Cash and Balances with RBI, Balances with Banks and money at call and short notice.

16. FUNDAMENTAL ACCOUNTING ASSUMPTION

All fundamental accounting assumptions have been followed including the Going concern assumption. The bank has withdrawn the application it made with RBI for closure of the branch in April 2019.

Schedule 18 – Notes to Accounts forming part of the accounts for the year ended 31st March 2020.

I. NOTES TO ACCOUNTS

1. Head Office

Head Office administrative expenses have not been charged in the accounts.

2. Capital

RBI had issued license to JSC VTB Bank for commencement of business in India vide letter no. DBOD.IBD.No.8860/23.013.126/2007-08 dated 10th January, 2008. RBI asked JSC VTB Bank to introduce initial capital of US$ 25 million and against the same, the bank infused capital of USD 27 Million and same is also as per the capital account of the Bank. Further the Bank was required to infuse a sum of Rs. 37,14,27,395 as additional capital in compliance of clause 6(vi) of the License No. MUM:77 dated 10th Jan 2008 obtained from Reserve Bank of India to Commence Banking Business in India at New Delhi. Further against the said sum, the HO has infused a sum of Rs. 129,20,00,000 in April 2020. The said infusion is pursuant to intimation to RBI to continue Business operation in India and the approval in this regard is already obtained in April 2019 from RBI.

	Items	31.3.2020	31.03.2019
(i)	Common Equity Tier 1 Capital Ratio (%)	294.18%	231.46%
(ii)	Tier 1 Capital Ratio (%)	294.18%	231.46%
(iii)	Tier 2 Capital Ratio (%)	0.83%	0.64%
(iv)	Total Capital Ratio (CRAR) (%)	295.01%	232.10%
(v)	Percentage of the shareholding of the Government of India in Nationalized Banks	–	–
(vi)	Amount of Equity Capital Raised	–	–
(vii)	Amount of Additional Tier 1 capital raised; of which		
	PNCPS:	–	–
	PDI:	–	–
(viii)	Amount of Additional Tier 2 capital raised; of which		
	Debt Capital Instrument:		
	Preference Share Capital Instruments: (Perpetual Cumulative Preference Shares (PCPS)/Redeemable Non-Cumulative Preference Shares (RNCPS)/Redeemable Cumulative Preference Shares (RCPS))	–	–

3. Investments

a) Details of Investments

(1) Value of investments

		(Amount in Rs. Crores)	
		31.3.2020	**31.03.2019**
(i)	Gross Value of Investments		
	a. In India		–
	b. Outside India	–	–
(ii)	Provisions for Depreciation		
	a. In India	–	–
	b. Outside India	–	–
(iii)	Net Value of Investments		
	a. In India		–
	b. Outside India	–	–

(2) Movement of provisions held towards depreciation on investments

		31.3.2020	31.03.2019
(i)	Opening balance	–	–
(ii)	**Add:** Provisions made during the year	–	–
(iii)	**Less:** Write-off/write-back of excess provisions during the year	–	–
(iv)	Closing balance	–	–

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4. Repo Transactions (in Face Value)

	Minimum Outstanding During the Year	Maximum Outstanding During the Year	Daily Average Outstanding During the Year	Outstanding as on March 31, 2020
Securities sold under the Repo **i.** Government Securities **ii.** Corporate Debt Securities	–	–	–	–
Securities purchased under Reverse Repo **i.** Government Securities **ii.** Corporate Debt Securities	–	–	–	–

5. Non – SLR Investment Portfolio

i) Issuer composition of Non SLR Investments

(Amount in Rs. Crores)

No. (1)	Issuer (2)	Amount (3)	Extent of Private Placement (4)	Extent of 'Below Investment Grade' Securities (5)	Extent of 'Unrated' Securities (6)	Extent of 'Unlisted' Securities (7)
(i)	PSUs	–	–	–	–	–
(ii)	FIs	–	–	–	–	–
(iii)	Banks	–	–	–	–	–
(iv)	Private Corporate	–	–	–	–	–
(v)	Subsidiaries/ Joint Ventures	–	–	–	–	–
(vi)	Others	–	–	–	–	–
(vii)	Provisions held towards Depreciation	–	–	–	–	–
	Total	–	–	–	–	–

ii) Non Performing NON- SLR investments

(Amount in Rs. Crores)

Particulars	
Opening Balance	–
Addition during the period since 1st April, 2019	–
Reduction during the above period	–
Closing Balance	–
Total Provisions Held	–

6. Sale and transfers to/ from HTM Category

There were no sale and transfer to/from HTM Category in the year from 1st April 2019 to 31st March 2020.

7. Derivatives

(a) Forward Rate Agreements/Interest Rate Swap

Items		(Amount in Rs. Crores)	
		31.3.2020	**31.03.2019**
(i)	The notional principal of swap agreements	–	–
(ii)	Losses which would be incurred if the counterparties failed to fulfill their obligations under the agreements	–	–
(iii)	Collateral required by the Bank upon entering into swaps	–	–
(iv)	Concentration of credit risk arising from the swaps	–	–
(v)	The fair value of the swap book	–	–

(b) Nature and terms swap

The details of the nature and terms of the swap for (i) above are as under

Items	(Amount in Rs. Crores)
OIS/IRS swaps	–
Inter Bank (back to back)	–
Swap done on behalf of customers (Back to back)	–
Total	–

(c) Exchange Traded Interest Rate Derivatives

S. No.	Particulars	(Amount in Rs. Crores)
(i)	Notional principal amount of exchange traded interest rate derivatives Undertaken during the year (instrument-wise)	–
(ii)	Notional principal amount of exchange traded interest rate derivatives Outstanding as on March 31, 2020 (instrument-wise)	–
(iii)	Notional principal amount of exchange traded interest rate derivatives Outstanding and not "highly effective" (instrument-wise)	–
(iv)	Mark-to-market value of exchange traded interest rate derivatives Outstanding and not "highly effective" (instrument-wise)	–

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(d) Disclosures on risk exposures in derivatives

Qualitative Disclosures:

The bank has very limited exposure to derivatives namely through forward foreign exchange contracts. The same are also done on a back to back basis to hedge merchant exposures.

a) The structure and organization for management of risk in derivative trading:

Treasury operation is segregated in to three different department's viz. front office, mid office and back office. The primary role of front office is to conduct business, that of mid office is to ensure compliance in accordance with set norms and policies and that of back office is to process/settle the transactions.

The Bank has in place policies and procedures, which have been approved by the Head Office and ensures adherence to various risk parameters and prudential limits.

b) The scope and nature of risk measurement, risk reporting and risk monitoring system:

i) Risk Measurement

For forward foreign exchange contract, risk is measured through a daily report called, Value at Risk (Var), which computes VAR on the forex, gaps using FEDAI VAR factors.

ii) Risk Reporting and Risk Monitoring System:

The Bank has the following reports/systems in place, which are reviewed by the top management:

i. VAR
ii. Net Open Position
iii. AGL/IGL
iv. Stop loss limits
v. Bankline limits

c) Policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedge/mitigants:

The Bank has the following policy paper in place, and approved by its Head Office:

i. Investment Policy and Treasury Manual
ii. Asset-Liability Management (ALM) Policy

The Bank monitors the hedges/mitigants on a continuous basis through daily and monthly reports that are reviewed by the mid office/top management.

d) Accounting Policy:

All outstanding derivatives transactions are booked as off-balance sheet items and the same are revalued on a Marked to Market basis, the hedging deals follow the accrual basis of accounting.

Quantitative Disclosures:

S. No.	Particulars	(Amount in Rs. Crores)	
		Currency Derivatives	**Interest Rate Derivatives**
1	Derivatives (Notional Principal Amount)		
	a) For hedging	–	–
	b) For Trading	–	–
2	Marked to Market Positions [1]		
	a) Asset (+)	–	–
	b) Liability (-)	–	–
3	Credit Exposure [2]	–	–
4	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives	–	–
	b) on Trading derivatives	–	–
5	Maximum and minimum of 100*PV01 observed during the year		
	a) on hedging	–	–
	b) on Trading	–	–

8. ASSET QUALITY

I. Non-Performing Assets

(Amount in Rs. Crores)

Particulars	31.3.2020	31.03.2019
(i) Net NPAs to Net Advances (%)	–	–
Movement of NPAs (Gross)		
(a) Opening balance	–	19.81
(b) Addition during the year	–	–
(c) Reductions During the year	–	19.81
(d) Closing Balance	–	–
Movement of Net NPAs		
(a) Opening Balance	–	–
(b) Additions During the Year	–	–
(c) Reductions During the year	–	–
(d) Closing Balance	–	–
Movement of Provisions for NPAs (excluding provisions on Standard Assets)		
(a) Opening Balance	–	19.81
(b) Provision made during the year	–	–
(c) Write off/write back of excess provision	–	19.81
(d) Closing Balance	–	–

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II. Particulars of Accounts Restructured

There are no accounts to be reported under this head.

III. Details of financial assets sold to Securitization/Reconstruction Company for Asset Reconstruction

(Amount in Rs. Crores)

	Particulars	31.3.2020	31.03.2019
(i)	Number of accounts	–	–
(ii)	Aggregate value (net of provisions) of accounts sold to SC/RC	–	–
(iii)	Aggregate consideration	–	–
(iv)	Additional consideration realized in respect of accounts transferred in earlier years	–	–
(v)	Aggregate gain/loss over net book value	–	–

IV. Details of Non-Performing Financial Asset purchased/sold

A. Details of Non- Performing Financial Assets purchased:

(Amount in Rs. Crores)

Particulars			31.3.2020	31.03.2019
1	(a)	No of Accounts Purchased during the year	–	–
	(b)	Aggregate outstanding	–	–
2	(a)	Of these, numbers of Accounts restructured during the year	–	–
	(b)	Aggregate Outstanding	–	–

B. Details of Non- Performing Financial Assets sold:

(Amount in Rs. Crores)

Particulars		31.3.2020	31.03.2019
1	No. of Accounts sold	–	–
2	Aggregate Outstanding	–	–
3	Aggregate Consideration received	–	–

V. Provisions on Standard Assets

(Amount in Rs. Crores)

Particulars	31.3.2020	31.03.2019
Provisions towards Standard Assets	0.00	0.00

9. Asset Liability Management

1st April 2019 to 31st March 2020

(Amount in Rs. Crores)

Particulars	Day 1	2 to 7 days	8 to 14 Days	15 to 28 Days	29 Days to 3 Months	3 to 6 Months	6 Month to 1 Year	1 to 3 Year	3 to 5 Year	Above 5 Years	Total
Advances	–	–	–	–	–	–	–	–	–	–	–
Investments	–	–	–	–	–	–	–	–	–	–	–
Deposits	0.01	–	–	–	–	–	–	0.04	–	–	0.05
Borrowings	–	–	–	–	–	–	–	–	–	–	–
Foreign Currency Assets	0.15	–	–	–	–	–	–	–	–	–	0.15
Foreign Currency Liabilities	–	–	–	–	–	–	–	–	–	–	–

2018-19

(Amount in Rs. Crores)

Particulars	Day 1	2 to 7 days	8 to 14 Days	15 to 28 Days	29 Days to 3 Months	3 to 6 Months	6 Month to 1 Year	1 to 3 Year	3 to 5 Years	Above 5 Years	Total
Advances	–	–	–	–	–	–	–	–	–	–	–
Investments	–	–	–	–	–	–	–	–	–	–	–
Deposits	–	–	–	–	–	–	–	0.04	–	–	0.04
Borrowings		–	–	–	–	–	–	–	–	–	–
Foreign Currency Assets	0.08	–	–	–	–	–	–	–	–	–	0.08
Foreign Currency Liabilities	–	–	–	–	–	–	–	–	–	–	–

10. In respect of Accounting Standard - 18 (Related Party Disclosure)

In terms of Accounting Standard 18 ('AS-18') on 'Related Party Disclosures' notified under the companies (Accounting Standards) Rules, 2006 and the related guidelines issued by RBI, the details pertaining to related parties are as under:

(i) Related Party relationships:

S.No	Relationship	Party Name
1	Head Office	JSC VTB Bank Moscow Russia
2	Key Management Personnel	Ms. Elena Protopopova – CFO (Tenure end on 30th June'2019) Ms. Svetlana Lunina –Deputy CFO (Tenure end on 31st May'2019) Mr. Sergey Chumakovskiy- CEO (Tenure end on 2nd December'2019) Ms. Olga Basha – CEO Mr. Sergei Sidorin – Deputy CEO

(ii) The details of the related party relationship/ financial dealings of the bank with the above related parties as defined under AS-18 are as follows:

As at and for the Year ended March 31, 2020:

(Amount in Rs. Crores)

Nature of Transactions	Head Office	Associates/ Joint Ventures	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings as on March 31, 2020	–	–	–	–	–
Deposits as on March 31, 2020	–	–	–	–	–
Advances	–	–	–	–	–
Investment	–	–	–	–	–
Non- funded Commitment	–	–	–	–	–
Other Assets	–	–	–	–	–
Other Liabilities	–	–	–	–	–
Interest paid	–	–	–	–	–
Interest received	–	–	–	–	–
Rendering of services	–	–	–	–	–
Receiving of services	–	–	–	–	–
Salaries to Key management personnel	–	–	2.56	–	2.56

11. Details of Single Borrower Limit (SGL)/ Group Borrower Limit (GBL) exceeded by the Bank.

RBI vide their master circular no. DBOD Dir. BC. 25/13.03.00/2005-06 dated August 03, 2005 has prescribed exposure limits for Banks in respect of their lending to Single and Group borrowers. The exposure limits prescribed are 15% of the capital funds in case of single borrower and 40% of the capital funds in case of Group borrowers. In case of infrastructure projects, an additional exposure of up to 10% of capital funds in case of Group borrowers and 5% of capital funds in case of Single borrower is allowed. Additionally, Banks may, in exceptional circumstances, with the approval of Credit Committee consider enhancement of the exposure to a borrower up to a further 5% of capital funds. During the year, The bank has not exceeded the single borrower limit or group borrower limits during the year.

12. Accounting Standard - 17 (Segmental Reporting)

1) Segment identification

A. Primary (Business Segment)

The Following are the Primary segments of the Bank:

- Treasury
- Corporate/ Wholesale Banking
- Other Banking Operations

The present accounting and information system of the bank does not capture and allow extraction of the data in respect of the above segments separately. However based on the present internal, organizational and management reporting structure and the nature of their risk and returns, the data on the primary segments have been computed as under:

a) **Treasury**- The Treasury segments includes the entire investment portfolio and trading in foreign exchange contracts and derivative Contracts. The Revenue of the treasury segment primary consists of fees and gains or losses from trading operations and interest income on investment portfolio and Fixed Deposits placed with Other Banks.

b) **Corporate/ Wholesale Banking**- The Corporate/ Wholesale Banking segment comprises of the lending activities of the corporate accounts group.

c) **Other Banking business**- Segment not classified under (a) and (b) are classified under this primary segment.

B. Secondary (Geographical Segment)

i) Domestic Operations- Branches/ Offices having operation in India

ii) Foreign Operations- Branches/ Offices having operation outside India

C. Allocation of Expenses, Assets and Liabilities

Expenses are allocated on the basis of the ratio of number of employees in each segment.

Part A: Business Segments

(Amount in Rs. Crores)

Business Segments	TREASURY		COPORATE/WHOLESALE BANKING OPERATIONS		OTHER BANKING		TOTAL	
Particulars	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**
Revenue	8.59	0.04	–	–	2.58	0.004	11.17	0.05
Less: Inter segment	–	–	–	–	–	–	–	–
Net revenue	8.59	0.04	–	–	2.58	0.004	11.17	0.05
Result	7.75	(1.15)	–	–	2.58	0.004	10.33	(1.15)
Unallocated expenses							6.66	9.57
Operating profit							3.67	(10.72)
Income taxes (including DTA/DTL)							(7.66)	–
Extra ordinary profit or loss	–	–	–	–	–	–	–	–
Net profit -							11.33	(10.72)
Other information:								
Segment assets	39.49	0.08	–	–	36.04	71.40	75.53	71.48
Unallocated assets							11.04	2.97
Total assets							86.57	74.45
Segment liabilities	0.05	0.04	–	–	–	–	0.05	0.04
Unallocated liabilities							86.52	74.41
Total liabilities							86.57	74.45

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Part B: **Geographic Segments**

	Domestic		International		Total	
	31.3.2020	**31.03.2019**	**31.3.2020**	**31.03.2019**	**31.3.2020**	**31.03.2019**
Revenue	11.17	0.05	0.00	0.00	11.17	0.05
Assets	86.57	74.45	0.00	0.00	86.57	74.45

13. Covid-19 pandemic continues to spread across several countries including India resulting in a significant volatility in global and Indian financial markets and a significant decline in global and local economic activities. The Govt of India had announced a series of lock down measures from March 24, 2020 onwards which have been extended from time to time upto June 30, 2020. Govt of India has directed a calibrated and gradual withdrawal of lock down and partial resumption of economic activities.

The situation continues to be uncertain and the bank is evaluating the situation on ongoing basis. The management believes that no adjustments are required in the financial results as it does not significantly impact the current financial year.

Despite these events and conditions, there would not be any significant impact on bank's results in future and going concern assumptions as at presently made.

14. Business Ratios

	Items	**31.3.2020**	**31.03.2019**
(i)	Interest income as a percentage to working funds	2.72%	0.02%
(ii)	Non-interest income as a percentage to working funds	8.93%	0.05%
(iii)	Operating profit as a percentage to working funds	3.83%	-14.10%
(iv)	Return on Assets	13.09%	-14.39%
(v)	Business (Deposits plus Advances) per employee (Rs. in thousands)	43	24
(vi)	Profit per employee (Rs. in thousands)	9445	-7144

15. Exposure to Real Estate Sector

(Amount in Rs. Crores)

	Category	**31.3.2020**	**31.03.2019**
a)	Direct Exposure		
	(i) Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	–	–
	(ii) Commercial Real Estate – Lending secured by mortgages on commercial real estate (including non-fund based limits)	–	–
	(iii) Investments in Mortgage Backed Securities and other securitized exposures		
	(a) Residential	–	–
	(b) Commercial Real Estate	–	–
b)	Indirect Exposure		
	Fund based and non-fund based exposures on National Housing Bank and Housing Finance Companies.	–	–
	Total Exposure to Real Estate Sector	–	–

16. Exposures to Capital Market

(Amount in Rs. Crores)

	Item	**31.3.2020**	**31.03.2019**
(i)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt; Investments made in equity shares	–	–
(ii)	Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in Shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	–	–
(iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;		–
(iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	–	–
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	–	–
(vi)	Loans sanctioned to corporate against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	–	–
(vii)	Bridge loans to companies against expected equity flows/issues;	–	–
(viii)	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	–	–
(ix)	Financing to stockbrokers for margin trading;	–	–
(x)	All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	–	–
	Total Exposure to Capital Market	**NIL**	**NIL**

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17. Risk Category wise country exposure

The Bank has framed its Country Risk Management Policy in accordance with the Reserve Bank of India guidelines issued on February 19, 2003. In accordance with the said policy, the Bank is maintaining provisions ranging from 0.25% to 100.00% on risk exposures with other countries. The total amount of provision held under this category is nil for the year.

(Amount in Rs. Crores)

Risk Category	Exposure (net) as at March 31,2020	Provision held as at March 31,2020	Exposure (net) as at March 31,2019	Provision held as at March 31,2019
Insignificant	–	–	–	–
Low	–	–	–	–
Moderate	–	–	–	–
High	–	–	–	–
Very High	–	–	–	–
Restricted	–	–	–	–
Off- Credit	–	–	–	–
Total	–	–	–	–

18. Unsecured Advances

Advances for which intangible assets such as charge over rights, licenses, authority has been taken – NIL (Previous Year Nil).

19. Provisions and Contingencies

(Amount in Rs. Crores)

Break-up of Provisions & Contingencies shown under the head Expenditure in Profit & Loss A/c	31.3.2020	31.03.2019
Provision for depreciation on investments	–	–
Provision towards NPA	–	19.81
Provision towards Standard Assets		
Provision made towards income tax (including deferred taxes and wealth tax)	(7.66)	–
Provision for Country Risk	–	–
Other Provision and Contingencies	–	–
Total	(7.66)	19.81

20. Deferred Tax Assets/Liabilities

The deferred tax assets being Rs. 7,70,98,660/- for the period ended 31.03.2020. The reconciliation of the deferred tax assets are as follows:-

Particulars	FY 2019-20	
	Sub-Total	Amount
Timing differences on account of :-		
1. Property, plant and equipment and intangible assets: Impact of Depreciation charged as per Companies Act, 2013 and Depreciation allowed under Income-tax Act, 1961		
– WDV of fixed assets as on 31.03.2020 as per I-Tax Act	43,78,938	
– WDV of fixed assets as on 31.03.2020 as per Co. Act	(17,14,551)	26,64,387
2. Provision for Gratuity		29,81,838
3. Provision for Leave Encashment		16,46,614
4. Losses as per Income Tax		16,51,23,018
5. Unabsorbed Depreciation		40,92,065
Total Timing Difference		**17,65,07,922**
Effective Income-tax rate		**43.68%**
Deferred Tax Assets/(Liabilities) at the end of the year		**77,098,660**
Deferred Tax Assets/(Liabilities) at the beginning of the year		**NIL**
Deferred Tax Income /(Expense) for the year		**77,098,660**

21. AS – 29 : Provisions, Contingent Liabilities & Contingent Assets

(Amount in Rs. Crores)

Item	Amount for which the bank is contingently liable	Provisions as per AS – 29				
		Provisions as at the beginning of the period	Additions during the period	Amounts used during the period	Unused amounts used during the period	Provision as at the close of the period
1 Claims against the Bank not acknowledged as debts	–	–	–	–	–	–
2 Liability on account of						
– foreign exchange contracts	–	–	–	–	–	–
– Interest rate swaps/Currency waps	–	–	–	–	–	–
3 Guarantees issued on behalf of the constituents	–	–	–	–	–	–
4 Acceptances, endorsements and other obligations	–	–	–	–	–	–
5 Other items for which the bank is contingently liable	–	–	–	–	–	–

22. AS – 28 Impairment of Assets

In the opinion of the management there is no impairment in the value of the assets, keeping in view the nature of assets held by the bank & the rates of Depreciation adopted by the Bank.

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23. Statement of no. of complaints received during the year and its disposal

A. Customer Complaints

(a)	No. of complaints pending at the beginning of the year	Nil
(b)	No. of complaints received during the year	Nil
(c)	No. of complaints redressed during the year	Nil
(d)	No. of complaints pending at the end of the year	Nil

B. Awards passed by the Banking Ombudsman

(a)	No. of unimplemented awards at the beginning of the year	Nil
(b)	No. of awards passed by the Banking Ombudsmen during the year	Nil
(c)	No. of awards implemented during the year	Nil
(d)	No. of unimplemented awards at the end of the year	Nil

24. The Statement of defined benefit obligation and the effects during the period attributable to each of the following is as under:

DEFINED BENEFITS WHOLLY FUNDED	PENSION	GRATUITY	LEAVE ENCASHMENT
Present value of the obligation at the beginning of the period	–	0.21	0.22
Current Service Cost	–	0.03	0.06
Benefits paid	–	(0.05)	(0.36)
Interest Cost	–	0.01	0.01
Net Actuarial (Gain)/Loss recognized in the period	–	0.10	0.23
Present value of the obligation at the end of the period	–	0.30	0.16
Expenses recognized in the statement of profit and loss	–	0.14	0.31
Amount recognized in Balance Sheet	–	0.30	0.16

Note:

Above figures are on the basis of actuarial calculation as on 31st March 2020. It is bank's practice to get the actuarial calculation done at the end of every financial year.

24. Concentration of Deposits, Advances, Exposures and NPAs

Concentration of Deposits

(Amount in Rs. Crores)

Total Deposits of twenty largest depositors	0.05
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	100.00%

Concentration of Advances

(Amount in Rs. Crores)

Total Advances of twenty largest borrowers	–
Percentage of Advances of twenty largest borrowers to Total Advances of the bank	–

Concentration of Exposures

(Amount in Rs. Crores)

Total Exposure of twenty largest borrowers/customers	–
Percentage of Exposures of twenty largest borrowers/customers to Total Exposures of the bank on borrows/customers	–

Concentration of NPAs

(Amount in Rs. Crores)

Total Advances to top four NPA accounts	–

25. Sector-wise Advances

Sector	As on 31.3.2020			As on 31.3.2019		
	Gross Advances	Gross NPAs	% of gross NPAS to gross advances in this sector	Gross Advances	Gross NPAs	% of gross NPAS to gross advances in this sector
Priority Sector	–	–	–	–	–	–
Agriculture & allied activities						
Industry						
Of which Gems and Jewellery						
Garment Exports						
Others						
Non priority sector	–	–	–	–	–	–
Agriculture & allied activities						
Industry						
Of which						
Ferro Alloys						
Real Estate						
Services						
Total	–	–	–	–	–	–

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26. Movement of NPAs **Amount in Rs. Crores**

Particulars	
Gross NPAs as on 1st April of particular period (Opening Balance)	–
Additions (Fresh NPAs) during the year	–
Sub-total (A)	–
Less:-	
(i) Up gradations	–
(ii) Recoveries (excluding recoveries made from upgraded accounts)	–
(iii) Write –offs	–
Sub-total (B)	–
Gross NPAs as on 31st March of following year (closing balance) (A-B)	–

27. Overseas Assets, NPAs and Revenue

(Amount in Rs. Crores)

Particulars	
Total Assets	–
Total NPAs	–
Total Revenue	–

28. Off-balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

Name of the SPV sponsored	
Domestic	**Overseas**
–	–

29. Unamortized Pension and Gratuity Liabilities

The Bank doesn't have any commitment & Liability towards Pension. Further, the amortization towards Gratuity is been provided on the basis of Actuarial Valuation.

30. Disclosures on Remuneration

The disclosure requirement under this provision is not applicable to the Bank.

31. Disclosures relating to Securitization

(Amount in Rs. Crores)

S.No.	**Particulars**	
1.	No. of SPVs sponsored by the bank for securitization transactions	NIL
2.	Total amount of securitized assets as per books of the SPVs sponsored by the bank	NIL
3.	Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet	
	(a) Off-balance sheet exposures	
	First loss	NIL
	Others	NIL
	(b) On-balance sheet exposures	
	First loss	NIL
	Others	NIL
4.	Amount of exposures to securitization transactions other than MMR	
	(a) Off-balance sheet exposures	
	(i) Exposure to own securitization	
	First loss	NIL
	Others	NIL
	(ii) Exposure to third party securitization	
	First loss	NIL
	Others	NIL
	(b) On-balance sheet exposures	
	(i) Exposure to own securitization	
	First loss	NIL
	Others	NIL
	(ii) Exposure to third party securitization	
	First loss	NIL
	Others	NIL

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32. Credit Default Swaps

The Bank doesn't have any exposure towards Credit Default Swaps.

33. Letter of Comfort (LoCs)

No Letter of Comfort was issued by the bank during the year from 1st April 2019 to 31st March 2020 & the Outstanding Letter of Comfort as on March 31, 2020 was Nil.

34. Provisioning Coverage Ratio (PCR)

Not Applicable (As there are no advances and thus no NPA).

35. Insurance Business

Bank does not handle Bancassurance Business. Therefore the Fees & Remuneration received in respect of Bank assurance Business during the year from 1st April 2019 to 31st March 2020 is Nil.

36. Floating Provisions

(Amount in Rs. Crores)

Particulars	31.3.2020	31.03.2019
(a) Opening Balance in the Floating Provisions Account	NIL	NIL
(b) The Quantum of floating provisions made in the Accounting Year	NIL	NIL
(c) Amount of draw down made during the Accounting Year	NIL	NIL
(d) Closing Balance in the Floating Provisions Account	NIL	NIL

37. Draw Down from Reserves

There was no drawdown from Reserves during the financial year.

38. Depositor Education Awareness Scheme

There are no unclaimed deposits that are to be deposited in Depositor Education Awareness Fund Scheme.

39. Liquidity Coverage Ratio:

Qualitative Disclosure-

With the objective to strengthen liquidity regulations to promote a more resilient banking sector Reserve Bank of India vide Circular no. DBOD.BP.BC. No. 120/21.04.098/213-14 dated June 9, 2014, issued guidelines on Liquidity Coverage Ratio (LCR), Risk monitoring tools and LCR disclosure standards, which became effective from January 1, 2016.

Main drivers of bank's LCR

i. HQLA level I assets majority of which is excess of CRR funds over and above the statutory requirements.

ii. Total net cash outflow is contributed by balances held in current deposits and other contractual obligations with adjusted inflows of deposits held with banks maturing in the next 30 days.

iii. Level I assets contribute to more 99% of HQLA.

iv. Bank's funding sources are mainly from the capital funds and are closely monitored on an ongoing basis.

v. Bank's exposure in derivatives is NIL.

vi. Liquidity management function of the Bank is the responsibility of the Treasury Department which is reporting to Chief Executive Officer of the Bank.

Liquidity coverage Ratio (LCR) related information for the quarter ending March 31, 2020 is given as under:

(Amount in Rs. Crores)

Particulars	F.Y.2019-20		F.Y.2018-19	
High Quality Liquid Assets	Total Unweighted value (average)	Total Weighted value (average)	Total Unweighted value (average)	Total Weighted value (average)
1. Total high quality liquid assets (HQLA)	3.39	3.39	3.34	3.34
Cash outflows				
2. Retail deposits and deposits from small business customers, of which				
(i) Stable deposits	0.05	0.0026	0.04	0.00182
(ii) Less stable deposits				
3. Unsecured wholesale funding, of which				
(i) Operational deposits (all counterparties)				
(ii) Non operational deposits (all counterparties)				
(iii) Unsecured debt				
4. Secured Wholesale funding				
5. Additional requirement, of which				
(i) Outflows related to derivative exposures and other collateral requirements				

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Particulars	F.Y.2019-20		F.Y.2018-19	
High Quality Liquid Assets	Total Unweighted value (average)	Total Weighted value (average)	Total Unweighted value (average)	Total Weighted value (average)
(ii) Outflows related to derivative exposures and other collateral requirements				
(iii) Credit and liquidity facilities				
6. Other contractual funding obligations	0.00	0.00	0.00	0.00
7. Other contingent funding obligations	0.00	0.00	0.00	0.00
8. Total cash outflows	1.81	1.76	1.76	1.72
Cash Inflows				
9. Secured lending				
10. Inflows from fully performing exposures				
11. Other cash inflows				
12. Total Cash Inflows				
Total Adjusted Value				
13. TOTAL HQLA	3.39	3.39	3.34	3.34
14. Total net cash outflow	1.81	1.76	1.76	1.72
15. Liquidity coverage ratio(%)		192.16%		194.14%

The Liquidity Coverage Ratio (LCR) standard aims to ensure that the bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLA's) that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon.

40. Intra Group exposures

The Bank has not undertaken any financial activity through other entities that are owned fully or partly by the bank.

41. Miscellaneous

I. Amount of Provisions made for Income-tax during the year:

(Amount in Rs. Crores)

Particulars	31.3.2020	31.03.2019
Provision made towards income tax (including deferred taxes and wealth tax)	(7.66)	Nil

II. Disclosure of Penalties imposed by RBI:

There were no penalties imposed by RBI during the period under audit.

III. Previous year's figures have been reclassified/rearranged and reworked wherever necessary to conform to current year's presentation.

For **S R K A & Company**
Chartered Accountants

sd/-
(Satish Agrawal)
Partner
Membership No. 505969
FRN – 020656N
UDIN- 20505969AAAADT2943

For JSC VTB BANK
New Delhi Branch

sd/-
(Olga Basha)
Chief Executive Officer

Place: New Delhi
Dated: 08.07.2020

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Statement of Cash Flow for the period ended March 31, 2020

(Amount in Rs. Crores)

	Year ended 31.03.20	Year ended 31.03.19
Cash Flows from operating activities		
Net Profit Before Income Tax	3.67	(10.72)
Depreciation for the year	0.07	0.11
Provision on Standard Assets, Country Risk & Loan Losses	0.00	0.00
(Profit)/Loss on sale of fixed assets	(0.02)	0.00
Other Provisions and contingencies	0.00	0.00
Adjustments For:		
Investments	–	–
Advances	–	–
Borrowings	–	–
Deposits	0.01	0.00
Other Assets	(8.20)	0.48
Other Liabilities and Provisions	0.77	(0.81)
Total	**(3.70)**	**(10.94)**
Tax expense (including DTA/DTL)	7.66	–
Net Cash Flow from the operating activities	**3.96**	**(10.94)**
Cash Flow from investing activities		
Purchase/Sale of Fixed Assets	0.03	0.00
Increase in FDR	(39.28)	0.00
Increase in SIDBI	–	–
Net Cash generated in investing activities	(39.25)	**0.00**
Cash Flow from financing activities		
Remittance to Head Office	–	–
Increase in capital	–	–
Decrease in Subordinate debt (converted into capital)	–	–
Net Cash generated in financing activities	–	–
Net increase/(decrease) in cash and cash equivalents.	**(35.29)**	**(10.94)**
Cash and cash equivalents as at 1 April, 2019	71.48	82.42
Cash and cash equivalents as at 31st March, 2020	**36.19**	**71.48**

For **SRKA & Company**
Chartered Accountants

sd/-
(Satish Agrawal)
Partner
Membership No. 505969
FRN – 020656N
UDIN- 20505969AAAADT2943

For JSC VTB BANK
New Delhi Branch

sd/-
(Olga Basha)
Chief Executive Officer

Place: New Delhi
Dated: 08.07.2020

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ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL III REQUIREMENTS AS STIPULATED BY THE RESERVE BANK OF INDIA

Table DF-1: Scope of Application

Name of the head of the banking group to which the framework applies: JSC VTB Bank New Delhi

(i) Qualitative Disclosures:

Name of the entity/ Country of incorporation	Whether the entity is included under accounting scope of consolidation (yes/no)	Explain the method of consolidation	Whether the entity is included under regulatory scope of consolidation (yes/no)	Explain the method of consolidation	Explain the reasons for difference in the method of consolidation	Explain the reasons if consolidated under only one of the scopes of consolidation
NA						

a. List of group entities considered for consolidation ——NA——

b. List of group entities not considered for consolidation both under the accounting and regulatory scope of consolidation

Name of the entity/ country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity	Regulatory treatment of bank's investments in the capital instruments of the entity	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity)
NA					

(ii) Quantitative Disclosures:

c. List of group entities considered for consolidation

Name of the entity/country of incorporation (as indicated in (i)a. above)	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity)
NA			

d. The aggregate amount of capital deficiencies in all subsidiaries which are not included in the regulatory scope of consolidation i.e. that are deducted:

Name of the subsidiaries/ country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity	Capital deficiencies
NA				

e. The aggregate amounts (e.g. current book value) of the bank's total interests in insurance entities, which are risk-weighted:

Name of the insurance entities/ country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity/ proportion of voting power	Quantitative impact on regulatory capital of using risk weighting method versus using the full deduction method
NA				

f. Any restrictions or impediments on transfer of funds or regulatory capital within the banking group:

Table DF-2: Capital Adequacy

Qualitative disclosures

The RBI guidelines on Basel III require the Bank to maintain a minimum ratio of total capital to risk weighted assets. The total capital adequacy ratio of the Bank at a standalone level at March 31, 2020 as per the RBI guidelines on Basel III is 295.01% with a Tier-1 capital adequacy ratio of 294.18%. The Bank maintains a CRAR of more than 11.50% which is much more than the requirement because of the very low level of operations.

The Bank's capital management framework includes a comprehensive internal capital adequacy assessment process (ICAAP) conducted annually and which determines the adequate level of capitalization for the Bank to meet regulatory norms and current and future business needs, including under stress scenarios. The ICAAP encompasses capital planning for a certain time horizon, identification and measurement of material risks and the relationship between risk and capital. Further, the ICAAP, which is an annual process, also serves as a mechanism for the Management committee/Board to assess and monitor the Bank's and the Group's Capital adequacy position over a certain time horizon.

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Quantitative disclosures

As required by RBI guidelines on Basel III, the Bank's capital requirements have been computed using the standardized approach for credit risk, standardized duration method for market risk and basic indicator approach for operational risk. The minimum capital required to be held for credit, market and operational risk is given below:

Risk area	(Rs. in Crores)
Credit Risk	
Capital required	
– for Portfolio subject to standardized approach	2.01
– for securitization exposure	–
Market Risk (Standardized Duration Approach)	
Capital required	
– for interest rate risk	–
– for foreign exchange (including gold) risk	–
– for equity portion risk	–
Operational risk (Basic Indicator Approach)	
Capital required	0.70
Total Capital requirement	2.71
Total capital funds of the Bank	**77.26**
Total risk weighted assets	**26.19**
Capital adequacy ratio	295.01%

Table DF-3: Credit Risk: General Disclosures for All Banks

Qualitative Disclosures

Credit risk is the risk of loss that may occur from the failure of any counterparty to abide by the terms and conditions of any financial contract with the Bank, principally the failure to make required payments as per the terms and conditions of the contract.

All Credit risk related aspects are governed by Credit and Recovery Policy. Credit Policy outlines the type of products that can be offered, customer categories, target customer profile, credit approval process and limits. The Credit Procedures are approved by H.O.

Bank has adopted the definitions of 'past due' and 'impaired' (for accounting purposes) as defined by the regulatory authority for Income Recognition and Asset Classification. An account becomes Non Performing Asset if it remains overdue for a period as defined by the Reserve Bank of India. An impaired asset is an asset which has suffered a provision in accordance with the guidelines defined by the Reserve Bank of India on its becoming a Non Performing Asset.

Bank has got approved credit procedures from H.O. and a comprehensive Credit Policy for its Operations, which broadly takes care of RBI guidelines on Risk Management Systems. Bank undertakes the revision of the credit Policy in view of the guidelines issued by the Head Office within the framework provided by RBI from time to time. Prudential exposure norms, industry exposure limits, loan review mechanism are some of the yardsticks used by the bank for overcoming credit risk. Loan loss provision is being monitored and provided for on a yearly basis.

Quantitative Disclosures

1. **The total gross credit risk exposures (March 31, 2020)**

Credit risk exposure includes all the exposures as per the RBI guidelines on exposure norms subject to credit risk and investments in held-to-maturity category. Direct claims on domestic sovereign which are risk-weighted at 0% and regulatory capital instruments of subsidiaries which are deducted from the capital funds have been excluded.

(Rs. in Crores)

Category	Credit Exposure
Fund- based	–
Non- Fund based	–
Total	–

2. **The geographic distribution of exposures (March 31, 2020)**

(Rs. in Crores)

Category	Domestic	Overseas
Fund- based	–	–
Non- Fund based	–	–
Total	–	–

3. **Industry-wise distribution of exposures - Fund-based (March 31,2020)**

(Rs. in Crores)

S.No.	INDUSTRY CODE	INDUSTRY	Amount
1	27201	Other Metal & Metal Products	–
2	17201	Cotton Textiles	–
3	52311	Gems & Jewellary	–
4	45003	Construction	–
5	70001	Real Estate	–
6	55201	Residual	–
		Total	–

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4. The residual contractual maturity break-down of assets

The maturity pattern of assets at March 31, 2020 is detailed in the table below.

(Rs. in Crores)

	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days - upto 2 Months	More than 2 months upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
TOTAL INFLOWS	–	–	–	–	–	–	–	–	–	–	–	–
OUTFLOWS	–	–	–	–	–	–	–	–	–	–	–	–
MISMATCH	–	–	–	–	–	–	–	–	–	–	–	–

***The aforesaid disclosure is in accordance with the revised maturity buckets as per the RBI circular no. DBOD.BP.BC no.22/21.04.018/2009-10 dated July 1, 2009.

5. Amount of non-performing loans (NPL's) (March 31,2020)

(Rs. in Crores)

NPL Classification	**Gross NPL's**	**Net NPL's**
Sub-standard	–	–
Doubtful	–	–
– Doubtful 1	–	–
– Doubtful 2	–	–
– Doubtful 3	–	–
Loss	–	–
Total	–	–
NPL ratio	–	–

6. Movement of NPA's

(Rs. in Crores)

	Gross NPA's	**Net NPA's**
Opening balance at April 1, 2019	–	–
Addition during the year	–	–
Reduction during the year	–	–
Closing balance at March 31, 2020	–	–

7. Movement of Provision for NPA's

(Rs. in Crores)

	Amount
Opening balance at April 1, 2019	–
Provision made during the period	–
Write-off's during the period	–
Write-back of excess provision during the period	–
Closing balance at March 31, 2020	–

8. Amount of non-performing investments (NPA's) in securities, other government and other approved securities

(Rs. in Crores)

	Amount
Gross NPI's at April 1, 2019	–
Total provision held on NPI's	–
Net NPI's at March 31, 2020	–

9. Movement of provision for depreciation on investments

(Rs. in Crores)

	Amount
Opening balance at April 1, 2019	–
Provision/ depreciation/ (appreciation) made during the year	–
(Write-off)/(write-back) of excess provision during the year	–
Closing balance at March 31, 2020	–

Table DF-4 - Credit Risk: Disclosures for Portfolios Subject to the Standardized Approach

Our Response

Qualitative Disclosures

Bank has decided to use the ratings of the following domestic/international credit rating agencies for the Credit Exposure of Indian Operations, in line with RBI guidelines:

Domestic

(i) Credit Analysis and Research Ltd.
(ii) CRISIL Ltd.
(iii) FITCH India
(iv) ICRA Ltd.

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International

(i) Fitch
(ii) Moody's
(iii) Standard & Poor's

Quantitative Disclosures

The exposure amounts after risk mitigation (subject to the standardised approach) in different risk buckets are as under

(Rs. in Crores)

Exposure category	Amount outstanding
Less than 100% risk weight	–
100% risk weight	–
More than 100% risk weight	–
Deducted from capital	–
Total	–

Table DF-5: Credit Risk Mitigation: Disclosures for Standardized Approaches

Qualitative Disclosures

Collection of collateral and valuation of property, is being determined by the policies and procedures laid out by Head Office.

The collaterals commonly used by the bank for risk mitigation are financial collaterals comprising of bank deposits and other categories comprising of movable and immovable assets/landed properties.

Banks credit priorities are being determined by Head Office taking Indian market realities and RBI Directives into consideration.

Exposure limits to single and group borrowers/various industries are well defined and Industry review is being conducted for management review and risk mitigation. Funding strategies are in alignment with the Asset Liability Management position.

Quantitative Disclosure

The bank has not applied haircuts to eligible collaterals. Accordingly, the total exposure for disclosed credit risk portfolio (under the standardized approach) is NIL.

Table DF-6: Securitisation Exposures: Disclosure for Standardised Approach

Qualitative Disclosures

Bank does not have any securitization exposure.

Quantitative Disclosures

NIL

Table DF-7: Market Risk in Trading Book

Qualitative Disclosures

Bank has adopted the Standardized Approach for computation of capital charge for market risk. The Forex transactions are being done on a back-to-back basis. The forex position is being managed on a real time basis and the bank has no market risk exposure applicable in the trading book.

Quantitative Disclosure

Not Applicable

Table DF-8: Operational Risk

Qualitative Disclosures

Capital charge for Operations Risk is computed as per the Basic Indicator Approach. The average of the gross income, as defined in the New Capital Adequacy Framework guidelines, for the previous years is considered for computing the capital charge. The required capital is Rs. 0.70 crores.

Table DF-9: Interest Rate Risk in the Banking Book (IRRBB)

Qualitative Disclosures

Interest rate risk is managed through gap analysis and the same is being considered in the management of the Assets and Liabilities of the bank.

Quantitative Disclosure

The impact on the Bank's financial condition due to the change in the Interest Rate Risk is being monitored on a regular basis based on the Asset Liability position of March '20 using the traditional gap analysis and duration gap analysis.

Table DF-10: General Disclosure for Exposures Related to Counterparty Credit Risk

Qualitative Disclosures

Counterparty Credit Risk (CCR) Limits for the banking counterparties are assessed by our HO based on an internal model that considers the parameters viz. credit rating and net worth of counterparties, net worth of the Bank and business requirements. Capital for CCR exposure is assessed based on Standardised Approach.

JSC VTB BANK

(Incorporated in Russia, With Limited Liability)

Regus Connaught Place Business Centre, Level 1, Red Fort Capital Parsavnath Towers, Bhai Veer Singh Marg, Gole Market, New Delhi 110001.

Quantitative Disclosures

The Bank doesn't recognize bilateral netting. The Credit Equivalent amounts of derivatives that are subject to risk weighting are calculated as per the Current Exposure Method. The balance outstanding for forward contracts is as follows:

(Rs. in Crores)

Nature	Notional amount	Current Exposure
Foreign Exchange contracts	Nil	Nil

Table DF-11: Composition of Capital

1. Common Equity Tier 1 and Total Capital ratios of the bank comprises:

Sr. No.	Tier-1 Capital elements	(Rs. in Crores)
i	Paid-up Share Capital	110.56
ii	Reserves (excluding revaluation reserves)	4.52
iii	Innovative Tier-1 Capital Instruments	–
iv	Minority Interest	–
	Gross Tier-1 Capital	**115.08**
	Deductions:	
	Investments in instruments eligible for regulatory capital of financial subsidiaries/associates	
v	Deferred Tax Assets	7.71
vi	Others-Losses carried forward	30.33
	Net Tier-1 Capital	**77.04**

2. The amount of Tier 2 capital (net of deductions) is **0.26 crores**

Sr. No.	Tier-2 Capital elements	(Rs. in Crores)
1	General Provision	0.22
2	Investment Reserves	–
3	Upper Tier-1 Capital instruments	–
4	Lower Tier-1 Capital instruments	–
5	**Gross Tier-2 Capital**	0.22
	Deductions:	
6	Investments in instruments eligible for regulatory capital of financial subsidiaries/associates	–
7	Other if any	–
8	**Net Tier-2 Capital**	0.22

3. Debt capital instruments eligible for inclusion in Tier-1 and Tier-2 capital are:

(Rs. in Crores)

Particulars	Tier-1	Upper Tier-2	Lower Tier-2
Total amount outstanding at 31st March 2020	–	–	–
Of which amount raised during the current year	–	–	–
Amount eligible to be reckoned as capital funds at 31st March 2020	–	–	–

4. Deductions from capital (Carry forward losses) Rs. 30.33 crores
5. The total eligible capital (March 31, 2020)

Sr. No.	Particulars	(Rs. in Crores)
1	Tier – I Capital	77.04
2	Tier – II Capital	0.22
3	**Total eligible capital**	**77.26**

The capital ratios of the bank are:

Common Equity Tier I CRAR % 294.18%

Tier I CRAR (%) 294.18%

Total CRAR (%) 295.01%

Table DF-12: Composition of Capital – Reconciliation Requirements **NIL**

Table DF-13: Main Features of Regulatory Capital Instruments **NIL**

Table DF-14: Full Terms and conditions of Regulatory Capital Instruments **NIL**

Table DF-15: Disclosure requirements for Remunerations **NIL**

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Date 22.07.2020

TO WHOMSOEVER IT MAY CONCERN

Sub : Corrigendum to the Audited financials already filed on record

We draw your attention on point no**. 19 of Schedule 18 to the accompanying standalone financial statements of JSC VTB Bank for the year ended on 31st March 2020** which has an inadvertently typing error. We hereby certify and reproduce the **point no. 19 – provisions and contingencies of Schedule 18** as under :-

19. Provisions and Contingencies

(Amount in Rs. Crores)

Break-up of Provisions & Contingencies shown under the head Expenditure in Profit & Loss A/c	**31.3.2020**	**31.03.2019**
Provision for depreciation on investments	–	–
Provision towards NPA	–	–
Provision towards Standard Assets		
Provision made towards income tax (including deferred taxes and wealth tax)	(7.66)	–
Provision for Country Risk	–	–
Other Provision and Contingencies	–	–
Total	(7.66)	–

Furthermore, this is to bring into your notice that in **point no. 2 of Table DF-11 of Basel III disclosures, the amount of Tier-2 capital (net of deduction) is 0.22 crores** instead of **0.26 crores**. This is a typing error, however detailed disclosure given in the table is correct.

For S R K A & Company
Chartered Accountants

sd/-
(Satish Agrawal)
Partner
M No. 505969/
FRN – 020656N

For JSC VTB BANK
New Delhi Branch

sd/-
(Olga Basha)
Chief Executive Officer

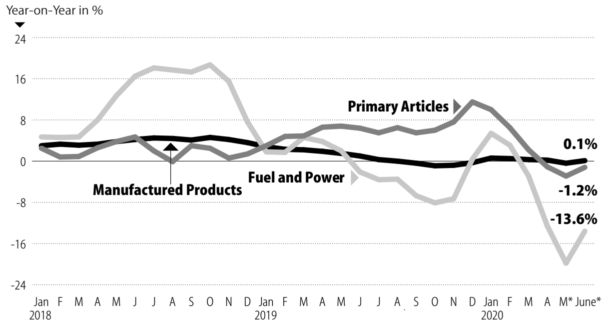
Wholesale Price Index

The year-on-year (y-o-y) inflation rate declined to -1.8% in June 2020 from 2.0% reported a year ago, lower than -3.2% a month ago. The index of primary articles fell by (-)1.2% against 6.4% registered a year ago, lower than -2.9% a month ago. The index for food articles decreased by 2.0% compared to 7.3% recorded a year ago, higher than 1.1% a month ago. The index for fuel and power declined by (-)13.6% against (-)2.1% reported a year ago. The index for manufactured products decreased by 0.1% compared to 1.0% registered a year ago.

Consumer Price Index

The CPI inflation rate increased to 6.18% in June 2020 from 3.1% reported last year, lower than 6.3% a month ago. The CPI-rural inflation rate rose to 6.20% from 2.2% registered last year and 6.18% a month ago and the urban inflation rate increased to 5.9% from 4.3% a year ago but was lower than 6.4% recorded a month ago. As per Labour Bureau data, the CPI-inflation rate of agricultural labourers (CPI–AL) increased to 8.4% in May 2020 from 5.5% registered a year ago, while that of industrial workers (CPI–IW) decreased to 5.1% from 8.7%.

Movement of WPI-Inflation Rate January 2018–June 2020



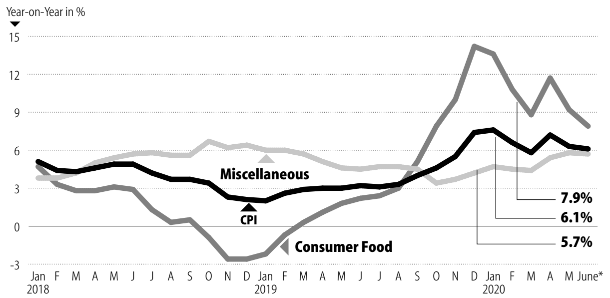
* Data is provisional; Base: 2011–12 = 100.

Trends in WPI and Its Components June 2020* (%)

	Weights	Over Month	Over Year	Financial Year (Averages) 2017–18	2018–19	2019–20
All commodities	100	1.4	-1.8	2.9	4.3	1.7
Primary articles	22.6	2.3	-1.2	1.4	2.7	6.8
Food articles	15.3	2.0	2.0	2.1	0.3	8.4
Fuel and power	13.2	5.5	-13.6	8.2	11.5	-1.8
Manufactured products	64.2	0.4	0.1	2.7	3.7	0.3

*Data is provisional; Base: 2011–12=100; Source: Ministry of Commerce and Industry.

Movement of CPI Inflation January 2018–June 2020



* Data is provisional; Source: National Statistical Office (NSO); Ministry of Statistics and Programme Implementation, Base: 2012=100.

CPI: Rural and Urban June 2020* (%)

	Latest Month Index	Over Month	Over Year	Financial Year (Avgs) 2018–19	2019–20
CPI Combined	151.6	0.5	6.1	3.4	4.3
Rural (2012=100)	152.5	0.9	6.2	3.0	5.4
Urban (2012=100)	150.5	-0.1	5.9	3.9	4.8

CPI: Occupation-wise#

Industrial workers (2001=100)	330.0	0.3	5.1	5.4	7.5
Agricultural labourers (1986–87=100)	1019.0	0.5	8.4	2.1	8.0

* Provisional; #May 2020 Source: NSO (rural and urban); Labour Bureau (IW and AL).

Foreign Trade

The trade deficit narrowed down to \$3.2 bn in May 2020 from \$15.4 bn reported last year. Exports declined by (-)36.5% to \$19.1 bn and imports by (-)51.1% to \$22.0 bn from \$30.0 bn and \$45.4 bn, respectively, registered a year ago. Oil imports were lower by (-)72.0% to \$3.5 bn and non-oil imports by (-)43.1% to \$18.7 bn from \$12.4 bn and \$32.9 bn, respectively, reported last year. During April–May 2020, cumulative exports declined by (-)47.5% to \$29.4 bn and imports by (-)54.7% to \$39.3 bn from \$56.1 bn and \$86.8 bn, respectively, registered a year ago.

Index of Eight Core Industries

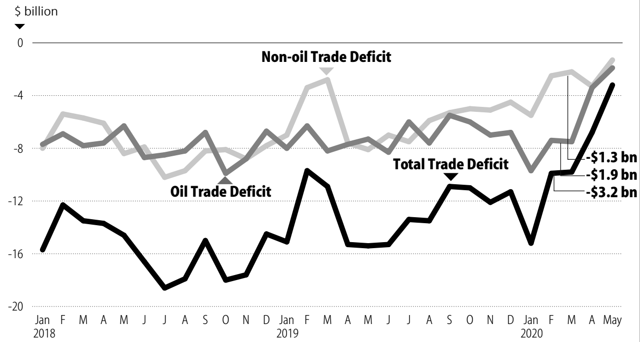
The index declined by (-)23.4% in May 2020 against 3.8% reported last year. Growth in the production of refinery products, coal, steel, and cement dropped to -21.3%, -14.0%, -48.4% and -22.2% from their respective growth rates of -1.5%, 1.7%, 13.3% and 2.8% registered a year ago. Production of crude oil decreased by (-)7.1%, natural gas by (-)16.8% and electricity generation by (-)15.6% against -6.9%, -0.1% and 7.4%, respectively. Only fertiliser production reported an increase of 7.5% compared to -1.0%.

Merchandise Trade May 2020

	May 2020 (\$ bn)	Over Month (%)	Over Year (%)	April–May (2020–21 over 2019–20) (%)
Exports	19.1	83.9	-36.5	-47.5
Imports	22.2	29.7	-51.0	-54.7
Trade deficit	3.2	-53.4	-79.5	-67.7

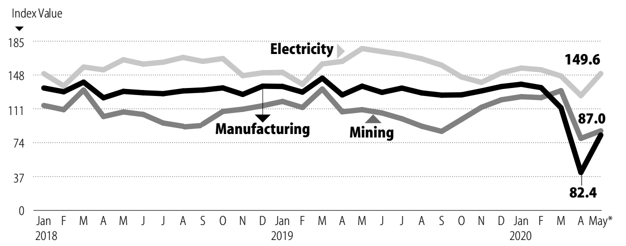
Data is provisional. Source: Ministry of Commerce and Industry.

Trade Deficits January 2018–May 2020



Oil refers to crude petroleum and petroleum products, while Non-oil refers to all other commodities.

Movement of Index Values of Components of IIP January 2018–May 2020



* May 2020 are quick estimates; Base: 2011–12=100.

Index of Eight Core Industries May 2020* (%)

	Weights^	Index Values May-19	May-20	Growth Rate (%) Over Year	2018–19	2019–20
Infrastructure industries	40.27	137.0	105.0	-23.4	4.4	0.3
Coal	10.3	127.3	109.4	-14.0	7.4	-0.4
Crude oil	9.0	88.2	82.0	-7.1	-4.1	-5.9
Natural gas	6.9	68.7	57.2	-16.8	0.8	-5.6
Petroleum refinery products	28.0	129.6	102.1	-21.3	3.1	0.2
Fertilisers	2.6	105.5	113.4	7.5	0.3	2.7
Steel	17.9	161.8	83.4	-48.4	5.1	3.2
Cement	5.4	149.3	116.1	-22.2	13.3	-0.9
Electricity	19.9	176.8	149.3	-15.6	5.2	0.9

^In the Index of Industrial Production (Base: 2011-12=100) ; *Data is provisional.
Source: Ministry of Commerce and Industry.

Comprehensive current economic statistics with regular weekly updates are available at: http://www.epwrf.in/currentstat.aspx.

■ India's Quarterly Estimates of Final Expenditures on GDP

₹ Crore | At 2011–12 Prices	2017–18 Q1	2017–18 Q2	2017–18 Q3	2017–18 Q4	2018–19 Q1	2018–19 Q2	2018–19 Q3	2018–19 Q4	2019–20 Q1	2019–20 Q2	2019–20 Q3	2019–20 Q4
Private final consumption expenditure	1769688 (9.3)	1750056 (5.5)	1911901 (5.3)	1948175 (7.7)	1889008 (6.7)	1903853 (8.8)	2046415 (7.0)	2068782 (6.2)	1992967 (5.5)	2025488 (6.4)	2182352 (6.6)	2125099 (2.7)
Government final consumption expenditure	362769 (21.6)	367882 (7.4)	319547 (10.5)	293024 (8.9)	393709 (8.5)	407780 (10.8)	341988 (7.0)	335089 (14.4)	418249 (6.2)	465643 (14.2)	387729 (13.4)	380747 (13.6)
Gross fixed capital formation	958859 (0.7)	967190 (5.9)	1014300 (8.8)	1120847 (13.7)	1082670 (12.9)	1077942 (11.5)	1130201 (11.4)	1170154 (4.4)	1132195 (4.6)	1035736 (-3.9)	1071838 (-5.2)	1094323 (-6.5)
Change in stocks	49996 (61.7)	54050 (75.8)	52497 (78.3)	59252 (79.6)	64131 (28.3)	66159 (22.4)	63999 (21.9)	70126 (18.4)	67328 (5.0)	66999 (1.3)	64718 (1.1)	70445 (0.5)
Valuables	62905 (80.1)	46317 (25.0)	39512 (11.2)	43928 (1.5)	41080 (-34.7)	44629 (-3.6)	39252 (-0.7)	44772 (1.9)	51347 (25.0)	51761 (16.0)	43368 (10.5)	46153 (3.1)
Net trade (Export–import)	-137041	-85422	-128661	-125231	-122238	-141491	-104580	-51926	-117242	-76355	-44444	-59686
Exports	627176 (3.9)	639543 (4.5)	646620 (4.4)	688438 (5.0)	686695 (9.5)	719352 (12.5)	748505 (15.8)	767991 (11.6)	708546 (3.2)	703282 (-2.2)	703023 (-6.1)	702809 (-8.5)
Less imports	764217 (21.8)	724965 (10.5)	775281 (14.1)	813669 (23.6)	808933 (5.9)	860843 (18.7)	853085 (10.0)	819917 (0.8)	825788 (2.1)	779637 (-9.4)	747467 (-12.4)	762495 (-7.0)
Discrepancies	69397	132000	105705	151725	10803	73679	-17242	52683	-9576	15062	-62812	146521
Gross domestic product (GDP)	3136572 (5.1)	3232072 (7.3)	3314801 (8.7)	3491719 (7.4)	3359162 (7.1)	3432553 (6.2)	3500033 (5.6)	3689678 (5.7)	3535267 (5.2)	3584335 (4.4)	3642748 (4.1)	3803601 (3.1)

■ India's Overall Balance of Payments (Net): Quarterly

Item	2018–19 ($ mn) Q1	Q2	Q3	Q4	2019–20 ($ mn) Q1	Q2	Q3	Q4	2018–19 (₹ bn) Q1	Q2	Q3	04	2019–20 (₹ bn) Q1	Q2	Q3	Q4
Current account	-15803	-19054	-17752	-4647	-15004	-7579	-2630	558	-1059 [-2.3]	-1337 [-2.9]	-1279 [-2.7]	-328 [-0.7]	-1044 [-2.1]	-534 [-1.1]	-187 [-0.4]	40 [0.1]
Merchandise	-45751	-50037	-49281	-35214	-46774	-39650	-36040	-35042	-3065	-3510	-3552	-2482	-3253	-2793	-2567	-2536
Invisibles	29947	30984	31529	30567	31769	32070	33410	35600	2006	2174	2272	2154	2209	2259	2380	2577
Services	18676	20256	21678	21331	20075	20941	21879	22027	1251	1421	1562	1503	1396	1475	1558	1594
of which: Software services	18605	19286	19895	19868	20998	21064	21455	21125	1246	1353	1434	1400	1460	1484	1528	1529
Transfers	17031	19331	17424	16160	17964	19952	18893	18400	1141	1356	1256	1139	1249	1405	1346	1332
of which: Private	17216	19511	17558	16317	18224	20188	19132	18673	1153	1369	1265	1150	1267	1422	1363	1352
Income	-5760	-8603	-7573	-6925	-6270	-8822	-7361	-4827	-386	-604	-546	-488	-436	-621	-524	-349
Capital account	4787	16604	13770	19241	28624	13580	23626	17350	321 [0.7]	1165 [2.5]	992 [12.1]	1356 [2.7]	1991 [4.0]	956 [1.9]	1683 [3.3]	1256 [2.4]
of which: Foreign investment	1427	7612	5199	15856	18835	9791	17572	-1782	96	534	375	1117	1310	690	1252	-129
Overall balance	-11338	-1868	-4296	14162	13984	5118	21601	18794	-760 [-1.7]	-131 [-0.3]	-310 [-0.6]	998 [2.0]	973 [2.0]	360 [0.7]	1539 [3.0]	1360 [2.6]

Figures in square brackets are percentage to GDP.

■ Foreign Exchange Reserves

Excluding gold but including revaluation effects	3 July 2020	5 July 2019	31 March 2020	Variation: Over Month	Over Year	Financial Year So Far 2019–20	2020–21	Financial Year 2015–16	2016–17	2017–18	2018–19	2019–20
₹ crore	3543242	474711	402260	3344616	9639	72450	15447	218620	25300	353270	68050	668976
$ mn	474711	-5263	-9470	443645	-67450	83458	125010	16297	10160	53217	-14168	56831

■ Monetary Aggregates

₹ Crore	Outstanding 2020	Variation: Over Month	Over Year	Financial Year So Far 2019–20	2020–21	Financial Year 2017–18	2018–19	2019–20
Money supply (M_3) as on 19 June	17315364	83782 (0.5)	1899260 (12.3)	-15963 (-0.1)	515433 (3.1)	1170657 (9.2)	1469480 (10.5)	1367864 (8.9)
Components								
Currency with public	2562967	50117 (2.0)	446290 (21.1)	64467 (3.1)	213252 (9.1)	495583 (39.2)	292497 (16.6)	297505 (14.5)
Demand deposits	1572957	5892 (0.4)	169681 (12.1)	-223237 (-13.7)	-164736 (-9.5)	86962 (6.2)	142801 (9.6)	111180 (6.8)
Time deposits	13140724	30585 (0.2)	1274256 (10.7)	144865 (1.2)	466709 (3.7)	585266 (5.8)	1026347 (9.6)	952412 (8.1)
Other deposits with RBI	38716	-2812 (-6.8)	9032 (30.4)	-2059 (-6.5)	209 (0.5)	2817 (13.4)	7836 (32.8)	6764 (21.3)
Sources								
Net bank credit to government	5499589	-51973 (-0.9)	910475 (19.8)	200624 (4.6)	593006 (12.1)	144799 (3.8)	387091 (9.7)	518093 (11.8)
Bank credit to commercial sector	10899640	24769 (0.2)	641246 (6.3)	-124326 (-1.2)	-139004 (-1.3)	802225 (9.5)	1169005 (12.7)	655924 (6.3)
Net foreign exchange assets	4041348	132686 (3.4)	870254 (27.4)	100253 (3.3)	240312 (6.3)	364065 (14.2)	148546 (5.1)	730195 (23.8)
Banking sector's net non-monetary liabilities	3151528	21701 (0.7)	523076 (19.9)	192582 (7.9)	178880 (6.0)	140995 (6.8)	235395 (10.7)	536778 (22.0)
Reserve money as on 3 July	3179786	14689 (0.5)	398894 (14.3)	10410 (0.4)	150112 (5.0)	518300 (27.3)	351702 (14.5)	259192 (9.4)
Components								
Currency in circulation	2665329	26007 (1.0)	467719 (21.3)	60839 (2.8)	218050 (8.9)	494078 (37.0)	307423 (16.8)	310508 (14.5)
Bankers' deposits with RBI	474279	-4554 (-1.0)	-72370 (-13.2)	-55320 (-9.2)	-69609 (-12.8)	21405 (3.9)	36444 (6.4)	-58081 (-9.6)
Other deposits with RBI	40178	-6765 (-14.4)	3545 (9.7)	4891 (15.4)	1671 (4.3)	2817 (13.4)	7835 (32.8)	6765 (21.3)
Sources								
Net RBI credit to Government	1181017	-2528 (-0.2)	118071 (11.1)	260995 (32.5)	188825 (19.0)	-144836 (-23.3)	325987 (68.5)	190241 (23.7)
of which: Centre	1174056	-726 (-0.1)	116633 (11.0)	256950 (32.1)	184315 (18.6)	-145304 (-23.5)	326187 (68.8)	189268 (23.6)
RBI credit to banks & commercial sector	-385766	-56122 (17.0)	-234985 (155.8)	-303632 (-198.6)	-184873 (92.0)	372643 (-120.5)	89478 (0.0)	-353744 (0.0)
Net foreign exchange assets of RBI	3813341	42423 (1.1)	878834 (29.9)	85920 (3.0)	222939 (6.2)	363571 (15.2)	87806 (3.2)	741815 (26.0)
Govt's currency liabilities to the public	26315	0 (0.0)	330 (1.3)	97 (0.4)	0 (0.0)	572 (2.3)	236 (0.9)	427 (1.6)
Net non-monetary liabilities of RBI	1455121	-30915 (-2.1)	363356 (33.3)	32970 (3.1)	76779 (5.6)	73650 (8.8)	151805 (16.7)	319547 (30.2)

■ Scheduled Commercial Banks' Indicators *(₹ Crore)*

(As on 19 June)	Outstanding 2020	Variation: Over Month	Over Year	Financial Year So Far 2019–20	2020–21	Financial Year 2017–18	2018–19	2019–20
Aggregate deposits	13867114	36589 (0.3)	1374647 (11.0)	-81305 (-0.6)	299622 (2.2)	668390 (6.2)	1147722 (10.0)	993720 (7.9)
Demand	1452423	5201 (0.4)	163594 (12.7)	-222459 (-14.7)	-164580 (-10.2)	88843 (6.9)	141005 (10.3)	105715 (7.0)
Time	12414691	31388 (0.3)	1211053 (10.8)	141154 (1.3)	464202 (3.9)	579547 (6.1)	1006717 (10.0)	888005 (8.0)
Cash in hand	87182	-699 (-0.8)	7731 (9.7)	4574 (6.1)	-78 (-0.1)	-1295 (-2.1)	14812 (24.7)	12383 (16.5)
Balance with RBI	451363	17376 (4.0)	-51885 (-10.3)	-62459 (-11.0)	-84823 (-15.8)	16906 (3.3)	40021 (7.6)	-29521 (-5.2)
Investments	4141999	87624 (2.2)	675353 (19.5)	85590 (2.5)	394650 (10.5)	287494 (9.5)	62602 (1.9)	366293 (10.8)
of which: Government securities	4140928	88281 (2.2)	676292 (19.5)	85634 (2.5)	402231 (10.8)	287657 (9.5)	61595 (1.9)	359695 (10.6)
Bank credit	10245030	21880 (0.2)	596262 (6.2)	-122954 (-1.3)	-125831 (-1.2)	783965 (10.0)	1146297 (13.3)	599139 (6.1)
of which: Non-food credit	10155742	12008 (0.1)	578393 (6.0)	-152763 (-1.6)	-163355 (-1.6)	795906 (10.2)	1146676 (13.4)	588985 (6.1)

■ Capital Markets

	10 July 2020	Month Ago	Year Ago	Financial Year So Far Trough	Financial Year So Far Peak	2019–20 Trough	2019–20 Peak	End of Financial Year 2017–18	2018–19	2019–20
S&P BSE SENSEX (Base: 1978–79=100)	36594 (-5.5)	34247	38731 (6.9)	27591	36738	25981	41953	32969 (12.1)	39714.20 (12.4)	29816 (-21.8)
S&P BSE-100 (Base: 1983–84=100)	10844 (-7.1)	10226	11674 (4.1)	8180	10888	7683	12456	10503 (11.5)	12044.07 (9.1)	8693 (-25.2)
S&P BSE-200 (1989–90=100)	4528 (-6.2)	4271	4826 (2.5)	3416	4547	3209	5185	4433 (12.0)	4986.55 (7.1)	3614 (-25.1)
CNX Nifty-50 (Base: 3 Nov 1995=1000)	10768 (-6.8)	10116	11556 (5.6)	8084	10813	7610	12362	10114 (11.1)	11922.80 (11.1)	8660 (-24.3)
CNX Nifty-500	8814 (-6.8)	8293	9456 (1.0)	6638	8852	6243	10119	8912 (12.6)	9805.05 (5.3)	7003 (-26.3)

Figures in brackets are percentage variations over the specified or over the comparable period of the previous year. | (-) = not relevant | - = not available | NS = new series | PE = provisional estimates

■ Comprehensive current economic statistics with regular weekly updates are available at: http://www.epwrf.in/currentstat.aspx.

Locked Down and Left Out

Adivasis in Dahanu

The COVID-19 pandemic and the subsequent lockdown have further marginalised the precarious lives of the Adivasis of Dahanu, Maharashtra.

BRIAN LOBO

The most unexpected things have happened in the four months since the COVID-19 lockdown began. Who would have imagined that while we are enjoying nature's calm beauty and promising ourselves to not exploit nature any more, simultaneously, there would be a significant increase in the illegal felling of trees? Having unexpectedly returned home from brick kilns, salt pans or construction sites where they worked as manual labour, and in the absence of any gainful employment at home, many Adivasis in Dahanu taluka, Maharashtra, have resorted to just that! Of course, many from the community have busied themselves with creating assets on their own fields, by repairing agricultural bunds and levelling sloping land. While these construction activities are undertaken in the summer months every year, the scale of bund repairs this year has been significant. Most villagers are small and marginal farmers who migrate to cities in search of work post Diwali. Having been forced to return home, some villagers have come together and undertaken these operations in a communitarian way, with everyone working together in rotation on each and everyone's field.

In remote villages, getting fresh vegetables from the market has continued to be a problem for the entire duration of the lockdown. Shopkeepers from villages close to Dahanu town obtained passes to ferry essential goods, but in remote villages, getting even essentials like salt and soap has been almost impossible. With no vegetables available, the Adivasis have fallen back on their traditional *aasra* (shelter)—the forest. Leaves and flowers (like *mokha*, *naal bhaji*, and *shelti*) from the jungles, which used to be consumed regularly earlier but are rarely accessed today, have become common items on the menu once again. Given their desperation, people have resorted to some overexploitation too, especially in villages which fell in containment zones. Every leaf of the naal bhaji was plucked and every snail was foraged from the riverbeds! Dried fish and *sukat* (dried shrimp) were sorely missed. While there was very little food and even lesser money for food, there seemed to be enough for addicts to somehow purchase tobacco that saw an almost 500% rise in its price, going from ₹200 to ₹900 per kilogram. While sale of liquor and toddy in the market was prohibited, severely affecting the income of those in the toddy trade, tapping of toddy for self-consumption or for sale within the villages continued.

Now that the monsoon is here, farmers will be busy on their own fields. But, they will require work once transplantation is over, especially because this year it is unlikely that many will migrate out for work

Despite the lack of fresh fruit and vegetables, people did not go hungry. The distribution of grains through the public distribution system (PDS) supplemented the existing stock from one's own field and forest plot. Unfortunately, the much-publicised free dal reached the ration shops only in mid-June after much delay. And, those without ration cards had no access to the grains either. Several people have been excluded from the PDS due to technical impediments like exclusion of ration cards not having been seeded with Aadhaar numbers, distribution of grain based on outdated survey lists from 2011, etc. Therefore, by and large, only those who are self-reliant in the production of grain have pulled through the lockdown period without much trouble.

Of course, people require cash income. The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is the obvious answer, but provision of work through MGNREGA has fallen woefully short of the demand. In early May, some villagers protested the government's failure to provide work under MGNREGA. Thereafter, the administration did get into action, and an increase in employment was witnessed. But the 54,902 person days that have been generated from the start of the financial year till the first week of June are just not enough. Most who were lucky enough to get work, were employed for barely 10 days each. The administration has been unable to even provide job cards to all. Estimates for works are not ready and administrative approvals have not been obtained. And now that the monsoon is here, farmers will be busy on their own fields. But, they will require work once transplantation is over, especially because this year it is unlikely that many will migrate out for work. The administration must utilise the period till September to do the groundwork: prepare estimates, obtain approvals, and explore the possibility of innovative work that will really create rural assets and thus make the village truly "atmanirbhar" (self-reliant), in terms of livelihoods, and reducing the necessity to migrate out for work.

The fact that migrant workers have returned home penniless, after unimaginable hardship, has been a cause for much anxiety. Many who worked for employers who have permanent residences are hopeful that they will be paid their wages. But for those whose contractors and subcontractors were migrants themselves, the outstanding wages are as good as lost. It is absolutely necessary that the labour department evolves an effective grievance redressal mechanism for outstanding wage payments. Perhaps, a "package" to assist lockdown-affected brick kiln owners, salt pan owners, and other such employers in the payment of outstanding wages is a policy decision, which, if taken, will be of immense assistance to the migrant Adivasi workers.

Over the last four months, demonetisation has come back to haunt the Adivasis in a big way. Women and men, including the elderly and those with disabilities, lined up outside banks as early as 5 am while maintaining physical distance in kilometre-long queues for their pension or for the ₹500 transferred to their Jan Dhan account. But, as the day progressed, most kept their slippers, bags or marker stones at intervals of three feet on the road in the blazing sun and then, ironically, congregated in the shade and chatted away! The opportunity cost of withdrawing the ₹1,000 pension or the ₹500 Jan Dhan credit has indeed been very high. As some were unable to reach the bank counter before closing time, they were forced to return the next day, exposing themselves to greater risk of contracting the virus. A rumour that the money would revert to the government if the money was not withdrawn immediately only resulted in panic and the lengthening of the already long queues. The quantum increase in recent years in both the number of bank accounts and direct benefit transfers in rural areas has meant that banks are under much stress. The number of transactions has increased exponentially, but the turnover is rather low as each transaction is quite small. As staff strength in banks is proportionate to the turnover and not to the number of transactions, rural banks are just not equipped to handle the situation. Alternative banking correspondents are in operation in only a few areas. The lessons from demonetisation have indeed not been learnt.

I shudder to think what will happen—as is inevitable—with COVID-19 rapidly spreading in the area. In early June, there were just 24 cases in the entire taluka, and not a single death. But by mid-July, this number has risen to almost 190 in Dahanu taluka and over 10,000 in Palghar district, with close to 190 deaths. Given the fears that have enveloped the area, the basic distrust in an ill-equipped and malfunctioning medical system, the disregard for rules and regulations imposed without sufficient awareness or information, the failure to promote self-discipline, and the widespread rumours that have continued to sweep the entire taluka since March, the disadvantaged Adivasis of Dahanu are plunging deeper into inequality and strife.

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The Summer Harvest

PRABHAKAR SINGH

The golden crowns of the standing wheat crops sway,
Kissing goodbye to the Spring wind passing by.
Crows, peacocks, and birds of all manner,
Peck at the fallen grains as time goes by.

It is the end of Spring, and Bihu has just passed.
The farmer must harvest his standing crops,
Lest the Western clouds gather with thunderclaps,
And unwanted rains dash the farmer's hopes.

The Monsoon wind now roars and extends,
Bihar to Kerala, across central Indian plains.
From the southern hills to the Gangetic mud-flats,
The farmer now dreads rains all the same.

From sunrise to the settling of the evening dust,
The farmer hops, reaps, and bundles his crop.
For now, the wheat must lay in-wait at the end of the hay,
The bundles spread flat, the farmer dreading the delay.

Having prayed all Spring to the rain-gods,
The farmer now supplicates the wind,
To keep the clouds at bay,
For rain will spell the death of the hay.

The farmer goes home, heart in his mouth,
May the wind-god delay the Western cloud, he prays
Hay, now cut and spread flat across the field,
Dreams the farmer "The wheat dies and decays."

While Sun and Rain are gods of the standing crops,
Wind and Moon are gods of the harvested hay.
Alas, a farmer knows not rest—living eternally at odds,
Changing his allegiance, and his gods.

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Searching for Her Space
The Story of a *Thappad*

Thappad questions the predetermined, skewed, and unequal notions about the role of a man and a woman in even a so-called "happy" marriage.

SUJIT KUMAR MISHRA, SOUMYA VINAYAN

Social conditioning leads individuals to assimilate several social constructs that reflect beliefs, faiths, customs, and rituals that are often discriminatory. This imposes subtle and blatant restrictions on women. Deviations are met with intolerance, and the invisible "eye" of society is invoked to silence the so-called transgressions of these "deviant" women, especially in intimate relationships. The enjoyment of structural entitlement predominantly rests with men, and women's contributions are often portrayed as duties (relegated to the realm of the invisible, while those of men are always monetised and made visible through valuation).

The lack of economic valuation of household and care work has treated women, irrespective of economic and social status, as inferior to their earning male counterpart

Directed by Anubhav Sinha, *Thappad* (The Slap) is an acclaimed 2020 Hindi film, which portrays various shades of subtle violence against women. The plot revolves around the lives of a happily married couple, Vikram and Amrita. Vikram is an extremely ambitious corporate worker, and the rhythm of Amrita's life revolves around him, from waking him up to handing him his office files and wallet, from taking care of his diabetic mother to running the household, all with a smile. Amrita's efforts as enabling factors in Vikram's success bring our attention to the debate on paid versus unpaid work. The lack of economic valuation of household and care work has treated women, irrespective of economic and social status, as inferior to their earning male counterparts. In the "arranged" marriage proposed by Amrita's family (of a lower economic status than Vikram's)—referred to and emphasised by Vikram in turbulent times—Amrita makes the "choice" of accepting and embracing the role of homemaker with pleasure, considering her contribution as equally important to that of Vikram's. That Vikram neither shares these views nor values her contribution is reflected throughout the movie, highlighting the casual sexism and lack of substantiation of unpaid labour by women in the household.

An ambitious Vikram's plans involve shifting abroad and starting a family soon. He secures a top position in London, to celebrate which he decides to have a party, completely managed and hosted by Amrita. During the party, he is shocked to learn that he is being offered a lower position than what he was led to believe, and ends up in an argument with a colleague. As things begin to turn ugly, Amrita tries to take him away from the scene, resulting in an enraged Vikram slapping her. Witnessed by most in the party, including Amrita's father, the party continues while a shocked Amrita retires to her room. Despite the hurt and humiliation she suffers, her mother-in-law (Sulakshana) asks her to rejoin the party while the deafening silence of her visibly pained and shocked parents further marginalises Amrita's position. Sulakshana, herself a victim of subtle forms of violence that lead to her estrangement from her husband, offers no solace to Amrita and instead enquires only about Vikram's well-being. The next morning starts with the same rhythm as every other day, but one can observe a sea change in Amrita. On the one hand, she starts searching for dignity and happiness, while on the other, Vikram not only does not apologise, but instead focuses the narrative on himself—disappointed by the lack of recognition for his physical and emotional investment at his workplace and trivialising the slap by remarking, "it happens sometimes."

As the film progresses, Amrita decides to stay at her natal home for a few days but Vikram "reminds" her of her "duty as a wife" to stand by him. This is reflective of the male impunity and structures of subjugation that women are at the receiving end of. Interestingly, while her father categorically states that she need not justify her decision to stay at her own home, her mother (herself a product of society's indoctrination vis-à-vis women's role in marriage) reminds Amrita that as a married woman, the parents' home is no longer hers and she must go back to "her" home, reflecting the suffocating nature of the institution of marriage in a patriarchal society. Vikram, in stereotypical ways, tries to woo Amrita back, but she clearly indicates her annoyance and disappointment in a relationship devoid of love, respect and care. Even then, Vikram reminds her of societal pressures and patronisingly conveys to her that his efforts are for a brighter future together, making completely invisible Amrita's agency in and contribution to this future.

The final subplot showcases Amrita's struggle with the legal system, triggered by the legal notice sent by Vikram for restitution of conjugal rights. While Amrita expresses her unwillingness to return to her marital home, "*Just* a slap is not reason enough to leave the marital home," suggests her lawyer Netra, in an attempt to make the process "easier" for Amrita. She explains that, many a time, legal procedures are time-consuming and messy, and thus, lawyers counsel petitioners to opt for out-of-court settlements. Amrita's decision to ask for a divorce evokes varied responses.

Divorce by mutual consent is refused by Vikram, and Amrita is not on board with Netra's counsel to demand alimony and share in property. Vikram counters the notice to divorce with insinuations against Amrita as careless, callous and interested in his property. Meanwhile, Amrita learns that she is pregnant, and she shares the news with Vikram, who, once again, hijacks the discourse, focusing on his dreams for "his" child. Taking the emotional abuse further, his elder brother vows to make sure the child is not brought up as an orphan. Vikram offers to agree to the divorce provided he is accorded full custody of the child. The larger question the film throws at us is whether being brought up by a single mother would render a child orphaned.

Given the turn of events, Amrita finally files a case of "domestic violence and outraging a women's modesty" against Vikram, which brings him to the negotiating table. Amrita pushes for joint custody and even participates in a ritual at his home for the unborn child. In a moving and telling scene, she recounts the loneliness she felt on the night of the party, and the realisation that all the love and respect she had enjoyed since marriage was for "Vikram's wife" and not her as an individual. The efforts of the family to convince Amrita to stay on in the marriage—ranging from "try to adjust," "cultivate the habit of tolerance," to "nothing big has happened," and most tellingly, "it was *just* a slap"—reflect the deeply patriarchal mindset of our society that undervalues women's agency and their labour. While it does not explicitly interrogate the institution of marriage itself, the film successfully relates the predetermined, skewed, and unequal notions about the role of a man and a woman in even a so-called "happy" marriage.

The film depicts several other characters who unilaterally echo the "log kya kahenge?" (what will society think?) sentiment: Sulakshana, Amrita's mother-in-law, who lives estranged from her husband; Sandhya, Amrita's happily married mother, who gave up singing because her mother taught her that her primary responsibility was to focus on the family; and Sunita, Amrita's househelp, who suffers verbal and physical abuse from her husband on a daily basis. "I usually lock myself in the room to escape, but sometimes I wonder, what if one day he locks me out of the house?" says Sunita to Amrita, highlighting women's lack of agency, especially in violent circumstances.

On the other hand, there are strong women like Amrita's divorce lawyer Netra, an extremely successful advocate, carrying on the legacy of her father-in-law (a fact her famous and successful journalist husband mentions frequently, the outcome of which is a subtle form of emotional abuse on a daily level). Gender theory suggests that the extra fame (or other resources like income) earned by the wife is positively related to a likelihood of abuse in traditional intimate relationships. Swati, who is the fiancée of Amrita's brother (who is blamed for putting Amrita in touch with the lawyer), and Shivani, Amrita's neighbour and single mother to a teenage daughter, portray strong women who experience the several discrete shades of society's violence on women.

Through these three subplots and Amrita's story, the film candidly portrays the individual journeys of women, across socio-economic classes, in trying to find and assert their place in a deeply patriarchal society.

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LAST LINES

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