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Impact of the Lockdown on Urban Livelihoods

Most of the world's informal workers are from developing countries, and most of them would be the worst affected by COVID-19. There are severe concerns for low-paid and low-skilled informal workers in low- and middle-income countries, where the industries and services have a high proportion of such workers, who account for 61% of the global workforce or two billion people, and they lack any social protection or safety net. This sudden loss of livelihood would be horrifying for them.

The Indian economy, especially the informal or unorganised sector, has been witnessing an unprecedented slowdown, downturn, and unemployment in recent months; this has aggravated due to the COVID-19 pandemic crisis and the lockdown. In light of the vulnerable and life-risking situation of the migrant workers, the governments, non-governmental organisations, employers, and even the Supreme Court stepped in to cater to the plight of those who work in informal sectors. As a result, 26,000 shelters (for 1.5 million migrant workers) and over 38,000 food camps were set up across the country in the initial weeks of the lockdown, which took care of more than 10 million people together for food and around two million for shelter, supported by the government, NGOs and employers as on 12 April 2020.

According to the Periodic Labour Force Survey (PLFS) 2017–18, about 90% (or 419 million) workers are engaged in the informal sector out of the total 465 million workers in the country. A large number of informal workers (62%) are engaged in farm or agricultural activities in rural areas compared to only 8% in urban areas, as per which there is going to be less impact on their livelihoods and employment by the lockdown than on that of informal workers engaged in urban areas in non-farm sectors, that is, 92%.

These informal workers' livelihoods are likely to be affected more by the lockdown because of the halt in economic activities. About 419 million of such informal workers are at the risk of losing their livelihood and falling into deeper poverty.

To ascertain the estimates of the most affected sectors and workers from the PLFS, we have chosen the top five affected sectors and top 10 vulnerable occupations in urban areas.

The analysis from the unit record data of the PLFS 2017–18 shows that, in urban areas, about 93 million informal workers are involved in five sectors that are the most affected, namely manufacturing (28 million), trade, hotel and restaurant (32 million), construction (15 million), transport, storage and communications (11 million), and finance, business and real estate (seven million). As many as 50% of these informal workers are engaged in self-employment, 20% are casual workers on daily wages, and 30% are salaried or contract workers without any social safety net.

Due to the lockdown, all economic activities (with the exception of essential and emergency services) related to physical labour at workplaces are banned. Therefore, about 93 million urban informal workers in these five sectors have been the most hit. This is the largest informal sector worker group next only to agriculture and allied activities, and is greater in size than the populations of most of the countries in the world, for example, United Kingdom, Australia, Japan, etc. In urban areas, informal workers tend to work in sectors that are directly affected by lockdown measures and carry a high risk of virus infection, such as rag picking, street vending, food stalls, construction, transport, and domestic help. The current nationwide lockdown in India has severely affected informal workers and forced many of them to either stay in shelters or return to their native places.

Besides these informal workers, many persons involved in the organised sector (unregistered firms) who may not be jobless at present can find themselves without a job after the lockdown period is over, if many enterprises refuse to take them

Note to Readers

Dear Readers,

Due to certain logistical reasons we are combining the 11 July 2020 issue of *EPW* with the 18 July issue. You could access the 11 July 2020 issue along with the 18 July 2020 issue. Hope you would appreciate our difficulty.

back. Many self-employed persons like street vendors and other small entrepreneurs may not be left with the capital to restart their businesses, and many may not return from their native places.

Of these, the casual workers are the most vulnerable due to the unpredictable nature of their work and daily wage payment, which are highest in the construction sector. Added precautions like social distancing, contact tracing, and strict health controls over entry at workplaces and markets would also have an impact on the employer–worker relationship, thereby proving to be a massive departure from the casual business-as-usual approach.

There is a silver lining for gig work (such as online delivery services), highly skilled professional and technology interface sectors, which has been positively affected by the pandemic crisis. Less than one-tenth of the workforce, those in regular salaried or essential services businesses and self-employment, will continue to receive their regular income.

So, the government today has a dual challenge to provide immediate assistance to: first, informal workers who have lost their jobs, and second, those who are already unemployed and are looking for jobs. The time to demonstrate seriousness in attaining the "*antyodaya*" through Deen Dayal Upadhyaya Antyodaya Yojana–National Rural Livelihoods Mission, Aajeevika, Deen Dayal Upadhyaya Antyodaya Yojana–National Urban Livelihoods Mission (DAY–NULM), Skill India, Digital India, National Smart Cities Mission, RURBAN mission, etc—is now.

Balwant Singh Mehta, Arjun Kumar
NEW DELHI

Changing Indo–China Relations

A contrasting response to a grim situation through a number of dialogues has blatantly failed to de-escalate the crippling crisis of 15 June 2020 in the present geopolitical conditions between the two nuclear-power states of India and China. This conflict has created a new historical scene, which perhaps has not been seen in the last 45 years of ties between the two nations. How far it can go is yet to be ascertained.

India–China relations are immensely critical for the emergence of a multipolar world. Changing scenarios and building differentiation can severely unbalance the stability in the neighbourhood and damage the growth prospective of multilateral organiations like the Shanghai Cooperation Organisation and BRICS. It is time when both the nations must sit together and reconsider their challenges to leverage the best possible recoveries to maintain peace and tranquility at the Indo–China border. Unsettled disputes can inflict a higher degree of challenges for India, especially when we are completely clueless about the development of a manufacturing hub. Declining consumption and unrest in the agricultural sector are not conducive and favourable for healthy businesses. A particular skill set and better infrastructure are the prerequisites for attracting foreign direct investments (FDIs) in the manufacturing sector. Moreover, the rising percentage of import dependence has further pressurised the Indian government to balance its trade deficit account and relocate its road of economic progress at a time when nations have turned into protectionist regimes. All these factors can mutate a new virus and pose a threat to an "Atmanirbhar Bharat" (Self-reliant India). If India wants to see a win–win position, then it must seriously take these arguments into consideration to improve its market structure and quality of products for displaying an environment-friendly outlook and pursuing better business.

A way forward must ensure to achieve a more holistic understanding of China's intentions that are very often involved in disrupting India's strategic foreign diplomacy. But, this time, the news trickling in from the Galwan valley clash-off has taken this warfare to a next level. Given the grim battlefield, the political leadership must not take the back seat and betray our soldiers. India must introspect timely and engage to protect its undermined status quo. Lessons for India should be about "not taking its traditional neighbours for granted." Otherwise, it has to bear their unacceptable tactics, resulting in the infringement of national security and breach of well-settled international treaties.

Instead of playing an ugly game of politics, both nations must acknowledge the fact that there cannot be a better emergence of 21st-century Asia without the positive collaboration of these two Asian powers. To manoeuvre better development and prosperity in the region, mutual understanding and negotiations must prevail to enhance the appreciation of each other's policies and actions. Commemorating the leaders of both the nations, it was agreed prudently during the informal summit to manage their differences and not allow the issues to turn into disputes. These recognised words need new strengthening bonds to heighten their respect and regard for each other's freedom of choices and decision-making without compromising their national peace and stability.

Rajesh Raj
BUXAR

Corrigendum

In the article "Crossroads and Boundaries: Labour Migration, Trafficking and Gender," by Indrani Mazumdar and Neetha N (*EPW*, 16 May 2020), the figures in the line "from around 41 lakh in 2001 to 85 lakh in 2011" should have read as 30 lakh and 45 lakh, respectively.

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

Errata

In the article "A New Framework for Social Science," by Bruce Kapferer (*EPW*, 20 June 2020), the price of the book should have read as ₹1,100 instead of ₹4,339.

In the article "Decoding Ayushman Bharat: A Political Economy Perspective," by Shailender Kumar Hooda (*EPW*, 20 June 2020), "not incurred" and "incurred in GFHI" in Figure 4 should have read as "not insured" and "insured in GFHI," respectively.

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) Stay Home, Stay Safe: Interrogating Violence in the Domestic Sphere—*Rukmini Sen*

(2) Citizenship (Amendment) Act: The Pitfalls of Homogenising Identities in Resistance Narratives —*D Parthasarathy*

(3) Madhya Pradesh: The Dislodging of the Congress Government Leaves BJP with a Pyrrhic Victory —*Rakesh Dixit*

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India's Free Food Politics

Is the government's food relief package abetting destitution rather than alleviating it?

What would the extension of the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) till November 2020 mean for the 81 crore beneficiaries of the National Food Security Act (NFSA) 2013, across the country? Prima facie, a prolonged access to free foodgrains at a time when the pandemic and the subsequent lockdown have axed or jeopardised the livelihoods of many. The riders implicit in this extension, however, could be several. For instance, notwithstanding whether the estimated expenditure of ₹90,000 crore to provide free foodgrains to all beneficiaries of the NFSA for five months is adequate, a more provoking question is: What is this expenditure being incurred as? Food subsidy? Or something else? This, of course, was never clarified in the Prime Minister's address to the nation on 30 June 2020.

Given such lack of clarity, concerns stem out of various facts: (i) over the past two years, the current government has grossly under-reported its incremental off-budget borrowings from public accounts, which have a bearing on the fiscal deficit estimates; (ii) about three-fourths of these borrowings are on account of the underrecoveries in food subsidies of the Food Corporation of India (FCI); and (iii) to cover this up the government has been continually rejigging the balance sheet of the FCI to convert food subsidies to credits/borrowings, thereby reversing the course of "obligation" between the state and the parastatal.

The corporation and, in tandem, the public distribution system (PDS) in India, are running into a debt trap situation, and that too for catering to a mere 4%–5% of the purchased food market in India—a market share estimated by Reardon et al (2020). On the other hand, other studies on the rice markets in India find that the uncertainties created by government interventions—be it the uncertainties arising from competition between the traders in the free market and those in the government-controlled market, and/or the uncertainties caused by information asymmetry about the inventory position with the government—make the traders in the private markets adjust their price spreads such that the decline (rise) in the selling prices is never symmetric to the decline (rise) in the buying prices. In turn, 95%–96% of the purchased food market in India is subject to high price volatility, thereby defeating the very purpose of the PDS at large.

Besides limited coverage, what makes the PDS less efficacious are the widespread leakages in the system. How far such a system can cater to the needs of the burgeoning mass of the livelihood-less and hungry people during the current times, does not require much imagination. While the media has been abuzz with the news of (potential) beneficiaries encountering problems in accessing PDS supplies, one cannot overlook that "free" grains is but a myth. During the past three months, those accessing PDS supplies under the PMGKAY could lift the "free" 5 kilograms (kg) of grains only after buying their stipulated monthly quota of 7 kg at the subsidised rates from the ration shops. In the absence of any clarity as to whether the same conditions would apply during the extended phase of the scheme, there are no potential reasons to assume any deviation from this practice.

The need for overhauling the PDS has been a matter of public discourse in India for a long time. Adopting more pragmatic approaches to both procurement and distribution of foodgrains is the most binding requirement at this hour than ever before. But that would essentially mean the government giving up "easy" populism, which it can exercise through the PDS, particularly when vertical leadership has been conspicuous in its absence in concerted actions. At the same time, by using the PDS as a political plank the government can dismiss the role of civil society and hence the ability of horizontal leadership in filling up its vacuum in managing the ongoing food crises.

For instance, a couple of weeks since the imposition of the nationwide lockdown, NITI Aayog had sent letters to around 92,000 non-governmental organisations (NGOs)/charitable organisations (COs) across the country, running relief camps and food kitchens, to buy rice and wheat from the FCI at its open market sales scheme rates. Less than 1% of the organisations could access this scheme, while for the most procedural complexities and delays, and logistical bottlenecks, such as arranging their own means of transportation amidst the lockdown, made the process difficult to navigate. Concurrently, while the outbreak of the pandemic and the lockdown at the beginning of their new financial cycle has exposed the NGOs/COs' resource position, the PM-Cares Fund with a 100% tax exemption is perceived to have further disrupted their funding potentials.

With the covid-19 crisis, India is facing perhaps one of the most transformative moments in the past seven decades since independence, thereby placing demands of an extraordinary nature and scale on the government. In tiding over such a situation, the government could have shown some prudence by encouraging complementary actions from the civil society, rather than throttling or subverting these. Inaction of the government has evoked the ethical force of philanthropic emotions within the civil society, which in effect have culminated into relief activities. Such philanthropy, however, cannot be limitless, especially when livelihood losses are cutting across all classes of the society, equally. Given this, the civil society now must make conscious choices between various forms of abdication and concerted actions if it wants to hold the government accountable for its inaction.

Who Is Responsible for Custodial Violence?

Sections of Indian society are complicit in tolerating custodial torture and killings.

On 22 July, 32-year-old Bennix died allegedly of wounds and injuries due to police beatings in Sathankulam police station in Thoothukudi, Tamil Nadu. The next day, his 62-year-old father P Jeyaraj succumbed to the injuries that the police had reportedly inflicted on him. As usual, there was an attempt to hush up the deaths, but due to the public outcry on social media, the issue has gained momentum. Every day brings fresh stories of brutality by the police in that state. In this case, the policemen are accused of abusing a judicial magistrate who was inquiring into the violence against the father–son duo. Rights and civil society organisations have, for years, been releasing figures on torture and killings in police and even judicial custody in India. Needless to say, in the aftermath of the Thoothukudi violence, the media released reports of the number of custodial deaths, which are highly disturbing.

Reams have been written on the need for police reforms, even after the Supreme Court laid down seven guidelines for states and the centre on starting police reforms in 2006. Besides this, the iconic D K Basu judgment of the apex court covers almost all crucial areas that directly and indirectly relate to the issue of custodial torture and murder. It also further spawned other landmark court rulings. Despite all this, the police brutality and arbitrary behaviour during the covid-19 pandemic have repeatedly received attention in the mainstream and social media. These cases have shown that the "cover" of the lockdown and the impact of the pandemic have led to a reliance on stern measures and strict enforcement that has allowed the law enforcement agencies to not only set human rights aside but even violate them. Across the country, videos and news reports have detailed these phenomena and a citizen even petitioned the Bombay High Court through a public interest litigation (pil) on this issue.

The Tamil Nadu case has been horrific in its details (the Madurai bench of the Madras High Court took notice of it on its own). However, from the political class to the police and law enforcement agencies and civil society, none can be spared from the accusation of either encouraging or looking on where police authoritarianism, brutality and custodial deaths are concerned. Why is it that despite all the court rulings and reports of several expert committees, police brutality and the lack of regard for citizens' rights continue to make the headlines? It must be stated here that it is obvious that for every case that garners media and public outcry, there must be many that are simply not reported or acknowledged.

For the political class, police and law enforcement agencies are the handiest tools to wield power and decimate opposition and dissent. As far as the public is concerned, its view of the police is multifaceted. When the police acts against a section of society that is popularly perceived as "criminals" or belong to a demonised minority caste, religious community or tribe, the public lauds the police's performance. So, the death of criminals by encounters and swift reprisals against alleged rapists even without the aid of a lawful trial are all praised, even by politicians and celebrities. The middle class also believes that "decent" people rarely get into any engagement with the police except on minor matters that can be amicably settled by varying means. However, it is only when police violence casts its shadow closer home that the middle class suddenly wakes up to the possibility of police brutality.

As far as the police force is concerned, it must be kept in mind that it is not a monolithic entity as far as its aspirations and perceptions are involved. The top brass of the force has its own objectives that may find an echo in those of the political and bureaucratic classes. The lower rungs of the force do not necessarily feel that their well-being is the concern of the political class and the social elite.

There is another important factor that encourages the incidence of police torture and killings and that is the lack of conviction and the abysmal implementation of punitive measures. Expert committee reports have, time and again, also recommended a clear division between law enforcement and investigative duties by the police. This as well as a number of other suggestions are simply shelved after they are presented to the respective governments.

News of the George Floyd killing by the United States (us) police led to the massive public protests in that country. Considering the incidence of custodial torture and deaths in this country, public awareness should be sharp. Episodic outrage, however successful, cannot be enough. Civil society organisations, the media and legal experts must band together to show that police violence and torture, no matter against whom it is practised, will not be tolerated.

Colour of Ego or Egalitarianism?

Hindustan Unilever's decision to drop the words "fair" and "lightening" from its advertisement caption for its "Fair & Lovely" product has rendered the issue of colour of human skin as the critical focus of the public debate. For many, such a decision is welcome towards minimising, if not completely eliminating, discrimination based on colour- and gender-driven stereotypes. It is, perhaps, rightly argued that the "opportune moment" signifying a moral initiative taken by the company under reference, however, has arrived at such an initiative only after a long career that the advertisement under reference continued to enjoy. However, this initiative has come up primarily in the immediate context of the tragic death of George Floyd who was brutally killed in police action in the United States (US). The emergence of such moral sensitivity, which, for its validity, depends on the negative context of the tragic death, raises a couple of relevant questions. First, how does one understand the cosmetic company's arrival at this moral sensitivity? Second, how does the assumption that playing down the skin colour as a physical property of the corporeal body would have a positive impact on the moral constitution of the self as well as the other?

Arguably, as the late arrival at moral sensitivity would suggest, the market driven by an utilitarian profit motive lacks self-sufficiency, particularly with regard to social ethics. The logic of profit fails to create a compelling impact on those company owners who, on account of their disinterestedness, could not make their respective advertising policies sensitive to sociocultural equality. If the company under reference had responded to such a normative concern much before the occurrence of such a tragic context, it could have saved itself from the charge of being instrumental in its moral commitment to a social cause. While one would tend to appreciate the decision, in a larger sense, it could be argued that the capitalist market does suffer from this moral lapse. In the context of the general lapse in the economic world of the market, there is a scope for the moral argument that cultural equality or colour egalitarianism as a moral value does not seem to have its origin in the profit-driven market. Hence, those who control market transactions in general and cosmetic products in particular need to import moral values from spheres other than the market. Thus, these companies have to pick up some "ethical tips" from the moral practices around which human interactions happen outside the market transactions. It could be then argued that moral values may not necessarily have their origin in market transactions. The market, thus, tends to have an instrumental commitment to moral values that reside outside the former. A capitalist market works with the rational calculation that on instrumental considerations it is compelled to drop the politically incorrect tag in the present case of fairness from the caption of "Fair & Lovely." What it cannot permit is the risk of adversely affecting the production of the cream under consideration. The moral standing of capitalism therefore lies in what it requires and not in what it permits.

The desire to lighten one's skin to a "reasonable" level of "fairness" through feeding the skin with creams or cosmetics seems to be a constant source of motivation for many in the societies that are socioculturally divided on the basis of the complexion of corporeal skin. Fair complexion has been perceived by many as a cultural asset. For example, it may help a person to gain cultural recognition from others who are also fairer in complexion. Moreover, many do perceive fairness as the potent source of brightening their marriage prospects. Thus, a desire to acquire fairness for one's skin may add to one's cultural value, but does it also help add to the moral value of a person? Cultural value involves a desire of wanting to either look like someone or obtain favourable assessment from the patriarch, for example. Colour primarily involves the motivation of wanting to be like someone. It does not accommodate the much higher moral need to become like someone by adopting from such a person the best moral qualities, such as compassion and care that are internally imbedded in an exemplary person.

Skin colour has a hegemonic power over others inasmuch as it motivates others to try and acquire the fair colour in order to look fairer like others. In such an imitative process, the element of aspiration replaces the need for coercion. People motivated by the desire to become fair require an aspirational handle, which is provided by the advertisement's skill. The impact of advertisement, in consequences, tends to unsettle one's original/authentic sense of self-representation that is devoid of colour consciousness. It is in this sense that the colour of skin determines the discriminatory social existence of some in the particular context of India, while it rather overdetermines the discriminatory social existence of African Americans in the US. A person has a genuine need to access the sociocultural and opportunity spheres without reference to their skin colour. Can the decision of this company help us establish colour egalitarianism across different spheres?

Gopal Guru

FROM 50 YEARS AGO

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Great but Not Wise

Sukarno, the man, is dead. Sukarno, the politician, died five years ago. The man got a state funeral. The politician got utter humiliation and disgrace. The builder of a nation was presented by his pigmy successors as the wrecker of a nation. Westerners in their usual patronising manner wondered how he held Indonesia together. His successors found his dreams unbearable. They involved too much of sacrifice. They liked the swelling defence budgets but did not like the idea of alienation from the West. They liked the *Konfrontasi* with Malaysia as it placed heavy emphasis on the army. But they also disliked it because it was alienating them from their patrons in the West. The military bureaucratic elite in Indonesia as anywhere else liked the soft, pragmatic, West-leaning way of life. They found Sukarno's rhetoric cutting into their interests. They had to liberate Indonesia of Sukarno's power dreams. Newly emergent elites in Asia do not like power.

The US–China Disruption and the World Order

ZORAWAR DAULET SINGH

As foreign offices around the world try to make sense of the disruption in United States–China relations, it is useful to step back and see where things might be headed. The uncertainty revolves around some fundmental questions: Will the two erstwhile allies during the first Cold War wage a similar struggle against one another? What will be the normative basis of their rivalry? Is it about power or incongruent visions of the world order?

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China's foreign minister recently declared that "some political forces in the US (United States)" are pushing US and China "to the brink of a new Cold War." Many analysts too predict that Washington and Beijing are poised for a contentious ideological struggle that could unravel the world as it exists today. The fact, however, is we are still at a flux. Neither Beijing or Washington have truly come to terms with the next chapter in their interactions or its implications for the future international order. Each side will have a vote on the future course of the relationship.

Foreign offices around the world are trying to make sense of the deterioration in the Sino–American relationship. The uncertainty revolves around some fundmental questions: Will the two erstwhile allies during the first Cold War, wage a similar struggle against one another? What will be the normative basis of their rivalry? Is it about power or incongruent visions of the world order?

Possibility of Cold War

The goal envisaged by the American grand strategists four decades ago was precisely this: socialise a rising China into the mainstream international relations framework and embed it in a set of norms that were supported from within the Chinese political system. Contrary to popular belief, US strategy did not entirely fail. Bringing liberal democracy to China was never actually on the horizon of clear-eyed US policymakers. It would have been the icing on the cake. Besides, the 1989 Tinanenman Square crackdown put an end to that delusion. Instead, engagement was premised on expanding the avenues for US businesses along with reorienting China's approach to world order and globalisation after the end of the Cold War.

Claims that China failed to liberalise at home are all ex-post rationalisations to elude the fact that it is the US that finds itself unable to sustain the open international order and seeks revisions in how its benefits are allocated to key stakeholders. This is because the open liberal framework has accelerated the power transition and redistributed economic power from the Atlantic to the Indo–Pacific. The American people no longer support a globalist venture that yields disproportionate material advantages to a tiny minority at home. US businesses are having to compete with a rival power on more and more technology fronts.

Since US policymakers cannot advance a plausible pretext for disrupting the open world order, the blame is placed on a failed democracy promotion experiment, which was always peripheral to the overall conception of China policy and held by a few who were "blinded by an idealistic if not narcissistic faith that the Chinese dream equaled their own" (Paul 2020). The nub of the problem is, China integrated into the post-1945 and subsequently the post-1991 order, not as a client or junior partner but as an independent state. It is this basic reality that the US elite cannot countenance. As the most recent US National Security Strategy candidly admits, US engagement with and inclusion of China into the international order was predicated on converting the latter into a "benign" actor. This naïve expectation, if it was truly held, has been belied over the past decade.

This is where the debate on the US–China equation gets complicated. Is the main driver for competition merely to secure US national interests and preserve advantages that are seen to be fading away? Or is there a world order basis for the growing rivalry?

Those who advance the Cold War thesis naturally rely on a deep normative struggle that is underway—between a democractic America and an authoritarian China. To assert that a difference in political systems, which of course is real, extends to clashing international visions is less easy to argue. Unlike the US–Soviet rivalry that was built on a world order contest underpinned by zero-sum ideological visions and sharp dividing lines on the political economy, China's mixed economy, albeit state-led, has incorporated select capitalist precepts into its economic governance framework as well as liberal ideas into China's engagement with international institutions. Put another way, China's international identity is not a coherent whole but an amalgam of contradictions that cannot be confronted or "othered" by relying on a simplistic Cold War rhetoric.

When stripped of its grandiose foreign policy discourse, China has been unable to truly distinguish its world order vision. Claims to advance a universal community of shared benefits is not markedly different to the universalism of US liberalism. Ironically, China's attempt to reform the globalised order might even echo some of the ideas of liberals like Franklin D Roosevelt who, in a not dissimilar context, advocated balancing a hard nosed out-of-control capitalism with principles to secure social stability and economic sustainability, a core priority for the Communist Party of China today. We often forget that Roosevelt's "vision was originally global in spirit and scope," and envisioned a concert of great powers managing the post-war order. The sudden outbreak of the Cold War propelled an alternative hegemonic vision of an "American-led and Western-centred system" (Ikenberry 2020). It is the latter imperial variant that China no longer supports. But China wants the basic tenets of the liberal world order to continue long after the decline of US hegemony and international primacy.

Chinese discourse reflects this. The "vision espoused by China does not deviate much from the legal and political foundations of the existing international order but rather provides a moderate blueprint for the betterment of the international order" (Ming 2020). Broadly, China seeks to maintain the open globalised framework after revising some rules and nudging the system towards a more sustainable course based on a balance of interests between the major powers. For example, in "international finance, China certainly does not want to see the US dollar occupying a hegemonic position forever" (Jisi 2020). In the geopolitical realm, China will not behave like Germany or Japan who have accepted a subordinated role in a world designed by the US. China does aspire for a privileged geopolitical position in Asia.

On a broader setting, China wants to make its mark felt, not by advancing radical ideas but ironically parroting what was heard not long ago by Western elites. Xi Jinping's famous Davos speech of 2017 is one of the several instances where China has made a sharp distinction between "two distinct outlooks." One of a US bent on "making America great again" by putting itself first, and, China who believes "what economic globalisation needs now is not a bullet in the head, but a better compass in the hand" (Xinhua 2018). When Wang Yi recently remarked, "China will firmly follow the path of socialism with Chinese characteristics that has been proven successful in practice, but will not export its system or development model," this was partly to reassure Cold Warriors in the West but it was also an admission—China does not even possess an exportable model after its own complex mutations of socialism.

Old-fashioned Competition

If the argument that China has accomodated itself to some key, though certainly not all, pillars of the open international order is plausible then the entire discourse on Sino–American competition needs to be recast. Can there really be another Cold War if the underlying ideological disagreements are less severe and not always discernible between the two?

To be sure, US policymakers continue to espouse the democracy versus autocracy narrative to rally support within the US body politic and internationally to wean states towards the US. But the democracy argument is too tainted to be a normative fulcrum of a US-led charge on China. Few in Asia and the developing world will buy into that binary. Traditional US allies in Western Europe and East Asia too would merely pay lip service to such a mantra while continuing to do business with a rising China (Tsuruoka 2020; Sugiyama and Johnson 2020). Germany's Chancellor Angela Merkel recently spoke of the European Union's "great strategic interest" in maintaining "constructive" cooperation with China. "We Europeans will need to recognise the decisiveness with which China will claim a leading position in the existing structures of the international architecture" (Donahue 2020).

What we are witnessing is something more in sync with the longue durée of history. A cycle of power transition that has played out in several instances. Some were peaceful and others intensely violent. The violent episodes like Napoeonic France or Nazi Germany or imperial Japan all reflected one common feature: the rising power found no avenue to flourish and buttress its power potential under the prevailing international order. In contrast, China's rise has occurred within the liberal international order and a culture of interdependence enabled this process to occur. This negates the very meaning of a Cold War—a clash of irreconcilable ideas—towards competition over the reins of the international order. The script of how US–China competition will unfold is yet to be written.

It is easier to conjecture what US–China relations will not look like in the foreseeable future. It will not ensue like the British accommodation of America's rise in the 19th century. Neither would it play out like the violent Anglo–German clash in the early 20th century. Nor would it resemble the US–Soviet ideological rivalry during the first Cold War. The Sino–American relationship is *sui generis*. The present US policy is one of balancing against select components of Chinese power but "remain open to constructive, results-oriented engagement and cooperation from China where our interests align."

> We do not seek to contain China's development, nor do we wish to disengage from the Chinese people. The United States expects to engage in fair competition with the PRC, whereby both of our nations, businesses, and individuals can enjoy security and prosperity.[1]

World without a Hegemon

As other states grapple with the disruption in US–China relations, we should not lose sight of the broader historical need for a fresh outlook to organise international relations. The experience of past several centuries has accustomed us to accept that world order requires a hegemon—a central organising power—and that such authority could only emerge from within the Euro–Atlantic community of states. While the post-1945 balance of power did reveal it was no longer possible to order the planet without cooperation with the non-Western world, we never really questioned the assumption that superpowers are pillars for international order.

So when the unipolar moment came, despite the discomfort and uncertainty it produced, few really challenged the notion that the world required a hegemon to supply public goods and enforce rules of the game for others to buy into. That premise broke down in the late 2000s with the relative decline in US material capacity to play such a role, the resurgence of Asia and Eurasia, and the misuse of the unipolar moment and failure to create a true liberal and inclusive international order. The 2008 global economic crisis only strengthened this trend. And collectively, it led to the upheavals in the US body politic we can witness today and the collapse of the establishment consensus and authority inside the US.

However, this is where the power transition cycle is breaking with the patterns of past centuries, when the baton was passed from one Western power to another more capable Western power that resumed the responsibility of upholding order. But those previous power transitions were within the same cultural and intellectual milieu so to speak. Asia, and China in particular, has been unable and unwilling, to assume such a formidable and expansive role. Its complex identity constrains such a path for as the most astute observers of China recognise Chinese internationalism is still vague and couched in lofty rhetoric to be a true universal force.

As Chinese scholars admit, "a hegemon must have a vision for the whole world's development and interests beyond its own geopolitical interests." Yet, so far, China lacks such a "broad, open, and progressive culture and an ideology of inclusiveness" (Ming 2020). That Beijing has renewed its focus on domestic stability and its regional periphery—exemplified most recently by violent incidents on the border with India—attests to China's inability to sustain a vision that can transcend its geopolitical interests. At any rate, China is unlikely to ever possess material power on a scale necessary to supply public goods on its own even if it could develop a universal or pan-Asian vision with finesse.

The only alternative normative pathway to a sustainable world order is a multipolar polycentric framework. For this order to be stable and legitimate, it cannot be exclusive, bloc-based, or driven by norms that emanate from a few major states. It has to be open, plural, multi-civilisational, decentred and regionalised, and yet simultaneously global on issues like strategic stability, financial sustainability, and ecological security. Great powers that are most sensitive to this emerging and complex world and respond creatively with norms and public goods will become the pillars of the emerging world order.

NOTE

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Epistemic Fortitude
Exhausting Times

SAVYASAACHI

The 21st-century economic order is conceptualised as the "knowledge economy." This is an iteration of an unprecedented necessity for the production of useful, advanced, quantitative and qualitative knowledge as a resource in institutions of higher education, to enhance the productivity of labour, efficiency of technology and capital liquidity.

In 2006 at a conference on "Knowledge Economy: Challenges for Measurement" organised by the European Commission, the Director-General of Eurostat, Günther Hanreich in his opening speech said,

> The knowledge economy refers to the use of knowledge to produce economic benefits. It is thus of immediate importance to policy makers, researchers and citizens alike. Various observers describe today's global economy as one in transition to a "knowledge economy" or an "information society." As part of this transformation process, the rules and practices that determined success in the industrial economy of the 20th century need rewriting where *knowledge becomes the most critical economic resource*. (Eurostat 2006: 9)

In this conference, Anthony Arundel talked about the indicators of transition from the 19th century to the 21st century knowledge economy:

> modern economies–whether called the knowledge economy, the information society, the digital era, the learning economy, the intangible economy, or the network economy, do not differ qualitatively from earlier economic systems, but they do differ in terms of intensity. Perhaps the deepening of the importance of learning, knowledge, and creativity–combined with ICT and globalisation, has produced a fundamentally different type of world. Therefore, I will use the term "knowledge economy" as a shorthand for all of these changes. (Eurostat 2006: 15–16)

Here, the measure of the usefulness of knowledge is whether or not it augments sustainable profitability, the solving of endless technical problems and, the satisfaction of the ravenous consumer.

Exhausting Temporality

It is now known beyond doubt that the singular feature of modern economic growth is the high speed of production, reproduction, distribution, exchange, and consumption of goods as well as services. High speed has been condensing time as well as shrinking space, packaging more in less by encroaching into necessary systemic cooling time, and consequentially overheating the system. This has created a condition of unprecedented exhaustion.

Gilles Deleuze and Anthony Uhlmann (1995: 3) argues,

> The tired no longer prepares for any possibility (subjective): he therefore cannot realise the smallest possibility (objective). But possibility remains, because you never realise all of the possible, you even bring it into being as you realise some of it. The tired has only exhausted realisation, while the exhausted exhausts all of the possible. The tired can no longer realise, but the exhausted can no longer possibilate.

This exhaustion has five epistemological aspects. First, it disables the human agency and will. The technological advancements for economic growth are meant to build capability for solving of endless technical problems, put in place strictly monitored procedures, and endeavour to be scrupulously exhaustive—listing and digitising every human need as it were. All aspects of human living are taken over by the technological services, leaving no room for discretion, and individuals located in virtual time and space. To be exhaustive is exhausting!

Second, in real time and space, the capability for solving endless technical problems lags far behind the rates of unprecedented disasters produced by the advanced technologies of economic growth. Of universal significance are the pollution of air and water, drying up of rivers and groundwater reservoirs, exponential growth of non-recyclable waste, and, relentless destruction of a variety of biodiversity landscapes. Each of these and all of these together have far-reaching consequences. This lag is a perpetual "wanting in preparedness"; an unpreparedness to "possibilate."

Third, the disassociation of virtual from the real (an advanced aspect of the digital divide) allows for the manufacture of "fakes" and new forms of illiteracy: people not being able to identify what is reliable to guide them in their choices. They are rendered rudderless and are perpetually anxious—some more, some less. A large mass of the labour unaware of technological advancements becomes redundant; white and blue collar employees, and small as well as big businesses are unendingly engaged in acquiring skills to remain relevant and to catch up with the obsolescence of rapidly advancing technologies.

Fourth, the conceptual repertoire—theory and method—to be "scrupulously exhaustive" sees as externalities to economic growth, the accumulation of unaddressed questions and complaints arising in the minds of people affected by these unprecedented disasters. All these questions and complaints, the "unaddressed," deepen sufferings, intensify systemic exhaustion and, spreads weariness amongst people at large. Under these conditions, there is a proliferation of intractable violence, escalation of injustices, widening of inequalities, continuous violations of human rights, and denial of dignity. All this undermines the possibility to possibilate alongside the abjuration of reverence for life.

Fifth, the privileges of economically useful knowledge rule out the possibility of a dialogue with the people at large, around their questions and sufferings. This dismissal is a mode of othering and it is debilitating. It emasculates the spirit in everyday life and, deteriorates emotional health and hygiene. This is manifest in individual and collective mood swings, aggressions, hate speeches, depressions, anxieties, loneliness, terrorisms, proliferation of rumours, deceit, lies, suspicion and, mistrust. This also undermines the possibility to possibilate.

Afflicting Higher Education

This exhaustion has afflicted institutions of higher education. Curriculums and research for higher education are being designed for teaching quantitative and qualitative methods; to prepare human resources of the knowledge economy and keep up to the speed. The productivity of education is measured with the efficiency of technology and the capital liquidity of research. This has been impairing studentship.

First, students (in formal and informal institutions) are under tremendous pressure to cope with the enormous quantum of advanced useful knowledge. They struggle, some give up and drop out, some succumb to the pressure and die by suicide and, a large number become monochromatic personalities.

Second, students find it difficult to see the connection of advanced useful knowledge with the real-time questions and predicaments of their lived experiences. The questions that determine the production of knowledge for this economic order are often not the same as the questions students at large have to deal with in their everyday lives. This pushes learning out of rhythm with the diverse learning trajectories of students.

Third, it creates conditions that adversely affect the quality of fellowship relation between co-learners. The demands of knowledge for the economy require funded projects where a larger body of students cannot be engaged. The project–research time eats into interaction time between co-learners and harms it.

Fourth, it de-theorises learning by linking it to the specific profiles of jobs and the commodity markets. The fortitude from clarity of thought that comes with a grasp of the principles of thinking with reason is replaced with the exertion for economic performance. This destabilises the attentiveness necessary for making sound assessments and become intellectually self-reliant.

Fifth, the privileges of advanced knowledge produced in the institutions of higher education leave no room for initiatives to make it intelligible to people at large. It, thus, takes these institutions far away from their lives.

Each of these five afflictions disqualifies thinking with reason, generates a confidence deficit, and corrodes epistemological trust. Jointly, these weaken the general self-confidence and confidence in others.

Consequently, for people at large it becomes difficult to assess the reliability of the knowledge economy, and yet, they must learn to live with it.

This advanced knowledge is inspired neither by a sense of wonder nor by critical doubt. It cannot be judged either by subjective (usefulness for consumer satisfaction) or objective (its falsifiability) criteria. This is because economic calculations manipulate and reconfigure the consumer and see falsifiability as an indicator of making changes to ensure consumer satisfaction.

Towards Epistemic Fortitude

The grit to disperse the dark clouds of these exhausting economic calculations is discernible in academic discussions and everyday lives.

A glimpse of the academic grit is noticeable in the discussion on "epistemic vigilance" and "intellectual trust in oneself and others" argued by Sperber et al (2010) and Foley (2004). Sperber et al (2010) differentiate between the reductionist and the non-reductionist view. The reductionist view:

> In Classical epistemology, uncritical acceptance of the claims of others was seen as a failure to meet rationality requirements imposed on genuine knowledge … Historically, this … stance should be seen as a reaction against the pervasive role in Scholasticism of arguments from authority. (Sperber et al 2010: 361)

The non-reductionist view:

> According to Thomas Reid, who provided an early and influential articulation of this anti-reductionist view, humans not only trust what others tell them, but are also entitled to do so. They have been endowed by God with a disposition to speak the truth and a disposition to accept what other people tell them as true. (Sperber et al 2010: 361)

They argue that,

> This debate between reductionism and anti-reductionism revolves around two distinct issues, one normative and the other descriptive. The normative issue has to do with the conditions in which a belief acquired through testimony qualifies as knowledge. The descriptive issue has to do with the cognitive and social practices involved in the production and acceptance of testimony. (Sperber et al 2010: 362)

They suggest a third way:

> Trust to play the fundamental role it does, it has to be buttressed by active epistemic vigilance. (Sperber et al 2010: 361)

Vigilance here is an examination of the source of information.

> A reliable informant must meet two conditions: she must be competent, and she must be benevolent. That is, she must possess genuine information (as opposed to misinformation or no information), and she must intend to share that genuine information with her audience (as opposed to making assertions she does not regard as true, through either indifference or malevolence). Clearly, the same informant may be competent on one topic but not on others, and benevolent towards one audience in certain circumstances, but not to another audience or in other circumstances. This suggests that trust should be allocated to informants depending on the topic, the audience, and the circumstances. (Sperber et al 2010: 369)

The importance of such epistemic vigilance cannot be denied. However, this will require self-confidence to trust one's self and others. Richard Foley explores the basis of intellectual trust in oneself and others. He argues,

> Sheer confidence is never a guarantee of truth or reliability. (Foley 2004: 25)
> It is epistemic confidence that matters, that is, confidence in the accuracy of one's opinion.[1]
> Even epistemic confidence counts for little in and of itself.
> What does begin to count is deep confidence. Some opinions confidently held new evidence is not needed to make one critical of them. All that is required is a little reflection … Other opinions are not so shallow. Some are the products of such careful thinking that they are unlikely to be affected by further deliberation. We acquire them automatically, and yet many are such that reflection would not prompt us to revise them. (Foley 2004: 26)

Foley's discussion on deep confidence is not clear on what is meant by unshakeable opinions "automatically" acquired. However, he is making an important point, namely for intellectual self-confidence rigorous intellectual work is not sufficient. Extending this argument it can be said that neither is it sufficient for epistemic vigilance. What more is needed? This is important for a discussion on epistemic fortitude.

In the realm of everyday life, it is possible to meet resilient clusters of people, dispersed in all strata, across all communities, who have been gradually moving away from the logic of such economic calculations as discussed above and are exploring ways to live with trust, sense of wonder and critical doubt. These people are concerned about dying with dignity and with living to prepare an inch of topic soil for the coming generations. In my estimation, their number will be growing.

In these clusters, five principles of "knowledge society" are recognisable in everyday life conduct, namely shelter, parsimony, resilience, wholesomeness, and plurality.

First, mutuality of theory and practice is ensured when thinking is enabled with reason. This looks after the potential. It shelters from rumours, blind faith, deception, lies, and fakes. This reduces the trust deficit caused by misrecognition, misrepresentations, and distortions. It builds confidence in others and enriches capacities to respect differences, negotiate conflicts, and also keeps people safe from violence generated from the separation of theory from practice.

Second, the parsimony of thinking comes as reason overcomes the trust deficit from either overstatement or understatement. It enables the recognition and respect for the rhythm of ideas, their duration for maturation and with this, it enables everyone to see the adequate and appropriate value of views, interrelated facts and, observations. This prevents the dissipation of materials, energy, and time.

Third, thinking builds resilience when reason is based on sound principles (wonder and critical doubt) that stand firm in adverse times. This, over time, makes it steadfast, adds to its grandeur as it builds self-confidence, brings insight, enriches creativity, and gives hope.

Fourth, reasonable thinking is not just a pursuit of logic, empirical evidence, verification, and a turning away from emotions, feelings, and passion. On the contrary, it recognises that both contribute to the making of the world of phenomenon. This makes it wholesome as it brings forth the organic relation of part to the whole.

Fifth, so long as thinking is confined to the disciplinary specialisations it has a propensity towards terrorising by generating a partial one-sided understanding of the phenomenon. Interdisciplinary work overcomes this limitation by highlighting the significance of interdependent plurality. It gives meaning to the pursuit of freedom and prevents it from degenerating into terror.

Each of these aspects of thinking demystifies the enormous quantum of specialised knowledge, creates quality time for interaction, builds sensitivity to questions and predicaments of real-time lived experiences, makes intellectual self-reliance possible, and assembles specialised knowledge produced in the university in a way that is intelligible to the citizens.

Thoughts for Reflection

Useful knowledge for economic growth has not satisfactorily addressed the problems it creates.

Rigour of epistemically trustworthy intellectual work has three aspects, namely, trust seasoned with a sense of wonder and relentless critical doubt. It brings together clusters and networks of "knowledge society" that shelters, practises parsimony, is resilient, upholds wholesomeness, and respects plurality.

This rigour is the basis for fortitude and it is an ongoing process. It confronts the unpreparedness and opens the possibility to possibilate.

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NOTE

1 The confidence in the accuracy of one's opinions is based on following the recommended procedure: sound theory, research method and analysis.

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COVID-19 and Dwindling Indian Federalism

PANKHURI AGRAWAL

One of the many effects of COVID-19 pandemic disaster is also visible on legislative, executive and financial federalism in India. The constitutional mandate for functioning of centre on behalf of states has been missed and recourse to disaster has been taken to undertake unified but unconsented measures.

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Under the Constitution of India, 1950, the entry 81 of Union List of Schedule VII allots the legislative field for "Inter-State migration; inter-State quarantine" to the centre. The entries 1, 2 and 6 of the State List of Schedule VII allot the legislative field of "public order," "police" and "public health and sanitation; hospitals and dispensaries" to the states. The entries 23 and 29 of the Concurrent List allot the legislative field of "social security and social insurance; employment and unemployment" and "prevention of the extension from one state to another of infectious or contagious diseases or pests affecting men, animals or plants" to the centre and states. The executive power of the union and states is "co-extensive with the legislative power" under Articles 73 and 162 respectively. It means that constitutionally speaking, during the COVID-19 pandemic, the centre has the power to legislate and execute the laws and policies with respect to interstate migration, interstate quarantine, social security and social insurance, employment and prevention of the spread of infection in the country; and the states have the legislative and executive power in the area of public order, police, public health, sanitation, hospitals, social security, and containment of infection.

The Ministry of Home Affairs (Disaster Management Division) has through its Order No 33–4/2020–NDM–I declared the spread of COVID-19 as a "notified disaster for the purpose of providing assistance under SDRF" (GoI 2020a). The subject area of "disaster" is missing in all the three lists of Schedule VII, leaving the option for the centre to use its residuary power under entry 97 of the List I. But, in 2005, the centre enacted the Disaster Management Act (DMA) deriving its powers under entry 23 of List III. The very idea of Concurrent List is to provide for cooperative efforts of centre and states, and therefore, it was a wise decision on the part of centre to not invoke its residuary powers. With the legislations framed under entries of the Concurrent List, there is an added obligation on the centre to bestow equal powers and obligations on the states. The Schedule VII is one of the significant elements of Indian federalism and the highest court of the land in its historic case of *Kesavananda Bharati v State of Kerala* in 1976 has declared federalism as the basic structure of the Constitution. In this light, it is important to re-read entry 23 of List III, that is, "social security and social insurance; employment and unemployment" to understand the inefficiency of the requisite powers in times of disaster for both the centre and states. It shows that the role of the DMA is limited and restricted in a disaster like situation in India and hence the powers of centre and states should remain intact as highlighted above in several entries read with Article 248 of the Constitution. Further, under Section 11 of DMA the national plan to deal with epidemic has to be prepared "in consultation with state governments and other expert bodies in the field of disaster management" which in the present COVID-19 pandemic is missing, by nullifying the role of the states in formulating a common agreeable plan completely. And interestingly, the central government has declared the national lockdown successively and that too without any national plan.

Disasters and Legal Framework

The DMA under Section 3 constitutes the National Disaster Management Authority (NDMA) with the Prime Minister as *ex officio* chairperson and its nominees. Interestingly the powers and functions of the NDMA as provided under Section 6 are related with "laying down the policies, plans and guidelines for disaster management" along with the power under Section 6(2)(i) to "take such other measures for the prevention of disaster, or the mitigation, or preparedness and capacity building for dealing with the threatening disaster situation or disaster as it may consider necessary." Also, the power of the chairperson under Section 6(3) "in the case of emergency … to exercise all or any of the powers of the National Authority" is subject to "to ex post facto ratification by the National Authority." The similar provisions are also made for State Disaster Management Authority and District Disaster Management Authority with the chief minister and collector/district magistrate/deputy commissioner as *ex officio* chairperson respectively. The National Disaster Response Fund is constituted by the central government and is made available to the National Executive Committee under Section 46 with the following sources:

> (a) "an amount which the central government may, after due appropriation made by Parliament by law in this behalf provide;
> (b) any grants that may be made by any person or institution for the purpose of disaster management."

Likewise, State Disaster Response Fund and District Disaster Response Fund is also constituted under Section 48 of the act but with no clarity over the amount which could be credited to it. The act also has an overriding effect clause under Section 72 wherein "the provisions of this Act, shall have effect, notwithstanding anything inconsistent therewith contained in any other law for the time being in force or in any instrument having effect by virtue of any law other than this Act."

The Epidemic Diseases Act (EDA), 1897 was framed "to provide for the better prevention of the spread of Dangerous Epidemic Diseases." The EDA under Section 2 provides ample powers to the state governments "to take special measures and prescribe regulations as to dangerous epidemic disease," which include "the inspection of persons … the segregation of persons suspected by the inspecting officer of being infected with any such disease." The EDA under Section 2A provides powers to the central government to "take measures and prescribe regulations for the inspection of any ship or vessel … and for such detention thereof, or of any person intending to sail therein, or arriving thereby, as may be necessary." The Indian states have used their power under EDA to issue State Epidemic Diseases COVID-19, 2020 regulations for their states mandating the observance of lockdown by the residents and closure of various establishments, offices or other places along with punishments under Section 188, 269, 270, and 271 of Indian Penal Code, 1860 for the violators.

The presence of both legislations, that is, the DMA and EDA, show that the states have the primary role in the epidemic-disaster-like situation and the centre has guardian-like roles of policy framing, guidelines and monitoring the situation. Unfortunately, the practice of the centre has been different as the Section 6(2)(i) of DMA has been used by it to give itself the sweeping powers in the times of disaster, including epidemics. The simultaneous observance of the EDA and DMA maintains the federal relations between the centre and states as both the governments get their due share of role in accordance with the enunciated fields of legislation in the Schedule VII. The actions of the centre in subsuming all the legislative and executive functions to itself in difficult times of epidemic using merely one of the listed powers and functions of NDMA is not worthy of any praise. The basic structure of the Constitution cannot be trampled upon by making an excuse of disasters or pandemics. It is not being said here that the centre should take a back seat, but in fact the proposal is to involve the states equally rather than imposing centre rules and policies on them. The Constitution itself provide the avenues to the centre to go astray from the path of federalism under Articles 249, 250, 252, 352, 356, 360, etc. Therefore, a legislation made under an entry of the concurrent list should not be misconstrued by the centre to impose emergency-like situations using colourable exercise of power and flouting the constitutional mandates for the same.

Fiscal Federalism and CSR

After discussing the issues surrounding legislative and executive federalism in the country, it becomes important to analyse the status of fiscal federalism also in the present COVID-19 pandemic situation. In this pandemic, the states are at the forefront as their functions include

> monitoring the implementation of the lockdown, stepping up production of hand sanitisers and face masks, having food delivered to schoolchildren reliant on mid-day meals, making arrangements to provide shelter, ration and financial assistance to families of daily-wage workers, setting up mental health helplines, and so on. (Maniktala 2020)

The revenue collection of the centre and states is impaired due to halting of the operation of industries and exchange of goods and services. Further, the expenditure of the centre and states has also increased in an unplanned and unforeseeable manner. These expenditure heads include, procurement of health infrastructure, protection kits, reimbursement of hospital charges, spending on travel, food and shelter of unorganised workforce including migrant labourers. The estimated loss of central tax revenue ₹5 lakh crore of which the fiscal transfer to states will suffer by around ₹3 lakh crore (Rao 2020). The tax revenue inclusive of states' own collection and central transfer of its share, forms around two-thirds of total revenue receipts of the states (Tiwari 2020). The states' major source of revenue is first goods and services tax (GST) for which the states themselves do not have the independent power to decide its rates even afterwards to compensate for the lost revenue, second, sales tax which is already reduced due to availability of lesser items to the states after the GST Act and now further reduced due to heavy travel restrictions in the country, and third, excise duty which has to face the wrath of any mishap in the country without proper justification as to its proportional nexus with the containment measures. The mandate of GST (Compensation to States) Act, 2017 also seem dismal in this pandemic as the cess levied on coal, tobacco and its products, pan masala, automobiles, and aerated drinks has also been severely affected, jeopardising the availability of compensation to states and hampering the already crippled fiscal status of the states (Tiwari 2020).

Thus, the central government initiated the drive for seeking contribution from companies to deal with the financial strain in the country. Interestingly, in view of the constitutionally mandated roles and functions of the state and central government as highlighted above, the state governments, must have equal access to such voluntary contributions that is, Corporate social responsibility (CSR) funds as that of the central government, in fact more so. The centre must coordinate the ways and means to achieve the fair and equal access and sharing of CSR funds with the states rather than making the very linking cord between the companies and states look unappealing to the companies. It requires basic knowledge of finance that the companies would contribute to those funds and activities which make them eligible to meet CSR obligations as well. The Schedule VII of the Companies Act, 2013 provides an inclusive list of CSR activities for the companies. For the present COVID-19 pandemic, the following two entries are relevant for us:

> (viii) contribution to the Prime Minister's National Relief Fund or any other fund set up by the central govt for socio economic development and relief and welfare of the Schedule Castes, Tribes, Other Backward Classes, minorities and women;
> (xii) disaster management, including relief, rehabilitation and reconstruction activities.

It is clear that contribution to disaster management activities will qualify as CSR activities by the company. And thus, the PMNRF, Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund), Chief Minister Relief Fund (CMRF), National Disaster Management Fund and State Disaster Management Fund should be included for the same purposes as they deal with "disaster management." But, the "COVID-19 related Frequently Asked Questions (FAQs) on Corporate Social Responsibility (CSR)" by Ministry of Corporate Affairs (MCA) has created confusions about the intention of the central government as it includes PM CARES Fund in it and not CMRF, which makes the states' fund less desirable option for the companies to contribute into. The vague and unreasonable rationale provided for inclusion of PM CARES Fund has been that it falls under the item No (viii) of Schedule VII of the Company Act, 2013 and for non-inclusion of CMRF has been it does not fall under the Schedule VII at all. Even though the given rationale is accepted on ground of CMRF not being a central fund, the reasoning for not to include it in item No (xii) of the Schedule VII has been unsatisfactorily left unanswered. The intention for non-inclusion of CMRF in item No (xii) of the Schedule VII appears to be more dubious as the contributions to State Disaster Management Authority have been considered worthy enough to be included in the same item. Interestingly, MCA has accepted in its expressly written words that

> …funds may be spent for various activities related to COVID-19 under items nos. (i) and (xii) of Schedule VII relating to promotion of health care including preventive health care and sanitation, and disaster management. Further, as per general circular No 21/2014 dated 18 June 2014, items in Schedule VII are broad based and may be interpreted liberally for this purpose. (GOI 2020b)

Also note that the Ministry of Home Affairs (Disaster Management Division) has declared the spread of COVID-19 as a "notified disaster for the purpose of providing assistance under SDRF."

The issue of non-inclusion of CMRF becomes graver in view of the entry 6 of List II, which provides legislative competence to the states in the area of "public health and sanitation" and consideration of contributions to State Disaster Management Authority as CSR expenditure under item No (xii) of Schedule VII of the Companies Act. The above discussion shows the intentional dwindling of fiscal federalism in India by the centre. The states have the right to receive funds from their taxpayers, central government and institutional mechanisms created for the same. The centre must not become one-stop collector of funds without any legal obligation to disburse the same to the states. The states cannot become "atmanirbhar" without access to financial resources and avenues to enhance the same.

Transparency and Cooperation

One of the often cited reasons for creation of the very recent PM CARES Fund is that the PMNRF is an undemocratic fund solely at the disposal of Prime Minister and is managed by the committee which includes private parties too. The PM CARES Fund[1] is headed by the Prime Minister as its *ex officio* chairperson and "Minister of Defence, Minister of Home Affairs and Minister of Finance, Government of India are ex-officio Trustees of the Fund" with power to the chairperson to further "nominate three trustees to the Board of Trustees who shall be eminent persons in the field of research, health, science, social work, law, public administration and philanthropy." The tall claims regarding democratic structure of PM CARES Fund in comparison to PMNRF could have been better justified with the inclusion of members of opposition as well as its *ex officio* Trustees of the Fund. Interestingly the PM CARES Fund will not be audited by the Comptroller and Auditor General of India but "by one or more qualified independent auditors who will be appointed by the Trustees" (Sharma 2020). The contributions to the PM CARES Fund "qualify for 80G benefits for 100% exemption under the Income Tax Act, 1961," has "got exemption under the FCRA" and will be "be counted as Corporate Social Responsibility (CSR) expenditure under the Companies Act, 2013." So, a public charitable trust is created by the centre, managed by the central ministers and is to be audited by a person who is again appointed by the managers of the fund itself. The cited reasons are not insufficient to question the extent of democracy, transparency, accountability and cooperative federalism preserved or destroyed in both PM Cares and PMNRF.

Paquet and Schertzer's theory of Complex Intergovernmental Problems (CIPs) requires presence of three characteristics: (a) problems are not redressable by actions of single government, (b) "high levels of coordination and collaboration" is required among the governments, and (c) the "problems challenge the existing norms and venues of intergovernmental relations" (Paquet and Schertzer 2020). The present situation of COVID-19 poses the problem in the nature of CIP due to it being an epidemic which is uncontrollable by separate efforts of states and centre and need financial support of the central government to perform the allotted functions in State List to the states. This issue cannot be resolved by only looking through the lens of federalism, rather it requires the complementary functioning of the states and centre for a common purpose. The centre need not assert itself over the states because then a void would be left without the legislative, executive and emotional support of the states. The states should also avoid the feeling of "self-entitlement" to work together for its own people in a sustainable manner.

Nobel laureate Abhijit Banerjee recently in an interview discussed the federal relations between the centre and state and has advised the central government to not plan the lockdown activities and expenditure management for the states, and instead the primary lookout for the centre should be to transfer money to the states to make them capable to revive their economy according their state-specific requirements. It should be noted that the constitutional body of Finance Commission also recommended fiscal transfer keeping the state priorities as one of the factors for consideration and hence the centre should not arbitrarily legislate, execute or transfer money to the states according to its own views and opinions about the states. The demands for relaxation of the mandated three percent fiscal deficit under Fiscal Responsibility Management Act, 2003 should be considered by the centre in this exceptional situation.

NOTE

1 https://www.pmindia.gov.in/en/about-pm-cares-fund/

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Essential before the Pandemic

Migrant Labour and the Politics of Language

NAVYUG GILL

As thousands of migrant labourers struggle to return to their homes, government officials have sought to keep them in place with promises of safety and support, and through brute force. Beyond containing the spread of the virus, preventing migrants from returning is based on the need to maintain the availability of labour for the economy once it reopens. Using the example of the upcoming harvest and planting season in Punjab, both the demand and disregard for the category "labourer" through the politics of identity, capitalism and colonial rule is traced. What this pandemic reveals, therefore, is not only the importance of the hitherto unimportant, but the ideology embedded within the language of everyday life.

This article was written during the lockdown period of April and May 2020 when the migrant labourers were attempting to return to their homes.

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Across India vast numbers of migrants are struggling to return to their homes amid the government-imposed lockdown due to the COVID-19 pandemic. With bus and rail services suspended, and restrictions on private vehicles, tens of thousands have taken to making the journey by foot, gathering their movable belongings to walk hundreds of kilometers in small and large groups, a phenomenon reminiscent of the beleaguered *kafilas* that criss-crossed the subcontinent in 1947. Their reason for returning is stark. The closure of the economy—primarily agriculture, manufacturing, construction and domestic service—means these people are unable to work, and therefore cannot earn enough money to feed themselves. Despite going back to the same poverty that compelled them to leave in the first place, they reckon a better chance of survival among the familiar surroundings and familial networks of their original localities.

At the same time, the Prime Minister and various chief ministers have tried to halt this movement, ostensibly for fear of further spreading the virus. Whatever the situation in the cities, most of rural India has far fewer healthcare professionals and less adequate infrastructure to cope with a serious outbreak. Officials have therefore made appeals for migrants to remain in place. "Stay wherever you are," pleaded Arvind Kejriwal on 29 March, or else "the coronavirus will reach your villages and families through you and it will then spread across the country" (NDTV 2020; *Times of India* 2020). Governments have offered assurances of screening and testing, and pledged material support. Often religious groups and local charities have stepped in to distribute rations to those who have depleted their meagre savings and are on the verge of starvation (Paul 2020). Meanwhile, police and paramilitary forces have been deployed across the country to turn back convoys through arrests, beatings and cordons. Vivid digital and print media reports of immense suffering have become ubiquitous.

There is, however, another more pressing reason to try to prevent migrants from returning. A growing chorus of economists as well as agricultural and industrial leaders admit that these people are actually vital to the economy, and that if they are allowed to leave, there will be severe shortages once the economy reopens. "If bulk migration of workers is not stopped," warns one industrial leader, "then Punjab will be ruined economically" (*Tribune* 2020). In other words, their labour, usually regarded as ancillary and incidental, is in fact indispensable. Indeed, across the world the phrase "essential labour" has come to encapsulate a belated recognition of the importance of the hitherto unimportant—that people working in poorly-paid, insecure and low-status jobs are crucial to the functioning of society. Without them, the taken-for-granted rhythms of everyday life are simply unimaginable.

Reasons behind Stopping the Migration

In Punjab, the issue of migrants is perhaps most acute during the months of April to July. This is when the winter wheat crop is harvested and the land prepared for the summer rice crop. Each year nearly 1.5 million people travel to the state in search of work, mostly from Uttar Pradesh, Bihar, Jharkhand and Madhya Pradesh (Machhhan 2020). They engage in an array of tasks: cutting, threshing and bundling the wheat, ploughing and fertilising the land, and transplanting the paddy, as well as loading and storing the grain. Although the use of mechanised combines has automated much of the harvesting process, and there are now machines to effectively plant paddy, these technologies are not available to all, and large numbers of people are still needed in the fields as well as in the markets (Jain 2020; Damodaran and Chaba 2020).

A majority of these migrants are lower castes (Dalit and Other Backward Class), while they are employed by upper castes (mainly Jats). They either work alongside landowners with smaller holdings, or in groups of 10–15 contracting on their own as they move from one village to the next. The migrants are mostly men, but it is not uncommon for women and children to join them. In some places, landowners rely more on local groups (Mazbis and Chamars), while in other parts the work is done almost entirely by migrants. Last year the rate for planting an acre of paddy was around ₹3,000 plus basic food rations; now it might become double but with far fewer takers (Bajwa 2019; Majeed 2020). The work is extremely arduous: one must be hunched over in ankle-deep water under the burning sun, carefully plunging each seedling into the soft mud every few inches, slowly shuffling backwards for hours on end. Just a few weeks ago, the lack of migrants for the wheat harvest led to a somewhat unusual scene of the sons of landowners working in the fields alongside their fathers (Sood 2020).

With thousands of migrants leaving and doubts about their return next month, the precarious balance of Punjab's economy risks peril. According to economist Sardara Singh Johl, "if steps are not taken to address the labour shortage, paddy sowing will be affected" (Machchan 2020). Large landowners and commission agents are more emphatic, imploring the government to force migrants to remain in the state and even find ways to induce others to come from afar. "We are looking at a very major agriculture crisis," says agent Vijay Kalra, as the "seasonal labour" that usually comes to the state for procurement and planting "is totally missing" (Sethi 2020). The pressure might appear crude but is not misplaced. Although beneficial to the sinking water table, a delay in transplanting paddy by even a week would likely lower yields and earnings, thus reducing the livelihoods of millions and potentially jeopardising the food supply of the entire country. As officials wrestle with deciding when to commence the season, the clamour for labour grows more frantic.

Unpacking the Term 'Labourer'

Despite the urgency of the situation, there is a contradiction in the act of naming these human beings as mere labourers. The value of what they do sits uneasily with the generic, almost primal term used to describe them. At one level, any purposeful human activity could be regarded as labour, and might (or might not) be what distinguishes us from every other species. More explicitly, labour as a noun emerged in the 17th century in conjunction with its new counterpart, capital, which together laid the foundations for the modern global economy (Williams 2015). This is when, as Marx famously described, the "brains, nerves and muscles" (Marx 1992 [1867]) of human beings were arranged in a unique way to produce commodities for ever-increasing profits. Yet almost all other forms of labour under capitalism are given named occupations. It takes labour to sew a shirt, deliver goods, treat a patient or correct an article. But we do not speak of tailors, drivers, nurses or editors as labourers for textile factories, shipping companies, hospitals or journals. Instead, each has a specific designation, and with it, the coherence and dignity of a place in the economic order.

Only those who labour in agriculture are marked by such imprecision and thus insignificance. That is why it is routine to discuss fluctuations in the "price of labour" and track changes in the "supply of labour," and now due to the pandemic, make coarse demands about the "need for labour." It is as if these people are just another input, akin to diesel or fertilisers or pesticides, to be acquired and put to use, and then tallied as an expense. Behind the current alarm is a blunt calculation of the price of their abrupt absence. At the same time, these migrants are never called "peasants" or "farmers" as that would challenge the existing monopoly of landowners to that esteemed title. Indeed, to most it is unthinkable that Punjab would require *peasants from Bihar* for cultivation. Yet the work done by both groups is nearly identical. Hardly an acre of wheat or paddy is planted, grown and harvested without the collective labour of a variety of individuals and groups. Peasant and labourer diverge where one has the power of land ownership and caste dominance while the other is forced to sell their labour to earn what they need to live.

The callousness of language was not always the case, at least in the vernacular. An indication of its novelty is evident from the terms used for agricultural labourers in an early colonial dictionary. Samuel Starkey's 1849 *A Dictionary, English and Punjabee, Outlines of Grammar, also Dialogues, English and Punjabee* provides Punjabi equivalents of common English words. "Agriculturalist" is translated as a *hale* (ploughman), a "cultivator" is a *hulwaee kurne wala* (one who ploughs), and a "farmer" is an *ujara chookoun wala* (one who clears land). Perhaps the most significant term, "peasant," is simply *pind wala* (villager) (Starkey 1849). Nowhere is a task associated with a particular caste or religion, nor is ownership made a prerequisite to claiming an identity. Nearly a century later, in Kahn Singh Nabha's 1927 *Mahan Kosh,* the usual word for peasant, *kisan* is similarly described as *jo krist kare* (one who exerts) and *jo zameen vahe* (one who ploughs land), again without attributes. The vocabulary of agriculture was thus largely non-ascriptive, almost tautological, with the terms for particular activities deriving from the activity itself. Occupation did not automatically correspond to identity.

Such heterogeneity came into conflict with the rise of colonial land settlements amid a new rule of capital from the mid-19th century onward. In order to calculate the precise amount of tax to collect, British officers imposed racialised accounting techniques to determine the gross income, expenditures and net profits for each parcel of land. Among other aspects, that meant keeping track of the amounts of grain taken by different groups involved in the production process, and recategorising them as payments made to village "menials" or "servants" (Gilmartin 2015; Bhattacharya 2018). Certain castes who paid the tax became outright landowners, while everyone else ended up as labourers. Over time this was formalised through census operations that aligned occupation with identity, and codified into laws such as the Punjab Alienation of Land Act (1901), which restricted access to the land market to only those deemed a "member of an agricultural tribe" (Nazir 2000; Islam 1995). The new logic of landed/landless carried across the upheavals of partition and independence, and into the Green Revolution era of the 1960s–1970s. Intensified cultivation, and the switch from in-kind to cash payments, brought increasing numbers of migrants to the state to first augment and then supplant the local workforce (Jodhka 2006). The only modicum of specificity they acquired was the designation *khet mazdoor,* or "field labourer."

Conclusions

This is but a glimpse into the underlying tension between the value of labour and the ideology of language. Perhaps the most celebrated subject of modern India, the peasant, is today regarded as the sole proprietor of agriculture and central to the rural economy. Yet what this pandemic has exposed is the fallacy of such autonomy and exclusivity. Well before the lockdown, field labourers from both near and far were absolutely essential to cultivation despite being materially and etymologically reduced to its periphery. Their double subordination—poorly paid and without status—is neither a relic from the distant past, nor the natural outcome of economic progress. Instead, it is a recent and contingent result of the hierarchical yet interdependent arrangement of priorities, people and capital in the countryside.

In a larger sense, the crisis of migrant labour brings to the fore a unique feature of agrarian capitalism in South Asia. During the 19th century, global economic imperatives intersected with the racial logic of colonial domination to generate a process of accumulation and reproduction without obvious equivalents elsewhere and earlier in the world (Sanyal 2007). Certain groups acquired new authority and privileges while others were exploited and excluded in new ways. The simultaneous demand and disregard for migrants is therefore an utterly modern phenomenon, one that exemplifies how human beings themselves have been commodified far away from the factory floor. However desperate, their compulsion to labour under such conditions is thus systemic rather than momentary, and cannot be redressed through compassion, much less coercion. Instead, it might begin with rethinking how the division of labour is itself a product of many labours of division.

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Social Security for Migrant Workers during COVID-19

SONU PANDEY

The unprecedented public health crisis due to COVID-19 has thrown the vulnerability of migrant construction workers into sharp relief. Most of them are not enrolled in any social protection scheme, and those who are, have been only provided with contingencies. These measures are inadequate to address the multidimensional deprivations and fundamental causes of vulnerability arising due to globalisation and a changing labour market, which has been exacerbated by the current crisis.

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The literature on the health and safety of workers in the construction sector emphasises the importance of social security measures in combination with social protection (Comaru and Werna 2013; ILO 2017; Lawrence and Werna 2009; Srivastava and Jha 2014). While it is imperative to draw a distinction between social security and social protection, it is also important to examine whether the applicability of such a concept is only valid during ordinary circumstances and becomes invalid during an unprecedented humanitarian crisis, such as the COVID-19 pandemic, which has immediate consequences for the health and lives of the people.

According to the International Labour Organization (ILO), social protection is a human right and is defined as "the set of policies and programmes designed to reduce and prevent poverty and vulnerability throughout the life cycle" (ILO 2017: xxix). Social protection constitutes one of the four pillars of the "strategic objectives" of the ILO to promote decent work. Also, in recent times, it has been at the centre stage of the political discourse since a majority of the construction workers lack welfare measures or social protection.

Differentiating between social security and social protection becomes important due to increasing insecurities and vulnerabilities of workers in this rapidly changing world of work. It would provide a framework to understand the multidimensional deprivations faced by workers. The term "social security" has been in use for a long time and denotes a range of core provisions to construction sector workers, such as healthcare, compensation due to injury, illness or death, maternity benefits, childcare benefits and old-age pension. Many of these have been diluted over a period of time due to globalisation and changes in the labour market.

Globalisation, accompanied by changing demographics and a shifting labour market, has been one of the key developments of the past two decades. It has led to informalisation and has altered existing employment structures and labour markets. It has generated risk and volatility both at the macro and micro levels. At the micro level, risks are transferred from the employers to the workers through flexible and precarious work, and insecure employment. Private provisioning of healthcare combined with insurance-based health schemes, declining state spending and weakening of labour organisations have diluted the earlier mandatory provisions of social security. All of these are key determinants of the health of workers in the construction sector. Thus, globalisation has affected the provisions of labour welfare and social security, which has had an impact on the health of workers.

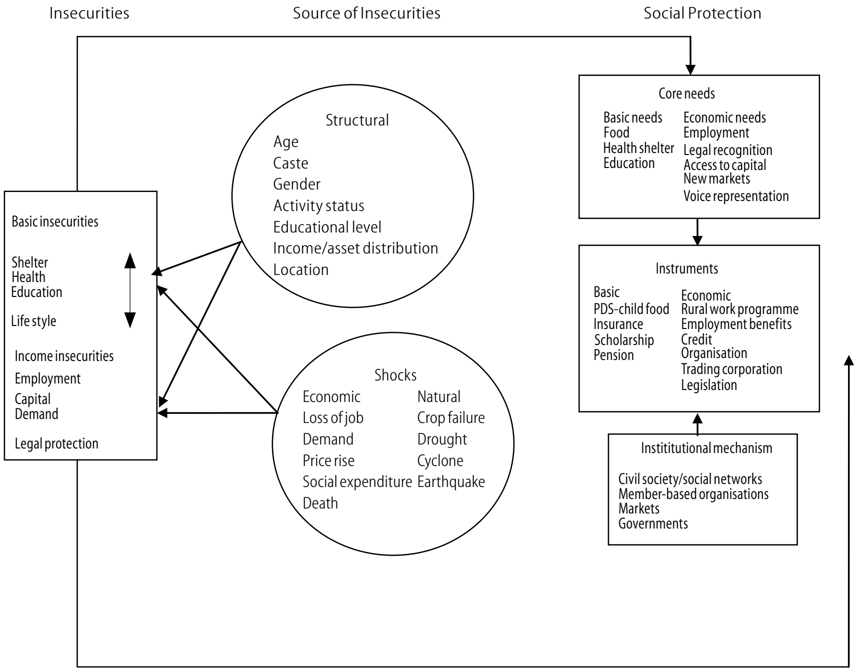
Social Security to Protection

These changes have led to a conceptual shift from social security to social protection where the emphasis has been on human and social development (Lund and Nicholson 2003) with individuals, families, and communities playing a more active role along with a wide range of institutions entrusted with the responsibility of providing social protection.

Drèze and Sen (1991) had developed a broader conception of social protection by distinguishing between its two aspects—"protection" and "promotion" (Unni and Rani 2002). The term protection refers to providing basic conditions of living and protecting workers from a sudden economic crisis or recession. The promotional aspect is a more expansive dimension of social protection and targets eradicating issues, such as poverty, that have persisted for decades by "enhancing normal living conditions and dealing with regular, often persistent, deprivations" (Drèze and Sen 1991 as cited in Unni and Rani 2002: 2).

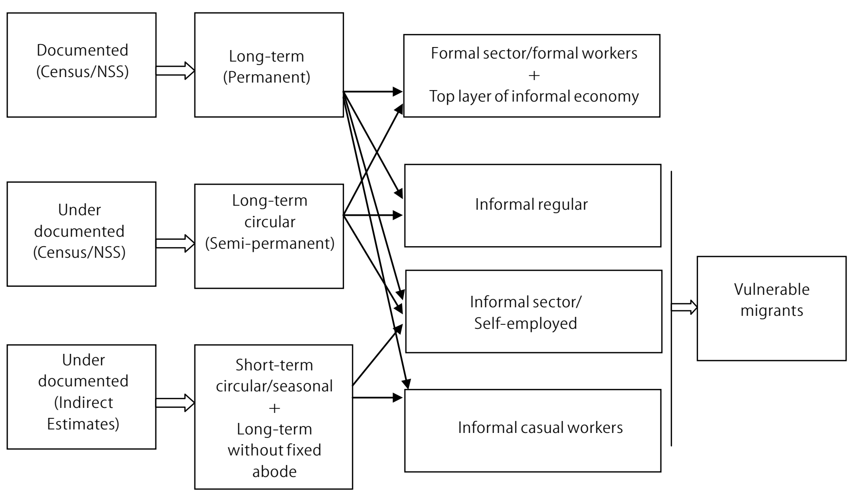
In addition, social protection has both micro and macro dimensions. The macro dimension refers to security at the national level or at the level of a region as a whole, while the micro dimension means that individuals and households are

Figure 1: Components of Social Protection



Source: Unni and Rani (2003: 131).

Figure 2: Internal Migrants: Documented and Underdocumented



Source: IHD India (2020).

secured. Security at the national level or of a region as a whole does not guarantee security to individuals or households (Unni and Rani 2003: 129).

Social protection covers certain core needs and economic securities (Figure 1). Core needs refer to basic securities that include income security, food security, shelter security, education security, health security and household and family-related benefits. Economic securities include structure of employment, legal status and legal entitlements and access to capital. The distinction between basic and economic securities provides a framework to better visualise social protection.

Limitations of Social Security

The traditional conception of social security that only covered contingencies is no longer sufficient in the present age of globalisation where workers are faced with multidimensional deprivation. COVID-19 has highlighted the limitations of social security and exposed the conceptual flaws in the implementation of social protection policies for informal workers. Informal sector workers in developing countries like India need social protection that not only secures their basic needs but also insulates them against economic insecurities. Growing income insecurity and vulnerability in the informal sector necessitates expanding the scope of social protection by including economic security besides basic security.

The approach towards social protection should promote income security and eliminate risks in addition to coping with risks. It requires a complete shift in the prevailing strategy from risk minimisation to protecting existing income to raising the income of informal workers.

Workers' insecurities in the informal sector fall into two categories. One is the random shock in the form of illness or premature mortality, leading to a health shock due to catastrophic health expenditure and loss of job that affects households from time to time. Random shocks could also include natural calamities, such as epidemics, cyclones or earthquakes. Orthodox social security measures were directed to deal with these kinds of insecurities. Other insecurities come from the structural features of households that remain constant to a large extent throughout their lives, such as age, gender, caste, marital status and ownership of assets (Unni and Rani 2002). Besides these, one of the most important structural features is whether they are a salaried worker, a casual worker or a self-employed worker (Unni and Rani 2002). This is an extremely important feature of workers in the informal economy, which is a highly heterogeneous group but have always been seen as a monolithic working class. Both random shocks and structural features influence basic and economic insecurities. However, the latter is pertinent to address economic insecurities as structural features determine economic insecurities among informal workers. Thus, social protection schemes should have two objectives: first, to provide protective security that negates the effect of random shocks, and second, promotional security that deals with the issues of fear and insecurity due to any calamity.

The ongoing pandemic has exposed the vulnerability of migrants, especially in the informal sectors. In India, migrant labourers have been hard hit by lockdowns and containment strategies. Labour circulation provides flexible labour, which allows for the intensification of capital accumulation. While the long-term permanent migrants are documented (Figure 2) and covered under social protection, it is the long- and short-term circular and seasonal migrants who are the most vulnerable. These are the group of workers who are either self-employed or casual workers and are least protected. People belonging to the Scheduled Castes and Scheduled Tribes, who constitute a substantial proportion of the short-term circular migrants and lack a foothold in cities, have been the worst affected. They are the ones who are non-citizens in the big cities and are weak citizens in their native states or villages (Srivastava and Jha 2014).

The policies of social protection are conceptualised and designed keeping in view the workforce that is documented. A substantial section of the workforce, primarily in the construction sector, who constitute one of the most vulnerable segments, is out of this. Therefore, existing social protection policies are weaker or non-existent for these circular migrants as is evident from the latest unrest of migrants in the major cities of the country due to lack of food and shelter as well as the loss of livelihood. Lakhs of migrants have taken to the roads to demand the basic minimum for their existence and, in many cases, have been forced to walk back to their native places in the absence of any transportation facilities.

While the most immediate concern for them is food, shelter and proper transportation, the long-term impacts would be on their livelihoods or the lack thereof. It is high time that the government reflects on their policies of social protection, fundamental issues of conceptual flaws, and its implementation in the view of the mayhem being created by the COVID-19 pandemic.

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Locked Down, Trapped and Abandoned Migrant Workers in Pune City

Anuradha Kalhan, Shamsher Singh, Kiran Moghe

A survey of workers in Pune city who were waiting to go back home after the national lockdown was first announced shows their plight and living conditions. Its findings provide valuable insights on what migrant workers need and what the policy decisions regarding them should consider.

The authors would like to convey their deep gratitude to volunteers and workers who participated in the survey in the most trying circumstances.

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For nine weeks after the national lockdown began in end March, tens of thousands of workers began trudging across the country's highways with meagre belongings on foot, bicycles, in auto rickshaws, lorries and buses in a sort of dogged civil disobedience of the lockdown. Police lathis did not stop them, neither did the shortage of food and water, the cruel Indian summer, accidents, or even deaths (over 600 in conservative estimates) on the way. Nor did the forced quarantine without food upon arrival at their destination or the pesticide sprayed on them stop those who followed in an endless stream. It was no coincidence that the majority of the returnees were heading into the poorest states. The poor in India have been footloose labour for decades. (Breman 1996). There are an estimated 140 million migrant workers who move seasonally and cyclically for work. They represent the lowest economic and social strata of our society (Keshri and Bhagat 2012). They were featured on television screens, in newspaper reports and in some outstanding field reports and videos, which were uploaded on YouTube starting soon after the lockdown (MOJO Story 2020).

Since then, the question of why they defied the Prime Minister, the police and every conceivable obstacle has been asked often and answered by some on camera and in some surveys (SWAN 2020):[1] no wages, no food, no savings, no money for rent, no faith that the administration could reach them, and great apprehension of disease and death in a harsh, alien city. Those who left as soon as possible were often the most vulnerable (but not always). Those who waited till the trains began were perhaps the least (but not always).

Our survey in May was among workers in Pune who waited for the trains to start. Our evidence shows that in many cases, employers had not even paid their wages that were due before the lockdown, let alone during lockdown. Some employers had paid part of the wages, some gave them food, non-governmental organisations (NGOs) helped them or, as in the case of our survey, unions and mass organisations stepped in. The government had appealed to employers to pay wages for the duration of the lockdown, to landlords not to force people out of rented accommodations and to local administration to provide essentials such as food. None of these were really followed.

Maharashtra is the biggest recipient of migrant labour according to the 2011 Census of India, and in Maharashtra, the Mumbai metropolitan region is the largest. Historically, this has been a source of considerable social and political conflict. Industrial and urban areas like the city of Pune and its peripheral towns like Pimpri, Chinchwad also draw considerable numbers.

Fifty-three volunteer-investigators conducted telephonic interviews with workers who approached the Centre for Indian Trade Unions (CITU) in Pune. They were among a larger group of volunteers from women's, youth, farmers' organisations and working professionals who responded to an appeal by CITU. Others were involved with delivering food, negotiating with employers, filling out travel forms, online ticket booking and general counselling over telephones of very anxious workers. Given the acute nature of distress and confusion, our interviewers were also helping with relevant travel information, communicating changes in train schedules and counselling throughout. Sometimes they succeeded in persuading groups of workers from setting off on foot. Some migrant groups hired expensive buses, while a majority waited and were still waiting to leave by the Shramik Special trains (which were free in Maharashtra) as on 20 June.

The survey was designed to understand the requirements of the migrant workers and difficulties faced by them following the lockdown. Questions were addressed to workers, and needless to say, circumstances of the investigation were so unusual that many workers have not been able/willing to respond to some questions.

This article is based on the responses from 589 workers spread over 40 locations in Pune city and its immediate periphery. The locations vary from the heart of the old city like Lakshmi Road, Budwar Peth, Ravivar Peth, Nana Peth, Kasba Peth to newer developments like Hinjewadi Phase 1, 2, 3, Wakad, Pashan, Balewadi in the west, Kondwa in the south, Yerwada, Pimpri, Chinchwad, Chakan in the north, Bhosri, Simhagarh Road in the north west, Satara Road in the south east.

Our sample on the basis of sector and type of employment is described in Tables 1 and 2.

Table 1 shows a huge diversity of occupations the workers were involved in. Construction and factory work being the majority among the workers. A little more than half of them were on a monthly wage contract followed by daily wage earners (Table 2).

Those Who Waited

Circumstances preceding their departure can be depicted as desperate, with most of them stating that what they most needed (at the time we contacted them) was to return to the village (62%). Their most important need being food, money, in that order, fewer also mentioned secure shelter in the city.

Table 1: Distribution by—Sector of Employment of Respondents

Sector	Frequency*	(%)
Construction	366	67.2
Domestic work/housekeeping/ office staff	14	3.0
Factory work/manufacturing	61	11.3
Hotel/restaurant	23	4.1
AC repair	21	3.6
Carpenter/welding/ tailoring/jewellery	40	7.3
Transport/delivery	4	0.7
Self-employed and miscellaneous	13	2.1
Unemployed	4	0.7
Total	546	100.0

* 43 respondents did not answer the question.

Table 2: Distribution by—Type of Employment

Type of Employment	Frequency*	(%)
Daily wage work	245	44
Contractual monthly wage	288	51.7
Self-employed and piece rated	8	1.4
Monthly wage without any contract	12	2.2
Unemployed	4	0.7
Total	557	100.0

* 32 respondents did not answer the question.

Even though the overwhelming majority of the respondents wanted to go back to their homes, not everyone preferred this option. Around 14% of the respondents wanted to stay back in the city mainly because they lacked any source of income or livelihood at the place of origin and some hoped that the situation related to COVID-19 and the lockdown would become better and they would be able to return to their work.

Having no income, no savings left and no food, all together were the major reasons for the workers to decide to return to their homes. In the majority of the cases, all the factors were combined.

Incomes and Dues

If this information is combined with the fact that 91% of them earned ₹15,000 or less per month and 44% earned ₹10,000 or less per month, it would be easy to imagine their desperate situation. Of those, 46% reported earning between ₹10,000 and ₹15,000. Barely 2% had income above ₹20,000 per month. It is important to note that with this income they not only live in the city but save and remit part of it back home. They said their income supported other members of the family, most commonly between three to five. Only two workers said that nobody else depended on their income.

Around 55% of those who responded to the inquiry said they had pending payment issues with their employers/contractors. This could also be a big reason for them not willing to leave the city as they were afraid of losing their dues. The pending wage dues were not only for those who worked on a monthly salary basis but even those who worked on daily wage contracts. Forty-four daily wage workers reported pending payments from their employers. These pending dues varied between few hundreds and ₹50,000 in the case of some construction workers who were not paid for a few months before our survey. A number of self-employed (in transportation, etc) reported large sums pending. In the case of monthly salaried workers there were workers who had not been paid for the last one to five months before our survey. Most pending dues for this class of workers ranged between ₹5,000 and ₹20,000.

Not without Their Aadhaar

Only 6% had no identity proof and yet the state could not reach them! Direct transfers into their accounts from the government would have saved them much distress and 92% had Aadhaar numbers.

Of our total sample, 10% were women migrant workers who usually accompany their husbands to the site of work.

Only 20% of the sample falls into the general category with the rest being Scheduled Castes (24%), Scheduled Tribes (7%), Nomadic Tribes (1.5%), and Other Backward Classes (15.6%). Of the respondents 29% who did not reply to the question of caste were mostly Bengalis or Muslims. Again, 80% of them were less than 35 years old and among these the majority was less than 25 years old.

Containment Zones

In April, Pune city was divided into red, orange and green zones. Most of our respondents were in the red zones, as per our records.

There were about 69 micro containment zones in Pune by the beginning of May. These zones of high infection incidence were sealed off. As the month progressed new areas were added, and old ones dropped from the list, but the total number did not change much.

A majority of the respondents (74%) did not answer the question about where they were located in terms of zones. It is likely that they did not know or did not want to respond because of the stigma

Table 3: Distribution by—Do You Want to Leave the City Immediately?

Response	Frequency*	(%)
No	80	14
Yes	504	86
Total	584	100.0

* 5 respondents did not answer the question.

Table 4: Distribution by—Reason for Wanting to Leave

Reason	Frequency*	(%)
No income	348	59.1
No savings	321	54.5
No food	284	48.2
No shelter	41	7.0
Fear of the corona virus	183	31.1
Want to be with family	258	43.8

* Frequency of response is greater than 100% because respondents can choose more than one reason.

attached to red and orange zones by May. People from these zones were barred from going out, just as entry into these zones was barred. They had to obtain permission from police even to access ATMs. Incidents of violence against those venturing out of these zones have been reported. Neighbouring zones looked upon people from the red zones with fear just as they ostracised the COVID-19 positive with hostility.

To add to the shadows born out of ignorance was the religious bigotry directed at the minority community. Of the minority community, largely socially and economically backward to begin with, 5% of those surveyed said they faced some harassment on religious grounds even during these trying times. A few also reported facing discrimination due to their occupations.

The workers (26%) who responded to the question were trapped in containment zones: 91% said that they were located inside. These areas were often without possibility of self-quarantine, without access to clean water (in fact water scarcity was frequently a problem), clean toilets, food and shelter and correct guidance.

Our survey also asked questions about returning to the city. Of those who responded to this query, 68% were sure they would get a job whenever they returned, 31% were less sure and only 1.5% said they would not get a job when they returned. Given the wage and quality of their employment we suppose their confidence is not misplaced.

Only 2% unequivocally said that they would never return. A majority said they would return when a cure for COVID-19 was found (47%), when lockdown was lifted and things become normal (34%). However, 11% did not respond and the remaining were not too clear about when (from three months to one year) or under what circumstances they would return. Their problem is lack of availability of work in the village. Weighing the possibility of farm work, non-farm work, works under the Mahatma Gandhi National Rural Employment Guarantee Act, disease and current penury in the city, they chose to leave but for how long?

Since the survey was conducted in the first half of May, workers had survived more than a month after the lockdown. A majority (65%) did receive help in the form of some food and money for a while. For a majority of those who received help, it was in the form of dry rations or some money. In many cases, the workers were provided just one meal a day and others were given ₹500 for a week.

Did Employers 'Help'?

But then as the lockdown stretched with no certain resumption of business, the help dwindled and stopped. Whatever partial support, in whatever quantity has, however, been acknowledged by the workers. Significantly, they did not look upon it as their right. A third of the workers were not helped at all. Workers unable to move out of their location found themselves completely at the mercy of their labour contractors and subcontractors during the lockdown. For shelter, money, and food they had no other recourse particularly in gated construction sites in the periphery of the city. Often, workers were "helped" only after direct intervention by union representatives who called up contractors and visited sites. Sometimes, rival labour contractors assisted workers on another site (with loan or food) on the condition that they would work for them after the lockdown was lifted. For a large section of Muslim workers, this Ramadan was a different and distressed one as many workers reported eating merely rice and salt having no money to buy fruits, vegetables and other items. Some workers had borrowed and some even got money from their parents.

Throughout May, unions and mass organisation volunteers were delivering rations to labour sites based on requests; sometimes workers did not have adequate food even for a day or two. So, the workers' response to the question whether they were "helped" must be interpreted cautiously.

This can be compared to their response to a question whether they faced any harassment during the lockdown based on their locality, community, caste, or religion to which 92% said they did not face harassment.

If anything, it reflects how little they expect as a group on the state of their consciousness and what they have experienced in relation to their rights and entitlements as workers. A point that has been noted by other observers as well. "There was no public outcry over this human tragedy and the victims themselves chose to mostly suffer in silence" (Palshikar 2020).

NOTE

1 SWAN (2020), SWAN published three reports till June.

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Kuttanad and COVID-19

Farmers, Floods and the Pandemic

RAHUL N, RANJITH P M

Aided by the Government of Kerala, the farmers in Kuttanad are continuing to show resistance through cooperation and resilience.

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Kuttanad region spanning across districts of Alappuzha, Kottayam and Pathanamthitta is considered the rice bowl of Kerala. It is one among the Globally Important Agricultural Heritage Systems (GIAHS) identified by the Food and Agricultural Organisation (FAO).[1] Agriculture here is practised in low-lying fields (1–3 metres below sea level) reclaimed by dewatering the rivers, marshes and Vembanad lake (backwater) beds through human intervention. The word kuttanad means low-lying lands (MSSRF 2007: 62). The reclamation activities intensified in the late 19th and early 20th centuries. Four major rivers of Kerala—Meenachil, Pamba, Manimalayar, Achankovil—drain into the Vembanad (KSPB 2019: 16). The Vembanad lake alternately, is also affected by seawater intrusion from the Arabian sea. The inflow of seawater and outflow of river waters are regulated by Thanneermukkam barrage and Thottapally spillway respectively (MSSRF 2007: 73).

Uniqueness

The agriculture and fishing in the region depends hugely on the regulation of floodwater through the barrage and the spillway. The reclaimed fields are fortified from waterbodies by building bunds which is regulated to flood and dewater the fields. These fields are called polders. In general, the agricultural fields (*padam*) are differentiated into *karapadams* (fields along the riverbanks), *kayal padams* (fields reclaimed out of lake beds) and *karipadams* (fields of black peaty acidic soil) (MSSRF 2007). Thus agriculture practices not only differ from other regions but also there are variations within the region. Farmers do not generally practise transplanting from nurseries, rather seeds are directly sown in the fields and the gap between the saplings are adjusted later. Hence agricultural labour is focused more on preparation and maintenance of field than activities like transplanting. Submergence of fields in water with straws is the major means of manuring, slightly supplemented by common manuring methods. Dewatering fields is practiced by using a locally innovated machine named Petty-yum Para-yum (box and cylinder), usually a 50 horsepower (hp) machine run by electricity or diesel.[2] As most of the region is formed of water and reclaimed paddy lands, houses are located on narrow patches of reclaimed lands or on bunds constructed between fields and water bodies and there is scarcity of land for other purposes.[3]

Kainakary, a Profile

The village taken for study, Kainakary is located at a distance of 8 km from Alappuzha town and falls under Kuttanad taluk of the Alappuzha district. It is spread across 36.36 sq km with total population of 26,862. Around 59.87% of the total area of the panchayat is occupied by water. Population in the panchayat consists of 13,520 female and 13,342 male members. The population density is 733 with sex ratio of 1,046. The literacy rate is 98% and Scheduled Castes constitute around 8%–9% of the population. Taking together the two census villages Kainakary north and Kainakary south, the total cultivators are 540 and agricultural workers are 3,495.

Kainakary consists of both kayal padams (Kainakary north) and karapadams (Kainakary south) and is surrounded by Pamba river on the west and Manimala on the east and Vembanad lake on the north. It is one of the most vulnerable villages in the Kuttanad region with no direct road access to its *kayal* lands. Transportation of people and goods are conducted through ferries. The kayal lands also face acute problems of lack of drinking water and clean water for household chores thanks to the high pollution levels in Vembanad lake. Historically, Kainakary is one of the major epicentres of agricultural union activities in Kerala.

The data for this study was collected through in-depth interviews conducted among nine farmers and five agricultural labourers of Kainakary panchayat in

Kuttanad taluk of Alappuzha district between 2 May and 8 May 2020.

Condition of the Farmers

The current Left Democratic Front (LDF) Government of Kerala has instituted specific measures for the benefit of the farmers. The Kerala Civil Supplies Corporation (Supplyco) procures paddy from the farmers through mills. The mill agents arrive at farms and procure the paddy. After quality check they issue paddy receipt sheets (PRS) which the farmers have to produce at banks. A copy of PRS is sent by mills to Supplyco which deposits its money into accounts of the farmers. In 2019, the state has increased the minimum support price from ₹26.30 to ₹26.95 which is higher than the centre's ₹18.15 per kg (*Frontline* 2020).[4]

In Kuttanad, most of the farmers own lands within the range of 0.5–2 hectares. Small farmers are organised in *padasekhara samitis* (group farm collectives) practicing group farming. For example, the Puthenthuram padasekhara samiti coordinates farm activities in 120 acres owned by 70 members. There are 26 padasekhara samitis that coordinate farming in the panchayat. The members of the samitis and neighbours help each other out in agriculture such as in sowing and strengthening bunds.

Soman (50) is one such farmer living in the most densely populated area of Kainakary named Kuppapuram with his father (72), mother (69), wife (45) and two daughters (24,20). He belongs to Ezhava caste, the most populous intermediate caste in Kerala. His wife and mother are the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) workers while his eldest daughter is an electronics communication engineer currently employed in Tata Consultancy Services in Technopark, Thiruvananthapuram. His younger daughter is pursuing under-graduation. His wife co-manages the farm activities of the family. They own a cow and sell milk to the cooperative. Soman owns one acre and 80 cents of karapadam land at Kuppapuram and has leased in 10 acres of kayal land at Marthandam. Apart from these lands, he also supervises farming in 30 acres of land farmed together by five of his friends. He is member of the Marthandam Padasekhara Samiti which covers around 600 acres of land out of which 537 acres are under cultivation and the rest is fallow.

Soman has sowed the rice variety named Uma in all his lands. The land is tilled using tractors rented locally at the cost of ₹900 per acre. It takes roughly around one hour to till an acre of land. Agricultural labourers are mostly employed in weeding operations and bund maintenance. Harvesting is done using combined harvesters that come from parts of Andhra Pradesh and Aattur and Salem in Tamil Nadu. Formally, these harvesters have to be bid by member farmers of padasekhara samitis in auction arranged by the samiti though farmers informed that informal agreements are reached before the harvesters leave for Kuttanad.

The migrant Tamil harvest operators are accommodated in the villages for a month or two. The harvesters cost around ₹1,900 per hour for karapadams with road access and around ₹1,995 for kayal padams. As Soman does not have enough land to lay his harvest, he had to use others' land for which ₹200 per acre had to be paid to the landowner, irrespective of the quantity of production.

In the leased lands in Marthandam, Soman had sowed only one crop—*punja* crop (October–March)—and harvested about three tonnes of paddy. He could harvest only between 1.5 and 2 tonnes in his karapadam lands due to delay in sowing and practice of two crops while in the 10 acres of kayal lands, the harvest was about three tonnes per acre.

Kainakary saw increased harvests in the aftermath of the 2018 floods. The first punja crop after the 2018 floods resulted in a harvest above three tonnes of paddy per acre across Kainakary with many even harvesting more than 4 tonnes. The next harvest, that is, 2019 monsoon crop also resulted in a good harvest though diminished than earlier. Presently, the third harvest after the floods is over and the harvests have again diminished from the earlier one. now ranging between two–three tonnes.

Soman has access to the petty para machine for dewatering. The government provides ₹2,500 subsidy per acre to the contractor. The contractor is also paid by the padasekhara samiti with member contribution. Soman pays ₹1,000 as member contribution. The government also provides subsidised seeds and subsidies for fertilisers and pesticides. The farmers receive ₹6,500 in their accounts as fertiliser and pesticide subsidies per crop. It costs them ₹120 as loading charge per quintal while they receive ₹12 as subsidy for loading charge through mill agents.

The harvest finished on 26 April. Many farmers informed that there was uncertainty about availability of harvesters in the wake of lockdown. However, the state government and district administration intervened decisively to resolve issues and successfully conducted harvest (Radhakrishnan, 2020).

Soman's daughter who has come home due to lockdown is continuing to pay ₹5,000 per month as rent for her accommodation though her family income has come down. Sugathappan, whose son used to ferry tourists in and out of Alappuzha and mainly to airports in Kochi and Thiruvananthapuram has been rendered jobless. Many wards of farmers and farm labourers are engaged as employees in the thriving tourism industry of Alappuzha which has completely shut down. Others find employment mostly in non-farm sector as auto–taxi drivers, plumbers, electricians, or pursue further higher education or work in the Gulf countries. Some have acquired higher education like engineering and are employed in cities in the state and outside. Young women are also employed in the umbrella making industry and as salesgirls in textile showroom and other retail shops.

During floods, Soman's house met considerable damage for which he received ₹1.25 lakh as compensation from the government. Reconstruction works have been completed. Her mother has received ₹8,500 as agricultural workers pension declared as part of COVID-19 relief measures by the Kerala government. He has also received ₹6,000 from the Pradhan Mantri Kisan Samman Nidhi Yojana (PM-KISAN) fund. Another farmer, Sugathappan, received ₹1.25 lakh compensation and he could build a better house with additional ₹1 lakh he invested. Sugathappan was earlier engaged as a toddy tapper. Hence, he receives ₹2,000 as monthly pension from toddy tappers' welfare board.

Farmers in general are satisfied with the relief efforts of the current government both during floods and current phase of COVID-19. However, their longstanding demand of proper implementation of Kuttanad package is raised by all the informants, including agricultural labourers.[5] Especially the building of suitable bunds for regulation of floods is wrangled in troubles. Also, some farmers raised the issue of delay of minimum support price (MSP) payment through State Bank of India which takes about three months.[6] The mills are also accused of fraud by demanding 1–4 kg of paddy extra per quintal alleging low quality.

Agricultural Labourers

The participation of younger people in agricultural labour is negligible in the village. Male agricultural labourers work in building and maintaining outer and inner bunds and preparing fields. They earn wages between ₹700 and ₹1,000 depending on the type of work. Women agricultural workers earn wages between ₹400 and ₹500. The loading workers earn between ₹105 and ₹120 per quintal paddy. If the paddy has to be loaded for a distance more than 50 metres, ₹30 is charged extra. However, loading workers often demand this extra sum for distances of 25–30 metres.

The small-scale farmers who dominate the population of farmers in Kuttanad help each other through personal bonds and through padashekhara samitis. However, the large farmers who lease in lands for cultivation in parts of lower and upper Kuttanad largely use migrant male labourers.[7] These labourers are hired from nearby towns, namely Pandalam and Changanassery. These workers are paid between ₹700 and ₹1,000 as wages per day. Unlike local workers they work more from 7 am in the morning till 5 pm in the evening.

Women workers are mostly engaged in works like weeding. They also fill rice in sacks for ₹30 per sack. According to one farmer, this work was earlier done by farmers themselves. However, as farmers are ageing, these are now being performed by hired labourers. The job opportunities for women has receded as weeding work is less practised nowadays due to widespread use of weedicides. During the recent harvest, which happened under lockdown, there were more local hands to work in harvests as most people have returned home and had no other income.

Antony is a 62-year-old farm labourer belonging to Dalit Christian community living with his wife in the R block, a prominent kayal land in the village. He has a daughter and two sons. While the daughter is married off, both his sons are employed in the Gulf countries as lifeguards. His eldest son who came a month back to visit home could not go back due to COVID-19. According to Antony, though they are employed in the Gulf, their income is barely enough to meet both ends meet. Antony inherited 10 cents of homestead land from his father who received it as part of land reforms.

R block, about 1,400 acres, was among the last kayal lands to be reclaimed during World War II to increase food production. Unlike other kayal lands, farmers in R block practised two rice crops and later grew cash crops, such as coconut, plantain, tapioca and cocoa. R block now lies completely fallow after 2013 floods but was once booming with farm activities with thousands employed as toddy tappers and agri labourers. Situated at the southern end of Vembanad lake, R block is highly vulnerable to natural vagaries. According to Antony, though the current left government has taken few steps in dewatering R block, no farmer is willing to risk farming in R block without more government support.

Antony opines that government should lease R block for farming to agri labourers' cooperatives. According to him, the recently proposed Green Army, a labour cooperative of skilled agri labourers formed under the aegis of the state government could also play a role. Antony's house is situated in the south-eastern edge of R block which has no other means of transport than boats. It takes one hour to reach the nearby town Alappuzha and one and half hours to reach Kottayam to access ATMs. Access to drinking water is provided by panchayat transported on boats. For all other purposes, the highly polluted water of the lake is the only source.

Women Agricultural Labourers

Girija is a woman agricultural worker who also cultivates slightly lesser than two acres. She lives with her husband and two grandchildren. Her husband is a loading worker in Kainakary. She is an elected member of block panchayat and a leader of agri labourers. Girija and her husband cultivate rice in their land but as their field is situated in the middle of the padasekharams, they incur higher costs for additional transporting from these fields to the channel bank or roadside. It was relatively harder to interview Girija as cooking and gardening occupied most of her time.

Girija had also been aware of MGNREGA works as an elected Local Self Government (LSG) member. According to her, MGNREGA provided work for women in the face of diminishing opportunities in agriculture. Women were employed to deepen the channels and build field boundaries under MGNREGA. However, an order based on MGNREGA guidelines later stipulated that only durable assets can be constructed under the scheme. In Kuttanad, where other construction activities are limited, this guideline has reduced number of workdays available for women. She comments that though youngsters are reluctant to engage in farm work, many are not averse to work in MGNREGA because there are no harsh supervisors or scrutiny of their skill.

Relief and the Monsoon Crop

The farmers are expecting seeds to be available from Krishi Bhavan from the first week of June for the monsoon crop. As the harvest got over only by the last week of April, most were awaiting MSP payment from government when the interviews were conducted. Many had submitted their PRS at banks just two days before the interview. The farmers in Kainakary are satisfied with the way relief had been arranged during the 2018 floods and the current lockdown. Essential items and grains had been distributed through PDS. In fact, according to most informants, it is the distribution of food and pensions that has helped them manage the lockdown period when all their major income earners, especially their children, had to stay idle at home. The work of accredited social health activist workers and the local primary health centre (PHC) are being appreciated by all. The PHC is involved much extensively in the local activities. They are also involved in training MGNREGA workers on health hazards, including snake bites during work.

The availability of provisions, including vegetables, are ensured in the village with vendors selling through boats. Also the community kitchen, operated by the panchayat and the kudumbashree is providing food to those who are in need, including the migrant labourers. Moreover, people informed that they cordially share garden produce and fish catches from the lake with each other.

A general demand raised among agri workers was issuing pattas to those who lack any proof for their land. There are many agri labourer households, especially in kayal lands, who have been settled by their earlier landlords without any proper papers. Agricultural workers demand that the lands that have fallen fallow like those in R block be either redistributed to landless agri workers or leased out to cooperatives run by them. Some pinned their hopes on the Green Army earlier mentioned.

In Conclusion

The COVID-19 management efforts of the current LDF government, including streamlined paddy procurement, has ensured lives are not strained in Kainakary. The measures by the government and its decentralised institutions, such as Kudumbashree, PHCs and LSGs, are strengthened by the general cooperative outlook among the predominantly small farmer population in this fragile ecosystem where survival in the face of natural furies depends on social solidarity and governmental support. While concluding this study, people in Kainakary are living fingers crossed about the severity of the monsoon and the possibility of floods. They worry that under circumstances of COVID-19, floods will spell disaster as people cannot be transported and accommodate en masse in camps.

NOTES

1 See http://www.fao.org/giahs/giahsroundtheworld/designated-sites/asia-and-the-pacific/kuttanad-below-sea-level-farming-system/en/.

2 The large farmers however use submersible pumps for dewatering purposes.

3 For detailed information on Kuttanad farming, see Kerala State Planning Board, 2019 and M S Swaminathan Research Foundation, 2007.

4 To know more about the rice procurement process in Kerala in a village in Palakkad district read the earlier article https://www.newsclick.in/Kerala-Govt-COVID-19-Agricultural-Labour-Farmers-Pensions-Foodgrains.

5 Kuttanad package or the Swaminathan package refers to the package of schemes announced by central and state governments following the study of the committee formed under the chairmanship of M S Swaminathan in 2008.

6 The cooperative banks pay the MSP within two to three days of submitting the PRS.

7 One such large farmer who leases in 300 acres spread across kuttanad was interviewed.

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Not Just a *Thappad*
On Domestic Violence

Swati Sehgal

The phenomenon of domestic violence is discussed through the film *Thappad*, which addresses the issue sensitively. Domestic violence across different social classes and the internalised patriarchy when it comes to navigating measures like divorce are explored. The depiction of violence in Bollywood is elaborated on and the need for more films like *Thappad* is emphasised.

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Anubhav Sushila Sinha, the writer, director and producer of the film *Thappad* (2020), in a recent tweet (29 February 2020) expressed astonishment over the number of telephone calls he received from men about his recently released film. Though the tweet does not betray the content of the response, it indicates that the film was instrumental in jolting the viewer to react. This characteristic of spectator reaction makes *Thappad* an important film; a film that boldly lashes out against the normalisation of domestic violence. It brings to the forefront social apathy to a form of injustice often neglected as a private matter, considered immaterial if brought out in the public domain and even berated for.

The film brings to fore how emotionally dislodging and mentally excruciating is the act of being slapped. The protagonist Amrita, played by Taapsee Pannu, is hit by her husband Vikram, played by Pavail Gulati, at a party organised to celebrate the achievement of the latter. At the party, Vikram gets into a heated argument when he gets to know that he was being superseded at work by another employee. Amrita tries to calm him down, but he ends up hitting her. As the narrative progresses, the protagonist is perplexed at how conveniently people around her are able to return to their chores and expect her to do the same. The act remains with her, gnawing at her being, as she forces herself to participate in the mundane routine of household work. She remains disconcerted, feeling alienated in the tasks that she had hitherto dutifully performed and is unable to vent out her feelings.

It is not "the slap" that is the central focus, but the aftermath of its occurrence. The film unravels how most family members were almost complicit. Except for Amrita's father, essayed by Kumud Mishra, initially most agree that it was foolhardy to apply for divorce or leave the house "only" because of a slap, describing it as accidental, impelled by the anguish that Vikram was undergoing. While most family members see it as a matter to be resolved by the couple and choose to keep mum, the turmoil of the protagonist is evocatively depicted. The cycle of existence does not cease for anyone, except her, who begins to question the worth of emotionally investing in a lopsided relationship.

Socialisation and Social Class

A relevant departure that the film makes is in conveying that domestic violence is not just a class-specific phenomenon, a concern of only those who are apparently uneducated. Bhattacharya (2004) highlights that women are often made to believe that homemaking is their fundamental duty, indisputably necessary at any cost. Often it results in long-drawn procrastination about how speaking for themselves will be in conflict with their "duties" (Bhattacharya 2004: 22). Leaving an abusive partner is often seen as a taboo across classes (Bhattacharya 2004: 23). The consequence to separation surfaces in the form of social boycotting of the victim by family and society at large.

The film portrays that the modern Indian, however advanced their professional ambitions may be, is still caught up in the throes of patriarchy. Women all across the film, whether it is the successful lawyer, Nethra, raped by her husband; the domestic help, Sunita, beaten mercilessly by her husband daily; the housewife, Sandhya, whose ambitions are nipped in the bud due to household duties; the budding lawyer, Swati, questioned by her husband for her pro-woman stance; and the protagonist, Amrita, are victims of overwhelmingly crude male attitudes.

To look at this phenomenon from a developmental perspective, domestic violence is a serious form of "unfreedom"[1] that is throttling. Agarwal and Panda (2007), borrowing conceptual categories from Amartya Sen's work demonstrate the deleterious effects of domestic violence on the capacities of an individual. It is amply demonstrated in the film how patriarchal mentalities have thwarted "capabilities"[2] of women in varied aspects, such as exploring the economic opportunities available and viable, participating in community life and building social relationships. Such acts erode the woman's will to function, especially in relation to herself (Agarwal and Panda 2007: 364). This incapacitation has an inter-individual relation too, as the impact of violence is not limited to the physical self.

The film also portrays how the expectations from women are channelled through socialisation by parents, especially mothers. Sandhya, played by Ratna Pathak Shah, who is obviously worried about the well-being of her daughter, pushes her to consider sorting out the issue. Before the viewer can judge this, the narrative conveys that this was how she had been taught to be. This was an internalised self as Shah too wanted to be a singer but chose not to tread the path of her ambition as it would have put her domestic responsibilities in disarray. To her, this seems as an obvious choice for her daughter in order to maintain the sanctity of the relationship. Similar entreaties are made by Sulakshana, Amrita's mother-in-law, constantly reminding her that as a woman she must learn to bear. The film critiques this sacrificial tendency repeatedly, questioning the indoctrination of self-effacement as a feminine trait.

Violence of Divorce

The portrayal of the process of litigation gives an insight into the role of the judiciary and the nature of laws that guide cases of separation and domestic violence. It is crucial to consider that applying for a separation is also seen as a male prerogative. The application for separation by mutual consent, filed by Amrita, is not agreed to. Vikram repeatedly gives the argument that there was nothing wrong and the reaction to the slap was uncalled for. The extent of callousness crosses all limits when Vikram's colleague/friend justifies hitting as an expression of love.

Amrita's lawyer advises that she could ask for maintenance and share in property, likening the marriage to an investment that she was going to lose. Vis-à-vis this argument, Amrita's response brings to the fore two contrasting dimensions about marriage. While the first posits marriage as an institution of contractual expedience, the other point of view is the notion of marriage as a relationship of compassionate companionship.

Ram Kapoor, as Vikram's lawyer, fears and warns that levelling a charge of domestic violence in the petition would mean serious criminal consequences. The matters transpire in a manner that Amrita is forced to bring in this dimension. False accusations of mental torture, paranoia, harassment of family members and faking the incident are levelled against her. The matter takes an uglier turn, mirroring the state of reality of family courts and marital violence legislations in India. Agnes (2019), citing the survey figures of NFHS-3 (National Family Health Survey) 2005–06, observes that violence is the veiled reality of several Indian marriages. She adds that the incidence increases when there is absence of women's voice in economic and household decision-making. The same can be observed in the case of Amrita and Sunita. While the latter is the significant breadwinner of the family, her economic contribution is sidelined and she is forced to work.

The protagonist is able to liberate herself with a timely legislation. But this process is not smooth and hurdle-free for several litigants. Agnes (2019) describes specific cases to put forth the concern that despite the window period of 60 days under Section 12(5) of the Domestic Violence Act, 2005, the norm is openly flouted. The victims are put to scrutiny by the public eye as well. Often is the case that raising a voice against such acts leads to the stigmatisation of women as housebreakers. Moreover, the lack of awareness and the fear of losing financial support and being left alone to battle out such crises lead to the acceptance of violence as fated.

Invisible Women's Work

In relation with domestic violence, the film explores several other issues. One of these is the notion of what is implied by work. The film seeks to puncture the notion that work is only that which is accounted for and paid for. Amrita, in a conversation with her lawyer, articulates very clearly that to be a housewife was a choice that she had made and wanted to be respected for her decision. The fact that it was perceived as a limitation and her commitment to her work at home is taken for granted befuddles her.

The non-recognition of domestic work is a serious issue that many women in India confront. The nature of "household work" is expansive, involving "mental, emotional and spiritual tasks" (Eichler 2008: 15). It is imperative to recognise that the burden of this work is rendered invisible by its non-recognition. It is problematic as it involves the failure to recognise a significant contribution of productive labour performed for the welfare of families (often husbands, children and parents in matrimonial homes). This is crucial as this "work" is taken for granted as "duty." Coping with its enormity is no less a balancing act.

The haste with which Amrita completes all the chores, although assisted by Sunita (househelp), clearly showcases that she has no time for herself. Although conveyed in a joking manner, she tells her neighbour, a successful corporate employee, that she too has a meeting (actually a dance lesson for her neighbour's daughter). Belonging to the upper-middle class, her burden is eased by the help. But for the likes of those are unable to afford assistance and have to work outside their homes too, often suffer from time poverty (Sanghera 2019). As evident from the Global Gender Gap report 2020, women, in comparison to men, devote considerably more hours per week on unpaid voluntary work. According to the report, it is a pertinent factor that accounts for disparities amongst men and women.

Depiction in Bollywood

Significant to note is Bollywood's engagement with this subject. Repeatedly, films that have dealt with domestic violence have focused on extremities of violence. Films such as *Mehndi* (1998), *Raja Ki Aayegi Baraat* (1997), *Daman* (2001), and *Provoked* (2006) speak of the gruesomeness and extreme steps taken by protagonists to free themselves of this barbarity. Sadly, the films portray that judicial action/intervention is limited and these women have to take up their cause themselves. Interestingly, most of these films are from a period when the legal definition of domestic violence was limited. It was post after 2005 that the ambit of what was characterised as domestic violence was broadened under the Protection of Women from Domestic Violence Act, 2005. No longer did it remain limited to physical violence, but also extended to other forms such as emotional/verbal, sexual, and economic. The consideration of invisible forms of violence that plague marital relationships was a much needed gesture.

However, what is necessary to consider is that the act in itself does not suffice. It has to be coupled with empowering initiatives that help victims rebuild their lives. It is imperative that those who choose to come out are supported and the public officials/public machinery are sensitive and cooperative to their needs. Often, it is the case that reporting violence is itself an arduous task and the journey of legislation is long-drawn, self-defeating, threatening and financially draining.

An Important Film

The film *Thappad* is exemplary as the makers have taken up the cudgels to address a concern that has hitherto remained at the periphery of portrayals in popular culture. Ater the release of the film, a video by Taapsee Pannu was in circulation, aimed at generating awareness about domestic violence and the necessity of speaking out. This was seen as a promotion gimmick by a few, but given the sensitive engagement with the subject in the film, this must not be seen in a reductive manner. It is sad that a movie that is attempting to debunk stereotypical images of devoted women, often reinforced via popular culture mediums themselves, has been targeted.

It is both malicious and regretful that there are forums where individuals expressed that the film must be boycotted as the makers and actors have expressed supposedly anti-government views. Voices were raised to boycott the film, such as the #boycottthappad hashtag on Twitter, for its makers' social and political views. This culture of targeting the film, discounting the merit of the theme and performance is dangerous. It obliterates the wider aims with which such films are made. Instead of widening the propensity for the film's reach (such as declaring the film tax-free), the political sloganeering shows a tendency to turn a Nelson's eye towards such pertinent concerns.

The identification of this film as a "milestone" (*India Today* 2020), "the most important film of the generation" (*Hindustan Times* 2020) amply demonstrates the resonance it has with audiences. The film speaks about and speaks to several generations about the discomforting and agonising expectations that women are cast in. It is high time the practice of taking women for granted is stopped. It is also a telling rejoinder for films that celebrate acts of violence as indications of "fierce" love. The message is clear, honest and loud: violence is unacceptable. Dehumanising oneself and accepting a semblance of existence in a man's world is not done. The slap becomes a catalyst that reminds Amrita of who she was and what she had accepted to become. The film is her journey to salvage herself out of this inanity and live life on terms that do not pose a threat to her self-esteem.

NOTES

1 Agarwal and Panda (2007) elucidate that freedom is a key idea in Sen's work. It is intertwined with the concept of development. It is argued that development, in a holistic manner cannot be realised until liberated from the prevalent forms of unfreedom.

2 Deriving from Amartya Sen's work, Agarwal and Panda (2007) explain that capabilities are the "ability or opportunity a person has to do or be what she values" (p 361). They argue that domestic violence, with patriarchal norms as its bedrock, is thwarting that possibility of female participation in various social sectors.

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Asymmetrical Federalism and the 100% Reservation Judgment

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The judgment of *Chebrolu Leela Prasad Rao v State of Andhra Pradesh* disregards the idea of asymmetrical federalism and considerably weakens the Fifth Schedule. The Supreme Court has not only overlooked the constitutional scheme of the Fifth Schedule but also failed to understand the ground reality of schools located in Scheduled Areas.

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Recently, in the case of *Chebrolu Leela Prasad Rao v State of Andhra Pradesh* (2020), a five-judge bench of the Supreme Court of India quashed a January 2000 Governmental Order (GO) of the formerly undivided state of Andhra Pradesh. The GO had been issued by the governor by exercising their powers under the Fifth Schedule, which allows them to create special measures of governance, to protect the rights and interests of Schedule Tribes (STs). The impugned GO provided for 100% reservation to ST candidates for the post of teachers in schools located in Scheduled Areas of Andhra Pradesh and Telangana. The Court unanimously stated that the governor's powers under the Fifth Schedule of the Indian Constitution are subject to fundamental rights as given in Part III of the Constitution. Accordingly, it held that the 100% reservation was unconstitutional as it violated Articles 14, 15(1) and 16 of the Constitution.

In this article, I shall argue that the Supreme Court's verdict was legally unsound. I shall first discuss the idea of asymmetrical federalism and illustrate how it has been woven into the scheme of the Constitution. Second, I argue that the Court adopted an incorrect approach to examine the validity of the GO, and as a result, it errs in its reasoning and overlooks the ground realities that exist in the schools located in Scheduled Areas. Third, I argue that the Supreme Court should have held the GO valid by following its own precedents, in which it has upheld that certain asymmetrical provisions can legitimately supersede fundamental rights in order to protect the rights and interests of STs. It must be noted that this article critiques this judgment as an addition to the critique provided by Alok Prasanna Kumar (2020). While his article critiqued the judgment from a law and society perspective, this article is a critique from a constitutional law perspective.

Asymmetrical Federalism

The idea of asymmetrical federalism means "the granting of differential rights to certain federal sub-units, and the recognition thereby imparted for distinct, territorially concentrated ethnic or national groups" (Tillin 2016). Asymmetrical provisions in any constitution are a reflection of broadly two aspects,—first, accommodations and adjustments made to facilitate the coexistence and representation of different identities that exist in a pluralistic society; and second, methods to address the representation of certain mobilised nationalist groups due to individual instances of political negotiation and compromise with the federation.

Asymmetrical federalism is also an "essential characteristic" of the Indian Constitution (Saxena 2012). The historical reasons for this are best captured in the Constituent Assembly Debates (CADs) on the Fifth and Sixth Schedules. The CADs show that the members were conscious that tribal communities had historically enjoyed both special status and privileges, which should not be disturbed (Bajpai 2000).

The Constituent Assembly had also set up two sub-committees to provide strategies for the administration of tribal areas. One of them was set up under the chairmanship of G N Bardoloi to prepare schemes for the administration of the North Eastern tribal areas. And another was set up under A V Thakkar to create plans to administer excluded and partially excluded areas in the other parts of India.

The common thread in both of their recommendations was that tribal areas have to be administered in a special manner due to their different culture, identity and history (Ministry of Home Affairs Report 2010). Additionally, members such as Jaipal Singh Munda often argued in the CADs that the Constitution through special provisions should ensure that the distinct identity of the tribal people is preserved in independent India. He also argued in his speeches that tribal communities have been historically exploited and dispossessed of their lands by the "non-aboriginals" and hence demanded for equality of opportunity for the tribal communities through special measures (Bordia 2017).

Additionally, the presence of the Fifth and Sixth Schedules in the text of the Constitution is a reflection of the fact that the Constitution adopts the idea of asymmetrical federalism (Bhat 2012; Tillin 2007). Both the schedules provide special measures for governance in areas inhabited by STs. The constitutional scheme relating to the Fifth Schedule is to create a distinct dispensation for tribal homelands. It is done by the creation of Scheduled Areas due to the fact that tribal communities have historically suffered at the hands of the people from the mainland, including the Britishers, and require special protections at a constitutional level so that these historical wrongs are not repeated, and also reversed (Ministry of Tribal Affairs Report 2013).

Accordingly, the Fifth Schedule, which operates primarily in tribal areas, gives the union government, under the representation of the governor, special powers to intervene in the interests of the STs. The governor has the powers to restrict the application of any central or state legislation to the Scheduled Area either completely or partially. They are also empowered to make regulations especially for the Scheduled Areas for the purpose of peace and good government.

The Sixth Schedule also gives more extensive powers of self-governance to autonomous district councils in the north eastern states. Moreover, the creation of special federating units in the form of union territories due to cultural differences, interstate disputes, specific needs of the National Capital Territory, or far-flung isolated location on the coasts serves as another example of asymmetrical federalism present in the text of the Constitution (Rao and Singh 2004).

Finally, several judgments by the Supreme Court have implicitly recognised that the concept of asymmetrical federalism is part of the scheme of the Constitution, by stating that the Fifth and Sixth Schedules have a special place in the Constitution in order to protect the rights and interests of STs. In the landmark case of *Samatha v State of Andhra Pradesh and Ors* (1997), the Court stated,

> the Fifth and Sixth Schedules constitute an integral scheme of the Constitution with direction, philosophy and anxiety is to protect the tribals from exploitation and to preserve valuable endowment of their land for their economic empowerment to elongate social and economic democracy with liberty, equality, fraternity and dignity of their person in our political Bharat.

Again, in the case of *the Union of India v Rakesh Kumar and Ors* (Rakesh Kumar case 2010), the Court noted, "It is evident that the framers' intent behind including the Fifth Schedule was that of a separate administrative scheme for Scheduled Areas in order to address the special needs of tribal communities." Hence, these judgments from the Supreme Court implicitly affirm that the idea of asymmetrical federalism is woven into the scheme of the Constitution.

Incorrect Approach

In the case at hand, the approach adopted by the Court to examine the validity of the GO becomes clear when it states—"What is sought to be achieved by Articles 14 and 16 is equality, and equality of opportunity. In Indra Sawhney, this Court emphasised that founding fathers never envisaged reservation of all seats, and 50% shall be the rule." In other words, the Court sets out to examine the validity of the impugned GO by looking at it through the general idea of equality, with respect to reservations as present in Articles 14 to 16 of the Constitution, and as stated in precedents laid down by the Supreme Court. This general idea entails that reservation quotas should be provided to historically marginalised groups, but the amount of the quota should not exceed the 50% limit.

It is submitted that this was an incorrect approach adopted by the Court because it examines the validity of the GO by applying the general idea of equality with respect to reservations in a manner a-contextual to the history and the constitutional scheme of the Fifth Schedule, and consequently disregards the idea of asymmetrical federalism imbibed in the Constitution. The 50% limit which applies generally should not be blindly applied to a special provision included in the Constitution meant for the protection of the rights and interests of STs living in Scheduled Areas (Rakesh Kumar case 2010).

The history of the Fifth Schedule is that it was brought in to allow for the special treatment of STs living in Scheduled Areas. It aimed for the constitutional commitment to the protection of tribal communities living in Scheduled Areas, upliftment of socially and economically deprived groups, and accommodating diversity in a meaningful way. It also aimed to recognise and preserve the different cultural identity of the tribal communities and ensure that there is no interference by the state (Ministry of Tribal Affairs Report 2013). The GO, by providing for 100% reservation, was acting in furtherance of all the abovementioned reasons. It is admitted that, in general, the 50% limit should apply. However, in the specific context of reservations in Scheduled Areas, the distinct history connected with the Fifth Schedule and its constitutional scheme should have been taken into account by the Court, in order to hold the GO valid.

Additionally, the wrong approach adopted by the Court leads it to believe that the impugned GO "is discriminatory vis-à-vis not only concerning open category but also to the disadvantageous sections of the society, totally vanishing the hopes of the incumbents of other classes." In other words, the Court feels that the impugned GO is leading to a form of reverse discrimination. It is submitted that by making such a statement, the Court makes it clear that not only did it adopt the wrong approach but also that it is completely overlooked the constitutional scheme of the Fifth Schedule and also the systemic discrimination that STs face every day and have been facing so for hundreds of years at the hands of the "other classes" (Lerche et al 2018).

Furthermore, the Court cites multiple judgments like *Indra Sawhney and Others v Union of India* (Indra Sawhney case 1993), *M R Balaji and Others v State of Mysore* (Balaji case, 1962), *State of Kerala v N M Thomas* (Thomas case, 1976) several times to expound upon the idea of reservations as envisaged in the Constitution and to impress upon the 50% limit. It uses these judgments as the basis of its reasoning to hold the 100% reservation invalid. It is submitted that this reasoning of the Court is flawed. This is because all these judgments that the Court uses as the basis of its reasoning are irrelevant to the current context. The current context is about reservations in Scheduled Areas, which are demarcated places meant for special measures of governance as they are primarily inhabited by STs. There is a distinct history behind these Scheduled Areas, as explained previously. Hence, judgments that have decided upon reservation policies for the rest of the country cannot be used to examine the validity of a reservation policy especially meant for Scheduled Areas. The Court errs in its reasoning when it creates an equivalency between the two.

Finally, not only do historical reasons exist to justify the GO on the basis of the Fifth Schedule, but contemporary ground realities also demand the same. As has been pointed out by Nandini Sundar, the GO was brought in to promote education in tribal areas and to address the problem of rampant teacher absenteeism, as non-tribal teachers are often reluctant to travel to or live in remote Adivasi hamlets. Moreover, non-tribal people, including junior government officials, live in Scheduled Areas without feeling the need to learn tribal languages. This is bound to have an impact in the education at the primary level since there will be a mutual incomprehension between non-tribal teachers and tribal students (Sundar 2020). These special conditions that are bound to exist at the ground level in Scheduled Areas is why the framers of the Constitution had put in such special provisions like the Fifth Schedule. However, the Court, unfortunately, did not take these practical realities into account. It merely stated that "the problem of absenteeism could have been taken care of by providing better facilities and other incentives." This is a gross simplification of the chronic and systemic problem of absenteeism of teachers that exists in the schools of Scheduled Areas. This statement by the Court shows that the Court overlooked the historical reasons of the Fifth Schedule and the ground realities that exist in Scheduled Areas.

For these reasons, the Court should have held the GO valid. This is because the concept of asymmetrical federalism allows for special governance provisions to depart from the conventional ideas of equality with respect to reservations for the benefit of vulnerable groups. Also, the basis of the reasoning of the Court is flawed as it relies on precedents that are irrelevant to the specific context of the case. Lastly, the historical reasons connected with the Fifth Schedule and the ground realities that exist in the schools located in Scheduled Areas allow for 100% reservation to STs within the scheme of the Constitution.

Legitimate Asymmetrical Provisions

This judgment is also incorrect based on an analysis of precedents laid down by the Supreme Court. In the Rakesh Kumar case, the question arose about the constitutionality of Section 4(g) of the Panchayats (Extension to Scheduled Areas) Act, 1996, which required 50% and 100% reservation of seats for STs in the panchayats and chairpersons at all levels. Very similar arguments were made by the respondents with regard to how providing 100% reservation was arbitrary and unreasonable and violated Articles 14 and 16. Arguments were also made that there is a 50% cap on reservation as held in the judgments of the Balaji and Indra Sawhney cases. However, the Court upheld the impugned provision. In order to do so, it first impressed upon the inviolability of the Fifth Schedule due to the reasons behind including it in the Constitution, and then went on to state that the principles of reservations that are generally applicable for public employment cannot be readily applied with respect to a reservation policy made to protect the interests of STs living in Scheduled Areas. It further stated that the policy of 50% and 100% reservation broadly correspond with the past practice wherein the Scheduled Areas were administered as per the provisions of the Fifth Schedule of the Constitution.

Similarly, in an earlier case named *P Rami Reddy and Ors v State of Andhra Pradesh and Anr* (1988) where the Court dealt with the constitutional validity of land legislations, which prohibit/restrict the transfer of land by tribals in Scheduled Areas. The Court upheld the legislation and stated that the Fifth Schedule has been designed in the furtherance of Article 15(4) and Article 46 to protect tribals from social injustice and exploitation. It further stated that these special legislations cannot be held to be unconstitutional on the ground of violation of other fundamental rights, such as Article 14 and the erstwhile Article 19(1)(f).

Hence, both these cases put forth two important ideas. First, asymmetrical provisions can legitimately supersede fundamental rights in order to protect the rights and interests of STs. Second, there is an inviolability associated with the Fifth Schedule because transgressing it can have disastrous consequences on the lives of STs. Therefore, for these reasons, the Court should have held the GO valid.

The concept of asymmetrical federalism is key to the scheme of the Constitution and has played an instrumental role as a mode of conflict resolution and for the accommodation of distinctive national histories and aspirations. However, this judgment attacks at the heart of the idea of asymmetrical federalism and considerably weakens the Fifth Schedule. Such an attack damages not only an important facet of the Constitution, but also makes hollow the rights guaranteed to STs by the Fifth Schedule.

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Dialectics of Flexibility
Scholarly Musings on Call Centre Work

SIDDHARTH ADELKAR

BOOK REVIEWS

1–800-Worlds: The Making of the Indian Call Centre Economy edited by Mathangi Krishnamurthy, *New Delhi: Oxford University Press, 2018; pp xv + 234, ₹795.*

> Pata naheen kahaan kahaan se aa jate hain, sourcing paagal ho gaya hai kya? [Where do they all come from? Has sourcing lost its mind?] … Isko laga hoga ki mereko bhi call centre mein kaam karne ka hai? Full khedegaon type lagta hai [He must have thought that even I want to work in a call centre, seems like a complete villager]. (p 154)

Ramoji was sent away. People like Ramoji "who spoke Gujarati or Bengali and rural speakers of Marathi were considered to have some of the hardest sets of MTIs [Mother Tongue Influences] to 'correct.'" They were "judged as … lacking the flexibility to be trained in English language skills" (p 153).

But where was Ramoji from and why did he want to work in a call centre? Was Ramoji a farmer's son from rural Maharashtra which is in the grip of an acute agrarian crisis? Was he from a migrant family or one of our millions of educated, unemployed young men and women? We do not know. Anthropologist Mathangi Krishnamurthy concludes the subsection "Limits of the Hybrid and the Fluid," in her book *1–800-Worlds: The Making of the Indian Call Centre Economy*, with a rather limited reference to Ramoji's failed attempt and does not delve deeper.

1–800-Worlds is an ethnographic analysis of call centre work. Out of her 21-month research (2004–07), Krishnamurthy spent four months as a call centre worker and trainer at Systematix Ltd (name changed by the author), one of the top 10 business process outsourcing (BPO) outfits in India. Based on her own experience and interviews with 60 call centre agents, five voice and accent trainers, two operations trainers, three consultants, five human resource managers, and five operations managers, the author tells a story of flexibility, "in-between-ness" and identity (p 2).

The Central Motif

In its nascent stage, the call centre industry instrumentally showcased its cool and flexible workplace to attract "sensation-seekers and gatherers" from among the young English-speaking offspring of the "Nehruvian civil service oriented salariat" (p 26). But, as the industry grew, the attrition rates became high. Flexibility enabled one to leave and readily get a new position elsewhere. Suitable candidates became hard to find. The industry then became flexible about its own definitions of an ideal worker and went on to hire "the most malleable and the most affordable" men and women between the ages of 18 and 25 from the new emerging middle class (p 30). Similarly, young and impressionable workers were expected to be flexible about their speech and identity, shed their MTI and put on an American or British or "neutral" accent. But, then, the quintessence of flexibility empowered them to add inflections of their first languages onto the language of customer service. A plethora of neutral accents emerged out of this diversity, and, unwittingly, Anglocentric standards were challenged. The above is how the book illustrates the dialectics of flexibility—in its relationship to the "continuous processes [of crisis and crisis management] … led by the vision of a future, only capable of being secured by the will to be ever flexible" (p 79).

Flexibility is presented as if it were the most prominent feature of late capitalism, especially in the service industry. The author examines four major areas: recruitment, nightly work, voice training and the affective labour of customer service. In each of these four, the author is determined to uncover how flexibility pervades late capitalism, like a mysterious metaphysical motif.

The problem, though, is that it is not exactly clear what flexibility is, in this context? David Harvey is to be blamed for this quest for flexibility. In *The Condition of Postmodernity,* he propounds the idea of flexible accumulation. To be fair, Harvey is describing a very specific qualitative change in 21st-century capitalism (Harvey 1991). To the author, though, Harvey's discovery is incomplete. It lacks the Foucauldian inquiry into flexibility as a mode of power. What follows is a dense and poetic weaving of jargon that is very difficult to decipher. Is "flexibility" a specific social scientific phenomenon or a general trope that adorns every aspect of 21st-century work? It is not very clear.

But, when so much effort goes into witnessing the ghost of flexibility everywhere, one misses the larger decisive social processes that engender change in the world. Flexibility—the author defines tautologously at one point—is the work that workers perform over long periods "in the will to perfect the ability to be flexible" (p 31). Admittedly, this work is "inhabited … differently through age, class, gender, and other social positions" (p 83). Thus, the author agrees that an important differentiating factor in the way people are perceived to perform at a call centre—even before they are recruited—depends hugely on the Indian social relations and their history. But, what are these other social positions and how do they affect flexibility? For example, what is the role played by caste?

Elephant in the Room

The word "caste" does not appear anywhere in the book. Caste is the central reality of social relations in India. There have been various studies, notably those by Carol Upadhya and by Sukhdeo Thorat, which have shown how caste discrimination operates in IT recruitment (Upadhya 2007; Thorat and Attewell 2007). Discrimination, though, is just one way in which caste would surface in a corporate environment. Is caste a factor in the struggle for flexibility? Perhaps, due to the flexibility in the definition of the ideal worker, have call centres relaxed caste discrimination and religion? Do members of religious groups who feel left out in other workplaces find the call centre more welcoming? Perhaps, this industry is the single exceptional IT workplace that is open to all people of all castes and religions. If it is, then there might be useful lessons here.

For a young population that works late at night, eats out together, inclusion and exclusion based on caste and religion in overt or hidden ways form an important aspect of the cultural practices at the workplace and outside. For a book on ethnography that ostensibly locates itself "squarely within [the legacy of work that centres on] … culture as an important facet of current studies of the political economy" (p 23), this is a glaring gap.

A Rising New Breed

The middle class is the chief protagonist of this book. The author spends some sincere effort understanding what this class is and how it has changed. The author depicts the story of the call centre as concomitant with the growth of a "[rising] new breed" absorbing the "mofussil" and the "vernacular" (p 26).

One wonders how a book that characterises the middle class as most dependent on cultural capital—the author quotes Deshpande (2003): "its elite section specialises in the production and dissemination of ideologies, and its mass faction, in the consumption of the same" (p 26)—can miss a major process that defines the Indian middle class of the early 20th century: religious obscurantism. The fieldwork for the book was carried out in 2006–07, while the book was published in 2018. In the interim, whilst the young interlocutors of the book grew up to form the most dominant age group of the country, this class took a sharp turn to the right, culminating in the 2014 victory of the Bharatiya Janata Party under the leadership of Narendra Modi. In fact, this period saw the emergence of an entire ecosystem of violent trolling, threats, and fake news at the centre stage of which was a young, digitally savvy middle-class population, the focus of this book. A "deeply located analysis" of the call centre should have offered a deeper look at the world view of the middle-class call centre workers. Perhaps, we could have gained insights into this transformative process. This book offers no such observations. It alludes to Deshpande when it notes that the post-independence middle class "has borne the discursive mantle of representing an India that is capable of self-governance as a modern entity, even as it retains a core identity of Indian-ness," while "the new middle classes—those qualified to participate in the global economy—were now encouraged to strive for individual material affluence" (p 27; Deshpande 2003: 73). How does this deeply individualistic middle class of 2007 take such an ultra-nationalist and obscurantist turn by 2014?

Book Structure

The book is divided into wittily named chapters: "Trespassers Will Be Recruited," "Nocturne," "Eliza Doolittle," and "The Affective Corporation." In "Trespassers Will Be Recruited," the author describes the "frenzy of recruitment" that marks the recruitment practices of the call centre. It depicts how, as previously illustrated, over time recruitment teams understood what constituted an ideal worker and how it slipped into "a permanent state of emergency." In "Nocturne," the author has an empathic look at what nightly work does to the bodies of the workers who do late-night shifts. It looks at the working lives of women who work late at night and the perceptions of the world outside work. It ends with a rather gruesome episode of the rape and murder of a call centre worker in 2007 which the author curiously characterises as a "rupture" in the "banality" (p 118) of the call centre. "Eliza Doolittle" is named after the working-class character in George Bernard Shaw's *Pygmalion*, who has to be trained in ways of the posh, as an experiment. Here the author talks about industry-wide learnings on training Indian call centre employees in English speech by discouraging (what the book wrongly calls) "transliteration" (p 139), meaning calques. The chapter discusses the imperialist legacy of English as well as its class and regional connotations. "The Affective Corporation" investigates the work at call centres as affective labour. Here, the author also engages in some problematic claims. While arguing that call centre workers open themselves to abuse and derision to manipulate the customer's bad feelings into "positive and indeed lucrative affects" (p 164), Krishnamurthy compares this work clumsily with surrogacy (p 161).

There is an awkward moment in this chapter when her boss expresses concern about the appropriateness of the author's "possible dalliance" (p 188) with their American client. The author is amused by the professional fears of her boss around client confidentiality. This is when Krishnamurthy oddly brings into question the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 as reinforcing a conservative sexual morality. Similarly, a serious episode of stalking where Hemant, a call centre employee, traced back the number of a British customer and made overtures towards her that were reported to the police. The author seems to go into unduly sympathetic depths of Hemant's mind, while phrasing the British woman's experience as "felt 'stalked,'" in quotes (p 177). This is followed by her own account of being stalked by a colleague. Here, the quotes disappear.

Three Pillars of Postmodernism

In his essay, "On Postmodernism," Aijaz Ahmed writes,

> [Lyotard's "The Postmodern Condition"] defines postmodernism as a rejection of three fundamental legacies of the Enlightenment: Dialectics (associated with Hegel), reason (associated, respectively, with Descartes and Kant) and the idea that political economy was the backbone of all social organization (associated with Marx). (Ahmed 2011)

1–800-Worlds, by this token, is a postmodernist text. Krishnamurthy admits that the study situates itself in opposition to "Marxist analyses of modes of production and critiques of structural-functionalism" (p 23) and hints that Cartesian reason is flawed. "The Western notion of self, or the *cogito* that knows and is known, has also been soundly critiqued for being autonomous, egocentric, and non-cognizant of non-western selves" (p 167).

True to its postmodernist idiom, the book is a rather difficult read. The book takes you on a tour of the late capitalist workplace culture, promising "a system of signs and cues" (p 23). What it does though is merely point at the poetic attributes of the scenes you observe: flexibility, hybridity, fluidity, positionality, universality, sociality, banality, transnationality, and such. It alludes to works by other sociologists that the author is reminded of at these scenes. In fact—perhaps, being an academic work—it communicates almost exclusively through the aid of academic allusions. But, at the end of the tour, the tired reader fails to get a grasp of the larger social processes that steer the global call centre economy and the lives of the people who work in it. Nor does one get any meaningful insight into the world view of these people and their communities.

The result is that *1–800-Worlds* is only successful in comparing scholarly notes on the post-Fordist workplace and applying academic observations on other service economies to the call centre workplace.

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The Divine Sovereign and Our Predicament

SHARMILA PURKAYASTHA

The Mortal God: Imagining the Sovereign in Colonial India by Milinda Banerjee, *Cambridge University Press: India, 2018; pp 422 + 12, ₹995.*

Milinda Banerjee's book, *The Mortal God: Imagining the Sovereign in Colonial India*, offers an in-depth study of multiple facets reflecting the ways in which people perceived the sovereign figure and their authority. It brings out the historical and political interpretations of supreme rulership in South Asia, focused in colonial India, during the 19th and 20th centuries. The cover of the book depicts the Maharaja or Prince of Cooch Behar with ordinary citizens and activists in the backdrop, symbolising the evolution and transition of the concept from the royal lineage to the will of the people as the ultimate source of the overriding power.

The primary occupation of the author had been to explore and analyse how the idea of a singular monarchical sovereign figure based on the notion of the "king can do no wrong" gradually underwent a remarkable transformation, percolating down to the level of the masses. The book presents a fresh departure from the conventional idea of monistic or centralised governing authority by vividly describing the role of the subaltern groups, including the marginalised in colonial India, as capable of exercising the ultimate potential of cardinal rulership.

Sovereignty: The Concept

Sovereignty as a political concept had its origin in the writings of John Austin way back in the 15th century. His proclamation that "law is the command of the sovereign," eventually gave rise to the theory of absolute or monistic sovereign for the first time. Before that, there had not been any systematic development of the concept as a political element, in the absence of the state as a political entity.

The theory gained further significance in the 16th century, with Thomas Hobbes reaffirming the need to construct an all-powerful sovereign—leviathan—for the well-being and benefit of the individual at large, thus projecting traces of individualism. In the meantime, the Glorious revolution, rejecting monarchy or the concentration of state authority, introduced the popular element glorifying "people" as the ultimate source of political authority. Provoked by Austin and Hobbes alongside the critics of the revolution who eulogised monarchy or the centralising of state authority, it was a British political philosopher, John Locke, who, in the 17th century, developed and shaped the idea of popular sovereignty, imparting it a theoretical framework.

Departing from the conventional notion of concentration of power or centralised, singular royal figure of the unparalleled, Locke redefined the concept of state power as rooted in the will of the people or the community. This was followed by the period witnessing the growth of individualism, slowly replacing the divine rights theory with that of popular sovereignty.

Towards the Decentralisation of Sovereignty

The central theme of the book, that is, the primal or the supreme authority, may be classified into two strands, namely the absolute and people-oriented or "decentralised." In the context of decentralisation or the democratisation of the premier authority, one cannot ignore the immense contribution offered by the frail leader who imparted a broad mass base to India's struggle for freedom—M K Gandhi. Gandhi went a step further in simplifying popular sovereignty with his principle of decentralisation at the grassroots level, that is, the village-level organisations of the "panchayats," as the basic unit, to be treated as "republic," wherein the head is elected by the people. With the Indian villages having served as the traditional or ancient political institution, this presents a model of the most democratically decentralised state authority. States like Madhya Pradesh, Haryana, Rajasthan and parts of the North-eastern region have been demonstrating the crucial role played by the elderly residents of the villages in resolving socio poltical–legal issues of their respective communities.

Interestingly, the doctrine of state power vested in the village people has been legalised by the Constitution of India through the 73rd and 74th amendment acts since 1992. Undoubtedly, popular sovereignty remains the very essence of the concept in question, regardless of the emerging trends of de-globalisation, such as Brexit, Donald Trump's speeches, or even the right-wing capturing attention in Europe. All indicating centralising tendencies, the reverse of globalisation.

The book offers a vivid explanation of how people imagined the paramount figure in its multifarious dimension—human, royal, paternalistic, mechanical or even messianic—with the ultimate objective of invoking the divine during the colonial, anti-colonial and postcolonial India, thus shaping modern Indian pity in the contemporary world.

The central preoccupation of the monograph has been to explore and theorise the valence of supreme rulership in South Asia, based on the British–Indian justification of the construction of the sovereign state system. The author draws a detailed comparison between the impersonal—officious imperial monarch under the British rule and the more compassion-oriented, paternalistic father-figure rulers of the princely states in India. In the tussle between the two, affirms Banerjee, emerges the third type or the subalternised nationalists drawn from the lower rungs of the society namely, peasants and the marginalised, in a bid to voice their political aspirations. Herein lies the heart of the book, with the author trying to convince the reader of the predominant or ultimate potential authority as resting not with any particular section or hierarchy of the kind, but with the people as ordinary citizens at large.

In his own words, Banerjee explains the key subject of his well-researched piece as projecting "a story of openings: of politics of the self and the other as a ruler, a sovereign, a divinity .... a story ... about ... rulership and sovereignty present in all rather than ... by some ruling elites" (p 7).

Starting with the Background

The book is spread into five chapters or themes (excluding the introduction and the conclusion), centred around an elaborate discourse on the many forms of the arch figure or the sovereign, its functioning through the colonial, nationalist movement, and then the post-colonial era, culminating in the construction of the modern Indian polity.

Chapter 1 opens with how British colonialists used single rulership supported by the monarchic system to justify the invocation of monistic sovereignty in order to run the administration of a vast country like India. The author substantiates the same by citing statements made by some eminent British officers like Disraeli, Dufferin and Curzon, who emphatically proclaimed the necessity of maintaining order, advancement and progress in a heterogeneous society only through the paramount authority aided by the monarchy (pp 67–68).

However, while uncovering elaborately the real intention behind the use of monarchic ideas by the British that had left many Indian nationalists question the divine element, Banerjee has ignored the extent and volume of brute force, which had apparently aided the so-called benevolent rulership during the colonial regime. Incidents such as the Jallianwala bagh massacre, reflecting violence of its kind, go missing, and so does the role of self-sacrifice by the revolutionary nationalists like Khudiram Bose, Prafulla Chaki, not to forget Bhagat Singh, Rajguru and others. In this context, one recalls the statement made by Mao Zedong: "Political power grows out of the barrel of a gun."

Conclusions

This book is a deeply researched exploration and analysis of the concept of sovereignty, wherein the author raises some pertinent questions regarding the nature, context and exercise of the premier authority. Based on a detailed survey of the sovereign state that evolved in colonial India, Banerjee explores the myriad ways in which it helped shape India into a modern nation. He comes up with an original idea of the divine–sovereign being primarily democratising in content, imparting it a solemn status wherein the primary objective behind functioning of the rulership remains the well-being of the ruled. Hence, his preliminary argument centres around "varying ways in which multiple political actors in colonial India ascribed divine and kingly status to specific political forms and beings" (p 5).

The sovereign figure being the key subject, Banerjee tries to slip in between the spaces of kingship and sovereignty, tracing its legacy from South Asia and moving beyond the Indian context, providing an intriguing understanding of the global scenario.

However, the original argument of painting the sovereign as the fount of a democratic system is not very convincing, since political sovereignty under British rule was ultimately aided by violence and brute force with little signs of benevolence. Nevertheless, the monograph demonstrates a path-breaking, scholarly contribution through the brilliant exploration of how subalternised sovereignty emerged in a postcolonial society like India, gradually imparting a profoundly democratising content at the very grassroots level in a highly complex and stratified society. Carving out an appropriate space for inclusive sovereignty, the author reiterates the need for the decentralisation of the primal governing authority, the potential for which is present in the masses, rather in every citizen, including the marginalised.

Thus, scaling the birth of federalist pluralism in modern Indian politics, acknowledging respect for rightful claims regardless of socio-economic background, the book subtly brings out a decolonised, subalternised, inclusive version of the imperious authority worthy of claiming the divine stature.

Overall, although one wishes that the language could have been simplified in several places, the book presents a thoroughgoing and well-researched description of the many forms taken by the mortal god in the exercise of the illustrious authority. Above all, this monograph offers a profoundly rich account relevant for students, teachers and researchers from the entire social science stream.

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Domesticity and Its Substitute
Lockdown and Beyond

MAYA JOHN

During the lockdown, the heightened burden of domestic work has been shouldered by women. This article analyses the class dimension involved in domestic work, namely the devolving of the bulk of such work by upper-class women onto domestic workers. The persistent vulnerability of domestic workers during the lockdown and its later phase is examined. The undervaluation and feminisation of paid domestic work has reinforced the gendered image of housework. In the situation of lockdown, wherein paid domestic "help" was unavailable, upper-class women were easily pushed back into gendered domesticity, proving the inadequacy of paid domestic services as a solution to mundane, back-breaking household work. The necessity of transforming the private nature of domestic work, which is more in the direct interest of workers than compared to their richer counterparts, is also further explored.

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The months of April and May 2020 have exposed women to a high quantum of routine, back-breaking and mundane housework. The sudden enhanced exposure to such work has undoubtedly reasserted the segmented status of women within households. A keen sense of gender division has enveloped the daily lives of the majority of women even within the upper class, revealing that they cannot expect equal treatment for merely belonging to the same class as their male relatives. According to some sources, the resulting friction has contributed to a spike in marital discord and domestic violence during the lockdown period. In the emerging literature on the rising burden of housework for women, apart from recognition of the fact that the lockdown has resulted in all the family members staying back at home, the more crucial factor identified is the unavailability of domestic workers (EPW Engage 2020). Such literature, argues that with the entire burden of enhanced housework falling on the shoulders of women, their inability to "deliver" has cost them in terms of growing verbal and physical abuse. It is also speculated that the pressures of working from home have added to the aggression of male relatives—an opinion that is based on rising complaints of domestic violence registered with bodies like the National Commission for Women. What is, of course, missing in these analyses of women's domesticity and the lockdown is the underlying class angle, namely the dynamics by which upper-class women have been subletting housework to the domestic worker, and the wider repercussions of this on women in general.

Upper-class Domesticity

In India, the "madam–maid" relationship is a crucial window to better comprehend the intricate ways by which women of the upper class, and often upper-caste backgrounds, have sought a distinctly class-based resolution to the burden of domestic work. In Western countries, leaving aside very wealthy households, women of the middle classes—a significant section of those who are in salaried employment—can be seen fulfilling the demands of housework through the regular utilisation of numerous household appliances readily available in the consumer market.[1] Modular kitchens fitted with dishwashers, oven stoves, etc; vacuum cleaners, steam mops, washing machines, among other technologies, are the mainstay of middle-class households in the West. In India, despite the fact that a sizeable section of middle- and upper-class families can afford such appliances, or reside in luxury apartments that are often fitted with such appliances, there remains a preference for cheaply available domestic workers on whom the bulk of housework is simply transferred. For a vast majority of such homes in India's metropolises, it is the stigma attached to the manual nature of housework, the ready supply of cheap labour for paid domestic work, and the appended calculation that employing such labour is more cost-effective than spending on household appliances and higher electricity bills, which together explain the widespread use of paid domestic services.

The paid domestic services industry reveals a lot about middle-class formations and concrete class contradictions prevailing in the sphere of domestic work, which is erroneously perceived solely as a gendered realm of work. Indeed, the private/public divide in the world of social relations is not only highly gendered, with women predominantly responsible for the private, but it is also class-oppressive, given the marked contradictions between female employers and female domestic workers.

Many a time when we deploy the category "women" or speak of a sisterhood of women, we tend to elide over differing class positions. However, it is important to recognise that even the gendered division of labour, which is epitomised in the drudgery of housework, is actively shaped by class hierarchy. There are no class-unifying attributes to women's domestic labour or domesticity, considering that a sizeable section of women have substantially distanced themselves from such work. Indeed, once upper-class women acquire an independent income outside the home, their position within the home tends to change significantly.[2] Given the privileged class position of women from the upper class, which is a product of high incomes and/or property, a large number have actually negotiated and changed the content of the domestic labour expected of them. They have achieved this by subletting this responsibility to domestic workers.

In light of this, I wish to draw closer attention to the average middle-class households in big cities. Riding the wave of liberalisation of the Indian economy—a development that greatly benefitted a certain segment of middle-class households—the entire second and third generation has emerged within middle-class families, which has come to associate salaried work with prestige, thereby, creating further scope for middle-class women to pursue careers and sub-let domestic work to the paid "help." It is interesting to note that, in contrast to the generation of their mothers and grandmothers, women from the younger generations of middle-class families are consciously avoiding the stereotypical, gendered household work so as to pursue education and better employment prospects as well as to enjoy leisure time. We are increasingly seeing this tendency unfold in our big cities that have become the most sought-after centres for education and employment, and are the hubs of the *new* middle-class formation (Waldrop 2012).

With sizeable growth in "double income earning" couples, the dependency on paid domestic "help" is on the rise. Even when some of these middle-class women are not working outside, a significant portion of their domestic work is still sublet to the domestic "help" as well as fulfilled (though to a lesser extent) through the use of household appliances, etc. Thus, we find two broad patterns of the hiring of domestic workers: one in which upper- and middle-class households hire full-time "maids"/working-class children who often reside within the employer's home, and the other in which middle-class households hire one who generally comes in once or twice in the day to attend to the family's washing, cleaning and cooking needs.

Middle- and upper-class women have sought a resolution to the historic inequality in the distribution of housework by substituting and subletting this work to cheap and abundant labour supply of domestic workers coming from socially and economically disadvantaged communities. In many ways, the "humanisation" of the middle-class couple in terms of having "quality time" to spend with each other, and the appearance of general tranquility of their household is based on the dehumanisation of the overworked domestic worker.

However, working-class women, such as female domestic workers, are completely burdened with their own household work. This is because neither is the so-called family wage of working-class husbands, nor the wages of working-class women sufficient to equip their homes with essential household appliances. Consequently, the question that arises is: What of the household work of the domestic worker herself?

The persistent evasion of this side to the story of housework speaks volumes and exposes the hollowness of the liberation supposedly won by affluent, privileged sections of women in capitalist societies. What is a matter of obvious concern is the manner in which women of the upper class resolve the question of their discontent *within* the framework of the dominant economic system. It is precisely on this point that several upper- and middle-class feminists, who tend to speak of gender rights in isolation from concrete class realities, stand most exposed. Rarely affected by poverty, most women of the upper class, and a section of feminists among them, can really be conscious only of inequality that hits them directly, that is, unequal relations within their homes and work places, *between them and men of their class*. Unlike their working-class counterparts who are burdened by pauperisation, the majority of women from the upper classes are less likely to comprehend and organise against the material basis on which women's oppression stands. They are, instead, more prone to organise and speak out against "gendered mentalities," "sexist culture," etc, and thereby, tend to artificially separate women's oppression from the question of enmeshed class inequalities.[3] For women of the upper class and for a section of vocal feminists among them, the eradication of gender oppression is possible when men and women are equal (that is, men = women). Working with homogeneous categories of "men" and "women," such a gender parity overlooks class inequality between different classes of men and women. Devoid of class, what upper-class women often demand is that men and women must be equal within their respective classes, such as (capitalist) men = (capitalist) women, or (middle-class) men = (middle-class) women, or (working-class) men = (working-class) women.

These women envision a world free of gender inequality without concretely addressing the issue of other enmeshed inequalities. In reality, women from the upper class are complicit in the exploitation of working-class women. However, what is more important to recognise is that this complicity, in turn, continues to also sustain the conditions of the vulnerability and oppression of upper-class women as well. In other words, the segmented status of women within the upper class is linked to widespread exploitation and oppression that the majority of women, that is, working-class women, face.

Women from the working class bear the burden of both domestic work and waged labour. Moreover, in the labour market, working-class women are over-concentrated in low-paying, unskilled and semi-skilled industrial and agrarian work, in addition to poorly paid service-sector jobs, such as domestic service, private nursing, public health-related work (for example, Anganwadi and Accredited Social Health Activist [ASHA]), etc. The concentration of women in work, which is considered an extension of their gender role, has meant the feminisation of several grades of menial, back-breaking work. As a consequence, the gendered ghettoised status of women in the labour market reinforces a subordinated position for women within the home. Given their undervalued and gendered nature of waged work, a poorly paid domestic worker, anganwadi worker, home-based worker paid on piece rate, etc, are persistently pushed into an oppressive domesticity and position of vulnerability within the home. With this material reality enveloping the numerically largest section of women in society, an image and perception of women as the vulnerable and easily exploitable other is persistently reproduced.

This image stemming from the poorly paid, undervalued work, which maps down to ascribed gender roles for women, is the absent cause that overdetermines the experiences of upper- and middle-class women who otherwise might not be employed in jobs that ascribe to the given gender roles. Thus, in many ways, in spite of their high-income professional jobs, women of the privileged classes are confronted by the tendency to be pushed back into domesticity. The vulnerable condition of women of the upper class is not determined so much by their individual class position, as much by the larger social structure oppressing the majority of *other* women. In other words, women of the upper class and, in particular, the middle classes, are not just victims of gender segmentation within their class, but are also victims of an exploitable and vulnerable image that is not directly reduceable to their class position. This means that despite the consistent efforts of upper classes of women to attain gender equality with the men of their class, the possibilities of their oppression shall persist due to the lack of change in the position of the majority of women in our society.

The current lockdown has established this fact in a major way, for although more privileged classes of women have historically, over a period of time, resolved the question of domestic responsibilities by substituting their personal self with the paid "help," the pervasive image of women's gender role has never itself been substituted. Thus, from the moment the lockdown was enforced and domestic workers were unable to report to work, privileged classes of women were automatically called on to attend to the housework piling up.

Class Power of 'Madams'

With the relaxation of the lockdown in the later phase, domestic workers and other service providers like *malis* (gardeners), car cleaners, chauffeurs, etc, have returned to work in housing societies and gated colonies, and harmony appears to have seeped back into upper-class households. In the initial phase of lockdown relaxations, a tussle broke out between desperate individual employers and reluctant resident welfare associations (RWAs) on the question of the re-entry of domestic workers, such that one even heard of some "maids" being escorted by "madams" in cars. Perhaps, the current situation has compelled such employers to make their first-ever visit to their domestic workers' congested, working-class neighbourhood. Needless to say, the return of "normalcy" in the lives of men and women of such households has not absolved the "madam–maid" relationship of its ugly contradiction.

After denying wages to domestic workers from March to May, the majority of employers are still haggling over pending wages and advance that domestic workers are requesting. Using a firmly entrenched earlier practice, some employers have simply blocked phone numbers and refused to take calls of domestic workers who are seeking re-employment with pending wages. Guards have been instructed to resort to "no entry" to prevent workers from approaching the apartments where certain employers do not want to pay the pending wages and re-employ their domestic workers. The ongoing tussle exposes the sharp class contradiction that informs the work relation of paid domestic service.

For a large number of domestic workers, the period of lockdown relaxations has been marked by a constant struggle with the arbitrary diktats of RWAs and their reluctance to allow re-entry. Some of the most shocking diktats include the demand for COVID-19 test results, and forced complete blood count (CBC) tests that have nothing to do with COVID-19, denial of the use of elevators and rest time in society parks/common areas, among many other strictures. Likewise, a large number of domestic workers are reeling under the high-handedness of madams, who are now using the heightened desperate condition of workers to extract a higher quantum of work. Moreover, with limited transportation and rising costs of local transport, there is a sizeable section of domestic workers that is simply forced to commute long distances on foot to get to places of work in housing societies. Bordering on complete economic ruination and malnutrition brought on by the lockdown, distressed domestic workers appear to be returning to even more exploitative work conditions.

The fact that local administrations consider RWAs as the legitimate authority to evolve modalities for the re-employment and re-entry of domestic workers in housing societies is indicative of the persistent refusal of the state to regulate this large industry. In fact, state agencies have little reliable information on the actual number of domestic workers in this country, which in turn affects their policy decisions, and the general accessibility to whatever piecemeal welfare schemes exist for such workers. In a context where the public authority itself is in the dark about the numerical strength of this workforce, among other things, the plight and entrenched vulnerability of domestic workers easily go unnoticed. Indeed, it is not surprising that unaccounted domestic workers keep falling prey to human trafficking, rape, and murder, with little signalling effect on public authority and society at large.

In general, employer–employee relations of the informal sector are highly exploitative, but the relationship between employers and domestic workers are even more oppressive, given the private nature of work and peculiarities of the workplace. More importantly, the state does not consider the madam–maid work relation as a contractual relationship forged in the public domain of work. The predominantly personal nature of the workplace is used as the ideological justification for non-regulation by public authority (the state). This paid-work relation is considered a private matter between two parties, which sidelines the concrete civic principles of contract informing this work relation, and allows the state to deny legal subjecthood to domestic workers. This is precisely why domestic workers are not identified as "workers" and so do not figure in several important labour laws, such as the Industrial Disputes Act, Inter-State Migrant Workers Act, Payment of Wages Act; Maternity Benefit Act, Workmen's Compensation Act, Employees' State Insurance Act, etc. Consequently, private regulation of work relations and the enormous private power of employers have become the norm in the case of paid domestic work.

This highly unregulated work relation is characterised by low, stagnant wage rates unilaterally decided by RWAs or through informal employer coordination, delayed/easily reversible wage hikes, denial of leaves, rest, and food, extraction of overtime and greater quantum of work without compensation, forced confinement, rampant physical and verbal violence, and the practice of "no entry" by which employers debar a domestic worker from entering the residential complex, resulting in the worker being unable to report to work at other apartments. It is precisely on the basis of this pre-existing framework of a highly unregulated work relation that we can better comprehend the *authority* with which RWAs—the collective power of "madams"—have so easily been issuing arbitrary diktats, which are proving odious to domestic workers who have been rejoining work with lockdown relaxations.

In the absence of the state regulation of the domestic services industry, in this workplace, the employers' writ runs large, and in their private domains, they assert a quasi-magisterial power over the workers. Workers are pitted against the absolute power of employers in their private domain, which reduces the workers to very vulnerable conditions. In the inner world of gated residential complexes, it is the word of the "madam" that reigns. Crimes committed by employers—be it denial of wages, denial of leave, forced overtime, forceful confinement, or verbal/physical assault—are easily brushed aside once the "madam" claims that she caught the "maid" in an allegedly criminal act. Given that the individual employer is not merely the employer but also enjoys uncontested private, quasi-magisterial power in the work relation, rarely does the question arise as to why the madam took the law into her own hands and proceeded to punish the "maid."

Further, whenever the domain of this employer-dominated work relation happens to be exposed to public intervention, state agencies like the police tend to intervene in favour of the employers. Given the vulnerability of domestic workers, the police tend to ignore complaints received on behalf of workers. Consequently, cases of assault, rape and murder of domestic workers by their employers hardly reach the courtroom as local police stations refuse to file complaints or end up building weak cases against employers. Prolonged police investigations further ensure that assaulted domestic workers are continuously denied justice.[4] Likewise, in tussles over wages, the police are often seen siding with employers who tend to use wage-related disputes as an occasion to accuse workers of theft. Local police stations have, on occasions, even indulged in the torture of domestic workers during their so-called investigations. In contrast, no such prompt police action is visible when employers are accused of criminal acts, and we rarely hear of employers being detained in police stations for due investigation.

Conclusions

While it is true that upper- and middle-class women have devolved the bulk of mundane, back-breaking domestic work onto their working-class counterpart, it is equally true that the gendered image of household work remains intact, and thereby asserts the marked pressure of gendered domesticity on women of the upper class as well. It is not just that these women too can be marshalled into gendered domesticity whenever required, but even on a daily basis, they remain trapped in such a role, as is evident in the simple fact that women of these households—even when juggling employment—are the ones who are responsible for the supervision of domestic workers. Nevertheless, using their class power, upper-class women have settled for a resolution most accessible to them by substituting and subletting the bulk of their manual housework to the working-class woman. In contrast, working-class women, who are doubly burdened by undervalued waged work and the load of their own household work, cannot access such remedies. The chances of working-class families to move into the ranks of the upper classes are extremely limited. As a result, it is in the concrete interest of working-class women to push for greater socialisation of housework—a process that shall enable the withering away of the pervasive gendered domesticity that has entrapped women in general. Arising from the struggles of the most disadvantaged and vulnerable women in society, this enhanced socialisation of household work would restructure household work and the domestic realm in ways that no longer remain gendered and class-oppressive.

Clearly, we need to go beyond the class-divided capitalist society for a real resolution to the gender division in domestic realm. Till the time the society is in the condition to bring domestic work out of the isolated private realm to the realm of public socialised work, an interim measure is the push towards its municipalisation. Once municipalities step in as the employer and assign domestic workers to household units, paid domestic work can make the transition of becoming a public work, and lead to a much-needed change in the employer–employee relationship of this burgeoning industry. With a public authority to hold accountable for their work conditions, domestic workers can begin to be lifted out of their highly vulnerable condition in the private domains of existing employers. Needless to say, existing labour laws have excluded this large labour force from their purview. This apart, any specific legislation on domestic workers has and will continue to prove ineffectual till the time the precise nature of this work and the corresponding employer–employee relationship are not transformed.

With the municipalisation of housework or the state stepping in as principal employer, domestic workers will no longer be contracting in the personalised realm of social relations. It is worth noting that there are important precedents of personalised, informal work being transformed into a form of public/municipal work. In the colonial era, for instance, stigmatised sanitation work, like sweeping the streets, emptying dry latrines of households, etc, were de-personalised once the municipality took charge of this employment and labour process. Currently, in high-end serviced apartments, we also see the corporatisation of domestic work by housekeeping companies, which employ collectives of domestic workers and assign them work in various households. Needless to say, these companies intensely exploit the workers, especially by cutting a sizeable component of the workers' wages every month. Nonetheless, what is important to note is that if private housekeeping companies can allot work in this manner, even the municipalities can adopt the same strategy, with the added advantage of the regulation and standardisation of work norms by a public authority.

NOTES

1 However, there is a growing trend in wealthier upper-class households to employ cheap migrant labour from poorer regions of the world for domestic service.

2 For a discussion on the relationship between women's independent incomes and power equations within the family, see Bina Agarwal (1997).

3 For an insightful discussion on upper-class feminism and its dis-identification with class, see Nancy Fraser (2009).

4 For a detailed engagement with the state's reluctance to override the private power of employers, see Maya John (2017).

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Outsiders on the Inside
The Poor in Elite Colleges

NITIKA BOSE

Ensuring equality of educational opportunities and social justice requires greater attention to conditions and quality concerns within colleges. The present study conducted in Delhi aims to explore the ways in which educational and social concerns are interrelated as influences from one's family, parental education, and access to resources are likely to influence students' experiences when they enter higher education institutions.

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The educational experience of Indian students opting for higher education is a multifaceted phenomenon that encompasses far more than academic achievement. Other important aspects of the educational experience include daily participation in college as well as students' navigation within university life.

Access to higher education has the ability to influence students' choices related to career, lifestyles and opportunities wherein they attain educational aspirations, social and cultural capital. At the same time, it is essential to acknowledge that participation and integration within higher educational institutions for poor students is embedded in a complex process of negotiations that the student goes through due to a lack of fit between their cultures at home and the cultures in elite colleges (Reay et al 2009; Choi 2014).

Recent highlights reveal stories of students from slums who despite all odds took admission in University of Delhi. The impediments faced by students due to lack of parental guidance, scarcity of resources and the know-how related to higher education created roadblocks in college access. Non-governmental organisations working in the slums provided assistance that enabled students to get enrolled and continue in University of Delhi. As many students from socio-economically weaker sections did not aspire to pursue higher education or often faced challenges convincing family members related to their aspirations, a student's background was found to have major implications for college access and retention (*Hindu* 2015).

The present study therefore aims to explore the experiences of students belonging to low socio-economic status groups at elite colleges by understanding status-based exclusion in higher education and the ways in which students acknowledge humiliation and constraints due to their familial backgrounds. Due to this, students feel like outsiders on the inside while they experience life at the university.

Elite colleges are identified by better standards defined in terms of infrastructure, highly qualified faculty, a brand name that enhances one's opportunities for future employability and provides a cultural ethos that exemplifies bourgeoisie values and attributes. Similar elite colleges have been chosen for the purpose of the present study.

These colleges function under the university situated in Delhi. It has been awarded a very high ranking by the Indian National Assessment and Accreditation Council (NAAC). More than 100 colleges around the city are affiliated to the university and it offers a variety of courses related to streams such as arts, commerce, science, law, business administration, engineering, medicine, etc. The colleges affiliated to the university offer undergraduate courses and the main university campus offers postgraduate courses such as MA, MSc, MBA, MBBS, MCA and PhD.

Conceptual Framework

Narratives were considered central to understand students feeling like outsiders on the inside in college. This involved conversations with students through a semi-structured interview schedule prepared by the researcher. Interviews with all the participants took place face-to-face and the interactions were recorded for later transcriptions. Ethnographic interviewing techniques involving open-ended questioning, and constant probing and prompting were employed to elicit responses. The researcher interacted with participants in naturalised settings, at times, individually, and at times, in the presence of significant others, such as family members, close friends and classmates in their homes, college campus and restaurants. The most important aspect during the interview process was establishing a rapport with the participants.

During the interview process, the researcher assured participants about privacy and confidentiality. Participants and institutions were therefore identified through pseudonyms.

The interview schedule consisted of three interview sessions for each of the participants in different phases, and one follow-up interview session in the case of doubts and inconsistencies. The interviews were centred around major themes such as family background, elementary and high school experience, undergraduate studies, and reflections on one's journey. Questions on these broader themes further related to subthemes, such as experiences at home, styles of parenting, experience at school, family life, and experiences with teachers. Participants were required to reflect on different facets of their experiences during graduation. They were asked to describe the features of colleges that they attended, the facilities available in their colleges, their learning environment and its other aspects. Students were also asked to reflect on how their culture and background facilitated or deterred them in each of these realms.

Seven participants who belonged to low socio-economic status groups and had completed graduation were chosen for the present study through purposive sampling. They lived in Delhi (one Other Backward Class [OBC] female, one OBC male, one Scheduled Tribe [ST] female, three Scheduled Caste [SC] females, one SC male) and their age range was from 22 to 30 years. The participants in the present study were self-informers who replied to the consent form circulated in colleges at Delhi specifying the focus of the study. Then, information about income, occupation and educational levels of both the parents was gathered. The researcher anticipated that all the seven participants (two males and five females) possess the maturity and life experiences necessary to reflect on the present research topic. The research design required direct consent from participants for interviews as well as for recording the interviews and personal narratives. The monthly income of their families ranged from ₹7,000–₹10,000 and all of them availed scholarships in colleges. In all the families, this objective categorisation of their socio-economic status matched the subjective indication of the same. None of their parents were graduates. They studied up to the secondary and senior-secondary stages. The fathers worked at construction sites, carpenter shops and did low-level clerical work. Their mothers mostly stayed at home except one who ran a residential shop to generate income after her husband's death. This conventional understanding of participants' socio-economic status was the starting point, whereas in-depth conversations with them helped in understanding the deeply held values and concerns, fears and anxieties that emerged in college.

Adopting the concept of "fish in water," as proposed by Bourdieu and Wacquant (1992: 127), it considers students, actions constrained within the structural dimensions of the home and the school. On entering the university, poor students' experienced being "fishes out of the water" (Crossley qtd in Reay et al 2009: 1106). This is a paradoxical situation that individuals faced when there is a mismatch between one's habitus and the demands of the field. In the context of the present study, poor students were found to be not at ease due to incongruence of their classed upbringing and the dominant cultural ethos of elite institutions. Such disconnection generated not only modifications and change, but also unease, ambivalence, insecurity and doubt (Reay 2005).

One's habitus and field has broad implications for success in education as students tend to feel comfortable in institutions that align with the values and dispositions of one's habitus replicating choice of fields that is likely to enable smooth integration. Feeling "at home" or "out of place" at an educational institution is related to whether that institution is in line with the student's habitus and, therefore, their field (Bourdieu and Passeron 1979: 13). It follows that because elite universities were created by people with elite habitus and field, they identify, acknowledge and reward students with cultural similarities as them and systematically exclude students from other fields with incongruous habitus. As Bourdieu makes clear, "when habitus and field do not accord there are inevitable conflicts and disjuncture" (Reay qtd in Stahl 2013: 4). While students from affluent families experience being "fish in water" wherein the culture at college is an extension of the culture at one's home, students from low socio-economic status groups, on the other hand, not only feel a stark separation between the two worlds, but are also constrained in the academic arenas due to values and dispositions acquired in their families. Hence, a paradoxical situation arises wherein, although one is inside the college, they feel like an outsider. Inside-ness and Outsideness are not given but constructed during interactions between different social groups in the university space. This feeling has implications for the academic and emotional integration of poor students in elite colleges, which the present study has explored.

Barriers to College Entry

The number of men and women aspiring and getting enrolled in higher education has significantly increased in the past six decades. There has also been a continual increase in the number of students enrolled in higher education from socio-economically and culturally marginalised groups, such as SCs and STs. Nevertheless, higher education remains a selective field and elitism built within its institutional mechanisms exclude students from the weaker sections due to its design of selection, admission and tendency towards neutralising merit (Deshpande 2006). Although aspirations for higher education have significantly increased over the years, its opportunities and benefits are monopolised by the creamy layer of the disadvantaged groups (Weisskopf 2004). Also, women from the SCs are among the most disadvantaged in terms of access and retention within higher education (Raju 2008). Other studies further show how caste, class and gender operate jointly to create blockages at multiple levels from entry to inclusion within higher educational institutions (Ovichegan 2015; Varma and Kapur 2010).

Students from low socio-economic status faced many barriers during college entry. All participants grew up under financial constraints. Perceptions and aspirations related to higher education were largely shaped by socio-economic considerations at home. Saroj said, "Mere father ki death ke baad muzhe private school se government school mein daal diya kyoki mere bhai ki padai zada zaroori thi aur sab bolte thhe ki college se acha vocational course kar ke naukri lene se fayda hoga" (After my father's death, I was taken out of private school and was put in a government school as it was more important for my brother to continue his studies, and everyone felt that instead of going to college, taking up a vocational course will be beneficial in getting a job).

Even for Vikas and Rajesh, taking up a vocational course along with pursuing graduation through the distance mode was considered crucial for employability rather than attending regular college. Caste, class and gender were seen to operate conjointly as multiple dimensions of one's identities that affected experiences, opportunities and outcomes related to higher education. Also, barriers to college entry were created due to the lack of information among family members and friends related to admissions, courses and colleges as not too many people from their neighbourhood, schools and locality had gone to regular colleges. All respondents felt that although their parents cared for them, they were left free to decide for themselves in matters related to subject choice, choice of college and career. They were left to work out many dimensions of their social and academic development on their own in their transition from school to college. Participants described their parents as supportive, but not proactive about their education.

Cultural Shock

On entering the university, they experienced what Bourdieu termed as being fish out of water, experiencing doubts of being able to continue in a college environment that was starkly different from their pre-college experiences. Vikas was overwhelmed by the grandeur of his college and experienced "the shock of the elite" (Reay et al 2009: 1110) due to a lack of cultural capital within the higher-educational field. Vimlesh and Vikas, for instance, reported witnessing negative remarks about their styles of dressing by students belonging to higher socio-economic status groups reinstating what the dominant group held as appropriate culture and style within higher educational institutions. Low socio-economic status students work on assimilation of aspects of speech, attire and behaviour for which Saroj tried her best to fit into elite cultural styles by purchasing fake supplements of latest brands (Aries and Seider 2005: 431). This caused anxiety, inadequacy, and a drop in their self-worth as students felt that they lacked in clothes, gadgets and appearance compared to their well-off peers.

All respondents barring one worked while in college to support themselves financially. Students from low socio-economic status groups found themselves juggling between financial responsibilities at home and pressures of the academic world. Therefore, Saroj and Vikas complained of having to rush back home immediately after class in order to take tuitions, as it was imperative for them to support their families financially. Other respondents felt that their peers from well-off families benefited from spending more time at college, which gave them opportunities to interact with faculty members and students from other courses. Students were left with very little time for self-study and participation in college events, although students understood the benefits of such opportunities in their self and academic development.

Social Isolation

Ambivalences related to cultured habitus of an elite college and the student's out-of-field experience was evident where they felt disoriented, confused, anxious and alienated due to "habitus dislocation" (Lehmann 2009: 632–33), which carried connotations of inferiority and superiority. For instance, students experienced being looked down upon through "interactional cues" (Stuber 2006: 298) as their well-off peers avoided conversations, offered only the shortest of replies and did not remember their names, which augmented class and status awareness. All the participants therefore stated that they were familiar with students sharing the same socio-economic status as them within college. Rajesh said, "acchi baat yeh thi ki college mein kuch students hum jese bhi thhe" (there were some students like us in college, this was good). All the respondents felt that they were more comfortable around students who identified the challenges associated with their socio-economic status rather than high socio-economic status peers. Students spoke of an "unspoken centre" comprising of high socio-economic status students from which many lower income students felt excluded, therefore they preferred staying alone (Aries and Seider 2005: 429). Exclusionary practices were evident as terms, such as us and them were used to demarcate the privileged and the less privileged.

Language and Curriculum

All respondents stated that classroom notes, readings and lectures being delivered in English placed them at a disadvantage in terms of understanding and scoring in relation to students belonging to a higher socio-economic status background. All students stated that they spend hours around college translating English readings to Hindi but scoring less even then as students who spoke, read and wrote in English invariably did well.

Vimlesh, Saroj and Vikas expressed difficulty in participation in classroom discourse as teachers and students mostly interacted in English. Vimlesh said, "Ek din college mein eliticism par debate chid gayi. Mein kuch boli nahi kyoki poori debate English mein thi" (One day there was a debate on eliticism in college. I did not speak as it was entirely in English). Saroj and Vikas similarly remembered myriad incidents where they thought that they could contribute to classroom discussions, but ended up keeping quiet, hesitating to make a mistake while speaking English. Tsering said, "I was not too confident of speaking to others as my classmates made fun of my pronunciation." Thus, students had difficulties and embarrassment using "elaborate speech codes" (Bernstein qtd in Garnfield 1991: 336), and were silenced due to the fear of not being able to express ideas clearly, speaking wrong English, deficiency in grammar and use of regional accents.

The curriculum too in the elite college pushed students from low socio-economic status to feel like "cultural outsiders" causing "crisis in competency and fears of academic indequacy" (Reay et al 2009: 1112), which left students feeling out of place socially and unable to enjoy the course. Students expressed complete disconnect with what was taught in classrooms. Pratima said, "Zadatar readings English mein hai aur inme examples foreign countries ke hai" (Mostly readings are in English comprising of examples from Western countries). Vikas said, "First year mein muzhe kuch samazh nahi aaya tabhi pass hone ke liye ratna padta tha" (During the first year, I could not understand much, and therefore, I had to memorise by rote in order to pass).

Further, when I asked him why he memorised, he replied, "Pata nahi par samazh mein nahi aata tha aur relate bhi nahi hota tha" (Don't know, but I could not understand and was also not able to relate to it). Students expressed anxiety related to non-comprehension due to which they constantly reeled under the fear of failure. Most of them considered dropping out due to this, and felt that their parents had been right about them not being able to cope up at an elite regular college. Their knowledge and context were rendered insignificant within the academic world of their colleges. This left students with no option but to learn and memorise a curriculum that did not relate to their life experiences.

Pedagogic Strategies

Similarly, all respondents felt that teaching styles and classroom environments varied significantly from their previous experience in schools. Geeta, Vikas, Saroj and Tsering point that for a long time teachers and students did not acknowledge their presence in class as they preferred keeping quiet during class discussions. They felt that as students and teachers belonged to the same socio-economic status group there existed a degree of familiarity during classroom discussions, which revolved around examples related to private school experiences, foreign travel and preference for reading books to which they were unexposed. Recalling an incident, Geeta said, "Taxation related laws padate hue teacher ne poocha kaun kaun abroad gaye hai toh mostly saare students ne haath uthaye. Mein ne toh Dilli bhi theek se nahi dekhi. Jab aapke experiences auro se limited ho tab aapko chup rehnna padta hai" (While teaching taxation-related laws, the teacher asked how many of us had gone abroad, almost all students raised their hands. I haven't even seen Delhi entirely. When one's experiences compared to others are limited, then one has to remain silent). All participants therefore reported the plight of dealing with "alien symbolism" (Kumar 1988: 460) as teachers referred to unfamiliar examples and contexts within classrooms wherein learners were forced to memorise the course material without understanding. Similar to Jack (2016), disadvantaged students withdrew when it came to approaching authority figures for personal and professional reasons as they felt uneasy and hesitant to seek emotional support and guidance related to extra-curricular and internship opportunities, which their well-off counterparts received and benefited from. This rendered them voiceless and faceless in the teaching–learning process.

Assessment and Evaluation

Despite poverty, students who had done well in school, and were among the few from their school and locality to get admission in a university, soon realised that there were students who were academically far better than them in college. All the students acknowledged that more than them, their inability to perform were largely associated with their socio-economic status. Similar to Tat-Heung Choi (2014: 51–52), students' pre-college roots and sense of self were "dismissed as insignificant in a context where working class culture and identity is constructed as a hurdle to academic success." Vikas experienced difficulty in using technology to make presentations for which he felt he scored less as he had no prior exposure, and felt under-confident while speaking and presenting in English unlike his high socio-economic status counterparts.

Children exposed to dominant culture at home have a privilege in educational institutions. Teachers reward this privilege, thus excluding other students who do not possess similar cultural capital as theirs. This pedagogic action subjects low socio-economic status students or minority pupils to a form of "symbolic violence," dragging them into a competition where possessors of dominant cultural capital and knowledge forms are rewarded. Through this, inequality is made invisible and unjust pedagogic action is legitimised, perpetuating the meritocratic myth (Bourdieu 1974: 32). All the respondents thus stated that they did not aim to score too well and being able to pass was more than enough in the given scenario. Students therefore realised that they lacked cultural capital that excluded them from higher education and accepted lesser grades due to identification with their habitus, which was rendered non-dominant within the social and academic culture of higher educational institutions.

All participants stated that although their colleges organised a range of co-curricular activities, their participation in these were limited. Rajesh, Saroj and Vikas were expected to rush back home immediately after class as they were expected to contribute to family income through tuitions. Geeta too expressed a desire to participate in theatre, but could not convince her parents as they felt that it was a waste of time, and helping her mother at their residential shop was crucial after college. Thus, participation in college activities for one's self-fulfillment was felt to be a useless pursuit unlikely to generate any benefits in future, irrespective of the participant's interest or inclination, as other concerns such as parents losing jobs or paying bills always weighed on their mind.

Internal Conflicts and Struggles

All respondents voiced internal struggles due to the college experience. Saroj defines her college experience to be a constant struggle where she felt students from high socio-economic status groups were privileged, as she said, "College jana war jaisa hai aur ladai ko jeetne ke tareeke baki students seekh kar aate hai" (Going to college is war-like and other students are already prepared for this fight). When I asked her what she meant she replied, "Doosre students ko bolne ke, uthne bethne ke aur apne aap ko carry karne ke tareeke aate hai" (Other students know how to speak, proper mannerisms and ways of carrying themselves). According to Saroj, these were the things that mattered the most.

All respondents stated that their changing behaviour and styles of speaking due to college exposure were not appreciated by their family members who felt that they were not being true to their roots. In the words of Gardner and Holley (2011: 84), students experienced having to "live in two worlds" defined as a "murky space between their backgrounds and their aspirations." For Vikas and Pratima, college was a space where their minds worked fast to assimilate as much as possible, whereas home provided a sense of peace and calm.

This experience of marginalisation has been cited in other researches where learners "struggled with bridging differences in knowledge, modes of thinking, perspective and priorities as they moved between college and home" (Aries and Seider 2005: 437). Therefore, students were often seen as negotiating their identity, one that they had inherited at home and their chosen public identity. Similar to Reay et al (2009) poor students experienced ambivalence as their parents feared that their children's involvement in the university may result in abandoning the norms and values associated with their families.

Therefore, movement between the distinct worlds of college and home created internal struggles for all the respondents in the study. Transition to college created attitudes where students were seen demeaning their socio-economic background in order to grapple with identity conflict that emerged due to a stark difference between theirselves at home and theirselves in college.

Discussion

The present study looks at the implications that a student's socio-economic status has on choices related to higher education, and navigation within the same field. Socio-economic status creates barriers for higher educational participation among the poor who lack resources, information and the wherewithal that enable them to enter and continue within colleges. The study also found that socio-cultural systems are reproduced as higher education performs a legitimising function of high-status knowledge similar to Apple's (2004) conceptualisation and accepts those who possess this legitimate knowledge which further maintains its hold through the covert teaching–learning processes.

Therefore, Bourdieu and Passeron (1990) rightly argue that educational institutions impose cultural control and domination through pedagogy, curriculum and language that privilege knowledge, values and behaviours of society's dominant class and thereby end up reproducing social structures and inequities already existing in our society. In accordance to Bourdieu and Passeron (1990), curriculum, pedagogy, and language were found to be elements of the field or the context within educational environments where stakeholders competed for resources. Success was denied to those who did not possess appropriate habitus and capital. Further, the study has explored instances of exclusion and isolation that students from low socio-economic status experience while navigating through higher educational institutions. Bourdieu rightly points that whether or not a student feels comfortable or uncomfortable at an educational institution is due to whether that institution is in line with their habitus and therefore their field. In the present study, it was found that marginalisation of students from non-elite backgrounds is due to the misrecognition of their cultures and knowledge systems by authority figures as inappropriate, as they themselves embodied their elite habitus and field. Socio-economic status thus shaped students' lives, their identities, and formed the "very core of their being" (Kuhn qtd in Lehmann 2009: 633). Inequitable conditions and emotional segregation therefore mark the lived realities of students in higher educational spaces.

Choices related to higher education, relatedness to curriculum and pedagogy and degrees of integration within college are phenomena conjointly influenced by one's caste, class and gender. The study shows the ways in which dominant culture is perpetuated and reproduced through the education system. Those outside this dominant culture are left to grapple with this sense of internalised inferiority without any institutional support for their well-being. Their sense of worth is reduced further due to non-accomplishment and for letting down their family and friends. Therefore, college entry for low socio-economic status students means having to grapple with a range of social, emotional and academic challenges, and academicians and policymakers should pay urgent attention towards processes within the educational system.

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Information Technology and Welfare

Social Security Pensions in Andhra Pradesh

REETIKA KHERA, VINEETH PATIBANDLA

The use of information technology in public administration is seen as a significant tool for improving efficiency, transparency and accountability in governance. We study the use of various forms of IT, such as computerisation, public management information systems, digital ID and biometrics in the social security pension programme in Andhra Pradesh. IT interventions need to be unbundled in their evaluations since our analysis concludes that there is no automatic link between the use of IT and enhanced transparency or accountability, and the use of IT may reinforce existing power imbalances.

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E-government has been defined in different ways in the literature (Yildiz 2007). In this article, e-government refers to the adoption of information technology (IT) in government processes to promote transparency and accountability,[1] an important policy objective in India. There are benefits from the use of IT in government, but increased application of IT does not necessarily engender greater accountability (Barata and Cain 2001). As early as 1982, Danziger et al (1982) argued that "computing will reinforce the power and influence of those actors and groups who already have the most resources and power" (quoted in Yildiz 2007: 648). Wong and Welch (2004) suggest that "it is simply a myth that e-government will automatically and dramatically change the accountability nature of public organisations." Yildiz (2007) highlights the need for more empirical work from outside the United States (US), which has so far been the focus of most studies related to IT.

As noted by Heeks and Bailur (2007), there is a tendency for the literature to be techno-deterministic and celebratory. For instance, in spite of the mixed and somewhat sobering evidence, problems tend to be relegated to the footnotes and the tone remains optimistic (Bhatnagar 2003). On the other hand, only a few studies focus on, what are typically dismissed as, "teething issues" (Prakash and De 2007). Earlier studies of IT and information and communications technology (ICT) in India have examined e-government initiatives by studying whether, and to what extent, such applications of "e" in governance have achieved their goals (Bhatnagar 2003; Madon 2009; Masiero 2015). However, ground realities and nuance are not always reflected in this work—for instance, Masiero (2016) fails to acknowledge the continuation of quantity fraud and greater exclusion in the presence of biometric authentication in India's public distribution system (PDS) (Khera 2011).

This article looks at the experience of the use of various IT initiatives in India, such as computerisation, public management information systems (MIS), digital IDs and biometrics in the social security pension programme in Andhra Pradesh (AP). In AP, the pension MIS was integrated with an Aadhaar-enabled payment system (AEPS). Aadhaar is an ambitious national ID project to provide a biometrically deduplicated unique identity number to each resident of India. In AP, considered well-suited for such technological applications, the pension payment system was re-engineered to be compliant with Aadhaar-based biometric authentication (ABBA) and AEPS.

All four IT interventions included here—computerisation, MIS, integration with Aadhaar and monthly ABBA—are ostensibly deployed to enhance efficiency, transparency and accountability (Table 1). The article inquires whether making information available online helps improve transparency and accountability, whether it enhances administrative capacity and whether there are any unintended negative impacts from the use of different technological interventions.

Four important conclusions emerge from our analysis. First, putting information online does not automatically improve either transparency or accountability. The latter would require all stakeholders' (such as citizens and administration) perspectives to be taken into account while designing the MIS. Second, from the point of view of the government, the use of IT can be capacity-enhancing (as computerisation has been) but it can also reduce administrative capacity (as the integration of Aadhaar has done). While some academic literature does distinguish between each layer of technology, the more widespread tendency has been to club different IT initiatives as "technology." What this does is force an unproductive binary (for or against) debate on technology. Third, from the point of view of people, depending on the context, IT can obfuscate administrative decisions and disempower but it could also remedy existing power imbalances. Easy availability of information on payments has been used by recipients of government support to question corrupt practices. But, ABBA has also been used to further disempower such people (Drèze et al 2017). Fourth, integration of these welfare programmes with Aadhaar has given rise to new problems. This is primarily the result of over-centralisation and lack of transparency that integration with Aadhaar brings (Chaudhuri 2019; Dattani 2020).

In the next section, we discuss the case of social security pensions in AP in an attempt to answer some basic questions—if pensions were withdrawn regularly and the ease of using the system—about the pension scheme using publicly available data through the MIS. The focus is not only on the answers to the questions, but also in exploring the extent to which the use of IT (for example, computerisation of administrative record-keeping and the MIS) facilitated such analysis.

Pensions in Andhra Pradesh

> I belong to Chuchukunda village, Munagapakka mandal. Due to failure of fingerprint authentication, I haven't been paid pension for the last two months. The panchayat secretary has told us that non-disbursal of pension for three consecutive months results in the pension being cut off permanently, so we came here to express our grief to the district collector. I came here despite my struggle with walking as I fear my pension will be discontinued permanently. My pension is my only source of income. Otherwise, there is no other way except death. (Yallapu Suryakantham's testimony reported in *Sakshi*, Visakhapatnam, 13 March 2018)[2]

> I am entitled to disability pension because of skin-related problems. I have to authenticate the transaction using my fingers, even though my disability exists on the hands and legs. In case of failure, the secretary authenticates the transaction but the procedure is erratic—he sometimes authenticates the transaction or asks us to take it the next month. I have to visit the office seven to ten times to meet the secretary. (Devi, Ganaparthi village, online testimony [Upadhi Hamee Phone Radio-LibTech Initiative {2018}])

Media reports from across India have been littered with news of old-age pensioners and other pensioners' hardships in receiving pensions (Shantha 2017). Most of these difficulties have arisen due to the integration of Aadhaar with the pension payment system. However, since news reports are anecdotal, it is difficult to get a sense of the scale of the problem. Consequently, the government has brushed them off as "exceptional" cases, rather than initiate a policy response to them.

In AP, pensioners were paid cash at their local post office branch until a few years ago. In the first wave of IT reforms, the use of local biometrics was introduced at post offices at the time of disbursing pensions. Simultaneously, the state built its pension MIS. A few years ago, local biometrics were replaced by Aadhaar, a more centralised biometrics linked to a unique ID number. This meant a re-engineering of the existing MIS to integrate it with ABBA, and of the payment system to integrate with AEPS.

For the data analysis, we started with very simple questions—were pensioners able to use AEPS and ABBA to draw their pensions? How many people were unable to get their pension due to AEPS or ABBA? What recourse did these people have and does it work? When they were able to get their pension through ABBA, did they face any problems (such as having to make repeated trips) or experience any benefits (such as quicker disbursal time). We were also interested in learning what sort of policy-relevant data analysis was possible using publicly available data on the NTR Bharosa website (the state's pension portal). The purpose of the analysis was to understand what the MIS has done for the pension system. Furthermore, we were interested in what the integration of pension payments with Aadhaar has achieved (or not).

We used data from the NTR Bharosa (http://ntrbharosa.ap.gov.in/NBP/) website for 10 months (April 2017 to February 2018, excluding October 2017), covering 11 out of the 13 districts in AP. Available data was scraped from the NTR Bharosa website, for those who attempted to withdraw using Aadhaar and village revenue officer (VRO)-authenticated transactions, for the entire reference period and districts.

We encountered several difficulties in using the data from the NTR Bharosa portal. First, figuring out what the data means or stands for was not clear. The presentation of the data was not self-explanatory and there was no associated documentation corresponding to the tables from which the data was fetched (for example, there were no data dictionaries). For this, we called an official listed on the website to ask (for example, to ask which table should be used to calculate failure rates). Data dumps without any supporting documentation are virtually useless for reliable data analysis for any of the stakeholders (citizens, administration or researchers).

Second, there were gaps in the data. For instance, out of the 13 districts, data for Chittoor and Krishna were not available.[3] Payments in Krishna were reportedly deposited directly in the bank for a majority of the pensioners, whereas for Chittoor we were unable to ascertain from publicly available information why the data was missing.[4]

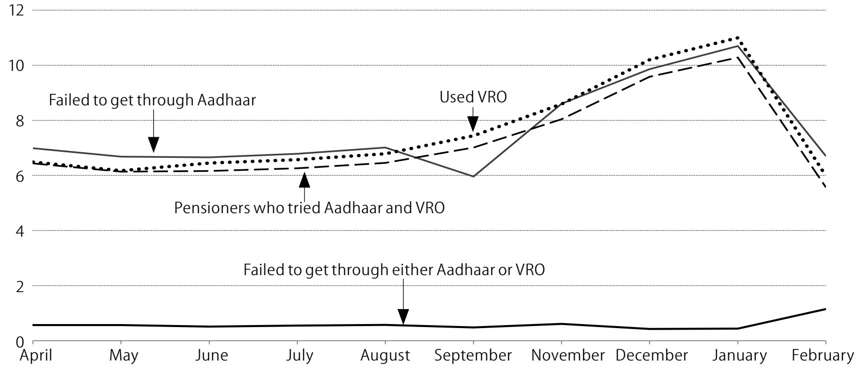
Third, there was no straightforward way of figuring out answers to basic

Table 1: Unpacking IT Interventions in Welfare Programmes

IT Initiative	Potential Benefit	Realised Benefit in India
Computerisation	Streamline record-keeping, enhanced administrative capacity	Positive in wide-ranging applications, including tax administration (Bhatnagar and Singh 2010) and MGNREGA (Aiyar and Samji 2006)
Management information system (MIS)	Track programme implementation, enable remedial action	Mixed for MGNREGA (Dalmia 2009; Aggarwal 2017)
Point-of-Sales (POS) machines	Last-mile authentication and digital trail that can be verified	Largely positive in PDS particularly in Chhattisgarh (Chopra and Rajan 2016)
Aadhaar-linking	Eliminate "identity fraud" (for example, duplicates and ghost users)	Uncertain, so far limited benefits (Mohanty 2017 reports only 0.3% duplicates detected in PDS in Odisha)
ABBA	"No one can take my benefits"	Pain (exclusion) without gain in PDS (Drèze et al 2017 from evidence in Jharkhand)

Source: Various authors as listed above.

Figure 1: Pensioners' Experience with Aadhaar and VRO Pension Withdrawal (April 2017–February 2018)



Source: Authors' calculations using NTR Bharosa data.

questions such as how many pensioners faced difficulty every month, how many faced difficulties sometimes, and what was the cause of these difficulties. We attempt to provide tentative answers to a few of these questions below.

Fourth, there were inconsistencies in the aggregated data displayed on the website and the summation of each month using the tables which report monthly data. We did not rely on the displayed data, instead we aggregated it for our analysis. The data collected had to be cleaned further as there were several null and corrupt entries. Sometimes, there were connection timeout issues in the network while scraping the data. Furthermore, the data reported across tables was inconsistent (for example, even the total number of pensioners sometimes did not match across tables of the MIS). This suggests that the tables were pulling data from different sources (different aggregates reported on different pages) and that there were minor bugs in the code as well, leading to totalling errors. These "minor" technical issues have the potential to render public data meaningless.

Other important questions could not be answered because of the way in which the data was presented. For instance, it was unclear how many attempts were required by them each month before they succeeded in using ABBA to withdraw pensions. That, along with whether each subsequent attempt was made on the same day or on different days, would be useful in understanding pensioners' experiences. It may be possible to do these analyses, but there is no straightforward way of figuring out how. From the information available, it was difficult to ascertain why only 90% of the 4.1 million pension IDs (PIDs), attempted to draw their pension. Even arriving at the basic analysis presented here was possible only because the team had members with domain expertise, and coding and scraping skills.

One strength of this article is that we use longitudinal administrative data scraped from government portals. This is combined with understanding gained from earlier studies which involved systematic questionnaire-based primary data collection from a random sample survey.[5] As far as we are aware, the government does not use this data to put out basic reports on the performance of ABBA or of the pension programme.

Pension Withdrawals

As mentioned earlier, out of the approximately 4.1 million pensioners (and approximately 3.7 million in 11 reference districts), approximately 90% attempted to withdraw their pension each month. There was no information on who the remaining 10% were—pensioners who were no longer alive, or if they were alive, and why did they not attempt to withdraw their pension in any particular month.[6]

Out of the total 3.7 million pensioners who attempted to withdraw their pension, 91% (3.3 million) were always successful in getting their pension (Table 2).

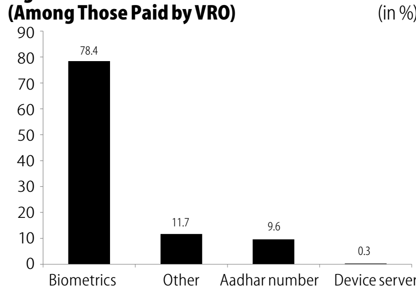
Pensioners can attempt ABBA thrice. After three failures (for about 6%–11%, the figure varies month by month, see Figure 1), the system automatically prompts for authentication by the VRO with their biometrics.[7] This serves as an exemption/override mechanism for biometric failures. Table DSS1 of the NTR Bharosa website for 11 districts suggests that 8,80,000 unique PIDs were paid through the VRO route over the entire reference period. About 23.6% of pensioners were paid through the VRO at least once (Table 2). There were about 50,000 pensioners (1.2%) who did not try ABBA at all, and were directly given pensions through the VRO route.

Override Facility

Between ABBA and VRO, most pensioners who attempted to get their pension did get it. Transactions of between 6% and 11% of pensioners, who tried to withdraw their pensions, failed due to Aadhaar-related reasons (Figure 1). Most of these people did manage to get their pension by using the "override" (VRO route), whose importance is clear in pulling up successful attempts (Figure 3).

At the end of it, there were 0.5% (approximately 20,000) of total pensioners who failed each time they attempted to withdraw their pension ("always failed") over the entire reference period. Each month, approximately 20,000 pensioners, out of the 3.3 million who attempted to withdraw, failed to get their pension

Figure 2: Reasons for Failure of ABBA (Among Those Paid by VRO) (in %)



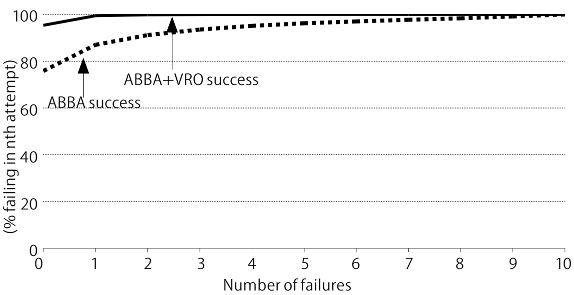
Source: Authors' calculations using NTR Bharosa data.

Table 2: Summary Table of Pensioners in Andhra Pradesh

Total unique PIDs in Reference Period	3.74 Million
Always successful PIDs	3.41 million (91.1%)
Number of VRO PIDs (as % of successful PIDs)	0.88 million (23.6)
"Dropouts," either dead or "gave up" (as % of successful PIDs)	0.19 million (5.1)
"Erratic" withdrawals (as % of successful PIDs)	0.14 million (3.8)

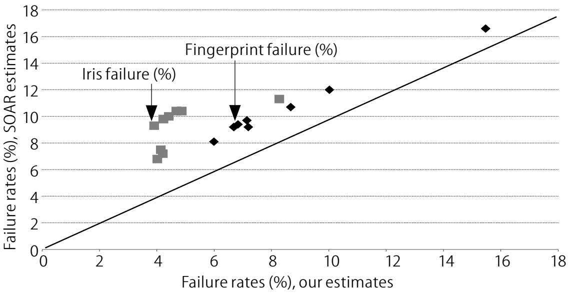
This is a summary of all the unique PIDs that appear in the database over the April 2017 to February 2018 period.
Source: Tables DSS3 and DSS1: (https://abdg.aponline.gov.in/NTRBharosa/MIS_Reports/NTRB_Reports/Pensioners notPaidDetailsForLast_twoMonths.aspx), Government of Andhra Pradesh.

Figure 3: ABBA Only vs ABBA + VRO Success Rates



(a) ABBA only and ABBA+VRO success/failure rates for those pensioners who attempted in all 10 months. Of those who attempted in all 10 months, 80% never encountered a failure using ABBA only, whereas 1.4% failed each time.
(b) ABBA only and ABBA+VRO attempts are presented as a percentage of all unique PIDs that appear in the database.
Source: Authors' calculations using NTR Bharosa data.

Figure 4: Failure Rates of Biometric Authentication—SOAR vs Our Estimates



Source: Authors' calculations using NTR Bharosa data.

even once.[8] While the exemption mechanism played a crucial role in reducing exclusion due to ABBA, it failed to solve the problem entirely. It is worth reiterating that this is in a state that is considered well-equipped to implement such technologies and has a reasonably responsive administration.

Nearly half (43.9%) of those who relied on the VRO route used it only once during the reference period, whereas 3% used the VRO facility each month of the reference period (Table 4). The large gap between the regular users (3%) and irregular users (44%) of the override facility suggests that each month a different set of people were compelled to use the VRO route, after ABBA failed.

ABBA Failures

The reasons for not being able to use ABBA are given in Table DSS8 of NTR Bharosa. A simple tabulation of the number of failures suggests that the main reason (in 78% of the cases) for having to be paid by the VRO appears to be related to biometric failures (Figure 2). Device and server related errors account for 11.8% of total ABBA failures. Another significant source of errors (9.6%) is related to the Aadhaar numbers itself, which includes invalid, deactivated and non-existent Aadhaar numbers.[9] This provides the first hint of how there can be "too much" technology since these problems did not exist under the earlier payment mechanism. This is another indication of how the integration of the pension payment system with AEPS and ABBA has brought new channels of exclusion, which were not entirely resolved by the exception handling mechanism.

This article's results were cross-checked with the analysis in the State of Aadhaar Report (SOAR), which includes two rounds of analysis (in 2017 and 2018) of the publicly available pension-Aadhaar data (Abraham et al 2017 and 2018). According to their analysis, failure rates for both fingerprint authentication and iris authentication were high, 8%–17% and 7%–11% respectively. Our article calculates how many pensioners were affected by biometric failures (Figure 4, x-axis) and this was contrasted with the attempts failure calculated by the SOAR (y-axis). The SOAR estimates of biometric failure lie above the 45 degree line.

Here, the distinction between failure rates in "attempts" and for "pensioners" is important because it has different implications. If the attempts data is used to calculate failures, then if a person experiences successful authentication on the third attempt, the failure rate would be 66%. For instance, if one was successful on the first attempt, the failure rate and failed attempts rate would both be zero. If one failed on the first attempt, but the second was successful, the failure rate remained zero, but the failed attempt rate would rise to 50%. In terms of failed pensioners, it would be a 0% failure, but a 66% failed attempts rate. If it is the same person who repeatedly fails, that is, the exemption set is well-defined, then the exemption procedures can be specified for them. If each month those who fail are a different set (as suggested above, 44% ended up using the VRO route at least once during the reference period), then a different policy response is required. Similarly, if the high failure rate is driven by frequent attempts ending in success, the implications are different from frequent attempts not ending in success.

Erratic Withdrawals

Another category of interest are "erratic" pensioners (3.8% of all PIDs), that is, they

Table 3: Total Pensioners in Agali Mandal

	Old Age	Widow
A Total pensioners	1,981	1,374
Erratic	416	228
Erratic through VRO	155	105
B Average pension received (average over 11 months)	922 per month	937 per month
Erratic through Aadhaar (total in 11 months)	8,618	8,597
Erratic through both (total in 11 months)	8,646	8,686
C Total pension due (monthly pension x 11)	11,000	11,000
Proportion (%) of pension due to pensioner (that is, total pension received * C)	7.8	6.2
Erratic	21.7	21.8
Erratic through VRO	21.4	21.0

Source: Table NTRB13, Government of Andhra Pradesh.

Table 4: Summary of Attempts Using VRO and ABBA

Number of Attempts	PIDs Attempting at VRO	PIDs Attempting through ABBA
1	3,87,898 (43.9%)	40,321 (1.1)
2	154,728 (17.5)	26,895 (0.7)
3	86,770 (9.8)	31,666 (0.9)
4	56,344 (6.4)	43,015 (1.2)
5	39,920 (4.5)	70,411 (1.9)
6	32,320 (3.7)	109,941 (3.0)
7	28,113 (3.2)	142,912 (3.9)
8	29,423 (3.3)	273,132 (7.4)
9	37,571 (4.3)	658,087 (17.8)
10	30,075 (3.4)	22,95,303 (62.2)
Total	8,83,162 (100)	36,91,683 (100)

Source: DSS1 of NTR Bharosa Pensions website, http://ntrbharosa.ap.gov.in/NBP/, Government of Andhra Pradesh.

tried and succeeded in drawing pension in some months, but not others. This could be because they failed in a particular month, but were successful thereafter, or it could be that they skipped a month and withdrew the pension for two months simultaneously ("clubbing").[10] For erratic pensioners' behaviour, it was instructive to examine whether the "gap" months in attempts were made up by withdrawing two months' worth of pension at a time ("clubbing"). In order to do so, first, we looked at the total pension due to the pensioners over this period (April 2017 to February 2018) and, second, at the total pension withdrawn as per the NTR Bharosa website. For the total pension withdrawn, we used an estimate, which is just the official monthly pension amount (1,000) multiplied by the number of months in the reference period. This assumes that these people did not die during the reference period.[11] We wanted to check whether pensioners were able to "catch up" by using the clubbing facility given that the attempts and success data showed high exclusions. We did this analysis for one subdistrict (Agali mandal of Ananthapur district) where we scraped data on payments received in the past 11 months (April 2017 to February 2018).[12]

Considering all pensioners, including erratic pensioners who used only ABBA and erratic pensioners who used both ABBA and VRO, we found that widows received about 6% less than their due and senior citizens received 7.8% less than their due.[13] For the subset of "erratic" pensioners (whose share among total pensioners was small), the loss of pension was considerable, as over the reference period, they lost about one-fifth of their pension amount (Table 3).

Dropouts

Another category we identify are "dropouts." Among the 3.7 million pensioners, about 5.1% attempted to withdraw their pension at least once during the reference period, but after their last attempt they did not reappear at all in the "attempts" data set until the end of the reference period. To us, this suggests that these 5.1% dropout pensioners either gave up or died or were "bogus" and it is difficult to tell the break-up from publicly available data.[14]

Conclusions

The main concern arising from our analysis is that while vast amounts of data are being generated by the government's IT push, there is a real danger of "garbage in, garbage out" in the sense that much of the data cannot be used for any meaningful analysis. Documentation of the data files is poor because, among other reasons, those who are collecting and organising the presentation of the data lacked domain expertise and were unable to exercise judgment on the usefulness of particular metrics and ways of reporting them. One example of this is the distinction between pensioner counts and attempt counts on the one hand, and the failure rates for each, on the other.

Second, in the case of AP, the provision of an override facility in the form of authentication by the VRO for those pensioners whose own biometrics failed was very important. Most other states that used ABBA (for example, in the PDS in Jharkhand) have absolutely no override or exemption facility in place (in spite of a government circular on this). This can be disastrous for those who relied on social support (whether in the form of pensions or rations or the Mahatma Gandhi National Rural Employment Guarantee Act wages).[15] Such denials, wherever they happen, are illegal and in these cases, the government itself was breaking the law.

Third, even with the override facility of the raising of the "success" rate, there is an element of uncertainty which can be distressing for already distressed pensioners. Nearly half of those who resorted to the VRO facility were "one-timers," that is, they had to use it only once during the reference period. This means that each month there is a fear that the ABBA system will fail them and they will have to try the VRO route.

Fourth, even with the override facility of the VRO, 0.5% of pensioners (about 20,000 persons each month) are denied pension each month. It is ironic that the most vulnerable, in whose name the policy has been introduced, end up paying the price.[16] This suggests that the use of the ABBA in pension disbursal is a technology fetish because there are hardly any demonstrable gains from its use, while there are well-documented hardship and exclusion, even deaths, due to it.

This article points to the need for a more sober and nuanced evaluation of e-government and IT initiatives in welfare programmes in India. Yet, not that much has been forthcoming. Heeks and Bailur (2007) point to some reasons why this might be the case—demands of funding, conflict of interest, and the newness of researchers who might not want to challenge the dominant narrative. All of these resonate in our analysis with respect to the contrast in the ground realities of using Aadhaar in welfare programmes and the popular narrative associated with it.

One hint of industry interests driving some of these initiatives comes from the fact that while the application of these technologies starts with the intent of complementing existing modes of service delivery, they often end up being the only mechanism by which to avail government services. This is important from a policy point of view. The consequences, in terms of ease of use or exclusion, of a policy design which gives the option to get rations or pensions, after either putting your signature, or using a smart card or through biometric authentication, are very different from a policy design which formally or informally only allows one of these options.

Magnet (2011) has shown how the biometric industry was able to push for its use through lobbying and propaganda. Eubanks (2018) has documented how the use of technology in welfare in the US exacerbates inequality. Both these concerns resonate in the Indian context, yet not much academic work has been done on the conflict of interest issues in the push of IT in India. For instance, the SoAR report prepared by IDinsight was funded by Omidyar Network, a philanthropic investment firm that has also invested in digital IDs for its fintech investments. The source of funding, in this instance, seemed to have influenced the framing of the research.

There are potentially two responses to the problems with using IT in welfare programmes that have been highlighted here. First, a "technocratic" response—where the stress should be on improving tracking by adding more variables that are recorded and reported, and also by improving its presentation. Apart from the question of whether this will address the fundamental concerns (better administration), this response is problematic given the increasing privacy concerns with unrestrained data collection.

Second, a more "political" response which notes that administrators should go back to the drawing board and ask which components or layers of IT and e-government (in Table 1, for instance) have achieved something positive from the point of view of pensioners and administrators. Digital transaction trails are desirable only to the extent that they help administrators improve the quality of services they are able to provide to pensioners. Thus, evaluations of e-government and IT need to be careful that they do not bundle distinct strains of such initiatives.

NOTES

1 For more, see Bertot et al (2010) and the literature cited there in.

2 The online link for this particular testimony, as published in *Sakshi*, is broken. There is an article related to this topic on the same day that has similar testimonies from affected people—see Pentakota Durgalamma's testimony in *Sakshi* (2018).

3 Krishna is considered a "model" district for Aadhaar applications in AP.

4 Another gap was in data availability for October 2017. There were few transactions in October 2017 and it is likely that pensions for October were disbursed in the last week of September.

5 Evidence from Jharkhand suggests that these were pensioners who failed to link Aadhaar. They were deleted from the pensioners' database and stopped getting their pension (Malhotra and Somanchi 2018).

6 It is possible (based on evidence from Jharkhand) that these were pensioners who failed to link Aadhaar with the pension portal and were no longer able to get their pension (Malhotra and Somanchi 2018).

7 These failure rates are consistent with the rates admitted to by the Unique Identification Authority of India (UIDAI) during the final hearings of the *Justice Puttaswamy (Retd) & Another v Union of India and Others* (2012) in the Supreme Court.

8 Interestingly, this is one of the few instances where the aggregates roughly match the number of "pensioners not paid—for the last two months" figure reported in Table NTRB11.

9 Aadhaar numbers can be deactivated by the UIDAI for various reasons such as mixed or anomalous biometrics and inaccurate demographic details. The error codes are available here: https://uidai.gov.in/images/api_error_codes.pdf.

10 According to the clarification we received, pensioners could club up to three months. If they failed for three consecutive months, the money is refunded to the state and the pensioner had to approach a local official at the mandal office to restart the pension. In such cases, it is not clear whether arrears for the skipped months would be given.

11 If a unique PID stopped appearing in the "attempts" database, there is no way of telling whether that person was dead or had given up.

12 The choice of this mandal was entirely arbitrary. Scraping the entire data would have required a lot of time as one is required to drill down to the gram panchayat level to get payment details.

13 For payments received reported in Table 3, Table NTRB13 with Aadhaar and VRO success is used.

14 The category of "dropouts" could be further partitioned into "always successful" and "erratic" for the period before they disappeared from the database.

15 There were more than 40 hunger-related deaths during 2017–18 where exclusion due to Aadhaar played a role.

16 As far as we are aware, there is no credible data on how many persons were denied pensions before the introduction of these new technologies at the stage of disbursal.

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Regenerating Forests in India

Lancy Lobo, Jayesh Shah

On the basis of an independent study, measures are suggested to check the rapid degradation of forests and develop quality forests based on scientific lines. Recommendations have been made to extend the benefits of the revival of forests to the tribals by the generation of livelihood options, and to facilitate the formulation of a comprehensive forest law that could interweave the interests of the tribal communities with the maintenance of ecological balance.

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There is a rapid denudation and degradation of the green cover in India. Concerns have been expressed over the environmental pollution, massive encroachment and deforestation of catchment areas, and rampant mining activities that cause soil erosion and lead to ecological imbalance. The blame for the grim situation of the forests keeps shifting between the forest managers and the forest dwelling communities. The authors, on the basis of their study of the changing character of forests and the impacts on tribal livelihoods in Gujarat, have proposed certain changes in the policies that could help in addressing this persistent discord.

The study area had certain distinct geographical and topographical characteristics. It extended from the hilly tracts of north Gujarat to the eastern hilly areas and the southern Dang district. The inter relationship of the tribal people and the forests was studied from various angles, such as alternative income sources and employment generation, evaluation of various tribal welfare schemes, impact of joint forest management, working of tribal sub-plans, marketing of forest produce, and socio cultural changes among the tribal communities (Lobo and Shah 2016).

The study visualised the possibility of developing forests with the help of tribal communities. The policy recommendations of the study, if followed, could ensure the protection of forest and tree cover, while also maintaining a steady supply of raw materials to the industries. It can, thus, also provide for supplementary sources of livelihood for tribal communities. Even though the study was limited to Gujarat, the suggestions are applicable and can be extended to the country as a whole, especially as the subject "forests" falls under the concurrent list.

Changes in NFP

The draft National Forest Policy (NFP), 2018 needs to be reviewed. It states that

> In order to achieve the national goal for eco-security, the country should have a minimum of one-third of the total land area under forest and tree cover. In the hills and mountainous regions, the aim will be to maintain two-third of the area under forest and tree cover in order to prevent soil erosion and land degradation and also to ensure the stability of the fragile eco-systems.

Such a recommendation has no scientific basis. The government should take into account the altitudes and slopes using a scientific basis followed globally for the development of forestry and agriculture, especially due to the presence of varied patterns of these in every state. Also, there are different geophysical and ecoclimatic features with ecosystems consisting of different types of grasslands, wetlands and waterbodies. In addition, one needs to analyse the natural conditions like agroecological sub-regions, and soil types. Classification of agroecological regions is needed to emphasise moisture availability and related indices and is useful for determining the limiting factors in developing forest vegetation.

Systematic appraisal of agroecological regions has tremendous scope in grouping relatively homogeneous regions—in terms of soil, climate, and physiographic and conducive moisture availability periods (length of growing season) in planning appropriate land use, either for agriculture or for forests. Humidity and aridity are influenced mainly by rainfall and its distribution and evapotranspiration. These determine the type and distribution of natural vegetation. All these meteorological and hydrological conditions affect the conservation and preservation of forests; thus their study needs to be taken into account in the planning of land use.

The land capability classification allocates lands to different sustainable uses based on slope, soil and rainfall. Major guidelines based on this and the gradient of the land are given in Table 1 (p 62) for proper land use in order to maintain the fertility and condition of land over time and get good returns from it.

The slopes suitable for each category of land use may vary according to the type of soils in different sites. The important thing to keep in mind is the relative position of the different types of land use along the contour. Categories 1, 2 and 3 are to be listed for use as pasture lands when the soils are shallow or have other limitations.

According to the land capability classification, lands above 35° slopes should be under forests. The adoption of this scientific criterion would release substantial lands—most of these would be degraded forest-lands near villages—to meet the needs of the tribal communities. The focus of the forest department and the conservationists should shift from quantity to quality in terms of the development of forests. The most important benefit, as also the one that cannot be fulfilled by any other means, will be the enhancement of the quality of life that quality forests can provide to the tribals.

Also measuring soil erosion levels, and slope and altitude analysis of land by the Forest Survey of India would be more beneficial to society at large than just measuring top canopy density levels. It is recommended that the government should move away from the "33% areas under forests syndrome" and promote the quality of forests based on the study of the land capability classification, altitudes, slopes, soil types, temperature, rainfall patterns, humidity, aridity, soil and moisture conservation.

Reallocation of Forest Areas

It is recommended that forests should be marked into "very dense" and/or "dense" quality, based on agroecological subregions, soil types, meteorological and hydrological conditions, impact of altitude and slopes, with the help of the latest technology like the geographic information system (GIS) and satellite imageries. There should be scientific identification of the remaining degraded forest lands, which should be handed over to the nearest gram sabha for regeneration, keeping in mind the livelihoods of tribals and villagers living in the area. They should start getting returns from these forests by way of fodder, fuel and other income-generating products. These forest areas can be named as "village forests."

The plantation in such village forests should be in four phases. In the first phase, plantation should be in such a manner that the tribal people are able to fulfill their basic needs for fuel and fodder. The second phase plantation should be planned in such a manner that the tribals and villagers could get monetary returns in the first year, that is, through plantation of lemon trees, vegetables, flowers, etc. The third phase plantation should enable monetary returns after three to five years depending upon the soil types, agroclimatic conditions, and other related factors. This can be through the plantation of mango trees, cashew trees and other fruit trees. The fourth phase plantation should involve growing trees like *mahuda*, teak, sal, *tenduva,* etc, so that these trees can give financial returns after 10 to 15 years and later.

There should be a joint effort by all the four stakeholders: the government, tribal people and villagers, gram sabha, and non-governmental organisations (NGOs). There should be a committee to manage the affairs of these lands in the villages. Leading environmentalists and conservationists should also be involved in these efforts, so that the improvement in the quality of air and water is achieved at the desired healthy level. There should be a mandatory provision that all these committees be registered either under the Bombay Public Trusts Act, 1950 or the Societies Registration Act, 1860, so that work is done in a proper and legal manner. There should be provisions about the investment of surplus money and the creation of a market to generate alternative employment schemes with the support of the government and NGOs. The income generated through these types of activities should be exempted from tax.

The government should carry out a survey of the current status of the forest land given to the forest dwellers since 1960. If the actual situation (not the legal status or the status on paper) shows that the forest dwellers do not have real possession of that particular forest land, which had been given to them in different time periods, the government should make it mandatory that such forest lands should be handed over to the respective gram sabha.

There should be an increase in the tree cover in the rural, urban and semi-urban areas. We recommend that 8% of the total geographical area should be included under the tree cover in the next 10 years. The social and urban forestry programme can be useful in increasing the tree cover. Trees can be planted on both sides of the national as well as state highways and all along the railway lines. Trees can also be planted on both sides of the irrigation canals and riverbeds. Local people should also be encouraged to plant income-generating trees. We suggest that there should be an increase in the mangrove covers. We propose that 5% of the total geographical area along the coastal lines should be covered under the mangrove cover in the next 10 years.

Every community has an inherent right to use the natural resources around its settlement. With the implementation of this recommendation, tribal and village communities would become empowered with better livelihoods and, thus, infrastructure and educational facilities, all with their own resources.

Table 1: Major Guidelines under the Land Capability Classification

Flat Land	For Agriculture Crops
Gentle slopes	Up to 7° (12 %). For agricultural crops; planted with simple agronomic conservation measures, that is, contour and close planting, strip cropping, vegetative barriers, etc.
Moderate slopes	7° to 25° (12%–47%). For agricultural crops; planted on a variety of terracing systems, that is, hillside ditches, intermittent terraces, bench terraces, etc.
Steep slopes	25° to 30° (47%–58%). For agroforestry and orchard crops; planted with individual basins, orchard terraces and/or the establishment of proper vegetative cover for erosion control.
Very steep slopes	30° to 40° (58%–84%) for forestry
Cliff and non-operable slopes	40° (84%) and over for protected forest

Source: Matela (1984).

Migration could be controlled, as local communities will get recourse to supplementary sources of livelihood within the village or in the vicinity of their own village.

Effective Management

The general practice of the forest department is to prepare a working plan for 10 to 20 years for forest management. These working plans pull together all the basic data on the existing conditions of a particular forest to work out its future management. We recommend that the officers responsible for drafting these plans should not rely wholly on data collected by the concerned deputy conservator of forests, but they should also independently obtain necessary data using latest technology like satellite imageries, global positioning system (GPS) and GIS.

The working plans suggest the future management of forests, but do not give suggestions on how to control the degradation or destruction of forests. It is essential for these planning officers to give adequate importance to the serious issues of degradation and destruction of forests and make detailed recommendations to resolve these problems efficiently. They should have funds for hiring the required staff and for buying the necessary equipments and vehicles for this purpose. The size of forest beats and rounds should also be redefined. While suggesting the management systems and the regeneration plans for the forests, it is advisable to keep the people in mind. It is necessary to see that trees directly beneficial to the people are not damaged. One good example is *mahuda* trees in Gujarat.

Regeneration of forests on dry hills is an uphill task for the forest department and also for the people residing in the nearby villages. There should be check dams or ponds all along the hillside. When rainwater remains stored for three years or so, the hilly tract would get the required moisture and the soil would support plantation efforts. After about five years, the process of regeneration of forests, even on those hillsides that are traditionally and historically known to be barren, could be achieved.

Apart from the revisions needed in the working plans, there are other additional points to be addressed for effective forest management. The training of the forest department personnel up to the beat guard level should include courses on tribal dialects, culture, traditions, rural development, community participation, etc. The present negative attitude of the forest department needs to change. As the forests need to be conserved and regenerated with the support of the local tribal communities, establishing close rapport between the officials and the supporting staff of the forest department and the local tribal communities is highly desirable.

The size of jurisdiction should be based not on the area, but on the different problems the forest areas are facing. We have observed that the officials remain demotivated and demoralised in tackling the problems in their jurisdiction. As a policy matter, after every three years, a small exercise should be undertaken to find out how much area one can manage successfully to fix the size of the beat, round, range and division.

Latest technology like satellite imageries should be used to take stock of the type, age, and cash value of trees, annual return available from the trees, etc, under different categories: beat-wise, roundwise, range-wise, and division-wise. There should be a special protection force for the protection of forest wealth, created on the lines of diverse security forces by the government for internal peace and safety.

A Comprehensive Act

There is a crying need to review the current status of forests and forest dwellers with a scientific and systematic outlook. It is required that the Indian Forest Act, 1927 and the Forest (Conservation) Act, 1980 are done away with and a new comprehensive forest law is brought, taking into account the concerns of environment, forests and forest dwellers. The Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act (FRA), 2006 needs minor amendments for effective implementation at the ground level. There are genuine problems that the tribals face due to multiple factors, with their rights not recognised under the law and consequent harassment at the hands of various government departments.

The recognition of the right to the land where tribal communities have lived for generations is not just a basic human right, but is also a constitutional right. In view of these concerns, the Supreme Court is still determining the lawsuit concerning the settlement of these rights. The FRA aims to correct a "historical injustice." However, in its current form, it is bound to create more confusion than rectification. Many of the issues relating to the non-recognition of rights could be dealt through procedures prescribed in this article. These should be followed in a time-bound manner. There is an urgent need to bring into the discussion a cross section of people, including diverse tribal communities, so that a viable, realistic and ecologically sustainable solution can be worked out on the issues concerning the rights of the Scheduled Tribes.

Forest Land Commission

It is necessary to form a tribal forest land commission at the national level, having offices in all the states on the lines of the election commission, comprising a multidisciplinary team of representatives of tribals, experts in the field of forest and wildlife, and various NGOs, headed by a judge of the Supreme Court. The state office of the proposed commission should be headed by a judge of the respective high court. The commission should be entrusted with the task of monitoring the successful implementation of the FRA, based on practical but scientific approaches, and also monitor the post-implementation phase for at least a decade.

The commission should study these points at the time of implementing the various provisions under the FRA: (i) the socio-economic status of the tribal people, with their aspirations, (ii) current livelihood status of beneficiaries, (iii) number of beneficiary nuclear families and the adult children who need their own land and dwellings, (iv) record the current forest cover of the area that is to be transferred to them, and (v) the perception of the tribal people towards wild and other ferocious animals that inhabit the forest, and recent changes in these perceptions.

If the forest lands are given to the tribal families as per the FRA, then there needs to be a guarantee for the security of the title deed. Moneylenders in the tribal areas are one of the main culprits for the poor economic conditions of the tribal communities. The Gujarat government has been giving "adhikar patra" (authorisation letter) that gives cultivation rights to the tribal people, but not the ownership rights to the land. Instead of individual deeds, the forest land could be allotted to the village-level committee comprising tribal representatives, gram sabha and panchayat representatives, representatives of the NGOs working for the welfare of the tribal people in the area and other experts who can provide their services in the areas of agriculture, horticulture, silviculture and soil conservation using the knowledge of latest developments in these areas.

NGOs and Activists

There is a need for legal guidelines to gain coordination in the efforts of the government, NGOs and social activists, keeping a few points in focus. The fundamental goal of the efforts should be to act as a catalyst in bringing about local initiatives and community participation in the overall improvement of the quality of life. It is important to promote civic and environmental consciousness among the tribal communities so that the organisation of civic amenities and sanitary facilities can be established on a self-help basis. Awareness campaigns and enactment of suitable legislations for the betterment of civic standards and environmental protection are needed.

Services should be mobilised for various segments like the poor, women, children and youth. Programmes for addressing drug and alcohol addiction, opposition of child labour, medical camps, blood donation camps, etc, should be promoted along with the efforts of the protection and preservation of nature and wildlife. The involvement of the media to facilitate a dialogue between the NGOs, social activists and the academicians is highly desirable. Whatever transpires in the dialogue should be informed to the general public. The media can play a vital role in raising issues by telecasting documentaries and stories on the success and failure of the various projects and developmental programmes.

In Conclusion

The shortsightedness of the forest policies so far has led to the denudation of forests, disturbed ecological balance, inadequate supply of raw materials to urban areas and forest-based industries, and the uprooting of the cultural and economic means of sustenance of the tribal communities. The policy recommendations by the authors could facilitate the formulation of a comprehensive forest law that could interweave the interests of the tribal communities, with the maintenance of ecological balance, and ensure the achievement of quality forests based on scientific lines.

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Growth and Structural Change in the Indian Economy

An Analysis of Pattern, Determinants, and Outcomes

SWAPNIL SONI, M H BALA SUBRAHMANYA

Historically, an economy would undergo structural changes when growing: agriculture's contribution to the gross domestic product would decline steadily, industry's contribution would rise steadily and compensate, and later, the services sector would follow. Contrary to this historical pattern, the services sector has bypassed the industrial sector in India, and it dominates the economy. An empirical analysis of the nature and causes of structural change in the Indian economy shows that the industry and the economy are driven by the services sector, and the sector's growth and dominance is influenced by external factors, such as foreign direct investment.

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The process of economic growth in developed countries was initially driven by the industrial revolution. Industrialisation-led economic growth led to the reallocation of labour from the lower productive sector (traditional agriculture) to the higher productive sector (manufacturing) (Memedovic and Iapadre 2009). The contribution of the primary sector—agriculture—to the gross domestic product (GDP) declined steadily, and the contribution of industry, led by manufacturing, to GDP increased steadily.

Sustained economic growth changes the economic structure and shifts the primary contribution to the GDP from one productive sector to another (Kuznets 1955). Economic growth and changes in the sectoral contribution to the GDP, or structural change, go hand in hand (Kuznets 1966, 1973). The economy-wide adoption of modern technologies causes structural change—a necessary, integral part of the growth process—uniformly across countries. Invariably, structural change shifts the focus from agriculture to industry and services—manufacturing, energy, telecommunications, hotels, hospitals, transport, and banking—and replaces small-scale units in many industries with large-scale productive units.

Industrialisation can produce consistent patterns of change in resource allocation, factor usage, and the related phenomena (Panchamukhi and Williamson 1989). Economists identify the industrial sector as unique, in that it can bring about economic transformation and development in less developed economies. The industrial sector has consistently accelerated the growth rate and structural change in economies world over. Industrialisation-led growth has altered the economic structure in developed and developing countries, and industry has surpassed agriculture in their contribution to the GDP; the contribution of the services sector has varied. Economists have empirically examined the relationship between economic growth and structural change in countries, and recent cross-country experiences substantiate the pattern of structural change (Gabardo et al 2017; Valli and Saccone 2009). Industrialisation in the 20th century was driven by not only technologies but also foreign direct investment (FDI) and foreign trade (Szirmai 2012).

In the 21st century, the focus of FDI inflow into India shifted from the manufacturing sector to services, and the services sector assumed dominance (Subrahmanya 2014). From 1991 to 2011, the post-liberalisation period in India, FDI Granger-caused services exports, but the converse was not true (Saleena 2013), and FDI has been exhibiting the strongest influence on services growth in terms of value addition, exports, and employment.

The economic impact of FDI promoted by multinational corporations (MNC) as well as host countries has been revealed by Dwivedi and Badge (2013). The greater inflow of FDI into the services sector has a negative spillover effect and it drives out domestic firms; but in manufacturing, FDI has positive spillover effects and a positive correlation with overall economic growth (Doytch and Uctum 2011). Economic transformation emerging from economic growth and structural change can be induced by industry, and its growth can be accelerated by technological development on the one hand and foreign trade and FDI on the other.

In 1991, India initiated an ambitious economic reform programme to accelerate growth. The National Manufacturing Competitiveness Council was formulated in 2005, the National Strategy for Manufacturing in 2006, and the National Manufacturing Policy in 2011. The national manufacturing and investment Zones were created (Subrahmanya 2014), and controls and regulations over foreign trade and FDI were removed. Today, India is an emerging economy; its GDP growth has been above average, and it has been accelerating the growth in the world GDP (Cortuk and Singh 2010). What are the factors of this pattern of economic growth and structural change? What are the outcomes of such growth and change?

This paper attempts to examine the pattern of India's post-liberalisation economic growth and the intensity of its structural change, and it focuses on the impact of FDI and foreign trade. It analyses the growth pattern of the Indian economy and compares it with that of other major Asian economies: China, Indonesia, Pakistan, Singapore, Malaysia, Sri Lanka, Taiwan, Thailand, Vietnam, and the Philippines. This paper tries to ascertain the degree of structural change by modelling the value-added growth rates of each of the three productive sectors of the economy (agriculture, industry, and services), diagnosing the dynamics of their relationship and analysing their role in economic growth. It restricts itself to examining the annual growth in the GDP of the economy and of the sectors in the post-independence era, focusing on the post-liberalisation period (1990–91 to 2013–14).

Methodology

The pattern of economic growth is studied by examining the annual growth in the GDP and in agriculture, industry, and services from 1961–62 to 2013–14. A Structural Change Index (SCI)—or the Norm of Absolute Values (NAV) or the Michaely index (Michaely 1962)—is estimated. The SCI quantifies, measures, and compares the structural change occurred in the process of economic growth over time. To gauge the structural change occurred in the Indian economy in the right perspective, it has been compared with that of emerging Asian economies, including China, Indonesia, Pakistan, Singapore, Malaysia, Sri Lanka, Taiwan, Thailand, Vietnam, and the Philippines.

Multivariate time series analysis, the vector autoregressive (VAR) model, is used to ascertain the dynamics of the relationship between the three sectors. A VAR model is used, and a Granger causality test conducted, to analyse the role of each productive sector in overall growth, and a VAR model is used

Figure 1: GDP Growth

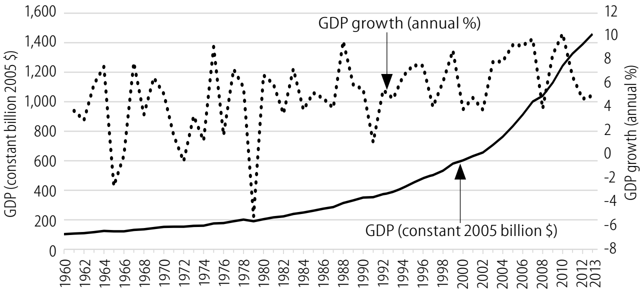


Figure 2: Sectoral Contribution (% of GDP)

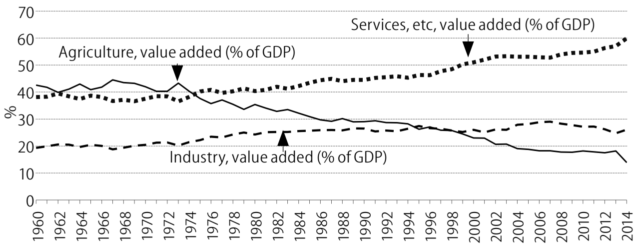
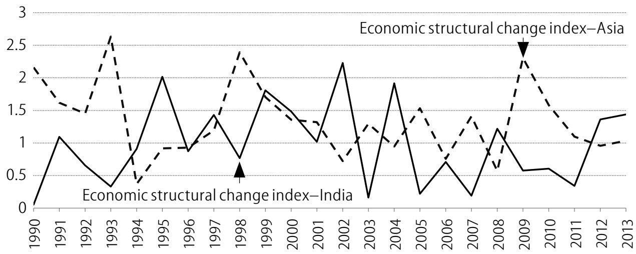


Figure 3: Economic SCI of India Relative to Other Asian Economies



again to examine the impact of FDI on the growth of an individual sector.

All the considered VAR models are stable (that is, there is no unit root in the model), reduced (the present value of any variable dependents on only the past values of its own and other variables), and restricted (models with only significant coefficients at 95% confidence level). The VAR model shows the inter-relationship of the macroeconomic variables considered for this analysis. The impact of a shock in one variable on another variable would be modelled by the Granger causality test (Granger 1969) and the impulse response analysis (IRA), and the VAR model lays the foundation for these analyses.

Patterns of Structural Change

India's GDP (in \$, at 2005 constant price) grew steadily in absolute terms from 1960 to 2014 (Figure 1), with varying sectoral contributions (Figure 2), but the annual growth rate fluctuated wildly—bottoming at −5% in 1979–80 and peaking at 10% in 2010–11. The economic and occupational structural change was greater in the Asian economies (the NAV was 1.34 for both economic and occupational structural change) than in the Indian economy (the NAV was 0.97 for economic change and 0.86 for occupational structural change) (Tables 1 and 2, p 67; Figure 3). Since greater the structural change, greater the opportunity for economic growth (Kuznets 1955), India could not reap the benefit of structural change (Memedovic and Iapadre 2009).

Economic and occupational change: The annual observations of the NAV are used to compare the structural change in India to that in the other Asian countries (Michaely 1962).

NAV= 0.5* (sum of absolute value of sectoral contribution differences between the two periods)

$$\text{NAV} = 0.5^* \sum_{i=1}^{n} (|Xi_t - Xi_{t-1}|) \quad \text{... (1)}$$

where xi_t is the sectoral contribution of sector 'i' at time t, i represents sectors 1, 2, 3 (that is agriculture, industry and services), and 0<NAV<100 such that higher the value of NAV, greater the structural change.

The economic structural change involved in the growth process of all the Asian economies was significant (Figure 3). Neither the time series is from identical independent distributions, and the t-test or analysis of variance (ANOVA) cannot be applied directly for comparison. Both the series are considered paired samples.

The difference between the series is tested for stationarity using the Augmented Dickey–Fuller (ADF), Phillips–Perron (PP), and the Kwiatkowski–Phillips–Schmidt–Shin (KPSS) tests for unit root. Normality is tested using the Anderson–Darling, Kolmogorov–Smirnov, Shapiro–Wilk, and D'Agostino–Pearson tests. Serial independence is tested using the Box–Pierce and Ljung–Box tests. Since the series survives all the tests, the t-test of differenced series is conducted; the null hypothesis is Ho: $\mu \leq 0$ (μ is the mean of the difference series) (Table 3, p 68).

Economic structural change in the Asian economies is expected to be higher than the world average to take full advantage of structural change and grow (Memedovic and Iapadre 2009). India is lagging behind other emerging Asian economies in terms of economic structural change. A similar result is observed in the case of occupational structural change comparison.

In the post-liberalisation period, the services sector maintains its predominance over agriculture and industry in terms

Table 1: Sectoral Contribution and Individual Growth Rate in Terms of Value Added

Year	GDP Growth (annual %)	Sectoral Contribution and Individual Growth Rate in Terms of Value-added						Structural Change Index (SCI) with Respect to GDP NAV.gdp
		% Contribution			Sectoral Individual Growth Rate			
		Agriculture, Value-added (% of GDP)	Industry, Value-added (% of GDP)	Services, etc, Value-added (% of GDP)	Agriculture, Value-added (annual % growth)	Industry, Value-added (annual % growth)	Services, etc, Value-added (annual % growth)	
Variable Name	*GDP gr*	*Agr.gdp. cont*	*Ind.gdp. cont*	*Serv.gdp. cont*	*Agr.gdp.gr*	*Ind.gdp.gr*	*Serv.gdp. gr*	*NAV.gdp*
1990	5.53	29.02	26.49	44.48	4.02	7.33	4.88	0.05
1991	1.06	29.39	25.40	45.21	-1.95	0.34	4.46	1.09
1992	5.48	28.74	25.77	45.49	6.65	3.22	5.86	0.65
1993	4.75	28.68	25.50	45.83	3.32	5.50	7.33	0.33
1994	6.66	28.27	26.41	45.32	4.72	9.16	5.81	0.91
1995	7.57	26.26	27.40	46.34	-0.70	11.29	9.79	2.02
1996	7.55	27.13	26.60	46.27	9.92	6.39	7.86	0.87
1997	4.05	25.89	26.41	47.70	-2.55	4.01	8.40	1.43
1998	6.18	25.79	25.74	48.47	6.32	4.15	8.36	0.77
1999	8.85	24.50	25.22	50.27	2.67	5.96	11.85	1.81
2000	3.84	23.02	26.00	50.98	-0.01	6.03	5.07	1.48
2001	4.82	22.92	25.08	51.99	6.01	2.61	6.61	1.02
2002	3.80	20.70	26.17	53.13	-6.60	7.21	6.74	2.23
2003	7.86	20.74	26.01	53.25	9.05	7.32	7.89	0.16
2004	7.92	19.03	27.93	53.05	0.18	9.81	8.28	1.92
2005	9.28	18.81	28.13	53.06	5.14	9.72	10.91	0.22
2006	9.26	18.29	28.84	52.87	4.16	12.17	10.06	0.71
2007	9.80	18.26	29.03	52.71	5.80	9.67	10.27	0.19
2008	3.89	17.78	28.29	53.93	0.09	4.44	9.98	1.22
2009	8.48	17.74	27.76	54.50	0.81	9.16	10.50	0.58
2010	10.26	18.21	27.16	54.64	8.60	7.55	9.67	0.60
2011	6.64	17.86	27.22	54.91	5.02	7.81	6.57	0.34
2012	4.74	17.52	26.21	56.27	1.42	0.96	6.96	1.36
2013	5.02	18.20	24.77	57.03	4.71	0.35	6.78	1.44

Note: Although it is not a good idea to compute central tendencies of time series data, yet to have a naïve essence of selected variables:

Summary statistics								
Observations	24	24	24	24	24	24	24	24
Mean	6.4	22.6	26.6	50.7	3.2	6.3	8.0	0.97
Median	6.4	21.8	26.4	52.4	4.1	6.8	7.9	0.89
Std Dev	2.3	4.4	1.2	3.9	3.9	3.3	2.0	0.62

Table 2: Sectoral Contribution and Individual Growth Rate in terms of Employment in the Organised Sector

Year	Sectoral Contribution and Individual Growth Rate in Terms of Employment (only for Organised Sector)						Structural Change Index (SCI) with Respect to Employment (organised) NAV.emp	Foreign Direct Investment, Net Inflows (% of GDP)
	Absolute % Contribution			Sectoral Individual Growth Rate in Employment				
	Employment in Agriculture (% of total employment)	Employment in Industry (% of total employment)	Employment in Services (% of total employment)	Employment in Agriculture (annual % growth)	Employment in Industry (annual % growth)	Employment in Services (annual % growth)		
Variable Name	*Agr.emp. cont*	*Ind.emp. cont*	*Serv.emp. cont*	*Agr. emp.gr*	*Ind. emp.gr*	*Serv. emp.gr*	*NAV.emp*	*fdiTogdp*
1990	5.41	36.18	58.41	1.54	0.71	1.96	0.27	0.07
1991	5.41	35.90	58.68	1.54	0.71	1.96	0.27	0.03
1992	5.49	35.87	58.64	2.63	1.11	1.12	0.08	0.09
1993	5.44	35.64	58.93	-0.47	-0.22	0.95	0.29	0.19
1994	5.22	35.53	59.25	-3.38	0.42	1.29	0.33	0.29
1995	5.21	35.51	59.28	0.35	0.48	0.59	0.03	0.58
1996	5.22	36.10	58.68	1.81	3.21	0.48	0.61	0.61
1997	5.12	35.96	58.93	-0.96	0.67	1.51	0.25	0.85
1998	5.09	35.70	59.21	-0.76	-0.97	0.20	0.28	0.61
1999	4.93	35.36	59.71	-3.35	-1.14	0.65	0.50	0.46
2000	5.07	34.89	60.04	2.31	-1.85	0.01	0.47	0.75
2001	5.16	34.26	60.58	1.06	-2.41	0.28	0.63	1.11
2002	4.92	33.79	61.29	-6.63	-3.46	-0.95	0.71	1.07
2003	5.19	32.86	61.95	4.71	-3.49	0.32	0.93	0.70
2004	5.33	32.79	61.88	0.64	-2.27	-2.19	0.14	0.80
2005	5.59	32.43	61.98	4.89	-1.04	0.22	0.36	0.87
2006	5.62	32.73	61.65	1.22	1.62	0.18	0.32	2.11
2007	5.29	33.06	61.65	-4.81	2.17	1.14	0.33	2.04
2008	5.39	33.24	61.37	2.67	1.18	0.19	0.28	3.55
2009	4.94	33.54	61.51	-6.15	3.32	2.61	0.45	2.61
2010	4.95	33.09	61.95	2.04	0.54	2.62	0.45	1.60
2011	4.86	33.06	62.08	-0.43	1.30	1.63	0.13	1.94
2012	4.77	32.93	62.29	0.14	1.64	2.37	0.21	1.29
2013	4.77	32.93	62.29	0.14	1.64	2.37	0.21	1.50

Note: Although it is not a good idea to compute the central tendencies of time series data, yet to have a naïve essence of selected variables:

Summary statistics								
Observations	24	24	24	24	24	24	24	24
Mean	5.2	34.3	60.5	0.032	0.163	0.896	0.4	1.1
Median	5.2	34.0	60.9	0.5	0.6	0.8	0.3	0.8
Std Dev	0.2	1.3	1.4	3.0	1.8	1.1	0.2	0.9

Table 3: Economic Structural Change Index (India and Other Asian Economies)

Variables		Tests of Differenced Series d=(V1)-(V2) at 95% CI		p-value of t-test	Significant Greater Variable (at 95% CI)
V1	V2	Normality Test	Serial Independence	H0: $\mu \leq 0$	
NAV.gdp (Asian economies)	NAV.gdp (India)	Survived	Survived	0.047	NAV.gdp (Asian economies)

of economic structure (average contribution to GDP 50.74%), value-added growth rate (average 7.95%), occupational structure (average contribution to employment 60.51%), and the employment growth rate (average 0.89%). The services sector is a major contributor to economic and occupational structural change, and it grew faster. It can be inferred that the services sector, the driver of structural change and overall economic growth, could not contribute significantly towards changing the economic and occupational structures, and the services-led Indian economy could not reap the optimal benefits during the period of economic liberalisation compared to the other major Asian economies.

Modelling the Dynamics

Multivariate time series VAR modelling is conducted using the time series of the value-added growth rates of agriculture (*Agr.gdp.gr*), industry, (*Ind.gdp.gr*) and services (*Serv.gdp.gr*) since these variables may be associated, according to the economic theory (Figure 4). Given the limited observations (24 numbers), VAR model of order one is preferred over higher order.

Equations 2, 3, and 4 present the trivariate reduced stable VAR (1) model:

$$\text{Agr.gdp.gr}_t = 5.16 - 0.64^* \text{ Agr.gdp.gr}_{t-1} + \varepsilon_{at} \quad \text{... (2)}$$

$$\text{Ind.gdp.gr}_t = 0.78^* \text{ Serv.gdp.gr}_{t-1} + \varepsilon_{it} \quad \text{... (3)}$$

$$\text{Serv.gdp.gr}_t = 4.87 + 0.40^* \text{ Serv.gdp.gr}_{t-1} + \varepsilon_{st} \quad \text{... (4)}$$

where ε_t's are residuals.

This model survives the Jarque–Bera test (p-value 0.91) and the Portmanteau test (p-value 0.99). The residuals are normally distributed and serially uncorrelated, and the model is tenable.

The industry growth rate increases by 0.78% at time *t* with a unit increase in services growth rate at time *t-1*. Industry or agriculture does not affect the other sectors. Hypothetically, industry generates demand for services, but the statistics suggests that the future performance of industry depends on the historical performance of the services sector, and that is why industry lags behind services.

In post-liberalisation India, growth in the services sector led to industrial growth and the demand for industrial products. The demand for services calls for industrial infrastructure and the manufacturing of industrial products used for services. Food product industries develop because of the demand from restaurants, hotels, and other hospitality services. The industries that manufacture mobile phones and associated accessories cater to telecommunications services. Automobile and

Figure 4: GDP and Sectoral Individual Annual Growth Rate in Value Addition

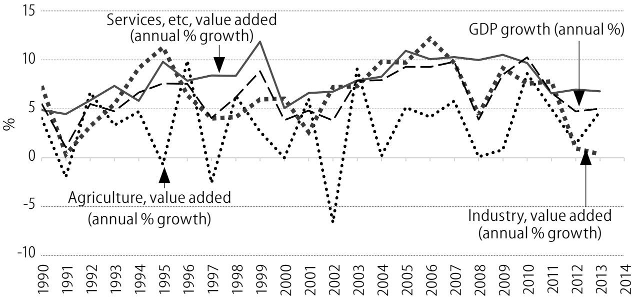
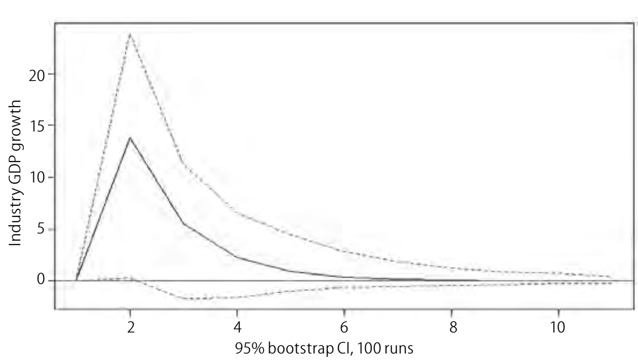


Figure 5: Impulse Response—Services to Industry Growth



associated ancillary manufacturing burgeons only due to the demand for transport services. Construction and industrial infrastructure industries grow to serve increasing demand for banking, call centres, and other services sectors. Thus, although with a lag or gestation period, services growth induces industrial growth.

To analyse the effect of current innovations in each sector on the other sectors in a forecast horizon, the impulse response function (IRF) is deployed, and only one significant impulse response relation is observed (Figure 5). Services innovation positively impacts industry—by raising growth by about 1.4% —after two years, not immediately; and then it dies down (both dotted lines of confidence interval cross the zero line at period 2). It can be construed that the positive growth of the services sector positively affects the growth of industry in terms of historical performance and of current shock induced by policy change and other external effects in services.

Agriculture turns out to be almost isolated from the other sectors. From 1950 to 1980, agriculture served industry, and from 1990 to 2013, industry and services served each other, grew together, and raised per capita income, which led to the import of agro-products. This dampened the growth of domestic agriculture and, in turn, industry.

Further, to diagnose the dynamics between overall economic growth and individual sectors, we model the GDP growth rate and sectoral growth rates of industry and services individually in bivariate form. We model the GDP growth rate and industrial growth rate first and then the GDP growth rate and services growth rate. To understand the dynamics, a bivariate, stable, reduced, and restricted VAR (1) model is constructed.

The following model presents the bivariate relationship between GDP growth rate and industrial growth rate.

$$GDP.gr_t = 4.4 + 0.31^* \; Ind.gdp.gr_{t-1} + \varepsilon_{gt} \quad \ldots (5)$$

$$Ind.gdp.gr_t = 3.1 + 0.48^* \; Ind.gdp.gr_{t-1} + \varepsilon_{it} \quad \ldots (6)$$

The model survives the Jarque–Bera test (p-value 0.61) and the Portmanteau test (p-value 0.99). The residuals are normally distributed and serially uncorrelated, and the model is tenable. The VAR model says that the GDP growth rate increases by 0.31% at time *t* with a unit increase in industry growth rate at time *t–1*. The Granger causality test reveals that industry growth Granger causes GDP growth (at 99% confidence level; p-value 0.01), but not the other way around. The growth of industry causes employment and industrial exports—and, in turn, the economy—to grow.

The following model presents the bivariate relationship between the GDP growth rate and services growth rate.

$$GDP.gr_t = 0.78^* \; Sev.gdp.gr_{t-1} + \varepsilon_{gt} \quad \ldots (7)$$

$$Serv.gdp.gr_t = 4.87 + 0.4^* \; Sev.gdp.gr_{t-1} + \varepsilon_{st} \quad \ldots (8)$$

The model survives the Jarque–Bera test (p-value 0.39) and the Portmanteau test (p-value 0.66). The residuals are normally distributed and serially uncorrelated. Thus, the model is tenable. The VAR model says that the GDP growth rate increases by 0.78% at time *t* with unit increase in services growth rate at time *t–1*. The Granger causality test reveals that services growth Granger causes GDP growth (at 94% confidence level; p-value 0.055), but not the other way round. Services growth attracted investment and employment and caused the economy to grow by 0.78%—more than the 0.31% increase led by industry—and it can be construed that services had a stronger impact than industry on economic growth in the post-liberalisation period.

FDI and Sectoral Growth

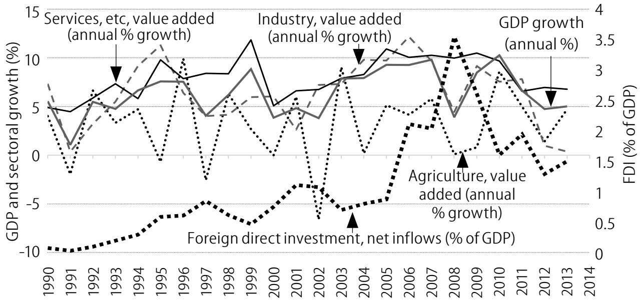
The sectoral and overall growth of the Indian economy are affected primarily by foreign direct investment (FDI), an external factor (Devajit 2012; Doytch and Uctum 2011); FDI affects the GDP composition, or sectoral contribution to GDP, or economic structure. To calculate the impact of FDI on sectoral growth, this study considers the FDI-to-GDP ratio (and measures it in percentage) along with the sectoral growth rates (Figure 6). Using the ratio, and not the FDI in absolute terms (measured in billion US dollars), has advantages: it allows for homogeneity in the units of both the variables, sector growth rates, and the FDI-to-GDP ratio; and it simplifies the estimation of coefficients and the interpretation of the model results. Considering all the sectors, coupled with the FDI-to-GDP ratio (*fdiTogdp*) for bivariate VAR modelling, only the services sector exhibits a significant association.

We estimate the bivariate, stable, reduced, and restricted VAR(1) model considering the FDI-to-GDP ratio and the growth rate of the services sector:

$$fdiTogdp_t = 0.68^* \; fdiTogdp_{t-1} + 0.05^* \; Serv.gdp.gr_{t-1} + \varepsilon_{ft} \quad \ldots (9)$$

$$Serv.gdp.gr_t = 7.06 + 0.97^* \; fdiTogdp_{t-1} + \varepsilon_{st} \quad \ldots (10)$$

Figure 6: FDI versus GDP and Sectoral Growth



The VAR model failed the Jarque–Bera test for normality (p-value <0.05), but it can be accepted because normality is not a strict requirement. The model survives the Portmanteau test (p-value 0.99); the residuals are serially uncorrelated, and the model is tenable. The VAR model exhibits a feedback relationship, although both-ways causalities are not significant as per the Granger causality test. Both variables affect each other positively with a one-year lag. An increase in the FDI raises services growth in the subsequent year and vice versa, but FDI does not impact agriculture or industry. In the post-liberalisation period (1990 onwards), the services sector grew faster than industry and the inflow of FDI shifted from industry to services because business opportunities burgeoned, the return on investment rose and the risk fell, and profits could be made in the short term, and also because of the ease of entry and exit (Subrahmanya 2014).

Conclusions

The Indian economy is perceived to have undergone substantial structural change since 1991, but the annual economic structural change indices show that the change has been significantly less when compared to the other major Asian economies. The services sector has dominated both the economic structure and growth rates, but it has failed to contribute much in terms of structural change and, thereby, reap the benefits; India can still benefit from its structural changes. The growth of the services sector affects the growth of industry positively not only by historical performance but also by current innovations. Such innovations are engendered by policy changes, social and cultural effects, and the discovery of new resources, and these innovations must be considered in policy formation. Both the services and industry sectors influenced GDP growth positively and significantly, but the impact of services growth on the overall growth of the Indian economy exceeded that of industry growth, and it had a significant positive impact on industry and emerged as the predominant sector of the Indian economy.

A feedback relationship between FDI and services growth is a tell-tale sign of the services sector's dependency on the external factor—FDI. This dependency is quite dynamic and unpredictable. If the services sector has a strong external link and it is dependent on the external market, any disturbance or decline in the external market would adversely affect the services-led domestic economy.

Each productive sector (agriculture, industry, and services) is the aggregation of various subsectors and economic activities that are quite heterogeneous in nature. Economic activities have different endowments, employment structures, demands, and markets. This study has aggregated all these heterogeneities into a single sector. Heterogeneity in the productive sectors affects the sectoral contributions differently. To extract more pragmatic and real dynamics in economic and occupational structures, further and in-depth diagnosis can be carried out.

Social and civil conflicts affect a country's economic and occupational structure and, thereby, economic growth (Kuznets 1973). It is difficult to forecast structural change because of exogenous variables, such as technology, population, consumers' tastes, and preferences, change in productivity, and efficiency (Syrquin 2005). For growth in a modern economy, changes are required not only in economic structure but in social institutions and beliefs. These exogenous variables cannot be internalised as endogenous variables in the prediction model. There is a vast diversity of cultures and value systems in the Indian economy, and the impact of exogenous variables should be incorporated for the forecast and analysis to be tenable, but this study does not address that issue. The distribution of occupations by caste and cadre, or the assignment of jobs based on caste, is an example of how the cultural and social framework affects the occupational structure of the Indian economy. Incorporating heterogeneity and exogenous socio-economic variables in the quantitative analysis will add value to this study and improve the results.

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Analysing Disparities in Access to Urban Basic Services under Decentralised Governance
Evidence from West Bengal

SOUMYADIP CHATTOPADHYAY, MAUMITA DAS

Given West Bengal's fairly elaborate and unique arrangements for urban decentralisation, this paper, using primary data, examines the availability and quality of three urban basic services—water supply, drainage facilities and garbage collection facilities—in the state. The study finds that a large proportion of respondents has inadequate or almost no access to these services in the surveyed municipalities. Inequality in access to all the three services existed both among and within the municipalities. The lack of voice and capacity of the councillors belonging to the marginalised groups has reduced their influence in local governance matters, which is reflected in the comparatively lower coverage of urban services in their respective wards.

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India is urbanising fast but there are stark inequalities in many urban areas with large proportion of the population lacking access to quality basic services (Mitra and Nagar 2018; Kundu and Banerjee 2018; HPEC 2011). So, it is crucial to improve urban service delivery for reaping the potential of cities as key drivers of economic growth. It is now well known that governance factors are just as important for urban service delivery as financial health and technical capacity (Jones et al 2014, Heller 2012; Fung and Wright 2003). Among the various policy experiments exercised by India, decentralisation, introduced by the 74th constitutional amendment act in 1992, aims to facilitate functional and financial empowerment of the municipal governments for increasing the efficiency of service provision and facilitating peoples' participation in urban governance.

Decentralisation is assumed to improve the delivery of urban basic services by devolving resources and decision-making powers to the local governments and thereby making the local governments more accountable to their citizens (Faguet, 2014; Bardhan 2002; Oates 1999). However, based on both theoretical arguments and empirical findings, many scholars have expressed concern over the claims of decentralisation in infusing greater efficiency and inclusiveness in cities of developing countries. In particular, it has been observed that factors like "elite capture," "practice of clientelism," "central–local relations," "technical capacities of the local governments," "citizens' capacity to actively participate in the deliberative forums," etc, play crucial roles in determining the effect of decentralisation on the delivery of basic services (Jones et al 2014; Ghosh and Kamath 2012; Litvack et al 1998).

Urban governance in India is a state subject and in practice, the conformity legislation and implementation of the constitutional amendment act has shown significant state-wise variations ranging from "mere lip service to the constitutional amendment to fairly elaborate amendment to existing state laws" (Chandra 2006; NIUA 2005). Among the Indian states, West Bengal, in terms of functional and financial devolutions and arrangements for citizen participation at the municipal level, has been a pioneer in democratic decentralisation. Unfortunately, the literature on the nature of urban decentralisation as well as on the state of basic services in West Bengal is limited. Sparsely available literatures have suggested that actual implementations of the constitutional provisions have been more decorative than transformative as the urban local bodies lack administrative and fiscal autonomy (Cornea 2016). Haque (2016) examined the status of urban basic amenities at the household (HH) level during 2001–11 only in Class I cities of West Bengal and found that Class I cities (> 100,000 population) of KMA (Kolkata Metropolitan Area) enjoyed higher levels of urban amenities compared to their counterparts in non-KMA, with higher inequalities among the latter. Chattopadhyay (2012), in his study of three selected small and medium towns of West Bengal, found that urban services, including water supply, drainage, garbage collection and road maintenance, are generally poor and municipalities are spatially unequal. However, these analyses have not been supported by empirical analysis that could explain disparities in service delivery among the municipalities. De and Nag (2016), in their study on slums of Kolkata, found that the nature of political competition, social and political identities of households and councillors significantly influence the provision of urban services. Against this backdrop, this paper aims to contribute to this body of research by examining the availability and quality of three urban basic services, namely water supply, drainage facilities and the garbage collection system in West Bengal. We purposively chose two municipalities in West Bengal: Bhatpara municipality and Uluberia municipality. At the second stage, four wards from each municipality were selected. Then, from each of the sampled wards, 25 households were selected by a systematic sampling method to make the sample representative of all the households within a ward. In each household, the main earning member of the households or the person nearest in relation to the main earning member was interviewed. We have used users' feedback to assess the state of urban basic services as these feedbacks express the citizens' appraisal on the quality of public services they receive.[1] Citizens' feedback, through collective "voice," can exert pressure on the government to improve its service delivery performance. Subsequently, an attempt has been made to identify the socio-economic–political factors affecting the availability and quality of the selected urban basic services.

The plan of the paper is as follows—the next section introduces the two sampled municipalities. The third section examines the state of three urban basic services in the two municipalities. The fourth section identifies the socio-economic–political factors affecting the availability of the selected services. The final section summarises the main findings from this paper.

Table 1: Socio-economic–Political Profile of Sampled Municipalities

Item	Name of the Municipality		Urban
	Bhatpara	Uluberia	West Bengal
Area (sq km)	34.69	33.28	5119.41
Population as per Census 2011	383762	235345	29093002
Population density	11063	7072	5683
Decadal growth of population (2001–11)	-12.74	16.43	13.93
Number of households	87076	50613	6567150
Per cent of SC/ST population	13.06	13.72	16.53
Per cent of literate population	76.94	70.59	76.74
Per cent of main worker	28.24	29.11	31.61
Per cent of marginal worker	3.06	5.59	4.20
Per cent of slum population	19.40	00.00	22.06
Number of wards	35	32	-
Seats held by different political party	AITC: 32	AITC: 19	-
	LEFT: 1	LEFT: 6	
	INC: 2	INC: 3	
	BJP: 0	BJP: 4	
Number of woman councillor	14	11	-
Number of seats won uncontested	4	0	
Number of SC/ST councillor	6	4	-
Number of woman SC/ST councillor	4	2	-

Source: Census of India 2011, West Bengal State Election Commission.

Locating the Sampled Municipalities

Both theory and evidence suggest that the effects of decentralisation depend on economic (for example, inequality), social (for example, education) and demographic (for example, ethnic divisions, gender) factors at the local level. Moreover, the political culture of West Bengal influences the functioning of governance institutions and actors as people access the state and state resources through the party that dominates the sociopolitical sphere (Chattopadhyay 2012; Bhattacharyya 2016; Chandra 2006; Pal 2006). Further, municipalities in West Bengal experienced noticeable inter-category variation in the availability of urban services with the service coverage increasing systematically with the class size of the urban local bodies (Chattopadhyay and Das 2018).

Against this background, we selected two municipalities—Bhatpara (Category A) and Uluberia (Category B) in West Bengal. Both the municipalities diverge with respect to their socio-economic–political characteristics (Table 1) and therefore provide the setting for exploring how such factors affect the delivery of

Table 2: Socio-economic–Political Profile of Sampled Municipal Wards

Item	Bhatpara				Uluberia			
	Ward Number				Ward Number			
	23	27	29	33	08	22	23	27
Per cent of SC/ST population	19.46	10.80	33.97	12.29	13.32	12.97	16.84	22.10
Per cent of literate population	82.81	84.91	85.67	82.94	57.53	71.48	78.05	77.09
Per cent of main worker	30.23	29.37	31.87	30.62	27.42	26.18	26.89	32.95
Per cent of marginal worker	3.13	2.91	5.26	1.96	6.24	6.19	9.43	2.30
Sex of councillor	Male	Male	Female	Female	Male	Female	Male	Male
Caste/ethnic identity of councillor	SC	GEN	SC	GEN	GEN	GEN	Muslim	GEN
Political affiliation of the councillor	AITC	AITC	CPI(M)	INC	INC	AITC	CPI(M)	AITC
Margin of winning (% of vote)	4.04	21.91	1.96	37.82	1.58	9.35	12.85	16.14
Post hold by the councillor in municipal board	Councillor	Vice-Chairman	Councillor	Councillor	Councillor	Councillor	Leader of Opposition	Member of Chairman-in-Council

AITC – All India Trinamool Congress; CPI (M) – Communist Party of India (Marxist); INC–Indian National Congress.

Table 3: State of Water Supply in Sampled Municipalities

Municipality/Wards	Caste	Source of Water		Availability of Water		Quality of Water		
		In-house Connection	Outside Premises	Sufficient	Insufficient	Good	Medium	Bad
Bhatpara 23	General	12(85.71)	2(14.29)	8(57.14)	6(42.86)	4(28.57)	7(50.00)	3(21.43)
	SC/ST	7(63.64)	4(36.36)	11(100.00)	0(0.00)	3(27.27)	4(36.36)	4(36.36)
Bhatpara 27	General	20(90.91)	2(9.09)	19(86.36)	3(13.64)	15(68.18)	6(27.27)	1(4.55)
	SC/ST	2(66.67)	1(33.33)	3(100.00)	0(0.00)	3(100.00)	0(0.00)	0(0.00)
Bhatpara 29	General	11(78.57)	3(21.43)	8(57.14)	6(42.86)	7(50.00)	2(14.29)	5(35.71)
	SC/ST	5(45.45)	6(54.55)	7(63.64)	4(36.36)	4(36.36)	6(54.55)	1(9.09)
Bhatpara 33	General	11(61.11)	7(38.89)	8(44.44)	10(55.56)	3(16.67)	7(38.89)	8(44.44)
	SC/ST	7(100.00)	0(0.00)	1(14.29)	6(85.71)	1(14.29)	3(42.86)	3(42.86)
Bhatpara	General	54(79.41)	14(20.59)	43(63.24)	25(36.76)	29(42.65)	22(32.35)	17(25.00)
	SC/ST	21(65.63)	11(34.37)	22(68.75)	10(31.25)	11(34.37)	13(40.63)	8(25.00)
Uluberia 08	General	7(50.000	7(50.00)	5(35.71)	9(64.29)	1(7.14)	6(42.86)	7(50.00)
	SC/ST	3(27.27)	8(72.73)	2(18.18)	9(81.82)	2(18.18)	2(18.18)	7(63.64)
Uluberia 22	General	18(78.26)	5(21.74)	16(69.57)	7(30.43)	4(17.39)	7(30.43)	12(52.17)
	SC/ST	1(50.00)	1(50.00)	2(100.00)	0(0.00)	1(50.00)	0(0.00)	1(50.00)
Uluberia 23	General	16(66.67)	8(33.33)	17(70.83)	7(29.17)	7(29.17)	9(37.50)	8(33.33)
	SC/ST	1(100.00)	0(0.00)	1(100.00)	0(0.00)	1(100.00)	0(0.00)	0(0.00)
Uluberia 27	General	17(68.00)	8(32.00)	14(56.00)	11(44.00)	10(40.00)	9(36.00)	6(24.00)
	SC/ST	0(0.00)	0(0.00)	0(0.00)	0(0.00)	0(0.00)	0(0.00)	0(0.00)
Uluberia	General	58(67.44)	28(32.56)	52(60.47)	34(39.53)	22(25.58)	31(36.05)	33(38.37)
	SC/ST	5(35.71)	9(64.29)	5(35.71)	9(64.29)	4(28.57)	2(14.29)	8(57.14)
All	General	112(72.73)	42(27.27)	95(61.69)	59(38.31)	51(33.12)	53(34.41)	50(32.47)
	SC/ST	26(56.52)	20(43.48)	27(58.70)	19(41.30)	15(32.61)	15(32.61)	16(34.78)

Figures in parentheses are the percentages to the total.
Source: Field survey, 2016.

urban services under the decentralised municipal framework. Bhatpara municipality was more densely populated than Uluberia municipality. Among the two municipalities, Bhatpara is comparatively more developed, with a higher literacy rate and lower proportion of marginal workers. In Bhatpara municipality, less than 10% of councillors were from opposition parties, as against more than 40% in Uluberia municipality, implying a higher degree of political competition in the latter.

Wards under each municipality were selected considering factors like location of the ward as well as political affiliation, caste and ethnic identity of the councillors. Half of our selected wards were represented by the councillors of the ruling party and the rest by the opposition councillors. The selected wards also diverge in terms of three other socio-economic indicators, namely the literacy rate, percentage of Scheduled Caste (SC)/Scheduled Tribe (ST) population in total population and percentage of marginal worker in total workforce (Table 2).

Randomly chosen households also represented different socio-economic categories. Thirty-two percent of the total respondents in Bhatpara belonged to SC/ST while the same for Uluberia was only 14%. Respondents of Bhatpara (with nine average years of schooling) were relatively better educated than in Uluberia (with seven average years of schooling). In terms of the economic condition of households, almost three-fourths of them were engaged as marginal workers. However, the percentage of households possessing *pucca* houses was higher in Bhatpara (47%) compared to Uluberia (33%).

Urban Water Supply

Table 3 shows that about 73% of people belonging to the general caste had access to water from in-house water connections. In contrast, almost half of the SC/ST people had to fetch water from outside water sources like street taps, etc. Relatively greater proportion of people belonging to both the categories in Bhatpara reported access to drinking water within the premises compared to Uluberia. Further, we observed significant wardwise disparities in terms of access to water in both the municipalities. The household coverage in terms of access to in-house water connection was found to be relatively higher in ward numbers 23 and 27 of Bhatpara and ward number 22 of Uluberia.

Table 4: State of Drainage Facility in Sampled Municipalities

Municipality/Wards	Caste	Availability of Proper Drainage	
		Yes	No
Bhatpara 23	General	14(100.00)	0(0.00)
	SC/ST	8(72.73)	3(27.27)
Bhatpara 27	General	20(90.91)	2(9.09)
	SC/ST	3(100.00)	0(0.00)
Bhatpara 29	General	3(21.43)	11(78.57)
	SC/ST	2(18.18)	9(81.82)
Bhatpara 33	General	15(83.33)	3(16.67)
	SC/ST	6(85.71)	1(14.29)
Bhatpara	General	52(76.47)	16(23.53)
	SC/ST	19(59.37)	13(40.63)
Uluberia 08	General	2(14.29)	12(85.71)
	SC/ST	0(0.00)	11(100.00)
Uluberia 22	General	13(56.52)	10(43.48)
	SC/ST	2(100.00)	0(0.00)
Uluberia 23	General	13(54.17)	11(45.83)
	SC/ST	1(100.00)	0(0.00)
Uluberia 27	General	7(28.00)	18(72.00)
	SC/ST	0(0.00)	0(0.00)
Uluberia	General	35(40.70)	51(59.30)
	SC/ST	3(21.43)	11(78.57)
All	General	87(56.49)	67(43.51)
	SC/ST	22(47.83)	24(52.17)

Figures in parentheses are the percentages to the total.
Source: Field survey, 2016.

Analysis of respondents' feedback on service attributes indicates that both the municipalities paid little attention to adequacy and quality of water supply. This is substantiated by the fact that about 41% and 38% of the respondents belonging to SC/ST and general castes reported insufficient availability of water in both municipalities. The service deficits were found to be relatively higher in Uluberia. Almost 64% of backward caste respondents in Uluberia suffered from inadequacy of water throughout the year. The intra-municipality variations in reported water sufficiency are also indicative of inequality. Among the four wards of Bhatpara, except ward number 27, quite a significant proportion of general caste respondents in other three wards reported insufficient supply of water. On the other hand, the proportion of SC/ST respondents reporting availability of sufficient water was found to be relatively higher in ward numbers 23, 27 and 29 of Bhatpara. In Uluberia, ward numbers 22 and 23 performed better than the rest as comparatively higher proportion of respondents belonging to both the social categories reported sufficient availability of water.

Table 3 also shows that the difference between proportions of respondents reporting bad quality of water belonging to general caste and socially backward caste is not significant. Among the two municipalities, the level of dissatisfaction with the water quality was found to be higher in Uluberia as a significant proportion of respondents belonging to general caste and SC/ST groups reported the quality of water as bad. Greater proportion of people belonging to general caste in Bhatpara reported the quality of drinking water as good. In ward number 27 of Bhatpara, all the SC/ST respondents reported to have access to good-quality drinking water. This may be due to the influence of the response bias as they generally suffer from acute shortages of drinking water.

Table 5: State of Garbage Collection in Sampled Municipalities

Municipality/ Wards	Caste	Availability of Garbage Bin		Frequency of Garbage Lifting			
		Yes	No	Daily	Thrice a Week	Once a Week	Irregular
Bhatpara 23	General	5(35.71)	9(64.29)	1(7.14)	9(64.29)	4(28.57)	0(0.00)
	SC/ST	0(0.00)	11(100.00)	1(9.09)	6(54.55)	3(27.27)	1(9.09)
Bhatpara 27	General	12(54.55)	10(45.45)	5(22.73)	16(72.73)	1(4.55)	0(0.00)
	SC/ST	1(33.33)	2(66.67)	0(0.00)	3(100.00)	0(0.00)	0(0.00)
Bhatpara 29	General	1(7.14)	13(92.86)	1(7.14)	2(14.29)	2(14.29)	9(64.29)
	SC/ST	1(9.09)	10(90.91)	0(0.00)	2(18.18)	2(18.18)	7(63.64)
Bhatpara 33	General	7(38.89)	11(61.11)	1(5.56)	10(55.56)	3(16.67)	4(22.22)
	SC/ST	5(71.43)	2(28.57)	0(0.00)	6(85.71)	1(14.29)	0(0.00)
Bhatpara	General	25(36.76)	43(63.24)	8(11.76)	37(54.41)	10(14.71)	13(19.12)
	SC/ST	7(21.88)	25(78.12)	1(3.12)	17(53.13)	6(18.75)	8(25.00)
Uluberia 08	General	0(0.00)	14(100.00)	0(0.00)	0(0.00)	0(0.00)	14(100.00)
	SC/ST	0(0.00)	11(100.00)	0(0.00)	0(0.00)	0(0.00)	11(100.00)
Uluberia 22	General	1(4.35)	22(95.65)	2(8.70)	10(43.48)	4(17.39)	7(30.43)
	SC/ST	0(0.00)	2(100.00)	0(0.00)	1(50.00)	0(0.00)	1(50.00)
Uluberia 23	General	1(4.17)	23(95.83)	1(4.17)	0(0.00)	1(4.17)	22(91.67)
	SC/ST	0(0.00)	1(100.00)	0(0.00)	0(0.00)	0(0.00)	1(100.00)
Uluberia 27	General	0(0.00)	25(100.00)	0(0.00)	2(8.00)	8(32.00)	15(60.00)
	SC/ST	0(0.00)	0(0.00)	0(0.00)	0(0.00)	0(0.00)	0(0.00)
Uluberia	General	2(2.33)	84(97.67)	3(3.49)	12(13.95)	13(15.12)	58(67.44)
	SC/ST	0(0.00)	14(100.00)	0(0.00)	1(7.14)	0(0.00)	13(92.86)
All	General	27(17.53)	127(82.47)	11(7.14)	49(31.82)	23(14.94)	71(46.10)
	SC/ST	7(15.22)	39(84.78)	1(2.17)	18(39.13)	6(13.04)	21(45.65)

Figures in parentheses are the percentages to the total.
Source: Field survey, 2016.

Urban Drainage Facility

The extent of service deprivation in drainage facility is quite significant, as about 44% of the general caste respondents and 52% of the SC/ST respondents reported the non-availability of proper drainage facilities (Table 4, p 73). Among the two municipalities, the degree of inequality was found to be comparatively higher in Uluberia, as greater proportions of respondents belonging to both the categories reported the non-availability of the drainage facilities. Also, Table 4 indicates lower drainage coverage for the respondents belonging to socially backward groups in both the municipalities, with the corresponding figure being higher in Bhatpara. Table 4 further shows that inequalities across the wards are higher in Uluberia.

Urban Garbage Collection System

Table 5 shows that 82% of the general caste respondents and 85% of the SC/ST respondents reported the lack of any access to garbage collection facilities. Inter-municipality variation was observed: higher proportion of respondents belonging to both the social categories in Uluberia did not have any access to this facility. In particular, none of the surveyed SC/ST households in Uluberia reported having access to any garbage bins near their houses. Table 5 also suggests that different wards of Bhatpara are spatially unequal in different degrees.

Analysis of the second indicator—"frequency of garbage lifting" reveals further inequality both among and within the municipalities. The effectiveness of this service appears to be comparatively better in Bhatpara, as little more than half of the respondents belonging to both the social categories reported the garbage lifting of at least three times a week. We have also observed inter-ward disparities in terms of this indicator in both the municipalities. Comparatively greater proportion of respondents of ward number 27 of Bhatpara reported the higher frequency of garbage lifting, whereas greater proportion of households in ward number 29 of Bhatpara and ward numbers 08 and 23 of Uluberia reported irregular garbage lifting.

Differences In Access to Services

Overall, the above analysis shows that disparities in access to all the three services both among and within the municipalities exist. Importantly, all the three services are managed at the municipal level in West Bengal. Elected representatives therefore have the incentive to provide higher quantity and better quality of services in order to accrue substantial political leverage over their political competitors. In practice, any councillor's access to financial and physical resources largely depends on their political affiliation in West Bengal.[2] Respondents living in ward numbers 23 and 27 of Bhatpara and ward number 22 of Uluberia enjoyed greater access to water supply and drainage facilities. These three wards happened to be represented by the councillors of the party in power at both the municipal and state level. So, councillors' efforts in provisioning of water were backed by easy availability of funds that they had managed owing to their political affiliation to the ruling party.[3] They also arranged funds for the construction of drains and utilised substantial person-power to clean the drains on a regular basis. De and Nag (2016), in their study of slums in Kolkata Municipal Corporation, similarly found that the availability of sufficient and good quality water is higher in wards represented by the councillor of the ruling political party.

Moreover, political importance of the elected representative within their own party and the nature of the post held by them at the municipal level also influenced the availability of water. For example, the councillor of ward number 27 of Bhatpara held the post of vice-chairman and was an influential member of chairman-in-council. He utilised his political and administrative clout to provide greater number of in-house water connections as well as stand posts. The councillor of ward number 23 of Uluberia, being the influential leader of the opposition, could manage to arrange some fund for drainage services, and this might lead to greater coverage of drainage facilities in that ward. In contrast, the councillors belonging to the opposition political party (for example, ward number 08 of Uluberia) found it difficult to get funds even for routine maintenance of drains.

Further, caste and gender of the councillor indirectly influenced the service availability in the two municipalities. Backward caste women councillor belonging to the opposition political party in ward number 29 of Bhatpara failed to make any claim to municipal resources required for ensuring adequate drainage facility. The solid waste management system is very labour-intensive as the collection and transport of wastes need to be carried out on a regular basis. One SC elected representative belonging to the ruling political party in Bhatpara categorically mentioned that the chairman exercises his discretion in allocating scarce municipal resources only among the selected few councillors. Consequently, unequal distribution of person-power, especially in wards represented by the opposition councillors, led to poor spatial coverage of basic collection services in some wards of both the municipalities. Within a larger context of electoral politics and consequent politicisation of almost every decision-making processes at the municipal level in West Bengal, such unequal municipal responses to the citizens' service needs are consistent with what other studies have stated (Auerbach 2017; De and Nag 2016; Chattopadhyay 2012).

Motivation of the elected representatives in improving the delivery of services under decentralised set-up appeared to be another crucial factor. For example, the councillor of ward number 08 of Uluberia got re-elected for the third consecutive time. Still, almost half of the respondents of that ward reported their dissatisfaction with the availability of water. This might be due to less efforts on part of the councillor in ensuring the sufficient availability of water. On the other hand, nearly 70% of the respondents reported sufficient availability of water in ward number 23 of Uluberia where the councillor, being the leader of the opposition, might try to imprint his presence through the better provisioning of water in the expectation of reaping future political gains. This kind of individual interest in showcasing work is quite natural (De and Nag 2016; Baud and Dhanalakshmi 2007), especially in municipalities like Uluberia where political competition is comparatively higher than that in Bhatpara.

Our analysis also suggests that the access to water for the backward class respondents has been low. Similar trend of low access to water by socially backward urban dwellers is observed by Kundu and Banerjee (2018), Mahadevia (2013) and Kundu et al (1999) across states in India. Interestingly, we did observe that socially backward respondents enjoyed comparatively greater access to water supply in wards (for example, ward numbers 23 and 29 of Bhatpara) represented by SC councillors, suggesting that the caste of the elected councillor might influence socially marginalised peoples' access to water. In the context of rural local governments in India, Chattopadhyay and Duflo (2004) similarly found that political reservations improved access of public services for some marginalised groups and reflected their preferences better. This attests the potential of the democratic decentralised system in ensuring greater availability of basic services to backward groups at the local level.

Looking Into the Differences

This section attempts to systematically analyse the determinants of disparities in the availability of three services using econometric tools. Our dependent variables include availability of water, quality of water, availability of drainage service, quality

Table 6: Dependent Variables and Independent Variables

Variables	Description
Dependent variables	
Availability of water supply	Yi=1 if availability is insufficient throughout the year; 2 if availability is sometimes sufficient or insufficient; 3 if availability is sufficient throughout the year
Quality of water[4]	Yi=1 if quality is bad; 2 if quality is medium; 3 if quality is good
Availability of drainage service	Yi=1 if drainage system is available near the house, 0 otherwise
Quality of drainage service	Yi=1 if quality is bad (water-logging after light rainfall); 2 if quality is medium (water logging after moderate rainfall); 3 if quality is good (water-logging after heavy rainfall)
Availability of garbage cleaning facility	Yi=1 if garbage bin/dustbin is available near the house; 0 otherwise
Quality of garbage cleaning facility	Yi=1 if garbage lifting is irregular; 2 if garbage is lifted once a week; 2 if garbage is lifted thrice a week; 4 if garbage is lifted daily
Independent variables	
Caste of the respondents	D_{1i} = 1, if the respondent belongs to general caste; 0 otherwise
Level of education of the respondents secondary school examination; 0 otherwise	D_{3i} = 2, if the respondent is graduate and above; 1, if the respondent passes higher secondary and
Occupation of the respondents	D_{4i} = 1 if the respondent is a main worker; 0 otherwise
Category of municipality	D_{5i} = 1, if the respondent resides in Bhatpara municipality; 0 otherwise
Political affiliation of the councillors	D_{6i} = 1, if the councillor is affiliated to ruling political party; 0 otherwise
Caste of the councilors	D_{7i} = 1, if the councillor belongs to general caste; 0 otherwise
Sex of the councillors	D_{8i} = 1, if the councillor is male; 0 otherwise

Source: Field survey, 2016.

of drainage service, availability of garbage cleaning facility and quality of garbage cleaning facility (Table 6, p 75). Among them, availability of water, quality of water, quality of drainage service and quality of garbage cleaning facility have more than two categories, whereas the rest of the variables have only two categories. Therefore, we have used limited dependent variable models to arrive at estimates of their determinants. We have employed the ordinal logistic regression models to estimate the determinants of the dependent variables having more than two categories and the logit models for the binary dependent variables.

The independent variables in these models include caste, level of education and occupation of the respondents; political affiliation, caste and sex of the councillors and category of the surveyed municipalities (Table 6). We hypothesise that SC/ST people would experience comparatively poor delivery of basic services due to the marginalisation of disadvantaged castes. Educated respondents are likely to be more knowledgeable and realistic in forming their expectations about the "availability" and "quality" of urban services, given that the municipalities are plagued by resource constraints. Thus, they are likely to reveal their pleasure with the availability of a reasonable amount of services. So, we hypothesise that people with higher levels of education would receive better services. Marginally employed people are generally considered to be poor and their living condition is characterised by deficient urban services. Hence, we expect comparatively poorer services for the marginally employed people. We also hypothesise better delivery of urban services for the people residing in Bhatpara municipality. Because, being a Category A municipality, its strong resource base and better administrative capacities is expected to lead to better service delivery. The councillor belonging to the major ruling party is expected to provide better urban services as they enjoy greater political importance and clout at the municipal and higher levels of governments. So, we hypothesise that the people residing in wards of the ruling party councillors would receive better services. Finally, we hypothesise that SC/ST and women councillors are less likely to put pressure on municipal government to deliver better services due to the marginalisation of the disadvantaged groups in municipal governance.

The tetrachoric correlation matrix for the independent variables indicates weak correlation among them (Table 7). Hence, we have regressed each of the dependent variables on all the independent variables under consideration.

Among the independent variables, political affiliation of the councillors is statistically significant, implying that there is higher probability of getting sufficient water in the wards represented by the councillors who belong to the ruling party (Table 8). On the other hand, respondents' level of education, category of municipality and sex of the councillors appear to be the significant explanatory variables

Table 7: Correlation Matrix (Tetrachoric Correlation)

	Caste of Respondents	Level of Education of oRespondents	Occupation of Respondents	Category of Municipality	Political Affiliation of Councillor	Caste of Councillor	Sex of Councillor
Caste of respondents	1.00						
Level of education of respondents	0.13	1.00					
Occupation of respondents	0.41	0.61	1.00				
Category of municipality	-0.37	0.26	-0.19	1.00			
Political affiliation of councillor	0.29	0.11	0.26	0.00	1.00		
Caste of councillor	0.47	-0.07	0.17	-1.00	0.00	1.00	
Sex of councillor	0.12	-0.07	0.42	-0.40	0.40	0.25	1.00

Source: Calculated by the authors based on Field survey, 2016.

Table 8: Estimation of the Determinants of Variation in Availability of Urban Basic Services

Model Used	Ordinal Logit		Ordinal Logit		Logit		Ordinal Logit		Logit		Ordinal Logit	
Dependent Variable	Availability of Water		Quality of Water		Availability of Drainage Service		Quality of Drainagee Servic		Availability of Garbage Cleaning Facility		Quality of Garbage Garbage Cleaning Facility	
	Coeff	Odds Ratio	Coeff	Odds Ratio	Coeff	Odds Ratio	Coeff	Odds Ratio	Coeff	Odds Ratio	Coeff	Odds Ratio
Caste of respondents	0.015	1.02	-0.024	0.98	0.327	1.39	0.483	1.62	0.261	1.30	0.016	1.02
	(0.04)		(0.77)		(-0.07)		(1.40)		(0.48)		(0.04)	
Level of education of respondents	-0.052	0.95	0.606***	1.83***	0.150	1.16	-0.326	0.72	0.244	1.28	-0.036	0.96
	(-0.20)		(2.56)		(0.51)		(-1.33)		(0.61)		(-0.13)	
Occupation of respondents	0.047	1.05	-0.062	0.94	0.327	139	0.749**	2.12**	0.255	1.29	0.457	1.58
	(0.12)		(-0.18)		(0.73)		(1.94)		(0.42)		(1.09)	
Category of municipality	0.589	1.80	0.948***	2.58***	2.888***	17.96***	-0.162	0.85	3.915***	50.15***	3.910***	49.94***
	(1.56)		(2.76)		(5.28)		(-0.45)		(5.01)		(7.71)	
Political affiliation of councillor	1.186***	3.27***	0.397	1.49	1.178***	3.25***	0.886***	2.43***	0.437	1.55	3.271***	26.33***
	(3.75)		(1.40)		(3.45)		(3.02)		(0.49)		(6.28)	
Caste of councillor	-0.163	0.85	(0.69)	1.31	1.979***	7.24***	0.244	1.28	1.757***	5.79***	1.773***	5.89***
	(-0.38)		0.269		(3.52)		(0.62)		(3.44)		(4.12)	
Sex of councillor	-0.069	0.93	0.654**	1.92**	0.255	1.29	-0.437	0.65	-0.237	0.79	-1.458***	0.23
	(-0.21)		(2.13)		(0.69)		(-1.37)		(-0.26)		(-3.30)	
Log likelihood	-178.34		-207.05		-109.93		-199.17		-63.66		-164.23	
LR Chi2(7)	19.99		25.31		55.78		20.08		55.04		140.49	
Prob>Chi2	0.0056		0.0007		0.0000		0.0054		0.0000		0.0000	
McFadden												
Pseudo R2	0.05		0.06		0.20		0.05		0.30		0.30	
No of observation	200		200		200		200		200		200	

Figures in first brackets are computed t statistic.
*, **and *** imply significance at 1, 5 and 10 percent levels respectively.

in explaining the variation in quality of water. Probability of getting better quality of water is higher in Bhatpara municipality and in the wards ruled by the male councillors. Respondents having higher levels of education are able to manage better quality water. This might be due to the fact that educated people are more aware regarding the consequences of using bad quality of water and so they use water after proper filtration. Bhatpara municipality, being a Category A municipality, possesses better financial as well as administrative capacity and therefore provides good quality of water.

In the case of the availability of drainage service, category of municipality, political affiliation and caste of the councillors appear to be the significant explanatory variables. The probability of availability of drainage facility is higher in Bhatpara and in the wards represented by male councillors from the ruling party. The probability of getting better quality drainage facility is also higher in the wards represented by the ruling party councillors as they manage to employ daily workers in maintenance of the drainage services. Further, respondents who are main workers stand good chances of getting quality drainage facility. This could be due to better quality of drainage services in areas where respondents belonging to higher income group reside.

For the garbage cleaning facility, Bhatpara has demonstrated a positive impact. Caste of the councillor appears as another significant explanatory variable as the probability of getting garbage bins increases if the councillors belong to general caste. Moreover, political affiliation, caste and sex of the councillor, along with the category of municipality turn out to be significant explanatory variables in determining the quality of garbage cleaning facility. There is higher probability of getting frequent garbage cleaning facility in the wards of Bhatpara and in the wards where councillors belong to either ruling party or general caste. The negative impact of the sex of the councillor indicates that if the councillor is female, then the probability of frequent garbage cleaning facility increases. This could be due to their prioritisation of works related to the garbage cleaning facility.

Conclusions

Drawing on field surveys in West Bengal, we have found that inequality in access to all three selected urban services exists both among and within the municipalities. Even the quality of services for those who receive them is often poor. The lack of service coverage is found to be higher among the backward caste people. Our regression results confirm that the general caste households and wards represented by ruling party councillors belonging to general castes are likely to receive better urban services. The category of municipality has a significant impact on the provision of urban services. Moreover, in addition to the gender, political affiliations and caste, motivation of the elected representatives appears to be another important factor. We recognise the limitations of our analysis since there is always the possibility that we may be missing important causal variables. For example, service related (suitability of service for decentralisation, measurability and monitoring of service standards, etc) and contextual (nature and type of peoples' participation, awareness about urban services, etc) factors play important roles in influencing service delivery outcomes. So, generalisations from our analysis can only be considered exploratory. Only further research comparing different cities with differential development patterns will establish whether the findings of this study would hold for urban India in general.

Nevertheless, we believe that the findings yield useful insights on the problems related to urban service delivery in India. Indian cities have limited capacity to provide urban services to all the citizens (Ahluwalia 2017). Ordinary citizens expect help from elected councillors who enjoy certain discretionary powers over the distribution of municipal resources. Elected councillors also target the provision of urban services in exchange for political support. In fact, the extent of the positive impact of decentralisation is found to be partly determined by the commitment of the elected representatives in exploiting political relations and positions as well as their own political ambition. Moreover, political power relations between ward and municipal or state-level politicians significantly influence the capacity of the elected councillors to respond to the needs and priorities of the people. When the ward councillor belongs to the party holding municipal power, the ward receives higher financial and physical allocation of labour. Such political manoeuvrings have been observed in the urban slums of West Bengal and also in other Indian cities (De and Nag 2016; Auerbach 2017; Chatterjee 2013; Berenschot 2010; Baud and Dhanalakshmi 2007).

It seems that, except garbage cleaning facilities, women councillors have failed to make their claims on municipal resources necessary for the delivery of urban services. Political reservations do ensure the representation of historically disadvantaged groups in municipal governance in India. Mixed results in the cases of urban service delivery indicate that such a numerical representation has not been transformed into effective representation. If political reservation is to be in any way transformative, it requires coordinated action plans to challenge the underlying sources of marginalisation and to build the capacity of the elected leaders in reserved constituencies.

The evidence of intra-city inequalities in our study suggests that any central- or state-level urban development schemes are bound to be ineffective as such programmes primarily target the entire city. Quite understandably, the problem of spatial inequality can be better addressed by designing schemes as per the ward-level service deprivation. Instead of cities, wards need to be chosen as the unit for methodical intervention in the form of prioritising allocation of resources to the weakest ward. Such redesigning of urban schemes draws a parallel to the rural programmes in India that specifically target backward districts rather than the state (Bhan and Jana 2015).

In essence, given the mismatch between the rhetoric of bottom-up planning and the reality of politicised top-down hierarchical municipal structure in West Bengal, empowering municipalities and strengthening their organic link with the urban residents through constitutional reforms is only the first step towards neutralising the inequities in access to urban services. It needs to be accompanied by a host of other measures, including the provision of adequate financial and human resources to the municipal governments and, most importantly, special attention to the marginalised people across all the cities during the formulation and implementation of any urban service delivery schemes.

NOTES

1 The conventional approach to assess governmental performances is to examine the public expenditures and related service delivery outcomes. However, there are some practical problems for the government to assess its current policies systematically as it is simply not possible to monitor certain services (for example, monitoring doctors, treatments, etc). It is not possible to appreciate the "quality" and "effectiveness" of services delivered just by examining the public expenditures. All these limit the usefulness of conventional approach.

2 An important aspect of West Bengal's political culture is that political parties in power prefer to increase their support base by offering benefits and patronage to their own supporters by denial of any benefits to the supporters of opposition parties. So, political identity of people and party machinery has been crucial in accessing the state and state resources in West Bengal. (Cornea, 2016; Bhattacharyya 2016).

3 In contrast, all the four elected councillors of Uluberia municipality specifically pointed out to the lack of financial resources, constraining municipality's ability to provide good quality water.

4 The taste, smell and colour of the water have been considered to measure the quality of the available water. The three characteristics have been ranked as taste = 1 if bad; taste = 2 if medium; taste = 3 if good; smell = 1 if bad; smell = 2 if medium; smell = 3 if good; colour = 1 if bad; colour = 2 if medium; colour colour = 3 if good. Quality of water is good if all three characteristics of quality are good. Quality of water is bad if at least one of these characteristics is bad. Otherwise quality of water is considered as medium.

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Measles–Rubella Vaccine

Yet Another Vaccine Piggybacking on the Universal Immunisation Programme

Y MADHAVI

The mandatory measles–rubella (MR) vaccination drive initiated in schools by the Indian government in October 2019 has raised questions regarding whether informed consent was sought from parents prior to vaccination and its legal implications. This article presents a comprehensive picture of informed consent processes, ethics, and the law, and the need for evidence prior to implementing national vaccination policies. In the case of a combination vaccine such as the MR vaccine, we see that the rubella vaccine gained entry to India's universal immunisation programme (UIP) without clear scientific evidence on its disease burden and in the absence of public demand for such a vaccine by piggybacking on another universal vaccine (measles).

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The mandatory measles–rubella (MR) vaccination drive in private schools in various parts of India raised many concerns following its launch in 2017. Parents asked several questions: Why are schools enforcing mandatory vaccination irrespective of prior vaccination? Why should consent be given without knowing the merits/demerits of MR vaccination? Does this extra dose provide any additional benefit to my child? What is congenital rubella syndrome (CRS)?

Conversely, a section of academia and civil society questioned the scientific grounds for this vaccination drive: Does rubella causes high mortality and morbidity in India and is there a routine survey of data on the same? What is the prevalence of rubella in India? Is the fear of CRS in India scientifically grounded? Why was this sudden attention being given to rubella vaccination, that too in combination with the measles vaccine? Is a second dose of the measles vaccine beneficial? What went on behind closed doors in the meetings held by the National Technical Advisory Group on Immunisation (NTAGI)? Who manufactures and supplies MR vaccines to the Universal Immunisation Programme (UIP)? Was this decision based on sound scientific evidence and a cost-effectiveness analysis? What are the ethical concerns and legal implications of this mandatory vaccination?

Unlike other new UIP vaccines, the Indian government made the MR vaccine compulsory for schoolchildren. In response, parents have objected that they were not well informed before their consent was sought for the vaccination (Akshatha 2017). This article looks at parental concerns; the ethical and legal implications of compulsory vaccination; the evidence on rubella and CRS burden; and the safety, efficacy, and cost-effectiveness of the MR vaccine in India.

Mandatory Vaccination

The Deputy (DY) Directorate of Education (DDE) of some states issued orders to schools (Government of Delhi 2018) to conduct MR vaccination and distribute MR information cards issued by the Ministry of Health and Family Welfare (MoHFW). Schools sent parents a consent form for administering the MR vaccine to their children. The consent form stated that as per the order of the DDE, children between 9 months to 15 years of age have to take a dose of the MR vaccine irrespective of their previous vaccination status or "history of measles/rubella like illnesses." It stated that the vaccine will be administered by trained personnel from the municipal council of each state (the New Delhi Municipal Council in the case of Delhi state). Further, the form indicated that the school is not responsible for any side-effects of the vaccine. Parents were advised to consult their paediatricians and give their consent in the following format:

> I, the parent of————, a student of class———, give/do not give my consent for my ward to be vaccinated under the MR Vaccination Campaign to be conducted in the school in the third week of January 2019.

Most parents in Bengaluru resisted MR vaccination. Around 70 schools in Mumbai refused to conduct mandatory MR vaccination (Guppy 2019). In some places, the MR vaccination campaign was so fierce that schoolchildren were not allowed to sit for their examinations if they were not vaccinated (Karmakar 2018).

PIL against MR Vaccination

Six children from Delhi and Ghaziabad, through their parents/guardians, filed a petition (civil) in the second week of January 2019 against the Union of India and the Government of the National Capital Territory (NCT) of Delhi in the Delhi High Court. The petition sought a stay on the mandatory MR vaccination in its present form with immediate effect, as it contradicted provisions of the law under Article 226[1] of the Constitution of India and fundamental rights guaranteed under Articles 14 and 21 of the Constitution including, but not limited to, the right to bodily integrity, privacy, informed consent during medical interventions, freedom of choice, and personal liberty. Petitioners alleged that administering the MR vaccine before providing full information to parents was also in violation of Article 16 of the United Nations (UN) Convention on the Rights of the Child (*Master Hridaan Kumar & Ors vs Union of India & Ans* 2019).

The petitioners' contentions were:

(i) Parents' concerns were inadequately addressed, violating the guidelines of the National Vaccine Policy of 2011.

(ii) Parents were not informed about the safety of the vaccine and of the deaths reported in different parts of the country following MR/MMR vaccination. The Maharashtra government withdrew vaccine batches after deaths following MR vaccination were reported in the state (Pathare 2019).

(iii) Contradicting statements were made in the National Operation Guidelines (which referred to the MR vaccine as new, therefore positioning the MR vaccine as a replacement for the measles vaccine) and the teachers' guide (which used MMR and MR interchangeably, implying that they were the same, and which also claimed that private doctors in India have been administering the vaccine to children for quite some time).

(iv) If the MMR/MR vaccines have been in use in the private sector for several years, why have they not brought down the incidence of measles and rubella in the country? If they were ineffective, why were they not withdrawn from the market?

(v) Was an additional dose of measles vaccination through the introduction of the new MR vaccine necessary? Why should it be compulsory?

(vi) The MOHFW did not conduct clinical trials of the vaccine in India before it was added to the Universal Immunisation Programme (UIP).

(vii) Why was there more emphasis on the quantity of the doses to be administered rather than on the quality of the vaccine?

(viii) The DY DDE of the NCT of Delhi had gone beyond its power (concerning children's health) to issue the said notification (Government of Delhi 2018).

(ix) Placing vaccination sites in schools invokes constant fear in vulnerable children of being administered an injection.

(x) No information on the manufacturers of the vaccine (for instance, whether they were imported or are indigenous) was provided.

(xi) The present compulsory MR campaign was not endorsed by the World Health Organization (WHO).

The petition asks for:

(i) The quashing of the notification dated 19 December 2018 (Government of Delhi 2018).

(ii) The issuance of an order to concerned authorities to stop conducting forcible vaccinations on children without their parents' consent.

(iii) The issuance of an order to the Health Ministry to disclose the manufacturer details, the process of identifying and choosing manufacturers, the campaign's funding pattern, adverse effects, the process of mitigation of adverse effects, information on studies carried out before the introduction of the present campaign, and the results of clinical trials if any.

Based on the petition, the Delhi High Court put a stay on the MR vaccine campaign on 15 January 2019, just one day before the campaign was planned to start in Delhi schools. The court held that the vaccination could be done only with the informed consent of parents/guardians.

Ethical and Legal Issues

Cognisance of the ethical and legal issues involved is necessary to understand the current MR vaccine debate. Public resistance to compulsory vaccination dates back to when vaccines were first used in the 1700s. Only later was vaccination accepted by the public as it was vigorously promoted as the most cost-effective medical tool in preventing and combating infectious diseases. However, the credibility of vaccines as a public health tool has come under question whenever there have been reports of a resurgence in vaccine-preventable diseases, severe adverse reactions to vaccines, or deaths following immunisation. Countries have ethical guidelines and legal frameworks for addressing injuries during clinical trials and vaccinations, as many companies in the West have refused to make vaccines due to increasing lawsuits.

In India, the debate on the ethical and legal aspects of vaccination gained traction after four girls each in Andhra Pradesh and Gujarat died in a human papilloma virus (HPV) vaccine trial/bridging study. A public interest litigation (PIL) was filed by civil society questioning the unethical methods of the trial/study (Srinivasan 2011). The Supreme Court issued notices to the sponsors and organisers of the trial/study as consent was taken from a hostel warden on behalf of a large number of girls, which was deemed to be unethical and illegal (*Hindu* 2013). Parents were not informed about the merits and risks of HPV vaccination and whether there would be medical care or compensation in case of any undesirable event.

The amended ethical guidelines of the Indian Council of Medical Research (ICMR) of 2002 came into force as a legal regulation only after its gazette publication on 8 October 2016 (MCI 2016). Though the Indian public had held unquestioning trust in the first six UIP vaccines, this changed with the new vaccines because of the reports of deaths and adverse events following different vaccinations in India. Indian middle-class parents, who spend on average ₹30,000 per child/year in private clinics, want to be fully informed about the vaccine's merits/demerits, especially in the current context of controversies and rising scepticism regarding the utility of vaccines (Bedi 2017; 72nd Parliamentary Standing Committee Report 2013; Sarojini et al 2010; *Business Standard* 2018a).

In some parts of the country, parents who refused the MR vaccinations were threatened (Narayan 2017), and those who questioned unethical practices in vaccine promotion were punished or thrown out of academies like the Indian Academy of Paediatrics (IAP). This is a reflection of the power the state holds and the lack of accountability to the public (Rao 2017; Bedi 2017; Vashishtha 2016). When public knowledge of unethical practices and the adverse effects of immunisation eroded public trust in vaccines, vaccine promoters blamed the people who criticised these practices, labelling them as "anti-vaccine lobbies." However, the same authorities failed to provide clear scientific evidence of vaccine merits and risks.

There are no vaccine injury compensation laws in India. Processes for recording adverse effects following immunisation (AEFI) are not adequate, and current standards are extremely inefficient in establishing that injuries and deaths are vaccine-related (Puliyel 2013; Puliyel and Phadke 2017). This has further worn down public confidence in immunisation. Apart from legislating policy updates, the government also needs to generate public confidence in vaccines. This is succinctly articulated by Jesani and Johari (2017), who explain that vaccines have benefits as well as risks. They need to be weighed continuously through scientific evidence if they are to retain their premier position in public health. Scientific scrutiny of vaccines is especially necessary as they are given to otherwise healthy children to protect them against diseases.

Informed Consent on Vaccination

Informed consent is a principle that protects patient rights. It is embedded within the Nuremberg Code of Ethics (1947), which establishes a set of ethical principles with respect to research and experimentation on human beings. The code established that voluntary informed consent of human subjects is mandatory. Further, it was vetted by the Helisinki Declaration (1964), which emphasised free-willed informed consent that included a full understanding of the choices available and the consequences (Rajput and Sharma 2011). Consent should be obtained before the medical procedure/intervention begins. In practice, this has become a formality equated with signing paperwork. There is neither public awareness of the need for consent nor is it taken seriously by researchers and the medical fraternity in India. A person, institution, or authority who treats or invades a human body without providing full information and without obtaining proper consent is considered guilty and is liable to be punished under the law (Rajput and Sharma 2011). Concerning the recent campaign in schools for compulsory MR vaccination, the Delhi High Court gave its judgement based on this principle of "real consent." It was established that the parents were not adequately informed about the vaccination and so were unable to judge and give their real consent willingly to vaccinate their children. The practice of seeking informed consent before vaccinations is uncommon in India, but it is strongly recommended due to its ethical and legal implications (Rajput and Sharma 2011).

In the Indian context, there was no separate law on informed consent until the Consumer Protection Act (1986) was made applicable to the medical profession; since then, it is seen as a legal requirement rather than an ethical obligation (Bal 1999). Indian law provides consent rules for majors (adults) and minors (children) but does not specify whether the age group of 12–18 years can give valid consent and to which ages the right to confidentiality is applicable (Mathiharan 2014). Under Section 88 of the Indian Penal Code, while a person above the age of 18 years can give legal consent, a child under 12 years cannot provide valid consent. Parents or a guardian can provide valid consent on behalf of children aged under 12 years and minors (Rajput and Sharma 2011).

Informed consent with respect to patient rights has been discussed and established in relation to medical treatment, diagnosis, and clinical trials in India (Kaur 2017; Bal 1999; Mathiharan 2014; DeCosta et al 2004; Yauba et al 2013), but it has not received the same attention in relation to vaccines (Rajput and Sharma 2011; Jesani and Johari 2017).

Since vaccines are given to healthy populations, not only sound ethical principles but also strong laws are required to implement them fairly for the benefit of public health. There is no separate law on vaccines in India, but other laws that are deemed appropriate are applied in case of any dispute. Categories from the Nuremberg Code like informed consent and "absence of coercion" is preserved within Article 21 of the Indian Constitution (1950), which provides that, "No person shall be deprived of his life or personal liberty except according to procedure established by law." Article 21 was cited in the recent MR vaccine case in India. Further, Article 226 deals with the power of the high courts to ensure the enforcement of fundamental rights. Article 14 guarantees equal protection under the law within the territory of India. These articles have been applied in disputes related to vaccinations.

Interestingly, in the United States (US), even though there are laws to ensure vaccine injury compensation, there is no law concerning informed consent for vaccination, except in Arizona, where mandates for informed consent for child vaccinations were recently introduced (Fischer 2019). The principle of informed consent in paediatrics is inadequately developed all over the world, and this is also true for vaccines.

In certain states in the US and some European countries, vaccination is mandatory for admission into school, which is being contested by parents (Wolfe and Sharp 2002; Blume 2006). In India, there was no practice of mandatory vaccination until the HPV (2016) and MR (2017) vaccination campaigns in schools emerged in the recent years, both of which were met by opposition (Chatterjee 2016; Akshatha 2017). In Western countries, parents contest mandatory vaccination as being an infringement of individual liberty; they oppose the nature of the vaccination process rather than the vaccination itself (Blume 2006), whereas in India, parents (mostly from the middle class) are more concerned about the safety and efficacy of the vaccine.

Drive for a Compulsory Vaccine

WHO, United Nations International Children's Emergency Fund (UNICEF), Bill and Melinda Gates Foundation (BMGF), Global Alliance for Vaccines and Immunisation (GAVI), and the Centers for Disease Control and Prevention (CDC) are a part of the global campaign to provide MR vaccination to 410 million children between 2017 and 2019. Inspired by this initiative, the Government of India (GoI) embarked on its own MR vaccine campaign (Chaudhary and Saxena 2018). The "active campaign" approach was decided in the 66th WHO–South East Asia Region meeting in 2013.

American Academy of Pediatrics (AAP), International Pediatric Association, Lions Clubs International, Sabin Vaccine Institute, IAP, Indian Medical Association (IMA), and GAVI are active supporters of the MR vaccine campaign. Even though GAVI funded the MR vaccination programme, GOI accounted for 90% of the spend on the national immunisation programme, including the cost of the vaccines and their implementation in 2012 (Chatterjee et al 2016). Overall, the estimated cost of the vaccination campaigns under the UIP for the years 2013–17 was around ₹34,336 crore, and it was pointed out that the introduction of new vaccines such as the rotavirus, pentavalent, and pneumococcal vaccines would almost double the immunisation budget for 2017, as the cost of all UIP vaccines alone would increase it to ₹3,587 crore (Chatterjee et al 2016). The introduction of the MR vaccine may further escalate the immunisation budget. If this is the extent to which immunisation budgets are escalated for each new vaccine, other public health programmes may face a budget crunch, especially given that the health budget in India has not increased from 1.15 % of the gross domestic product.

Initially, India introduced one dose of the measles vaccine in 1985 under its routine immunisation programme (to be administered among children aged 9–12 months). A second dose of the measles vaccine was introduced in the year 2010 and was to be administered in children of ages between 16–24 months. A two-dose measles vaccine schedule is now considered the norm under the UIP. However, the MR mass vaccination campaign that was initiated in schools in February 2017 replaced the second dose with a combination vaccine with rubella. This was as a supplementary immunisation activity (SIA), which was supported by readiness assessment tools and planning and monitoring checklists (during 2017–18). It is not part of the routine immunisation (MoHFW 2017). The SIA was recommended irrespective of prior vaccination status. This mass campaign aimed to increase measles vaccine coverage to above 85% to attain herd immunity against measles.

Even prior to the introduction of the MR vaccine by MoHFW under the SIA, private clinics were prescribing the measles vaccine either as the MMR or MR vaccine. It was believed that the resulting low coverage of the vaccine might give rise to a future rubella epidemic, as most of the population was not protected by the vaccine. Therefore, there was a need to ensure full immunisation coverage (Taneja and Sharma 2012). This implied that the only solution was compulsory vaccination, without which a future rubella epidemic could not be ruled out. In India, there is no uniform protocol for vaccination across the public and private sectors. UIP vaccines are provided for free at government hospitals/healthcare centres, whereas the private sector prescribes UIP and non-UIP vaccines to those who can afford them. This also underlines the need to understand the epidemiological transitions of pathogens for better planning to prevent unexpected health outcomes, especially since there are no uniform vaccination policies across all health sectors.

Evidence for Rubella Burden

There is no comprehensive evidence of a rubella or CRS burden in the general population in India (Dewan and Gupta 2012) or in the world (Rawls et al 1967; Edmunds et al 2000); only a few institutional/hospital studies are available. However, a general pattern of antibody positivity was observed globally in children of 6–8 years of age, which increased to 80%–87% (64%–80% for India) at 17–22 years of age, and thereafter remained constant (Rawls 1967), indicating the possibility of populations acquiring natural immunity (Jayakrishnan 2016). It was felt that the rubella vaccination might bring down the number of deaths among children under five years of age (MoHFW 2017), even though there is no definite indication that these deaths in India are due to rubella or CRS.

There has been a steady increase in the immunity status against rubella during 1988 (49%) to 2002 (87%) among women aged 15–49 years with decreasing trends in seronegativity (from 12%–30% to 10%–15%) and the number of CRS cases observed in India (Gandhoke et al 2005; Singh et al 2014; Jayakrishnan 2016). This indicates that the disease burden is decreasing, and at the same time, natural immunity against rubella is increasing in the population.

In fact, in the last two decades, CRS burden has decreased even in the Americas, Europe, and Eastern Mediterranean. However, estimates predict high incidence in the Western Pacific, excluding China, and the highest in Africa and South East Asia (SEA) (Edmunds et al 2000; Vynnycky et al 2016).

In the absence of actual disease burden data, mathematical models have become the main basis for estimating the likely increase in rubella disease burden in the presence or absence of vaccination in the coming 10–20 years. Based on these models, it is recommended that MR vaccination coverage be increased to 85%–100% (Singh et al 2014; Kaushik et al 2018). This is based on the assumption that greater immunisation coverage will elicit herd immunity and thus eliminate measles and rubella globally (Winter et al 2018).

It is interesting to note that even in the absence of actual data, a high CRS burden is predicted for SEA. At the same time, well-conducted seroprevalence studies are recommended mainly to monitor the impact of rubella vaccination (Edmunds et al 2000; Vynnycky et al 2016). It is not clear how one is expected to know the vaccine's impact in the absence of data on the rubella burden in the pre-vaccination stage in India. This implies that more emphasis is being placed on vaccination than on the evidence of the need for the same.

Efficacy of MR Vaccine

Rubella vaccines are available in the US, United Kingdom (UK), China, and Japan, out of which the most widely used vaccine is made from the RA27/3 strain, which is considered superior to earlier rubella vaccines. At present, there are four WHO–UNICEF qualified MR vaccine manufacturers—Serum Institute of India, India; GSK, Belgium; Merck, US; and Sanofi Pasteur, France.

Additionally, private companies like Zydus Cadila and Biological E Ltd (which was given a commercial grant by BMGF) and public sector companies like Indian Immunological Ltd and Bharat Immunologicals and Biologicals Corporation are also heavily investing in MR vaccine development in India.

Vaccine protection efficacy varies across the globe (Vannen et al 1986; Best 1991), and in some persons with low levels of seropositivity, its efficacy is nil; vaccination is not recommended for such persons in the UK. Studies from India indicate that the majority of the population are seropositive for rubella (Jayakrishnan 2016). The vaccination may actually overlap with the natural immunity status of the population; so, it may seem as if the vaccine has had a positive effect even though without vaccination the immunity status against rubella may be stable. This is especially so when there is no data on the pre-vaccination status of the population in India.

Some studies have found no difference or lower immunity with the second dose of measles, including those conducted in India (Vaananen et al 1986; Gomber et al 2011; John et al 2009). Studies on the effectiveness of the MMR/MR vaccine are mostly focused on measles and mumps and not on rubella (Demicheli 2012). Critics are afraid that the MR campaign is a replay of the polio story—multiple polio doses (as much as 5–25) in fact increased vaccine paralysis cases rather than protecting the population from polio (Rajput and Sharma 2011).

In 2015, many countries reported measles outbreaks and its prevalence continues to rise (Perappadan 2019), which raises scepticism about the herd immunity created by the measles vaccine; this idea clearly needs a review. Further, the other factors that contribute to the worldwide rise of measles, even in those countries where measles vaccine coverage is almost 100%, need to be investigated.

MR Vaccine Safety

MR vaccine safety is a major concern in India as deaths were reported from Gujarat (4) in July 2018 and Punjab (1), Uttar Pradesh (UP) (1), and Nagpur (2) in December 2018. Several children also fell severely ill following the vaccination in UP and Maharashtra (*Master Hridaan Kumar & ors vs Union of India & Ans* 2019). Following these reports, the Food and Drug Administration (FDA) ordered the MR vaccine to be withdrawn (Pathare 2019). However, the operation guidelines of the MR vaccine campaign and the information card claim that the vaccine is safe with no severe side-effects; in addition, health authorities have denied that the deaths were related to MR vaccine (*Business Standard* 2018b).

Rubella vaccines are reported to be mild and less severe except for possible lymphadenopathy (swollen lymph nodes), fever, rash, arthralgia (painful joints), and arthritis (joint swelling or limitation of movement) in susceptible adults within 10–30 days after immunisation. The rubella vaccine (HPV77.DK12) that was licensed in the US in 1969 was withdrawn from the market as it induced severe joint pains even in children up to three years of age. Rubella vaccines (along with other vaccines) are not recommended for immunocompromised persons and pregnant women; when administered to women of childbearing age, effective contraceptive precautions are advised (Best 1991). In general, any vaccine is not recommended for immunocompromised persons. A gap of three weeks is recommended between vaccines as the passively acquired antibodies may interfere with the immunity response to the second vaccine. Rubella vaccination is also contraindicated during pregnancy because it has been shown that the virus will cross the placenta following vaccination. In the UK, it is recommended that women avoid getting pregnant for up to one month after rubella or MMR immunisation, while in the US, an interval of three months is recommended. Thus, the vaccinator should ensure that effective contraceptive precautions are being taken before immunising susceptible women of childbearing age (Best 1991). In mothers who have natural immunity against rubella, there is no hazard to the foetus unless viremia takes place if reinfection occurs in the first trimester of pregnancy. However, in the UK, it is advised to avoid pregnancy for a month, and in the US for three months, after rubella vaccination as the vaccine strains are transmitted through placenta may cause infection in foetus (Best 1991). Viremia occurs rarely in mothers with low levels of antibodies (Best 1991). The Institute of Medicine (2012) reported 30 adverse events following MMR vaccinations. Japan banned MMR after deaths were reported due to the vaccine (Hope 2001).

There are no pre-market studies on MR/MMR and the post-market surveillance studies on the safety of the MR/MMR vaccines are largely inadequate (Oliver 2018), underscoring the need for close monitoring of the AEFI of MR in India and assuring the public about the positive actions that will be taken in case of any adverse events.

Discussion and Conclusions

Three viewpoints have emerged related to the MR vaccination drive in India. One section believes that universal immunisation of all children (aged nine months to 15 years) would eliminate rubella in 10–20 years. Another section concludes that the selective immunisation of adolescent girls will prevent CRS, which is an anticipated risk for a small proportion of seronegative, susceptible girls. The third viewpoint believes that immunisation against rubella is not warranted, as it is mild and widely spread among children and would thus elicit lifelong natural immunity. On the other hand, vaccine-induced immunity would stop naturally acquired immunity (Puliyel and Hegde 2014). The chances of reinfection are higher with vaccine-induced immunity than natural immunity. It is also higher in RA27/3 vaccinees (which is currently in extensive use) than in those vaccinated with HPV77 (Best 1991).

It is clear from the literature that there are not enough studies to establish rubella or CRS burden in India. The available studies indicate that the burden has declined over the last few decades, and that 60%–80% of the Indian population has acquired natural immunity against infection. Still, some questions such as whether a second dose of the measles vaccine along with the rubella vaccine protects against these two diseases and whether the vaccine meets safety norms remain unanswered. In the absence of clear scientific evidence in India, the MR vaccine campaign appears to have been executed in haste without prior assessment or clinical trials establishing its efficacy, the disease burden prior to vaccination, and cost-effectiveness. It is yet another combination vaccine that has joined the UIP list while pre- and post-vaccination studies are pending and evidence of its health benefits remains elusive and contentious; other new vaccines in this category include the hepatitis B, HPV, and rotavirus vaccines and combination vaccines such as DTP-HB (diphtheria, tetanus, pertussis, and hepatitis B) and pentavalent.

The government's own technical advisory group, the NTAGI, recommended that a study be conducted to check the impact of hepatitis B vaccination on Indian children over a decade (2004–14) following its inclusion in the UIP. The study took place and found that this vaccine had no protective effect for Indian children (Kumar and Puliyel 2014). However, there has been no review of the hepatitis B mass vaccination strategy which considers whether the vaccination should be continued even if it does not protect Indian children at the cost of public money.

Notably, the benefits of the pentavalent combination vaccine (DTP, hepatitis B, and influenza B [Hib]) are doubtful. Hib is another dubious component; the incidence of influenza is low, and Indian children develop natural immunity against it during infancy. Moreover, the pentavalent vaccine's safety is a significant concern, as many deaths have been reported since its introduction (Puliyel et al 2018). Despite this, it continues to be used on a vulnerable population like children. The question arises whether spending public money on unnecessary vaccines, including combination ones, is justified. Combination vaccines need a thorough review in terms of the need for them, their safety, and their efficacy, as it is known that individual antigens are more efficacious compared to their cocktail combinations (Madhavi and Raghuram 2010; Sridhar et al 2014). This would enable a more scientifically grounded and economical use of vaccines.

The current trend is that new vaccines are hyped until they are made part of the UIP. Later, it is forgotten, and whether it is effective in tackling the disease is anybody's guess. No one takes responsibility for any reported adverse reactions or deaths following vaccination nor is any compensation provided (Nadimpally et al 2017). Sometimes, such reports are hidden from public knowledge (Staton 2012; Kennedy and Vows 2016; Attkisson 2009). The only defence the vaccine promoters have is to attribute any criticism to the "anti-vaccine lobby" while ignoring scientific evidence. Although infant deaths have doubled following the introduction of the pentavalent vaccine (237 deaths reported within 72 hours following vaccination), and infant deaths following the pentavalent vaccine are double that of deaths following DPT vaccination in India, this vaccination is continued even today (Puliyel et al 2018). Combination vaccines are made only with an existing UIP vaccine and one or more new vaccines to ensure eternal markets for new vaccines by combining them with old vaccines (Madhavi 2006). MR is yet another such combination vaccine, with rubella gaining entry into UIP without compelling epidemiological evidence on its necessity, by riding piggyback with a more established measles vaccine. According to the monthly index of medical specialities (Gulhati 2014), the price of a measles vaccine is ₹3.42 while that of a rubella vaccine is ₹38.80. However, MR vaccines retail at ₹98–120 (ITSU 2015). It is clear that the industry is adding vaccines only to multiply prices, as MR is around 1.5 times more expensive than the sum of the two individual vaccines. It is also clear that in the process, whether all Indian children need protection from rubella or not, the industry needs the profits that every such combination vaccine assures, regardless of how irrational and unethical it may be.

NOTE

1 Article 226 provides powers to high courts to issue directions, orders, and writs to any government, authority, or person—or an interim order or stay in any proceedings relating to a relevant petition—under their jurisdiction.

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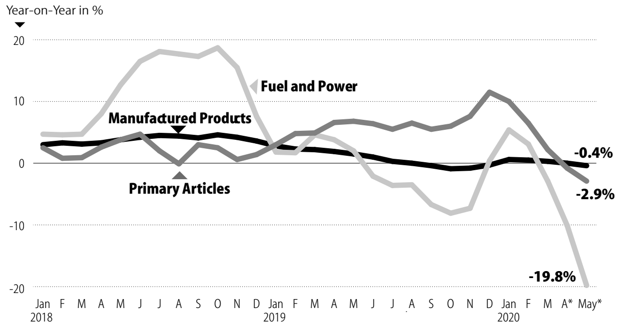
Wholesale Price Index

The WPI inflation rate declined to -3.2% in May 2020 from 2.8% registered a year ago and 0.4% a month ago. The index for primary articles decreased by (-)2.9% against 6.8% reported a year ago. The index for food articles was down by 1.3% compared to 7.3% recorded a year ago. The index for fuel and power declined by (-)19.8% against 2.0% registered a year ago. The index for manufactured products dropped by (-)0.4% against 1.4% reported a year ago.

Consumer Price Index

The consumer food price inflation rate increased to 9.3% in May 2020 from 1.8% registered a year ago. The rural food price inflation rose by 9.7% and urban food price inflation by 8.4% against -0.2% and 5.9%, respectively, recorded a year ago. Due to limited transactions of products in the market in the month of May 2020, price movements of most of the other sub-group of products were not compiled. 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% reported a year ago.

Movement of WPI-Inflation Rate January 2018–May 2020



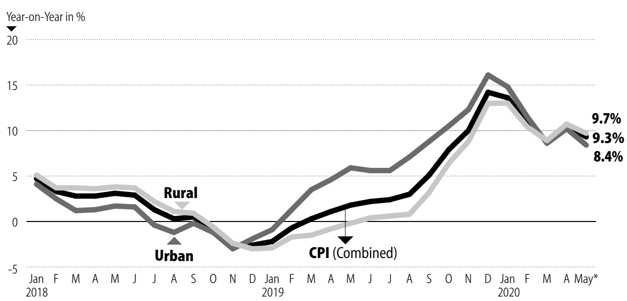
* Data is provisional; Base: 2011–12 = 100.

Trends in WPI and Its Components May 2020* (%)

	Weights	Over Month	Over Year	Financial Year (Averages) 2017–18	2018–19	2019–20
All commodities	100	-	-3.2	2.9	4.3	1.7
Primary articles	22.6	-1.4	-2.9	1.4	2.7	6.8
Food articles	15.3	-0.2	1.1	2.1	0.3	8.4
Fuel and power	13.2	-9.4	-19.8	8.2	11.5	-1.8
Manufactured products	64.2	-	-0.4	2.7	3.7	0.3

*Data is provisional; Base: 2011–12=100; Source: Ministry of Commerce and Industry.

Movement of CPI–Food Inflation Rate January 2018–May 2020



* May 2020 is provisional; Source: National Statistical Office (NSO); Base: 2012=100.

Movement of CPI–Food Inflation Rate May 2020* (%)

	Weights	Latest Month Index	Over Month	Over Year	Financial Year (Avgs) 2018–19	2019–20
Consumer Food	39.1	151.9	0.13	9.28	0.70	6.03
Rural	47.3	150.5	0.07	9.69	0.69	4.83
Urban	29.6	154.3	0.13	8.36	0.74	8.10
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; Source: NSO (rural & 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

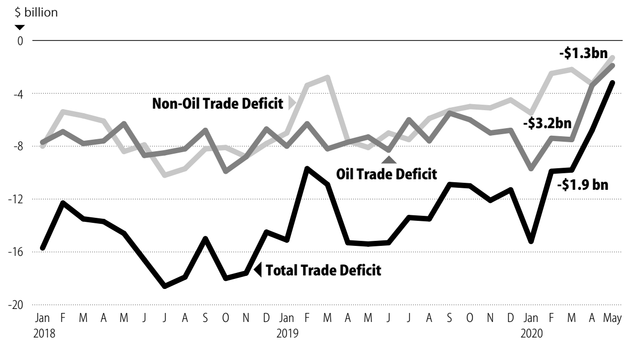
Due to the COVID-19 pandemic and the nationwide lockdown, most of the eight core industries witnessed a major loss of production during the April and May 2020. The Index of Eight Core Industries declined by (-)23.4% in May 2020 against 3.8% reported last year. Growth in the production of refinery products, 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

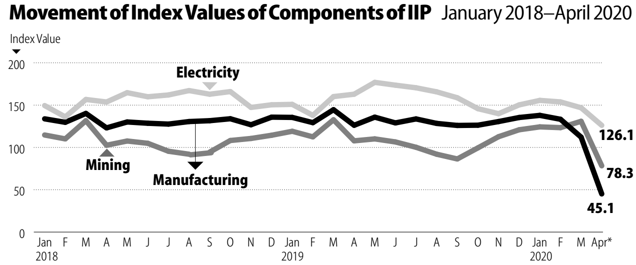
Data is provisional. Source: Ministry of Commerce and Industry.

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–April 2020



* April 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	Q4	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	19 June 2020	21 June 2019	31 March 2020	Variation: Over Month	Over Year	Financial Year So Far 2019–20	Financial Year So Far 2020–21	Financial Year 2015–16	2016–17	2017–18	2018–19	2019–20
₹ crore	3569492	468486	400103	3344616	15348	68383	13289	218620	25300	353270	68050	668976
$ mn	468486	3154	32050	443645	-36948	83458	184950	16297	10160	53217	-14168	56831

Monetary Aggregates

₹ Crore	Outstanding 2020	Variation: Over Month	Over Year	Financial Year So Far 2019–20	Financial Year So Far 2020–21	Financial Year 2017–18	2018–19	2019–20
Money supply (M_3) as on 5 June	17394240	184160 (1.1)	1916063 (12.4)	46110 (0.3)	594310 (3.5)	1170657 (9.2)	1469480 (10.5)	1367863 (8.9)
Components								
Currency with public	2544406	70375 (2.8)	412191 (19.3)	80006 (3.9)	194691 (8.3)	495583 (39.2)	292496 (16.6)	297506 (14.5)
Demand deposits	1597839	17992 (1.1)	189645 (13.5)	-218318 (-13.4)	-139853 (-8.0)	86962 (6.2)	142800 (9.6)	111180 (6.8)
Time deposits	13205052	87123 (0.7)	1296931 (10.9)	186517 (1.6)	531037 (4.2)	585266 (5.8)	1026348 (9.6)	952411 (8.1)
Other deposits with RBI	46943	8670 (22.7)	17295 (58.3)	-2095 (-6.6)	8436 (21.9)	2817 (13.4)	7836 (32.8)	6764 (21.3)
Sources								
Net bank credit to government	5570541	-6102 (-0.1)	867842 (18.5)	314209 (7.2)	663958 (13.5)	144799 (3.8)	387091 (9.7)	518093 (11.8)
Bank credit to commercial sector	10909293	4199 (0.0)	647906 (6.3)	-121332 (-1.2)	-129351 (-1.2)	802225 (9.5)	1169004 (12.7)	655925 (6.3)
Net foreign exchange assets	3979418	118508 (3.1)	830488 (26.4)	78089 (2.5)	180516 (4.8)	364065 (14.2)	148546 (5.1)	728061 (23.7)
Banking sector's net non-monetary liabilities	3091326	-67555 (-2.1)	430533 (16.2)	224923 (9.2)	120812 (4.1)	140995 (6.8)	235395 (10.7)	534644 (21.9)
Reserve money as on 19 June	3183711	62894 (2.0)	408720 (14.7)	4510 (0.2)	154038 (5.1)	518300 (27.3)	351701 (14.5)	259192 (9.4)
Components								
Currency in circulation	2660533	49457 (1.9)	454606 (20.6)	69156 (3.2)	213254 (8.7)	494078 (37.0)	307423 (16.8)	310508 (14.5)
Bankers' deposits with RBI	484463	16249 (3.5)	-54919 (-10.2)	-62587 (-10.4)	-59425 (-10.9)	21405 (3.9)	36444 (6.4)	-58081 (-9.6)
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 RBI credit to Government	1123896	-142104 (-11.2)	204200 (22.2)	117745 (14.7)	131704 (13.3)	-144836 (-23.3)	325987 (68.5)	190241 (23.7)
of which: Centre	1119275	-140016 (-11.1)	199700 (21.7)	119102 (14.9)	129534 (13.1)	-145304 (-23.5)	326187 (68.8)	189268 (23.6)
RBI credit to banks & commercial sector	-282212	129804 (-31.5)	-267725 (1848.0)	-167338 (-109.5)	-81319 (40.5)	372643 (-120.5)	89478 (0.0)	-353744 (0.0)
Net foreign exchange assets of RBI	3830714	130552 (3.5)	870907 (29.4)	111219 (3.9)	240312 (6.7)	363571 (15.2)	87807 (3.2)	741814 (26.0)
Govt's currency liabilities to the public	26315	0 (0.0)	360 (1.4)	67 (0.3)	0 (0.0)	572 (2.3)	236 (0.9)	427 (1.6)
Net non-monetary liabilities of RBI	1515001	55358 (3.8)	399023 (35.8)	57183 (5.4)	136659 (9.9)	73650 (8.8)	151805 (16.7)	319547 (30.2)

Scheduled Commercial Banks' Indicators *(₹Crore)*

(As on 5 June)	Outstanding 2020	Variation: Over Month	Over Year	Financial Year So Far 2019–20	Financial Year So Far 2020–21	Financial Year 2017–18	2018–19	2019–20
Aggregate deposits	13955386	104948 (0.8)	1415127 (11.3)	-33512 (-0.3)	387894 (2.9)	668390 (6.2)	1147721 (10.0)	993721 (7.9)
Demand	1476881	17804 (1.2)	183355 (14.2)	-217761 (-14.4)	-140122 (-8.7)	88843 (6.9)	141004 (10.3)	105716 (7.0)
Time	12478505	87144 (0.7)	1231771 (11.0)	184249 (1.7)	528016 (4.4)	579547 (6.1)	1006718 (10.0)	888004 (8.0)
Cash in hand	84514	-640 (-0.8)	6865 (8.8)	2773 (3.7)	-2746 (-3.1)	-1295 (-2.1)	14811 (24.7)	12384 (16.5)
Balance with RBI	445527	21805 (5.1)	-63833 (-12.5)	-56347 (-10.0)	-90659 (-16.9)	16906 (3.3)	40021 (7.6)	-29521 (-5.2)
Investments	4152697	124085 (3.1)	659542 (18.9)	112099 (3.3)	405348 (10.8)	287494 (9.5)	62602 (1.9)	366293 (10.8)
of which: Government securities	4151031	124000 (3.1)	659944 (18.9)	112085 (3.3)	412334 (11.0)	287657 (9.5)	61595 (1.9)	359695 (10.6)
Bank credit	10254776	2371 (0.0)	602873 (6.2)	-119820 (-1.2)	-116085 (-1.1)	783965 (10.0)	1146298 (13.3)	599138 (6.1)
of which: Non-food credit	10169094	-14077 (-0.1)	594794 (6.2)	-155813 (-1.6)	-150003 (-1.5)	795906 (10.2)	1146677 (13.4)	588984 (6.1)

Capital Markets

	26 June 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)	34732 (-11.2)	30196	39113 (10.8)	27591	34732	25981	41953	32969 (12.1)	39714.20 (12.4)	29816 (-21.8)
S&P BSE-100 (Base: 1983–84=100)	10342 (-12.2)	8997	11780 (7.0)	8180	10342	7683	12456	10503 (11.5)	12044.07 (9.1)	8693 (-25.2)
S&P BSE-200 (1989–90=100)	4322 (-11.2)	3756	4865 (5.0)	3416	4322	3209	5185	4433 (12.0)	4986.55 (7.1)	3614 (-25.1)
CNX Nifty-50 (Base: 3 Nov 1995=1000)	10244 (-12.4)	8879	11691 (9.2)	8084	10244	7610	12362	10114 (11.1)	11922.80 (11.1)	8660 (-24.3)
CNX Nifty-500	8403 (-11.8)	7285	9526 (3.2)	6638	8403	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.

Who Will Pay the Price for War?

Voices from Ladakh must not get drowned in the din of mainland India's calls for war with China.

PADMA RIGZIN

When the story of India's 1948 war with Pakistan is told, the focus is on the Instrument of Accession, the agreement that made Jammu and Kashmir (J&K) a part of the Indian union. We are taught in school that the Pakistani army supplied civilians with weapons and arms, who then came all the way up till Srinagar in 1948, and that the panic-stricken Maharaja Hari Singh of J&K called for India's help to push back the invaders. Sardar Vallabhbhai Patel, the then home minister, agreed to send help only after the Maharaja signed the Instrument of Accession. After J&K acceded to India, we are told, the Indian army landed in Srinagar and drove away the raiders up till the present-day Line of Control (LoC). All was well.

But from a Ladakhi perspective, this story is incomplete, with Ladakh and Ladakhis missing from the narrative. To be sure, the main theatre of action during the 1948 war was indeed the Kashmir valley. However, what is often left out is that many Pakistan-backed raiders also came to Ladakh. Killing and pillaging, they reached the *Ladakh Khongkha* (the hillock more commonly known as the site of Gurdwara Pathar Sahib), from where Leh, the capital city of Ladakh, was merely 20 km away. Had the Indian armed forces, which landed on a hurriedly constructed airstrip at Leh, not forced the invaders back, the invaders could have just as easily reached Leh.

On their wicked journey towards Leh, the raiders stayed in my village, Hemisshukpachan, which is situated 80 km west of Leh, from where I write this article. Village elders from that time tell us how a group of invaders stayed in one of the houses in the village belonging to a family known locally as Gyen-e Gangzurpa. To counter them, two companies of the Indian army—mainly composed of the famed Gorkhas and led by two Himachali colonels—along with local militia, came to the village. Three men from my village were members of the local militia. The Indian side lost the battle of Hemisshukpachan, with some soldiers losing their life. Their last rites were performed in our village, and their graves are known as *gorkhey romkhang* (Gorkha's grave). One Lobzang Tsering, a member of the local militia, also lost his life, but achieved legendary status for his bravery in the battle, and is immortalised in the songs sung by the people of Hemisshukpachan. The Indian army had to face defeat at Hemisshukpachan; however, with reinforcement coming by air, the raiders were eventually defeated and sent back.

Despite the eventual victory that saved Ladakh from going into the hands of Pakistan, it is essential that we remind ourselves of the horrors of war that fell on the Ladakhis. In every village, the raiders ransacked houses and put forth demands for livestock and food with wantonness, even going to the extent of kidnapping women. What is more is that hundreds of now-forgotten Ladakhis like Lobzang Tsering lost their lives. Moreover, in singing the paeans of victory, what is foreclosed is the misfortune that befell Ladakhi women in 1948. Oral history tells us how women were made to dance for the entertainment of the raiders. Local accounts from Saspol village tell us that women used to blacken their faces in order to conceal themselves and not draw the attention of the invaders.

The 1948 war is not the only war that India had to fight with its two belligerent neighbours in Ladakh. In every war since independence, Ladakh has been one of the fronts—be it 1962, 1965, 1972 or 1999. In protecting India's sovereignty, Ladakhis have made an incommensurable contribution. But, in the process, Ladakhis have also suffered more than their fair share. Due to its volatile borders and Ladakh's strategic location, the Indian army raised a regiment called the Ladakh Scouts, which is composed of locals. Known as the snow warriors, the Ladakh Scouts hogged the limelight for its exemplary courage in the 1999 Kargil war.

Those calling for war from the comfort of their homes in mainland India cannot fathom the price the locals will have to pay

At the same time, there is my other(ed), personal experience of the 1999 war as an eight-year-old. Our schools were shut. Men from my village had to go to the front as porters—including my father, a retired soldier himself, who went there with our three donkeys. A soldier from our village came back wrapped in the tricolour after the war, as did several other Ladakhi soldiers. With several of my close relatives in the army, the fear that my family, my village, and I, as an eight-year-old, felt is hard to shake off.

Fast forward to 2020, Ladakh's border has again become unquiet. We have already lost 20 brave souls at the hands of the nefarious China's People's Liberation Army. To me, this loss is sad and bloodcurdling, to say the least; being the son of a retired soldier, this news hits closer. However, full-scale war with China will deliver a disproportionate toll on the Ladakhis. Those calling for war from the comfort of their homes in mainland India cannot fathom the price the locals will have to pay. Out of the 700-odd population of my village, 23 are serving soldiers. A large number of serving soldiers in Ladakh are locals from rural Ladakh.

In addition to the loss of precious lives, a war will send the tourism-dependent local economy into a tailspin. Already, the current pandemic has brought tourism and related businesses to their knees. With the lockdown slowly being lifted in phases, the local tourism industry was looking forward to slowly getting back on track. But the news of the Galwan crisis and the death of our soldiers has poured water over their hopes. Mind you, it is not the wealthy hoteliers, restaurateurs, or tour operators who will take the hit if a war does happen. The impact will reach the remotest villages of Ladakh—it will reach the homestay owners, camping site operators, pony owners, helpers, porters, cooks, local guides, taxi drivers, pick-up truck drivers, and shopkeepers in rural Ladakh, who have nothing to fall back on. With only a few months of summer being earning months, poor Ladakhis will be under even more financial strain.

It is in this context that armchairs warriors should hold their horses. Their voices are devoid of concerns of the locals. Their shrill calls for vengeance are reminiscent of 1962 when Prime Minister Jawaharlal Nehru, under immense domestic pressure, adopted the "forward policy" to throw the Chinese out. We can only hope that our current Prime Minister will not repeat the mistake of 1962. The current border crisis also reminds us to delink domestic politics from national security issues. There was no need to announce the intention to take back Aksai Chin in Parliament when the bill to bifurcate J&K was being debated. Such posturing is the complete opposite of the teachings of Chanakya, whose polity and philosophy our Prime Minister is supposedly inspired by. Sanity should prevail, keeping in mind national, but also local, interest. Our best solution lies in options other than military.

[Images accompanying this article are available on the EPW website.]

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Liquid Objects, Solid Meanings

With designers and manufacturers focusing more on creating aspirational value rather than enhancing the utility of a product, what does it mean for us as consumers?

ABHISHEK KUMAR

When we buy a Mercedes, we are not buying just another car; when we buy a Gucci, we are not buying a mere bag; and when we decide to pursue an Ivy League education, we aren't acquiring just another degree. In other words, what we are buying is not so much the product, but its representation, or what it signifies. The essential function of a product—transportation in the case of the Mercedes or storage in the case of the Gucci—is no longer considered a significant factor influencing the purchase. Instead, the name associated with it is of paramount importance. The question therefore remains: When we buy expensive branded goods, what are we really buying? Does the performance of the essential function remain important? If not, then what happens to the product development processes that make a product do more? Do manufacturers stop offering value through the essential functions of a product? If creating sign value or brands were to be the prime objective, should manufacturers then focus on creating meaning rather than enhanced utility?

The massive proliferation in banking networks has made capital more easily accessible than before. Similarly, technology has no longer remained the preserve of select countries and corporations, and even advanced versions of it are now available through the cloud on demand in small units, thus obviating the need for expensive on-premises and installable solutions. These developments have made it easy for all manufacturers to improve a product's utility value, thus taking away the edge that one manufacturer may enjoy over the other. The burgeoning middle class, in the meanwhile, has developed itself as the new leisure class that emphasises conspicuous consumption more than consumption of mere utility. The values that have higher social and cultural approval like style, luxury, prestige and power have therefore become more profitable than investing in improving the product's utility, which has almost ceased to make the manufacturer stand out in the crowd of competing products. This trend has encouraged manufacturers to focus more on creating sign value in products—a value that makes the consumer more esteemed in society.

The values that have higher social and cultural approval like style, luxury, prestige and power have therefore become more profitable than investing in improving the product's utility

French theorist Jean Baudrillard first spoke about this move towards manufacturing meaning instead of real product development, asserting that this trend arrests the possibility of technological advancement, as the focus shifts from a technical system to a cultural system to elicit a more passionate response from the consumers. He illustrated this with the example of a passenger car, which rings true even today. The car, conceptualised as a tool that encourages social intercourse by making travel easy and comfortable, was very soon dissociated from its primary task, cultivating associations of prestige, exclusivity and power—values that distance people from one another, quite the opposite of social intercourse.

Similarly, a house is a space for its inhabitants to live and grow with one another, to discover themselves by finding the concentrated essence of living—an integral space that should help develop rounded individuals, it is subjected to similar analytical processes. The spaces within are broken into comprising elements that individually heighten their desirability. For example, furniture that represents pure functionality and the culture of do-it-yourself, or a liberal use of glass, representing values of transparency, or recessed ceilings that hide the source of light representing humanity's movement away from the origins of things, or walls that come in varying colours and shades representing an aspirational or holiday-like environment. All of these emphasise a minimalist lifestyle that supports meaning creation of a type that makes people largely consumers of products that makes them a part of the ever-growing market. Here, the product sold is social standing, unremitting excitement and isolated existence—an existence that is eerily similar to everyone else's.

These developments are a sign of changing times. Nowhere is this more evident than in advertising, packaging, branding, window displays, shopping and fashion. Proliferating mass media, a culture based on consumption, and the liberal use of sexual symbols for the purpose of sales have made the manufacturing of signs a primary activity. Conspicuous consumption, as introduced by Thorstein Veblen in *The Theory of the Leisure Class: An Economic Study of Institutions* (1899), has the consumption of signs at its core. His division of labour, as drudgery and exploits, performed by women and men, respectively, constructed the sign of invidious distinction between genders in society. Men became the agents of every activity that was worthwhile and heroic, while women became responsible for all that is menial, repetitive and, according to men, wasted effort. As consumers got comfortable living among signs emerging from such social structures, they distanced themselves from real objects and their true needs. And today, the threat of becoming a society of people who find it difficult to understand their needs, or imagine a way of life that is different from what exists looms large. A society lost among the signs, ever receding from reality and rooted in nothingness became an easy prey to intervening forces of capitalism that accentuated only one ideal, consumerism, and which propagated only one idea, control. Suddenly, "the end of transcendence," (a term used by Herbert Marcuse in *One Dimensional Man: Studies in the Ideology of Advanced Industrial Society* [1964] for man, who had shown the promise of apotheosis) seems near.

To extend this argument, what will happen when a person becomes a sign in themselves, when the human form acts as a camouflage for a sign? If the form is bare and is extracted from the whole to be just the part, it represents a vulgar functionality and impoverished content. This is beautifully illustrated in the opening scene of Jean-Luc Godard's 1963 film *Le Mépris* (Contempt). The protagonist Camille (Brigitte Bardot) inventories her body parts in the mirror as images and, in a series of questions, asks her husband if he loves her feet, her ankles, her knees, her thighs, and in the end, her whole body as a part like all other parts. Such a slicing of her body, part by part, at the level of a sign, not only disfigures desire but also makes each part available for commercial exploitation. As each part becomes independent of the rest, it becomes amenable to managerial treatment and attains the status of an object to which meaning can be attributed—a meaning that fetishises body parts in the beginning and objects of consumption in the end. Here, too, a singular focus on maximising the potential of the mutilated image wins, and the possibility to build the integrative and reflective capability of humans is lost. The objective of realising the dream of the one-dimensional man achieves a two-way consummation, both from within and from without.

Objects were solid once upon a time but are now becoming liquid by assimilating technology and managerial interventions. Meanings contained in the object were multiple and liquid but are now becoming solid and unidimensional under the pressure of capitalist purposes. Meanings that have the power to inspire new thoughts and feelings and build creative capacity within humans are suffering from an unprecedented onslaught that threatens to wipe out their variegated existence. The personalities that were to construct and lend vitality to them are becoming one-dimensional and devoid of all vigour. The end of transcendence is here, and human beings have lost sight of their greater purpose and their immense potential, and of what it means to be human in a world of plurality.

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Exorcism and the Discourse of Kerala's Exceptionalism

Are the superstitions and cultural beliefs of Kerala at odds with its so-called exceptionalism?

ANAND SREEKUMAR

On 4 May, three women in Bihar's Muzaffarpur district were attacked on suspicion of being witches, and tortured, tonsured, and paraded half-naked. As I was discussing the horrors with a friend, his initial outrage and revulsion gave way to a sense of resignation. From the lynching of Pehlu Khan to the silencing of these "deviant women," he argued, what else could one expect from the rampaging "medieval, primitive" mobs roaming the countryside of South Asia. Like many of us, he too had conjured up a view of India with a dual identity. There was that vast swathe of the Indian "Wild West" peppered with the odd cocoons of a few rational spaces—the cities and university spaces.

The rational and the superstitious Kerala, the medieval and the modern Kerala, and the scientific and the shamanistic Kerala coexist, interact, and flow into each other in myriad ways

Having spent most of my life in Kerala, such superstitious practices were eerily familiar, shaping a significant part of my childhood and, thereby, my very consciousness. I remember being deeply affected by Na-Hong Jin's South Korean classic horror film *The Wailing* (2016). It wasn't merely the impact of a well-made horror film. But the themes of exorcism and witchcraft in a remote village resonated with me to such a degree that the horror felt much closer to home, rather than as a mere spectacle unfolding on screen. The first exorcism that I remember witnessing as a child occurred in my native place of Kilimanoor, the birthplace of celebrated painter Raja Ravi Varma. Located just outside Trivandrum, Kilimanoor is a village with lush fields of paddy, tapioca, and rubber, criss-crossed by muddy paths and clear streams. The village temple and its festivals, the scattered *kaavus* (sacred groves), and the fearful myths associated with them were an intrinsic part of the psyche of the village.

When my family decided to move to the rapidly growing Trivandrum, negotiations were on to sell the family's ancestral property and, as was customary, an astrologer was consulted. The results of the consultation were shocking and opened a Pandora's box. A seemingly innocuous pooja room within the *tharavadu* (ancestral home) was the unlikely epicentre of all the issues. We were told that an unassuming idol in this room, which had been blindly worshipped by three generations, wasn't attributed to any deity, but rather an ancestor who was referred to as *mantravadiyappooppan* (magician grandfather), whose soul was still in the room. The astrologer's account had all the trappings of a horror movie—*mantravadiyappooppan* was accompanied by many dead, grieving souls, and *chathan* himself (a Malayalee variant of Satan, similar to a *bhoota*, associated with evil)!

In trying to sell a piece of land, we had to negotiate with the entire history of social and religious linkages associated with the space. Certain wrongs, "sins" that had caused the death of some ancestors, had to be corrected, and the question of the "mystical" ownership of the land resolved. As long as the ancestor "remained" in the pooja room, he saw himself as the owner, meaning it could not be transferred to any other family. These negotiations with the otherworldly were done through an elaborate mediatory process of yagnas, peppered with shlokas, headed by formidable priests, and lasted for two days.

This ritual is only one of the myriad occult practices that exist across the length and breadth of Kerala. Though arguably institutionalised to a certain degree, documentation has been sparse, barring the work of writers like Giles Tarabout, who has provided a typology for the three major actors in a classic exorcism: the victim, the aggressor, and the mantravadi (magician). The victim either suffers from an incurable disease (when "even modern medicine fails"), could be possessed, or could have died prematurely under strange circumstances. This is considered to be perpetrated by an occult aggressor, either an otherworldly spirit or another human being. In the case of the latter, the blame is assigned to jealous relatives or colleagues who might have performed black magic. The victim's family then consults an astrologer, who either performs the ritual or outsources it to the third participant, the *mantravadi*. The magician performs elaborate rituals and often negotiates with the otherworldly through shamanistic practices to appease and, as a last resort, "conquer" the spirit. Gender bias inevitably seeps into these exorcisms, with the possessed victims—disproportionately female—considered weak in spirit as opposed to their saviours, the magicians—mostly male.

Treading the fine line between myths and truth, existing as "open secrets," the categorisation of occult practices resists simplistic binaries. They pervade the urban and rural in Kerala in near-equal measure. It is not unusual to encounter similar rituals in cities too. Besides the urban–rural binary, these practices blur the science–superstition boundary. Often, occult practices are based on astrology, which uses a combination of fixed patterns and numbers as well as the intuition of the astrologer and, later, the magician. The former aspect of fixed regularities of numbers that inform these practices give this a scientific veneer, enhancing its legitimacy even among many of my scientific-minded peers. The latter aspect of the intuition, on the other hand is often coupled with dramatic performances explaining its allure among the more superstitious crowd.

And, personally, negotiating with these practices is no easy feat, often resulting in contradictory and complex emotions. At times, in the "modern" and "rational" university spaces that I have come to inhabit, shamanism seems to belong to an entirely different world. But, this detachment unravels every time I return home for the holidays, and I re-encounter these "medieval" practices. At other times, they unearth a sense of pent-up dread, having vividly shaped my memories as an impressionable child.

Interestingly, the acceptance of such practices straddles religious divides as well. Similar to how caste and its institutions have adapted to various religions beyond Hinduism, these rituals, as an expression of the cultural and folk mosaic of the soil, have metamorphosised in myriad manners. Besides clandestinely participating in ostensibly Hindu practices, the members of other religious communities are no strangers to shamanistic practices themselves.

The witchcraft in Bihar, then, definitely doesn't seem outlandish even in the so-called rational spaces of Kerala. The women, on suspicion of performing occult rituals, were branded as witches, suspected of mischief. They were perceived as aggressors and the mob attack was the reaction. Isn't the exorcism in Kerala often an angry, emotionally charged reaction to an aggressor as well? In the absence of institutions of law and order, would it be a stretch to imagine the unfolding of a Hobbesian reality here, where the mob turns "nasty and brutish"? After all, an Adivasi man, accused of stealing some food, was beaten to death by a mob in Wayanad district in 2018, before he could die from hunger.

On another note, the discourse of the exceptionalism of Kerala, hailed worldwide especially in the aftermath of how the state has been handling the COVID-19 crisis, has portrayed the state as a site of emancipated modernity, a beacon of hope and rationality in a largely primitive subcontinent. But, as the prevalence of occult traditions shows, this is quite an uncritical notion. The rational and the superstitious Kerala, the medieval and the modern Kerala, and the scientific and the shamanistic Kerala coexist, interact, and flow into each other in myriad ways. Uncomfortable as these questions and reflections were, I had to "disengage" from them to make my way back into the rational space of the university, to work on my next academic deadline. Meanwhile, the shrieks of three women still haunt the hinterland of Bihar.

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LAST LINES

The Hongkong and Shanghai Banking Corporation Limited – India Branches
(Incorporated in Hong Kong SAR with limited liability)

INDEPENDENT AUDITOR'S REPORT
To the Chief Executive Officer
The Hongkong and Shanghai Banking Corporation Limited - India Branches

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of The Hongkong and Shanghai Banking Corporation Limited – India Branches, which comprise the Balance Sheet as at March 31, 2020, the Profit and Loss Account, Cash Flow Statement for the year then ended, and notes to the standalone 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 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 March 31, 2020, 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 Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone 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 ("the ICAI") together with the ethical requirements that are relevant to our audit of the standalone 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

We draw attention to Note 5.6 (ba) of schedule 18 to the standalone financial statements, which describes that the extent to which the COVID-19 Pandemic will impact the Bank's standalone financial statements will depend on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

Information Other Than the Standalone Financial Statements and Auditor's Report Thereon

The Bank's Executive Committee is responsible for the other information. The other information comprises the Basel III - Pillar 3 Disclosures.

Our opinion on the standalone 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 standalone 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 Standalone 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 standalone financial statements that give a true and fair view of the financial position, financial performance 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 and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars, guidelines and directions issued by the Reserve Bank of India from time to time as applicable to Bank. 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, the 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 the Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone 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 standalone 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 standalone 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 internal financial controls with reference to the standalone financial statements in place and the operating effectiveness of such controls.

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The Hongkong and Shanghai Banking Corporation Limited – India Branches
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- 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 standalone 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 standalone financial statements, including the disclosures, and whether the standalone 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. 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 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.
2. As required by sub-section 3 of Section 30 of the Banking Regulation Act, 1949, 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 during the course of our audit, have been within the powers of the Bank;
   c) During the course of our audit we have visited six branches to examine the books of account and other records maintained at the branch and performed other relevant audit procedures. Since the key operations of the Bank are automated with the key applications integrated to the core banking system, the audit is carried out centrally in Mumbai as all the necessary records and data required for the purpose of our audit are available therein.
3. 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 standalone 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 the Reserve Bank of India;
   e) The requirement of Section 164 (2) of the Companies Act, 2013 is not applicable to the Bank considering it is a branch of The Hongkong and Shanghai Banking Corporation Limited, which is incorporated and registered in the Hongkong Special Administrative Region with Limited Liability;
   f) With respect to the adequacy of the internal financial controls with reference to standalone 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 the requirements of section 197(16) of the Act, as amended;

      The Bank is a Banking Company as defined under Banking Regulation Act, 1949. Accordingly, the requirements prescribed under section 197 of the Companies Act, 2013 do not apply; and
   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 knowledge and belief and according to the information and explanations given to us:
      i. The Bank has disclosed the impact of pending litigations as at March 31, 2020 on its financial position in its standalone financial statements – Refer Schedule 12 and Note 5.3 of Schedule 18 to the standalone financial statements;
      ii. The Bank has made provision as at March 31, 2020, as required under the applicable law or accounting standard, for material foreseeable losses, if any, on long term contracts including derivative contracts. Refer Note 5.6 (aj) and Note 5.13 of Schedule 18 to the standalone financial statement; and
      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration Number: 105047W

Swapnil Kale
Partner
Membership No. 117812
UDIN: 20117812AAAAHW9996

Mumbai
June 25, 2020

The Hongkong and Shanghai Banking Corporation Limited – India Branches
(Incorporated in Hong Kong SAR with limited liability)

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF THE HONKONG AND SHANGHAI BANKING CORPORATION LIMITED – INDIA BRANCHES

[Referred to in paragraph 3(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the Members of The Hongkong and Shanghai Banking Corporation Limited – India Branches on the Financial Statements for the year ended March 31, 2020]

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 with reference to standalone financial statements of The Hongkong and Shanghai Banking Corporation Limited – India Branches ("the Bank") as of 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 with reference to 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 (ICAI) (the "Guidance Note"). These responsibilities include the design, implementation and maintenance of 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 Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. 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 internal financial controls with reference to standalone 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 with reference to standalone 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 standalone 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 standalone financial statements.

Meaning of Internal Financial Controls With Reference to Standalone Financial Statements

A Bank's internal financial control with reference to standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control with reference to standalone 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 standalone 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 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 standalone financial statements.

Inherent Limitations of Internal Financial Controls With Reference to Standalone 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 standalone financial statements to future periods are subject to the risk that the internal financial control with reference to standalone 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, in all material respects, an adequate internal financial controls with reference to standalone financial statements and such internal financial controls with reference to standalone financial statements were operating effectively as at March 31, 2020, based on the internal control with reference to standalone financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note.

For **MSKA & Associates**
Chartered Accountants
ICAI Firm Registration Number: 105047W

Swapnil Kale
Partner
Membership No. 117812
UDIN: 20117812AAAAHW9996

Mumbai
June 25, 2020

The Hongkong and Shanghai Banking Corporation Limited – India Branches
(Incorporated in Hong Kong SAR with limited liability)

Balance Sheet as at 31 March 2020

(Currency: Indian rupees in thousands)

	Schedules	**As at 31 March 2020**	As at 31 March 2019
Capital and liabilities			
Capital	*1*	**44,991,660**	44,991,660
Reserves and surplus	*2*	**213,627,232**	185,821,432
Deposits	*3*	**1,249,029,877**	1,026,096,713
Borrowings	*4*	**244,417,354**	333,516,295
Other liabilities and provisions	*5*	**359,672,139**	174,249,166
Total		**2,111,738,262**	1,764,675,266
Assets			
Cash and balances with Reserve Bank of India	*6*	**42,876,165**	42,537,288
Balances with banks and money at call and short notice	*7*	**207,344,109**	131,500,452
Investments	*8*	**716,220,130**	709,737,621
Advances	*9*	**765,806,656**	669,046,305
Fixed assets	*10*	**7,641,322**	7,801,275
Other assets	*11*	**371,849,880**	204,052,325
Total		**2,111,738,262**	1,764,675,266
Contingent liabilities	*12*	**19,042,025,160**	**13,377,822,160**
Bills for collection		**231,005,296**	212,611,704
Significant accounting policies and notes to the Financial Statements	*18*		

Schedules referred to herein form an integral part of the Balance Sheet.

Profit and Loss Account for the year ended 31 March 2020

(Currency: Indian rupees in thousands)

	Schedules	**For the year ended 31 March 2020**	For the year ended 31 March 2019
Income			
Interest earned	*13*	**116,396,308**	99,745,787
Other income	*14*	**21,626,155**	20,639,208
Total		**138,022,463**	120,384,995
Expenditure			
Interest expended	*15*	**46,093,088**	45,018,601
Operating expenses	*16*	**35,253,238**	30,242,963
Provisions and contingencies	*17*	**28,899,894**	19,467,089
Total		**110,246,220**	94,728,653
Net profit for the year		**27,776,243**	25,656,342
Profit brought forward		**19,609,515**	23,388,422
Total		**47,385,758**	49,044,764
Appropriations			
Transfer to Statutory Reserve		**6,944,061**	6,414,086
Transfer to Remittable Surplus retained in India for Capital to Risk-weighted Assets Ratio (CRAR) requirements		**–**	6,028,635
Transfer to/(from) Investment Reserve		**174,615**	243,613
Transfer to Specific Reserve		**668,052**	665,053
Profit Remitted to Head Office		**–**	11,283,862
Transfer to Investments Fluctuation Reserve		**7,376,040**	4,800,000
Balance carried over to balance sheet		**32,222,990**	19,609,515
Total		**47,385,758**	49,044,764
Significant accounting policies and notes to the Financial Statements	*18*		

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

This is the Balance Sheet referred to in our report of even date.

This is the Profit and Loss account referred to in our report of even date.

For MSKA & Associates
Chartered Accountants
Firm Registration No: 105047W

For The Hongkong and Shanghai Banking Corporation Limited – India Branches

Sd/-
Swapnil Kale
Partner
Membership No: 117812

Sd/-
Amitabh Nevatia
Chief Financial Officer

Sd/-
Surendra Rosha
Group General Manager and Chief Executive Officer India

Mumbai
25 June 2020

The Hongkong and Shanghai Banking Corporation Limited – India Branches
(Incorporated in Hong Kong SAR with limited liability)

Cash flow statement for the year ended 31 March 2020

(Currency: Indian rupees in thousands)

		For the year ended 31 March 2020	For the year ended 31 March 2019
Cash flow from operating activities			
Net profit before taxes		**51,604,990**	45,446,274
Adjustments for:			
Depreciation on fixed assets		**727,266**	776,945
Release of depreciation on investments		**(413,388)**	(576,736)
Provision/(release) for advances		**5,399,860**	(77,177)
Other provisions		**84,675**	331,070
(Profit) on sale of fixed assets		**(54)**	(429)
		57,403,349	45,899,947
Adjustments for:			
Increase in investments (excluding held to maturity securities)		**(6,069,121)**	(144,874,376)
Increase in advances		**(98,363,655)**	(154,427,876)
Increase in deposits		**222,933,164**	104,403,750
Increase in other assets		**(166,085,452)**	(93,946,240)
Increase in other liabilities and provisions		**181,520,641**	75,997,761
		133,935,577	(212,846,981)
Direct taxes paid (Net)		**(25,535,000)**	(19,445,282)
Net cash from/(used in) operating activities	*(A)*	**165,803,926**	(186,392,316)
Cash flow from investing activities			
Purchase of fixed assets		**(523,446)**	(536,303)
Proceeds from sale of fixed assets		**995**	782
Net cash (used in)/from investing activities	*(B)*	**(522,451)**	(535,521)
Cash flow from financing activities			
(Decrease)/Increase in borrowings (Net)		**(89,098,941)**	124,768,656
Profit remitted to Head Office		**–**	(11,283,862)
Net cash from/(used in) financing activities	*(C)*	**(89,098,941)**	113,484,794
Net increase/(decrease) in cash and cash equivalents	*(A) + (B) + (C)*	**76,182,534**	(73,443,043)
Cash and cash equivalents as at 1 April		**174,037,740**	247,480,783
Cash and cash equivalents as at 31 March		**250,220,274**	174,037,740

Note: Cash and cash equivalents comprise cash in hand and in ATMs, balances with Reserve Bank of India and balances with banks and money at call and short notice (refer to schedule 6 and 7 of the Balance Sheet).
The above Cash Flow Statement has been prepared under "Indirect Method" as set out in Accounting Standard-3 Cash Flow Statements under Section 133 of Companies Act, 2013 read with Rule 7 of Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016.
This is the Cash Flow Statement referrred to in our report of even date.

For MSKA & Associates
Chartered Accountants
Firm Registration No: 105047W

Sd/-
Swapnil Kale
Partner
Membership No: 117812

For The Hongkong and Shanghai Banking Corporation Limited – India Branches

Sd/-
Amitabh Nevatia
Chief Financial Officer

Sd/-
Surendra Rosha
Group General Manager and Chief Executive Officer India

Mumbai
25 June 2020

The Hongkong and Shanghai Banking Corporation Limited – India Branches
(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Balance Sheet as at 31 March 2020

(Currency: Indian rupees in thousands)

			As at 31 March 2020	As at 31 March 2019
1	**Capital**			
	I	Amount of deposit kept with the Reserve Bank of India under Section 11(2) (b) of the Banking Regulation Act, 1949.	**62,000,000**	57,550,000
	II	**Capital**		
		Opening balance	**44,991,660**	44,991,660
			44,991,660	44,991,660
2	**Reserves and Surplus**			
	I	**Statutory Reserve**		
		Opening balance	**60,250,370**	53,836,284
		Additions during the year	**6,944,061**	6,414,086
			67,194,431	60,250,370
	II	**Capital Reserves – Surplus on sale of Immovable properties**		
		Opening balance	**5,674,609**	5,674,609
			5,674,609	5,674,609
	III	**Capital Reserves**		
		Opening balance	**13,261,565**	13,261,565
			13,261,565	13,261,565
	IV	**Remittable Surplus retained in India for Capital to Risk-weighted Assets Ratio (CRAR) requirements**		
		Opening balance	**71,919,320**	65,890,685
		Add : Transfer from profit and loss account *(refer to schedule 18 note 5.1)*	**–**	6,028,635
			71,919,320	71,919,320
	V	**Revaluation Reserve**		
		Opening balance	**5,233,827**	5,017,117
		(Less)/Add: Revaluation of premises net of depreciation on revaluation uplift	**29,557**	216,710
			5,263,384	5,233,827
	VI	**Investment Reserve**		
		Opening balance	**2,495,557**	2,251,944
		Transfer from/(to) the Profit and Loss account	**174,615**	243,613
			2,670,172	2,495,557
	VII	**Specific Reserve** *(refer to schedule 18 note 5.4)*		
		Opening balance	**2,576,669**	1,911,616
		Additions during the year	**668,052**	665,053
			3,244,721	2,576,669
	VIII	**Investment Fluctuation Reserve** *(refer to schedule 18 note 5.5)*		
		Opening balance	**4,800,000**	-
		Additions during the year	**7,376,040**	4,800,000
			12,176,040	4,800,000
	IX	**Balance in Profit and Loss Account**	**32,222,990**	19,609,515
		TOTAL (I+II+III+IV+V+VI+VII+VIII+IX)	**213,627,232**	185,821,432

			As at 31 March 2020	As at 31 March 2019
3	**Deposits**			
A.	I.	**Demand Deposits**		
		i) From banks	**3,888,041**	6,580,509
		ii) From others	**429,202,865**	289,447,771
		Total i) and ii)	**433,090,906**	296,028,280
	II.	**Savings Bank Deposits**	**136,630,925**	120,893,256
	III.	**Term Deposits**		
		i) From banks	**12,020,701**	11,438,647
		ii) From others	**667,287,345**	597,736,530
		Total i) and ii)	**679,308,046**	609,175,177
		TOTAL (I+II+III)	**1,249,029,877**	1,026,096,713
B.	I.	Deposits of branches in India	**1,249,029,877**	1,026,096,713
	II.	Deposits of branches outside India	**–**	–
		TOTAL (I+II)	**1,249,029,877**	1,026,096,713
4	**Borrowings**			
	I	**Borrowings in India**		
		i) Reserve Bank of India	**98,250,878**	219,170,000
		ii) Other banks	**–**	–
		iii) Other institutions and agencies	**101,282,266**	76,619,527
		iv) Subordinated debt	**–**	–
		Total i), ii), iii) and iv)	**199,533,144**	295,789,527
	II	**Borrowings outside India**	**44,884,210**	37,726,768
		TOTAL (I+II)	**244,417,354**	333,516,295
		Secured borrowings included in I above	**186,760,744**	286,732,027
5	**Other liabilities and provisions**			
	I	Bills payable	**1,664,738**	1,643,650
	II	Inter-office adjustments (net)	**–**	–
	III	Interest accrued	**9,277,977**	8,527,861
	IV	Provision towards standard assets *(refer to schedule 18 Note 5.6 (s))*	**8,571,724**	4,775,169
	V	Others (including provisions)	**340,157,700**	159,302,486
		TOTAL (I+II+III+IV+V)	**359,672,139**	174,249,166
6	**Cash and balances with Reserve Bank of India**			
	I	Cash in hand and in ATMs (including foreign currency notes)	**1,572,997**	1,265,086
	II	Balances with the Reserve Bank of India		
		i) In current account	**41,303,168**	41,272,202
		ii) In other accounts	**–**	–
		Total i) and ii)	**41,303,168**	41,272,202
		TOTAL (I+II)	**42,876,165**	42,537,288

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The Hongkong and Shanghai Banking Corporation Limited – India Branches
(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Balance Sheet as at 31 March 2020

(Currency: Indian rupees in thousands)

	As at 31 March 2020	As at 31 March 2019
7 Balances with banks and money at call and short notice		
I In India		
i) Balances with banks		
a) in current accounts	**2,584,433**	2,532,142
b) in other deposit accounts	**12,106,400**	11,064,800
Total a) and b)	**14,690,833**	13,596,942
ii) Money at call and short notice		
a) with banks	**102,000,000**	26,000,000
b) with other institutions	**51,359,940**	4,906,643
Total a) and b)	**153,359,940**	30,906,643
Total i) and ii)	**168,050,773**	44,503,585
II Outside India		
i) In current accounts	**4,026,686**	3,665,092
ii) In other deposit accounts	**–**	–
iii) Money at call and short notice	**35,266,650**	83,331,775
Total i), ii) and iii)	**39,293,336**	86,996,867
TOTAL (I+II)	**207,344,109**	131,500,452
8 Investments		
A. Investments in India in *(refer to schedule 18 note 5.6 (d))*		
i) Government securities	**581,479,691**	548,098,486
ii) Other approved securities	**–**	–
iii) Shares	**136,100**	136,100
iv) Debentures and bonds	**46,427,069**	72,363,764
v) Subsidiaries and/or joint ventures	**35**	35
vi) Others (CDs, CPs, Pass Through Certificates etc)	**88,177,235**	89,139,236
TOTAL i), ii), iii), iv), v) and vi)	**716,220,130**	709,737,621
B. Gross value of Investments in India	**716,292,090**	710,222,969
Aggregate provision for depreciation in India	**(71,960)**	(485,348)
Net Value of Investments in India	**716,220,130**	709,737,621
9 Advances		
A. i) Bills purchased and discounted	**84,932,014**	97,035,444
ii) Cash credits, overdrafts and loans repayable on demand	**304,236,610**	265,692,829
iii) Term loans	**376,638,032**	306,318,032
TOTAL i), ii) and iii)	**765,806,656**	669,046,305
B. i) Secured by tangible assets (including advances against book debt)	**399,488,140**	369,800,674
ii) Covered by Bank / Government guarantees	**14,472,880**	14,319,581
iii) Unsecured	**351,845,636**	284,926,050
TOTAL i), ii) and iii)	**765,806,656**	669,046,305

	As at 31 March 2020	As at 31 March 2019
CI. Advances in India		
i) Priority sectors	**106,737,226**	76,817,896
ii) Public sector	**5,900,000**	11,600,000
iii) Banks	**35,014,704**	–
iv) Others	**618,154,726**	580,628,409
TOTAL i), ii), iii) and iv)	**765,806,656**	669,046,305
CII. Advances ouside India	**–**	–
TOTAL CI and CII	**765,806,656**	669,046,305
10 Fixed Assets		
I Premises (including leasehold improvements) *(refer to schedule 18 note 5.2)*		
Cost at 1 April (including revaluation)	**9,170,383**	8,839,452
Additions during the year	**10,748**	140,306
Revaluation of premises during the year	**12,008**	190,625
Deductions during the year	**(63,477)**	–
	9,129,662	9,170,383
Depreciation to date	**(2,575,747)**	(2,263,191)
Net book value of Premises (including leasehold improvements)	**6,553,915**	6,907,192
II Other Fixed Assets (including furniture and fixtures)		
Cost at 1 April	**5,477,342**	5,188,650
Additions during the year	**237,475**	300,631
Deductions during the year	**(1,370,541)**	(11,939)
	4,344,276	5,477,342
Depreciation to date	**(3,795,141)**	(4,846,308)
Net book value of Other Fixed Assets (including furniture and fixtures)	**549,135**	631,034
III Capital Work-in-progress	**538,272**	263,049
TOTAL (I+II+III)	**7,641,322**	7,801,275
11 OTHER ASSETS		
I Inter-office adjustments (net)	**–**	–
II Interest accrued	**16,708,317**	16,632,925
III Tax paid in advance/tax deducted at source (net of provision for tax)	**7,964,945**	7,134,105
IV Deferred tax (net) *(refer to schedule 18 note 5.11)*	**4,771,822**	3,890,559
V Stationery and stamps	**3,418**	3,335
VI Non-banking assets acquired in satisfaction of claims	**–**	–
VII Items in course of collection	**–**	–
VIII Others	**342,401,378**	176,391,401
TOTAL (I+II+III+IV+V+VI+VII+VIII)	**371,849,880**	204,052,325

The Hongkong and Shanghai Banking Corporation Limited – India Branches
(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Balance Sheet as at 31 March 2020

(Currency: Indian rupees in thousands)

		As at 31 March 2020	As at 31 March 2019
12	**Contingent liabilities** *(refer to schedule 18 note 5.13)*		
I	Claims against the bank not acknowledged as debts (including tax matters) (refer to schedule 18 note 5.3)	**4,699,264**	2,492,822
II	Liability for partly paid investments	**500**	500
III	Liability on account of outstanding forward exchange and derivative contracts		
	i) Forward contracts	**9,092,566,475**	4,326,477,732
	ii) Currency options	**677,291,969**	768,191,405
	iii) Derivative contracts	**8,811,184,552**	7,844,434,832
	Total i), ii) and iii)	**18,581,042,996**	12,939,103,969
IV	Guarantees given on behalf of constituents		
	i) In India	**258,497,981**	224,027,300
	ii) Outside India	**45,741,182**	74,926,033
	Total i) and ii)	**304,239,163**	298,953,333
V	Acceptances, endorsements and other obligations	**74,204,535**	63,234,607
VI	Bills rediscounted	**–**	–
VII	Other items for which the bank is contingently liable	**77,838,702**	74,036,929
	TOTAL (I+II+III+IV+V+VI+VII)	**19,042,025,160**	13,377,822,160

Schedules forming part of the Profit and Loss Account for the year ended 31 March 2020

(Currency: Indian rupees in thousands)

		For the year ended 31 March 2020	For the year ended 31 March 2019
13	**Interest earned**		
I	Interest/discount on advances/bills	**59,186,408**	48,135,446
II	Income on investments	**51,676,634**	46,697,947
III	Interest on balances with Reserve Bank of India and other inter-bank funds	**2,720,317**	2,537,623
IV	Others	**2,812,949**	2,374,771
	TOTAL (I+II+III+IV)	**116,396,308**	99,745,787
14	**Other income**		
I	Commission, exchange and brokerage (net)	**7,543,703**	7,371,854
II	Profit on sale/maturity of investments (net)	**4,705,491**	2,017,788
III	Profit on disposal of land, buildings and other assets (net)	**54**	429
IV	Profit on exchange/derivative transactions (net)	**9,152,638**	11,022,022
V	Miscellaneous income	**224,269**	227,115
	TOTAL (I+II+III+IV+V)	**21,626,155**	20,639,208
15	**Interest expended**		
I	Interest on deposits	**37,367,795**	38,702,903
II	Interest on Reserve Bank of India/inter-bank borrowings	**4,685,949**	3,503,187
III	Others	**4,039,344**	2,812,511
	TOTAL (I+II+III)	**46,093,088**	45,018,601
16	**Operating expenses**		
I	Payments to and provisions for employees	**11,547,548**	10,027,986
II	Rent, taxes and lighting	**1,362,162**	1,360,276
III	Printing and stationery	**90,424**	71,804
IV	Advertisement and publicity	**710,077**	746,139
V	Depreciation on Bank's property	**727,266**	776,945
VI	Auditors' fees and expenses	**8,500**	8,500
VII	Law charges	**83,842**	109,309
VIII	Postage, telegrams, telephones, etc.	**264,884**	242,894
IX	Repairs and maintenance	**662,146**	585,688
X	Insurance	**1,369,953**	1,252,116
XI	Other expenditure *(refer to schedule 18 note 5.6 (ao))*	**18,426,436**	15,061,306
	TOTAL (I+II+III+IV+V+VI+VII+VIII+IX+X+XI)	**35,253,238**	30,242,963
17	**Provisions and Contingencies** *(refer to schedule 18 note 5.6 (c))*		
I	Provision/(release) for advances	**5,399,860**	(77,177)
II	Release of depreciation on investments (refer to schedule 18 note 5.6 (c) and (d))	**(413,388)**	(576,736)
III	Taxation charge		
	– Current tax expense	**24,710,010**	18,654,322
	– Deferred tax (release)/charge	**(881,263)**	1,135,610
		23,828,747	19,789,932
IV	Other provisions	**84,675**	331,070
	TOTAL (I+II+III+IV)	**28,899,894**	19,467,089

The Hongkong and Shanghai Banking Corporation Limited – India Branches
(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2020

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts

1. Background

The financial statements for the year ended 31 March 2020 comprise the accounts of the India Branches of The Hongkong and Shanghai Banking Corporation Limited ('the Bank'), which is incorporated and registered in Hong Kong Special Administrative Region ('SAR'). The Bank's ultimate holding company is HSBC Holdings plc, which is incorporated in the United Kingdom.

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 Companies (Accounting Standards) Amendment Rules, 2016 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 GAAP, requires management to make estimates and assumptions that affect the reported amounts 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. Any revision to accounting estimates is recognised prospectively in current and future periods.

4 Significant accounting policies

4.1 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

Brokerage and commission paid at the time of acquisition are charged to Profit and Loss Account. 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') rates/prices as notified by Financial Benchmarks India Pvt Ltd (FBIL), Fixed Income Money Market and Derivatives Association ('FIMMDA') jointly with Primary Dealers Association of India ('PDAI'). The prices, base yield curve for GOI bonds, SDLs, Corporate Bonds are notified by FBIL, while the credit spreads over the GOI curve in bps is published by FIMMDA.

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.

Pass through certificates ('PTC') purchased have been marked to market on the basis of the base yield curve and the applicable spreads as per the spread matrix relative to the weighted average maturity of the paper as notified by FIMMDA/FBIL.

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;

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);

iii) 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 leg 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.

Schedules forming part of the Financial Statements for the year ended 31 March 2020 (*Continued)*
(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

4 Significant accounting policies *(Continued)*

(f) Short Sales

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. Such short positions are categorised under HFT category. These positions are marked-to-market along with the other securities under HFT portfolio and the resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines for valuation of investments as explained under point 4.1(c).

4.2 Advances

Advances are stated net of specific provisions and interest in suspense.

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 (including mortgage loans but excluding other homogeneous retail loans), 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.

Subject to the minimum provisioning levels prescribed by the RBI, provision on homogeneous loans relating to retail business (excluding mortgage loans) are assessed on a portfolio basis using the historical loss or net flow rate methods.

Provisioning for restructured assets is made in accordance with the requirements prescribed by RBI guidelines.

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.

The sale of financial assets or Non-Performing Advances (NPA) to Securitisation Company (SC)/Reconstruction Company (RC) is accounted for in accordance with RBI guidelines on 'Sale of financial assets to SC/RC', wherein if the sale to SC/RC is for a value higher than the Net Book Value (NBV), the excess provision is reversed.

In case the sale of NPA is to non SC/RC then same is accounted for in accordance with the RBI guidelines on "Purchase/Sale of Non-Performing Financial Assets", wherein if the sale of non-performing advances is for a value higher than the NBV of the loans, the excess provision is not reversed but is held back to meet the shortfall/loss on account of sale of other non-performing advances and classified as additional standard asset provision subject to an overall ceiling of 1.25% of risk weighted assets. In case of a sale at a value lower than NBV, the shortfall is recognised in the profit and loss account in the year of sale after setting off any earlier provision held back on sale of other non-performing advances.

The Bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

4.3 Foreign Exchange Transactions

Transactions denominated in foreign currencies are recorded at rates prevailing on the date of the transaction. Exchange differences arising on foreign currency transactions settled during the period are recognised in profit and loss account of the period. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at closing rates notified by Foreign Exchange Dealers Association of India ('FEDAI') and resultant exchange differences are recognised in the profit and loss account.

The premium or discount arising at the inception of a forward exchange contract not meant for trading or speculation is amortised as expense or income over the life of the contract. Exchange differences arising on such a contract are recognised in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognised as income or expense for the period.

Outstanding spot and forward exchange contracts and foreign currency swaps meant for trading or speculation are revalued based on the period end exchange rates notified by FEDAI. The contracts where exchange rates are not notified by FEDAI are revalued at the forward exchange rates implied by the FX yield curves of the respective currencies. The forward exchange contracts are present valued using appropriate discount rates and the resultant gains or losses are recognised in the profit and loss account.

Contingent liabilities denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

4.4 Derivative financial instruments

The Bank transacts derivatives for three primary purposes: to create risk management solutions for clients, to manage the portfolio risks arising from client business and to manage and hedge the bank's own risks. Derivatives (except for interest rate swaps which are designated as hedging instruments as per Forward Rate Agreement/Interest Rate Swap Circular Ref.No.MPD.BC.187/07.01.279/1999-2000 dated July 7, 1999) are held for trading. Trading activities include sales, market-making and risk management while hedging transactions are entered into as part of the Bank's risk management strategy relating to the Bank's assets, liabilities, positions or cash flows.

Derivatives in the form of forwards, swaps and option contracts are undertaken by the Bank in the foreign exchange and interest rate markets.

Trading transactions are marked-to-market on a daily basis and the unrealised losses or gains are recognised into the profit and loss account as 'Other Income'. Currency Options are marked-to-market using market values after considering the premium received or paid. The profit or loss on revaluation is recorded in the profit and loss account and is included in 'Other assets' or 'Other liabilities'. Accordingly, premium received and paid is recognised in the profit and loss account upon expiry or exercise of the options.

Fair value adjustments as explained in schedule 18 note 5.6 (aj) are made on a monthly basis at the minimum with the adjustment accounted for in the profit and loss account and the corresponding debit/credit posted against 'Other Liabilities'.

HSBC

The Hongkong and Shanghai Banking Corporation Limited – India Branches
(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2020 (*Continued)*
(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

4 Significant accounting policies *(Continued)*

4.4 Derivative financial instruments (Continued)

Interest rate swaps designated as hedges are accounted for in line with the accounting of the underlying asset or liability. Where the underlying asset or liability is accounted for on an accrual basis the derivative is also accounted for on accrual basis. Where the designated asset or liability is carried at lower of cost or market value in the financial statements the derivatives are marked-to-market with the resulting gain or loss recorded as an adjustment to the market value of the designated asset or liability.

Gains and losses from changes in the fair value of derivatives, including the contractual interest, that do not qualify for hedge accounting are recognised immediately in the profit and loss account as 'Other income'.

4.5 Securitisation (including assignment)

Securitisation transactions entered in to by the Bank, wherein corporate/retail loans are sold to a Special Purpose Vehicle ('SPV') are accounted for in accordance with the RBI guidelines.

Securitised assets are derecognised upon sale if the Bank surrenders control over the contractual rights that comprise the financial asset. In respect of credit enhancements provided or recourse obligations accepted by the Bank, appropriate provision/disclosure is made at the time of sale in accordance with AS 29 – 'Provisions, contingent liabilities and contingent assets'.

Gains on securitisations, being the excess of the consideration received over book value of the assets and provisions towards expected costs including servicing costs and expected delinquencies are amortised over the life of the securities issued by the SPV. Losses are recognised immediately.

Gain arising out of sale of loans through direct assignment is amortised over the life of underlying loans sold and loss arising is recorded immediately in the Profit and Loss account.

Sales and transfers that do not meet the criteria for surrender of control are accounted for as secured borrowings.

Securities issued by securitisation vehicles where the Bank is an investor are treated as AFS instrument and accounted in line with accounting policy under 4.1 (c).

4.6 Income 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.

Dividends on equity shares are recognised as income when the right to receive dividends is established.

4.7 Employee benefits

The accounting policy followed by the Bank in respect of its Employee Benefit Schemes is set out below:

(a) Provident fund

The Bank contributes to recognised provident fund, which is a defined contribution scheme. The contributions are accounted for on an accrual basis and recognised in the profit and loss account.

(b) Gratuity

The Bank provides for gratuity liability, which is a defined benefit scheme, based on an actuarial valuation using the projected unit credit method at the balance sheet date carried out by an independent qualified actuary.

Actuarial gains/losses for the gratuity liability are recognised in the profit and loss account.

(c) Pension

The Bank has an active pension scheme for award staff. This is defined benefit plan for employees who joined prior to 31 March 2002 and defined contribution plan for employees joined after 31 March 2002 till December 2016. In 2004, the bank introduced new salary terms for management staff and the pension benefits have been frozen based on the salary and service on the date of conversion. In respect of employees covered under the defined benefit plan, the Bank provides for the pension liability based on an actuarial valuation using the projected unit credit method at the balance sheet date carried out by an independent qualified actuary. In respect of other employees, the contributions are accounted for on an accrual basis and recognised in the profit and loss account.

Actuarial gains/losses for the pension liability are recognised in the profit and loss account.

(d) Compensated absences

The Bank has a leave encashment scheme for its award staff which is a defined benefit plan. The Bank provides for the leave encashment liability based on an actuarial valuation using the projected unit credit method at the balance sheet date carried out by an independent qualified actuary.

Actuarial gains/losses for the leave encashment liability are recognised in the profit and loss account.

4.8 Fixed assets and depreciation

Fixed assets are stated at acquisition cost less accumulated depreciation, with the exception of premises.

Premises are revalued annually and stated at revalued cost less accumulated depreciation. The revaluation of premises is done in line with RBI guidelines. The surplus arising on revaluation is credited to revaluation reserve account except to the extent such increase is related to and not greater than a decrease arising on revaluation previously recorded as a charge to the profit and loss account, wherein it is credited to profit and loss account. Deficit arising on revaluation is charged to the profit and loss account except to the extent such decrease is related to an increase previously recorded as a credit to revaluation reserve which has not been subsequently reversed or utilised, wherein it is charged directly to revaluation reserve account. On disposal of revalued premises, the amount standing to the credit of revaluation reserve is transferred to Capital Reserve in accordance with the RBI guidelines. Profit on disposal of premises is recognised in the Profit and Loss Account and subsequently appropriated to Capital Reserve. Losses are recognised in the Profit and Loss Account.

Schedules forming part of the Financial Statements for the year ended 31 March 2020 (*Continued)*

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

4 Significant accounting policies *(Continued)*

4.8 Fixed assets and depreciation (Continued)

Fixed assets individually costing less than Rs. 25,000 are expensed in the year of purchase. Depreciation is provided on a straight line basis over the estimated useful life of the asset. The useful life estimates prescribed in Part C of Schedule II to the Companies Act, 2013 are generally adhered to, except in respect of few asset classes where, based on management evaluation and past experience, a different estimate of useful life is considered suitable. The rates applied by the Bank on different categories of fixed assets are as follows:

Category of Asset	Useful life of Assets
Freehold land	–
Premises	50 Years
Leasehold improvements	Over 5 years or remaining period of lease whichever is lower
Computers	3 Years
ATM	7 Years
Improvements at owned premises	5 - 10 Years
Other fixed assets	5 Years

Freehold land is not depreciated as it has an indefinite economic life.

The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired and provides for impairment loss, if any, in the profit and loss account.

4.9 Accounting for leases

Assets taken on lease are accounted for in accordance with provisions of AS 19-'Leases'. Lease payments under operating leases are recognised as an expense in the profit and loss account on a straight line basis over the lease term.

4.10 Taxes on income

"Taxation charge" comprises current tax provision and net change in deferred tax asset and liability during the year.

Current tax provision represents the estimated income-tax liability determined 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.

4.11 Provision for reward points on credit cards

The Bank has a policy of awarding reward points for credit card spends by customers. Provision for credit card reward points is made on the basis of behavioral analysis of utilisation trends.

4.12 Provisions, contingent liabilities and contingent assets

The Bank creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. In cases where available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reliably estimated, a disclosure to this effect is made in the financial statements. 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.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best 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 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.

4.13 Priority Sector Lending Certificates

The Bank enters into transactions for the sale or purchase of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Bank sells the fulfilment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfilment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received from the sale of PSLCs is recorded as other income in schedule 14 (V) and the fee paid for purchase of the PSLCs is recorded as expense in schedule 16 (XI) in Profit and Loss Account. These are amortised over the period of the certificate.

5 Notes to accounts

5.1 Capitalisation of profit

In accordance with Head Office approval and in line with the RBI requirements in this regard, the Bank has appropriated Rs. Nil of accumulated profits to Remittable Surplus retained in India for Capital to Risk-weighted Assets Ratio (CRAR) requirements (previous year: Rs. 6,029 million).

5.2 Fixed assets

During the year, the Bank revalued its properties in accordance with the applicable RBI guidelines. For property valued above Rs. 500 million the valuation was obtained from two independent valuers. The Bank revalued its owned freehold premises upward by Rs. 12 million (previous year: upward by Rs. 191 million) based on an independent professional valuation.

Certain premises valued at Rs.5,503 million (previous year: Rs. 5,653 million) acquired under a Scheme of Arrangement are held in the name of HSBC Agency (India) Private Limited, a wholly owned subsidiary, for the benefit of the Bank. Accordingly, these premises have been treated as assets of the Bank.

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Schedules forming part of the Financial Statements for the year ended 31 March 2020 (*Continued)*

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.3 Taxation

Contingent liability of the Bank in respect of taxation for pending litigation for all the years where tax assessment has been completed (i.e. upto assessment year 2016-17) amounts to Rs. 3,150 million (previous year: Rs. 970 million upto the assessment year 2015-16). This is awaiting final outcome of the appeals filed by the Bank/Revenue authorities. Management considers that adequate provision has been made for tax liabilities relating to above assessment years.

5.4 Specific Reserve

This Reserve is created and maintained in accordance with the provisions of Section 36(1)(viii) of the Income-tax Act, 1961 and is tax deductible subject to limits prescribed therein. Any amounts subsequently withdrawn there from, if at all, is liable to income tax in the year in which withdrawn.

5.5 Investment Fluctuation Reserve

As prescribed in the RBI circular dated 2 April 2018, the Bank has transferred an amount of Rs. 7,376 million during the year to Investment Fluctuation Reserve (previous year: Rs. 4,800 million).

The Bank did not avail the option given vide RBI circular dated 15 June 2018 and 2 April 2018 to spread provisioning for mark to market (MTM) losses on investments held in AFS and HFT for the quarters ended 30 June 2018, 31 March 2018 and 31 December 2017 over upto four quarters commencing with the quarter in which the loss is incurred.

5.6 Statutory disclosures

(a) Capital adequacy ratio

The capital adequacy ratio of the Bank, calculated as per RBI guidelines is set out below:

(Rs ‘000)

Particulars	**As at 31 March 2020**	As at 31 March 2019
Tier 1 capital	**206,564,793**	200,891,201
Tier 2 capital	**24,860,603**	12,070,726
Total capital	**231,425,396**	212,961,927
Total risk weighted assets	**1,436,526,519**	1,190,340,501
Common Equity Tier 1 Capital Ratio (%)	**14.38%**	16.88%
Tier I Capital Ratio (%)	**14.38%**	16.88%
Tier II capital Ratio (%)	**1.73%**	1.01%
Total Capital Ratio (CRAR)	**16.11%**	17.89%
Amount of subordinated debt raised as Tier II capital (see note 5.6–(am))	**–**	–

The Bank has not raised any additional Tier I and Tier II capital during the years ended 31 March, 2020 and 31 March, 2019. Capital adequacy for the current year has been calculated based on the Guidelines in Master Circular – Basel III Capital Regulations, issued vide circular DBR .No. BP.BC.1/21.06.201 /2015-16 dated 1 July 2015.

(b) Business ratios/ information

The details relating to business ratios are given below:

	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest income as percentage to working funds	**6.75%**	6.49%
Non-interest income as percentage to working funds	**1.25%**	1.28%
Operating profits as percentage to working funds	**3.29%**	2.93%
Return on assets	**1.61%**	1.67%
Business (deposits plus advances) per employee (Rs ‘000)	**506,120**	427,210
Profit per employee (Rs ‘000)	**7,158**	6,535

The figures have been computed in accordance with RBI guidelines vide master circular DBR.BP.BC No.23/21.04.018/2015-16 dated 1 July 2015. Working funds represent average of total assets as reported to RBI in Form X. Return on assets is also based on average of total assets as reported to RBI in Form X.

(c) Provisions and Contingencies

(Rs ‘000)

Break up of provisions and contingencies shown under the head expenditure in Profit & Loss account	**For the year ended 31 March 2020**	For the year ended 31 March 2019
Release of depreciation on Investments	**(413,388)**	(576,736)
Provision/(release) towards NPA (including write-offs net of recoveries)	**1,603,305**	(114,139)
Provision towards standard assets	**3,762,395**	42,212
Provision/(release) towards country risk provision	**34,160**	(5,250)
Provision towards current tax expense	**24,710,010**	18,654,322
(Release)/charge towards deferred tax	**(881,263)**	1,135,610
Other Provisions and Contingencies (refer to note 5.13):		
Provision towards reward points	**174,928**	250,559
Provision towards claims under litigation	**530**	15,513
(Release)/provision of overdue income	**(118,968)**	38,150
Others	**28,185**	26,848
Total	**28,899,894**	19,467,089

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Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.6 Statutory disclosures (Continued)

(d) Investments

(Rs '000)

				As at 31 March 2020	As at 31 March 2019
(1)	**Value of investments**				
	(i)	Gross value of investments		**716,292,090**	710,222,969
		(a)	In India	**716,292,090**	710,222,969
		(b)	Outside India	**–**	–
	(ii)	Provision for depreciation		**(71,960)**	(485,348)
		(a)	In India	**(71,960)**	(485,348)
		(b)	Outside India	**–**	–
	(iii)	Net value of investments		**716,220,130**	709,737,621
		(a)	In India	**716,220,130**	709,737,621
		(b)	Outside India	**–**	–

The Bank has no sale and transfer to/from HTM category during the year (previous year: Rs. Nil). Investments include government securities representing face value of Rs. 252,424 million (previous year: Rs. 347,589 million) deposited for settlement guarantee fund and collateralised borrowing and lending obligation (CBLO) with Clearing Corporation of India Limited (CCIL); and for repo transaction, liquidity adjustment facility (LAF) and to meet the requirement of section 11 (2) (b) of the Banking Regulation Act, 1949 with RBI.

(Rs '000)

			As at 31 March 2020	As at 31 March 2019
(2)	**Movement of provisions held towards depreciation on investments**			
	(i)	Opening balance	**485,348**	1,062,084
	(ii)	Add : Provision made during the year	**–**	–
	(iii)	Less : Write back of excess provision during the year	**(413,388)**	(576,736)
	(iv)	**Closing balance**	**71,960**	485,348

The outstanding commitments relating to securities purchase and sale contracts as at 31 March 2020 are Rs. 17,957 million (previous year: Rs. 23,362 million) and Rs. 26,963 million (previous year: Rs. 27,061 million) respectively.

(e) Issuer-wise composition of non-SLR investments

(Rs '000)

		As at 31 March 2020				
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)	Public Sector Undertakings	**27,360,155**	**4,167,436**	**–**	**1,000**	**1,000**
(ii)	Financial Institutions	**–**	**–**	**–**	**–**	**–**
(iii)	Banks	**–**	**–**	**–**	**–**	**–**
(iv)	Private Corporate	**107,451,744**	**93,027,235**	**–**	**135,100**	**135,100**
(v)	Subsidiaries/Joint Ventures	**500**	**500**	**–**	**500**	**500**
(vi)	Others	**–**	**–**	**–**	**–**	**–**
(vii)	Provision held towards depreciation	**(71,960)**	**–**	**–**	**–**	**–**
	Total	**134,740,439**	**97,195,171**	**–**	**136,600**	**136,600**

(Rs '000)

		As at 31 March 2019				
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)	Public Sector Undertakings	44,795,375	4,515,468	–	1,000	1,000
(ii)	Financial Institutions	–	–	–	–	–
(iii)	Banks	–	–	–	–	–
(iv)	Private Corporate	117,328,608	96,650,782	–	135,100	135,100
(v)	Subsidiaries/Joint Ventures	500	500	–	500	500
(vi)	Others	–	–	–	–	–
(vii)	Provision held towards depreciation	(485,348)	–	–	–	–
Total		161,639,135	101,166,750	–	136,600	136,600

Note: Total investments include net investments in PTC of Rs. 88,177 million (previous year: Rs. 85,703 million)
* The classification is based on the actual issue and not on the basis of secondary market purchases.
# Amounts reported under columns (4), (5), (6) and (7) above are not mutually exclusive.
** Excludes PTCs in line with extant RBI guidelines.

Schedules forming part of the Financial Statements for the year ended 31 March 2020 (*Continued)*

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.6 Statutory disclosures (Continued)

(f) Non-performing non SLR investments

The non-performing investments as at 31 March 2020 are Rs. 2 (previous year: Rs. 2). This represents preference share/equity share investments which have been written down to Rs. 2.

(g) Details of Investment in security receipts backed by NPAs

The Bank has no such Investments (previous year: Rs. Nil).

(h) Repo transactions (in face value terms)

(Rs '000)

	Minimum Outstanding During the Year 2019-20	**Maximum Outstanding During the Year 2019-20**	**Daily Average Outstanding During the Year 2019-20**	**Outstanding as at 31 March 2020**
Securities sold under repos				
i. Government securities	**8,831,100**	**269,564,110**	**133,725,165**	**134,018,330**
ii. Corporate debt securities	**4,000,000**	**4,000,000**	**76,503**	**–**
Securities purchased under reverse repos				
i. Government securities	**480,800**	**315,198,610**	**36,170,987**	**126,156,690**
ii. Corporate debt securities	**2,500,000**	**11,850,000**	**7,762,705**	**6,000,000**

(Rs '000)

	Minimum Outstanding During the Year 2018-19	Maximum Outstanding During the Year 2018-19	Daily Average Outstanding During the Year 2018-19	Outstanding as at 31 March 2019
Securities sold under repos				
i. Government securities	340,400	269,564,110	78,208,904	269,564,110
ii. Corporate debt securities	1,500,000	2,750,000	81,507	–
Securities purchased under reverse repos				
i. Government securities	910,000	109,608,880	19,437,192	28,876,940
ii. Corporate debt securities	500,000	9,600,000	5,180,685	9,600,000

Notes:
1. The above figures also include liquidity adjustment facility/repo transactions undertaken with the RBI.
2. Minimum outstanding during the year excludes days with Nil outstanding.

(i) Movement of Gross NPAs

(Rs '000)

	For the year ended 31 March 2020	For the year ended 31 March 2019
Gross NPAs as on 1st April	**5,977,082**	9,242,663
Additions# (fresh NPAs during the year)	**4,694,120**	3,914,319
Sub-total (A)	**10,671,202**	13,156,982
Less:		
(i) Upgrades	**(2,163,844)**	(1,998,827)
(ii) Recoveries# (excluding recoveries made from upgraded accounts)	**(629,116)**	(1,589,044)
(iii) Write-offs	**(1,184,976)**	(3,592,029)
Sub-total (B)	**(3,977,936)**	(7,179,900)
Gross NPAs as on 31st March (A-B)	**6,693,266**	5,977,082

Includes movement due to exchange fluctuation

(j) Movements in NPAs

(Rs '000)

	For the year ended 31 March 2020			For the year ended 31 March 2019		
	Gross NPA	**Provision**	**Net NPA**	Gross NPA	Provision	Net NPA
(a) Opening Balance	**5,977,082**	**4,685,912**	**1,291,170**	9,242,663	7,802,562	1,440,101
(b) Additions during the period#	**4,694,120**	**2,292,990**	**2,401,130**	3,914,319	1,394,098	2,520,221
(c) Reductions during the period#	**(3,977,936)**	**(1,547,556)**	**(2,430,380)**	(7,179,900)	(4,510,748)	(2,669,152)
(d) Closing Balance	**6,693,266**	**5,431,346**	**1,261,920**	5,977,082	4,685,912	1,291,170

Includes movement due to exchange fluctuation

Provision includes specific provisions on non-homogeneous loans and provisions created on portfolio basis using the historical loss and/or net flow method for homogeneous loans relating to retail business.

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Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.6 Statutory disclosures (Continued)

(k) Non-Performing Advances (NPA)

The percentage of net NPA to net advances is 0.16% as at 31 March 2020 (previous year: 0.19%).

(l) Floating Provision

The Bank does not have a policy of making floating provisions.

(m) Provision coverage ratio

The provision coverage ratio (ratio of provision to gross non-performing assets) computed in accordance with RBI circular no DBOD.No.BP.BC.64 /21.04.048/2009-10 dated 1 December 2009 is 81.15% as at 31 March 2020 (previous year: 78.40%).

(n) Concentration of Advances

(Rs '000)

	As at 31 March 2020	As at 31 March 2019
Total Advances of twenty largest borrowers	**372,108,194**	372,064,246
Percentage of Advances of twenty largest borrowers to Total Advances of the bank	**13.64%**	13.84%

(o) Concentration of Exposures

(Rs '000)

	As at 31 March 2020	As at 31 March 2019
Total Exposure to twenty largest borrowers/customers	**388,824,122**	391,528,897
Percentage of Exposures of twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	**13.58%**	13.75%

(p) Concentration of NPAs

Total exposure to top four NPA accounts is Rs. 1,750 million (previous year: Rs. 1,217 million). The exposure is computed on a gross basis.

(q) Unsecured Advances

The Bank does not have any advances secured by intangible assets.

(r) Sector-wise Advances

(Rs '000)

Sl. No.	**Sector**	**As at 31 March 2020** Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	As at 31 March 2019 Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	Priority Sector						
1	Agriculture and allied activities	**32,172,123**	**816,158**	**2.54**	29,686,882	–	–
2	Advances to industries sector eligible as priority sector lending	**24,245,656**	**–**	**–**	17,993,004	–	–
	2.1 Chemicals and Chemical Products	**3,133,574**	**–**	**–**	1,418,688	–	–
	2.2 Basic Metal and Metal Products	**4,112,713**	**–**	**–**	3,214,854	–	–
	2.3 Textiles	**2,628,051**	**–**	**–**	966,524	–	–
	2.4 Rubber, Plastic and their Products	**3,001,858**	**–**	**–**	890,620	–	–
	2.5 Infrastructure	**12,048**	**–**	**–**	6,298,893	–	–
3	Services	**50,920,412**	**449,490**	**0.88**	28,036,926	383,588	1.37
	3.1 Professional Services	**14,786,207**	**–**	**–**	1,816,228	–	–
	3.2 Trade	**25,176,811**	**102,012**	**0.41**	17,499,807	58,417	0.33
	3.3 NBFC	**9,221,280**	**89,035**	**0.97**	6,375,772	68,796	1.08
4	Personal loans	**22,415**	**–**	**–**	1,643,600	347,470	21.14
	4.1 Housing	**22,415**	**–**	**–**	1,643,600	347,470	21.14
	Sub-total (A)	**107,360,606**	**1,265,648**	**1.18**	77,360,412	731,058	0.95

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Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.6 Statutory disclosures (Continued)

(r) Sector-wise Advances (Continued)

(Rs '000)

Sl. No.	Sector	As at 31 March 2020 Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	As at 31 March 2019 Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
B	Non Priority Sector						
1	Agriculture and allied activities	**6,168,215**	**55,497**	**0.90**	3,525,347	–	–
	1.1 Indirect Agriculture	**6,168,215**	**55,497**	**0.90**	3,525,347	–	–
2	Industry	**225,697,700**	**1,206,051**	**0.53**	242,997,287	1,452,583	0.60
	2.1 Chemicals and Chemical Products	**42,202,866**	**141,249**	**0.33**	51,178,767	140,578	0.27
	2.2 All Engineering	**49,069,577**	**34,887**	**0.07**	57,585,343	104,916	0.18
	2.3 Infrastructure	**40,258,485**	**433,946**	**1.08**	36,294,574	601,057	1.66
	2.4 Vehicles, Vehicle Parts and Transport Equipments	**26,348,059**	**–**	**–**	26,567,098	–	–
3	Services	**323,030,242**	**1,289,552**	**0.40**	246,178,267	1,328,643	0.54
	3.1 Trade	**26,687,651**	**953,905**	**3.57**	31,861,802	1,043,425	3.27
	3.2 Commercial Real Estate	**119,210,094**	**324,671**	**0.27**	99,445,773	266,080	0.27
	3.3 NBFC	**56,362,087**	**–**	**–**	60,289,206	–	–
	3.4 Professional services	**45,288,987**	**10,976**	**0.02**	31,982,527	19,077	0.06
	3.5 Banks	**35,014,704**	**–**	**–**	–	–	–
4	Personal loans	**108,981,239**	**2,876,518**	**2.64**	103,670,904	2,464,798	2.38
	4.1 Housing	**76,727,377**	**2,072,243**	**2.70**	74,636,926	1,805,946	2.42
	4.2 Credit Card Receivables	**16,994,516**	**594,713**	**3.50**	16,101,259	470,797	2.92
	4.3 Other Retail Loans	**14,433,999**	**192,638**	**1.33**	11,872,865	176,473	1.49
	Sub-total (B)	**663,877,396**	**5,427,618**	**0.82**	596,371,805	5,246,024	0.88
	Total(A+B)	**771,238,002**	**6,693,266**	**0.87**	673,732,217	5,977,082	0.89

Note: Classification into sectors as above has been done based on the Bank's internal norms.

(s) Provision towards Standard Assets

(Rs '000)

	As at 31 March 2020	As at 31 March 2019
Provision towards standard assets*	**8,212,422**	4,450,027
Provision towards country risk (Refer note 5.6 (ad))	**107,848**	73,688
Accumulated surplus arising on sale of NPA	**251,454**	251,454
Total	**8,571,724**	4,775,169

* Comprises general provision towards standard assets. (including additional standard assets provision for stressed sectors as per RBI circular RBI/2016-17/282 DBR.No.BP.BC.64/21.04.048/2016-17 dated 18 April 2017), Unhedged Foreign Currency Exposure (UFCE) as per RBI Master Circular DBR No. BP.BC 2/21.04.048/2015-16 dated 1 July 2015 and COVID 19 provisions as per RBI circular RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 dated 17 April 2020.

(t) Unhedged Foreign Currency Exposure (UFCE)

The Bank has an approved policy and rigorous process for managing the currency induced credit risk of its customers. The Bank assesses the credit risk arising out of foreign currency exposures of customers, including unhedged foreign currency exposure (UFCE), at the time of sanctioning and subsequent review of credit facilities, along with the customer's strategy for risk mitigation. The Bank also factors in the inherent risk of UFCE in credit risk rating and credit risk premium. The foreign currency exposures and UFCE are analysed on a regular basis and adequate provisioning and risk weights are maintained as required by RBI guidelines. The Bank advises its customers to ensure adequate and appropriate hedging/other risk mitigation strategies.

The Bank has to maintain incremental provisions and RWAs for UFCE of its customers as stipulated by the RBI circular 'Capital and Provisioning Requirements for Exposures to entities with Unhedged Foreign Currency Exposure' dated 15 January 2014. The Bank obtains quarterly information on UFCE from its customers and the incremental provision is computed based on relative riskiness of a customer in terms of likely loss due to forex volatility as a % of EBID (defined as PAT + Depreciation + Interest on debt + Lease Rentals). The incremental provisioning required is Rs. 923 million and the additional capital required is Rs. 5,896 million for UFCE as at 31 March 2020. (previous year: Rs. 892 million provision and capital required Rs. 4,909 million).

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Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.6 Statutory disclosures (Continued)

(u) Details of financial assets sold to Securitisation Companies (SC)/Reconstruction Companies (RC) for Asset Reconstruction

(Rs '000)

	For year ended 31 March 2020	For year ended 31 March 2019
Number of accounts	–	1
Aggregate value (net of provisions) of accounts sold to SC/RC	–	–
Aggregate consideration	–	748,959
Additional consideration realised in respect of accounts transferred in earlier years	–	–
Aggregate gain over net book value	–	748,959

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

There has been no purchase of NPAs during the year ended 31 March 2020 (previous year: Rs. Nil).

There has been no sale of NPAs during the year ended 31 March 2020. Details of NPAs sold during the year ended 31 March 2019 are provided in Schedule 18 note 5.6 (u).

(w) Securitisation of standard assets (including Direct Assignment)

The Bank has not securitised any standard assets in the current year (previous year: Rs. Nil).

The following disclosures are made in accordance with RBI circular dated 7 May 2012, with respect to transfer of assets through direct assignment of cash flows.

(Rs '000)

	As at 31 March 2020	As at 31 March 2019
Total amount of assets through Direct Assignment of Cash Flows	**179,900**	–
Total amount of On Balance Sheet exposures retained by the bank to comply with MRR as on the date of Balance Sheet	**19,989**	–

(x) PSLCs purchased and sold

(Rs '000)

	As at 31 March 2020	**As at 31 March 2020**	As at 31 March 2019	As at 31 March 2019
	Purchased	**Sold**	Purchased	Sold
Agriculture	**51,840,000**	–	19,765,000	–
Small Farmer/Marginal Farmer	**80,545,000**	–	62,930,000	–
Micro Enterprises	**35,200,000**	–	21,950,000	–
General	**54,500,000**	–	5,000,000	7,000,000
Total	**222,085,000**	–	109,645,000	7,000,000

(y) Disclosure on technical write-offs and recoveries made thereon

There have been Nil technical write-offs and recoveries during the year. (previous year: Rs. Nil)

(z) Disclosure on divergence in the asset classification and provisioning

The divergence observed by RBI for the financial year 2018-19 and 2017-18 in respect of the Bank's asset classification and provisioning under the extant prudential norms on income recognition asset classification and provisioning, are below the thresholds prescribed in RBI circular DBR.BP.BC.No.32/21.04.018/2018-19 dated 01 April 2019, which require such disclosures.

(aa) Disclosure on implementation of Resolution Plan/Schemes for Stressed Assets

Bank has not implemented any Resolution Plan during the financial year 2019-20 as per the Prudential Framework for Resolution of Stressed Assets laid down by RBI vide its circular RBI/2018-19/203 DBR.No.BP.BC.45/21.04.048/2018-19 dated June 7, 2019. Further during financial year 2018-19, Bank did not have any asset under the schemes for stressed assets.

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Schedule 18 – Significant accounting policies and notes to accounts ***(Continued)***

5 Notes to accounts ***(Continued)***

5.6 Statutory disclosures (Continued)

(ab) Exposures:

Exposure to real estate sector

(Rs '000)

	Category	As at 31 March 2020	As at 31 March 2019
A	Direct exposure	**230,122,647**	233,718,847
(i)	Residential mortgages –		
	Lendings fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented *	**92,651,723**	91,713,868
	Of which individual housing loans eligible for inclusion in priority sector advances	**22,781**	1,722,532
(ii)	Commercial real estate	**134,551,584**	138,346,459
(iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
	a. Residential	**2,804,060**	3,509,440
	b. Commercial Real estate	**115,280**	149,080
B	Indirect exposure	**41,051,847**	44,166,528
	Fund based and non-funded based exposures on National Housing Bank (NHB) and Housing Finance Companies	**41,051,847**	44,166,528
	Others	**–**	–
	Total exposure to real estate sector (A+B)	**271,174,494**	277,885,375

* Includes undrawn limits of **Rs. 15,499** million (previous year: Rs. 15,040 million) pertaining to mortgages on residential property.

Exposure to capital market

(Rs '000)

		As at 31 March 2020	As at 31 March 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;	**136,600**	136,600
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;	**886**	1,469
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;	**821,300**	1,543,000
v.	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	**3,939,286**	9,029,673
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;	**–**	–
vii.	bridge loans to companies against expected equity flows/issues;	**14,255,000**	11,244,500
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)	**–**	–
xi.	Others	**4,895,656**	2,528,059
	Total Exposure to Capital Market (i to xi)	**24,048,728**	24,483,301

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Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.6 Statutory disclosures (Continued)

(ac) Restructured accounts

A) Particulars of accounts restructured

for the year ended 31 March 2020

(Rs. '000)

Sr No	Type of Restructuring	Asset Classification/Details	Under CDR Mechanism					Others					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 of the FY (opening figures)*	No of borrowers	–	–	2	–	2	–	3	114	1	118	–	3	116	1	120
		Amount outstanding	–	–	68,795	–	68,795	–	859	6,760	54,000	61,619	–	859	75,555	54,000	130,414
		Provision thereon	–	–	89,035	–	89,035	–	367	6,769	54,100	61,236	–	367	95,805	54,100	150,271
2	Fresh Restructuring during the year	No of borrowers	–	–	–	–	–	–	1	27	–	28	–	1	27	–	28
		Amount outstanding	–	–	20,240	–	20,240	–	468	221	–	689	–	468	20,461	–	20,929
		Provision thereon	–	–	28,532	–	28,532	–	117	221	–	338	–	117	28,753	–	28,870
3	Upgradations to restructured standard category during the FY	No of borrowers	–	–	–	–	–	–	–	(78)	–	(78)	–	–	(78)	–	(78)
		Amount outstanding	–	–	–	–	–	–	–	(420)	–	(420)	–	–	(420)	–	(420)
		Provision thereon	–	–	–	–	–	–	–	(420)	–	(420)	–	–	(420)	–	(420)
4	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	Downgradations of restructured accounts during the FY	No of borrowers	–	–	–	–	–	–	(3)	3	–	–	–	(3)	3	–	–
		Amount outstanding	–	–	–	–	–	–	(867)	762	–	(105)	–	(867)	762	–	(105)
		Provision thereon	–	–	–	–	–	–	(217)	762	–	545	–	(217)	762	–	545
6	Write-off of restructured accounts during the FY **	No of borrowers	–	–	–	–	–	–	–	(49)	–	(49)	–	–	(49)	–	(49)
		Amount outstanding	–	–	–	–	–	–	–	(2,469)	(438)	(2,907)	–	–	(2,469)	(438)	(2,907)
		Provision thereon	–	–	–	–	–	–	–	(2,469)	(538)	(3,007)	–	–	(2,469)	(538)	(3,007)
7	Restructured accounts as on March 31 of the FY (closing figures)*	No of borrowers	–	–	2	–	2	–	1	17	1	19	–	1	19	1	21
		Amount outstanding	–	–	89,035	–	89,035	–	460	4,854	53,562	58,876	–	460	93,889	53,562	147,911
		Provision thereon	–	–	117,567	–	117,567	–	267	4,863	53,562	58,692	–	267	122,430	53,562	176,259

* Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable).
** Includes recovery of restructured accounts as below.
Note : There are no restructured accounts under SME restructuring mechanism.

Recovery of restructured accounts during the FY	No of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	Amount outstanding	–	–	–	–	–	–	–	(1,769)	(438)	(2,207)	–	–	(1,769)	(438)	(2,207)
	Provision thereon	–	–	–	–	–	–	–	(1,769)	(538)	(2,307)	–	–	(1,769)	(538)	(2,307)

Schedules forming part of the Financial Statements for the year ended 31 March 2020 (*Continued)*

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.6 Statutory disclosures (Continued)

(ac) Restructured accounts (Continued)

A) Particulars of accounts restructured

for the year ended 31 March 2019

(Rs. '000)

Sr No	Type of Restructuring	Asset Classification/Details	Under CDR Mechanism					Others					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 of the FY (opening figures)*	No of borrowers	–	–	2	–	2	–	7	167	1	175	–	7	169	1	177
		Amount outstanding	–	–	120,200	–	120,200	–	2,668	3,265	54,000	59,933	–	2,668	123,465	54,000	180,133
		Provision thereon	–	–	120,200	–	120,200	–	692	3,279	54,100	58,071	–	692	123,479	54,100	178,271
2	Fresh Restructuring during the year	No of borrowers	–	–	–	–	–	–	2	43	–	45	–	2	43	–	45
		Amount outstanding	–	–	–	–	–	–	965	4,146	–	5,111	–	965	4,146	–	5,111
		Provision thereon	–	–	–	–	–	–	393	4,146	–	4,539	–	393	4,146	–	4,539
3	Upgradations to restructured standard category during the FY	No of borrowers	–	–	–	–	–	–	–	(84)	–	(84)	–	–	(84)	–	(84)
		Amount outstanding	–	–	–	–	–	–	–	(304)	–	(304)	–	–	(304)	–	(304)
		Provision thereon	–	–	–	–	–	–	–	(304)	–	(304)	–	–	(304)	–	(304)
4	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	Downgradations of restructured accounts during the FY	No of borrowers	–	–	–	–	–	–	(4)	–	–	(4)	–	(4)	–	–	(4)
		Amount outstanding	–	–	–	–	–	–	(2,329)	–	–	(2,329)	–	(2,329)	–	–	(2,329)
		Provision thereon	–	–	–	–	–	–	(582)	–	–	(582)	–	(582)	–	–	(582)
6	Write-off of restructured accounts during the FY **	No of borrowers	–	–	(2)	–	(2)	–	(2)	(12)	–	(14)	–	(2)	(14)	–	(16)
		Amount outstanding	–	–	(51,405)	–	(51,405)	–	(445)	(347)	–	(792)	–	(445)	(51,752)	–	(52,197)
		Provision thereon	–	–	(31,165)	–	(31,165)	–	(136)	(351)	–	(487)	–	(136)	(31,516)	–	(31,652)
7	Restructured accounts as on March 31 of the FY (closing figures)*	No of borrowers	–	–	2	–	2	–	3	114	1	118	–	3	116	1	120
		Amount outstanding	–	–	68,795	–	68,795	–	859	6,760	54,000	61,619	–	859	75,555	54,000	130,414
		Provision thereon	–	–	89,035	–	89,035	–	367	6,770	54,100	61,237	–	367	95,805	54,100	150,272

* Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable).
** Includes recovery of restructured accounts as below.
Note : There are no restructured accounts under SME restructuring mechanism.

Recovery of restructured accounts during the FY	No of borrowers	–	–	(2)	–	(2)	–	–	–	–	–	–	–	(2)	–	(2)
	Amount outstanding#	–	–	(51,405)	–	(51,405)	–	–	–	–	–	–	–	(51,405)	–	(51,405)
	Provision thereon	–	–	(31,165)	–	(31,165)	–	–	–	–	–	–	–	(31,165)	–	(31,165)

Preference shares received as part repayment in lieu of term loans outstanding as on 31st March 2019 under the CDR mechanism.

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Schedules forming part of the Financial Statements for the year ended 31 March 2020 *(Continued)*
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Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.6 Statutory disclosures (Continued)

(ad) Risk category wise Country Exposure

Provision for country risk exposure in line with RBI guidelines is as follows:

(Rs '000)

Classification	Exposure as at 31 March 2020*	Provision held as at 31 March 2020	Exposure as at 31 March 2019*	Provision held as at 31 March 2019
Insignificant	**226,059,166**	**107,848**	254,890,127	73,688
Low Risk	**11,572,278**	**–**	10,384,125	–
Moderately Low Risk	**168,721**	**–**	1,425,900	–
Moderate Risk	**2,191,076**	**–**	533,808	–
Moderately High Risk	**10,067**	**–**	11,647	–
High Risk	**10,037**	**–**	–	–
Very High Risk	**–**	**–**	–	–
Total	**240,011,345**	**107,848**	267,245,607	73,688

The above provision has been classified as 'Standard Asset provision' in Schedule 5.

* Exposures are computed on gross basis

(ae) Disclosure on Large Exposure Framework

The RBI has prescribed exposure limits for banks in respect of their lending to single counterparty/group of connected counterparties in form of Large Exposure Framework (LEF). The exposure limits prescribed are 20% of the bank's available eligible capital base at all times in case of single counterparty (SCL) and 25% of the bank's available eligible capital base at all times in case of group of connected counterparties (GCL). SCL can also be increased by a further 5% of the bank's available eligible capital base in exceptional cases as per the board approved policy of the Bank.

Further, Large Exposure Framework clarifies that the interbank exposure limit of an Indian branch of a foreign G-SIB with its Head Office will be 20% of its Tier I capital in India.

During the year, there was one instance where the Bank exceeded the prescribed exposure limit for which the bank immediately took action to remediate the breach by reducing its exposure on the following day.

Apart from the one mentioned above, during the year, there was no breach of LEF limits for any of the exposures.

(af) Intra-group exposure

(Rs '000)

	As at 31 March 2020	As at 31 March 2019
Total amount of intra-group exposures	**34,825,926**	33,764,834
Total amount of top-20 intra-group exposures	**34,585,867**	33,295,095
Percentage of intra-group exposures to total exposure of the bank on borrowers/customers	**1.21%**	1.19%
Details of break of limits on intra group exposures and regulatory action theron, if any	**Nil**	Nil

(ag) Concentration of Deposits

(Rs '000)

	As at 31 March 2020	As at 31 March 2019
Total Deposits of twenty largest depositors	**289,550,832**	207,726,247
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	**23.18%**	20.24%

(ah) Deposit Education and Awareness Fund (DEAF)

(Rs '000)

	As at 31 March 2020	As at 31 March 2019
Opening balance of amounts transferred to DEAF	**1,345,282**	1,120,522
Add: Amounts transferred to DEAF during the year	**217,904**	248,190
Less: Amounts reimbursed by DEAF towards claims	**(17,488)**	(23,430)
Closing balance of amounts transferred to DEAF	**1,545,698**	1,345,282

(ai) Off-Balance Sheet SPVs

The Bank has not sponsored any off-balance sheet SPVs (previous year: Rs. Nil).

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(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.6 Statutory disclosures (Continued)

(aj) Risk exposure in derivatives

Qualitative disclosure

Derivatives Usage, the associated risks and business purposes served

The Bank transacts derivatives for three primary purposes: to create risk management solutions for clients, to manage the portfolio risks arising from client business and to manage and hedge its own risks.

Our control of market risk in derivatives is based on a policy of restricting individual operations to trading within a list of permissible instruments authorised for the Bank, of enforcing new product approval procedures, and of restricting trading in the more complex derivative products (as permitted by regulations) only where appropriate levels of product expertise and robust control systems exist.

Derivatives (except for derivatives which are designated as effective hedging instruments) are held for trading. Within the held-for-trading classification are two types of derivatives: those used in sales and trading activities, and those used for risk management purposes but which for various reasons do not meet the qualifying criteria for hedge accounting. These activities are described more fully below.

Trading derivatives

Most of the Bank's derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading activities include market-making and risk management.

Market-making entails quoting bid and offer prices to other market participants for the purpose of generating revenues based on spread and volume.

Risk management activity is undertaken to manage the risk arising from client transactions, with the principal purpose of retaining client margin.

Other derivatives classified as held for trading include ineffective hedging derivatives and the components of hedging derivatives that are excluded from assessing hedge effectiveness. These derivative portfolios are not risk managed on a trading intent basis and are treated as non-traded risk for value at risk (VaR) measurement purposes.

Hedging derivatives

The Bank uses derivatives (principally interest rate swaps) for hedging purposes in the management of its own asset and liability portfolios and structural positions. This enables the Bank to optimise the overall cost of accessing debt capital markets, and to mitigate the market risk which would otherwise arise from structural imbalances in the maturity and other profiles of its assets and liabilities.

Structure & organisation for management of risk in derivatives trading

The management of market risk arising from derivatives is undertaken in Markets using risk limits approved by an independent Risk function. The level of market risk limits set for each operation depends upon the market liquidity, financial and capital resources of the business, the business plan, the experience and track record of the management, dealers and market environment, as well as the Group's risk appetite.

Global Risk, an independent unit within the Group, is responsible for our market risk management policies and measurement techniques. At local level, the Bank has a Market Risk Management function, independent of Markets, which is responsible for measuring market risk exposures in accordance with the Group policies, and monitoring and reporting these exposures against the prescribed limits on a daily basis.

Scope and nature of risk measurement, risk reporting and risk monitoring systems

The Bank employs a range of tools to monitor and limit market risk exposures. These include position limits, sensitivity analysis (pvbp limits), stop loss limit, VaR, Stressed VaR and stress testing.

While VaR provides a measure of the market risk in the Bank, sensitivity analysis (e.g Present Value of 1 basis point (PV01)) and VaR are more commonly utilised for the management of the business units. Stress testing and stressed VaR complement these measures with estimates of potential losses arising from market turmoil.

Our VaR and stressed VaR models are predominantly based on historical simulation. VaR measures are calculated to a 99% confidence level and use a one-day holding period. The accuracy of our VaR models is routinely validated by back-testing the actual daily profit and loss results, adjusted to remove non-modelled items such as fees and commissions, against the corresponding VaR numbers.

Market Risk Limits are proposed by Local Global Markets. The Local Market Risk function reviews the market risk limits and provides its endorsement as appropriate to the Regional Market Risk Management for approval. After regional concurrence, the proposed mandates are tabled to INM EXCO for approval. Upon approval, the limits are formally delegated by the CEO to the Head of Global Markets, who in turns delegates limits to its different Front office desks. These limits are monitored daily by the Bank's Market Risk Management function through system reports and advised to senior management on an ongoing basis. Any breaches in the internal and regulatory market risk limits set as part of internal risk policy is reported to the senior management immediately and is also tabled at the RMM and EXCO for discussion.

Counterparty credit risk (CCR) arises from derivative transactions and is the risk that the counterparty to a transaction may default before completing the satisfactory settlement of the transaction. The measurement of CCR takes into account the current mark-to-market value to the Bank of a derivative contract and the expected potential change in that value over time caused by movements in market rates. CCR on contracts having a negative mark-to-market value to the Bank is restricted to the expected potential change in the value.

Schedules forming part of the Financial Statements for the year ended 31 March 2020 (*Continued)*
(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.6 Statutory disclosures (Continued)

(aj) Risk exposure in derivatives (Continued)

CCR is monitored against limits approved by authorised individuals within a framework of delegated authorities. These limits represent the peak exposure or loss to which the Bank could be subjected should the counterparty fail to perform its contractual obligations. These credit limits are set based on the Bank's credit risk assessment for the counterparty which inter alia considers the ability of the counterparty to honour its obligations in the event of crystallisation of the exposure.

The International Swaps and Derivatives Association ('ISDA') Master Agreement is our preferred agreement for documenting derivatives activity. It provides the contractual framework within which dealing activity across a full range of over-the-counter ('OTC') products is conducted, and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or another pre-agreed termination event occurs. It is common, and our preferred practice, for the parties to execute a Credit Support Annex ('CSA') in conjunction with the ISDA Master Agreement. Under a CSA, collateral is passed between the parties to mitigate the counterparty risk inherent in outstanding positions. Despite these being a standard credit mitigant for OTC derivatives globally, market practice in this respect is still evolving in India. The Bank has executed a few CSAs and is negotiating with some more counterparties.

Hedging policy

The Bank bases its hedging decisions on an Asset and Liability Management Committee ('ALCO') approved hedging policy and the hedging activity is executed by a Balance Sheet Management team which is also responsible for the management of the banking book liquidity, funding and interest rate risks.

The Bank typically uses micro fair value hedges to manage fixed rate banking book risks as there are not many floating benchmark based risks. The Bank allows only external derivatives for hedging. It also allows partial term hedging of underlying.

At the inception of a hedging relationship, the Bank documents the relationship between the hedging instruments and the hedged items, its risk management objective and its strategy for undertaking the hedge. The Bank also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the hedging instruments, primarily derivatives, that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the hedged items.

Hedge effectiveness testing

To qualify for hedge accounting, the Bank requires that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective effectiveness), and demonstrate actual effectiveness (retrospective effectiveness) on an ongoing basis.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness to be achieved, the changes in fair value or cash flows must offset each other in the range of 80% to 125%.

The Bank treats hedging derivatives as 'Other Derivatives' in the trading book for accounting purposes.

Valuation & Provisioning of Derivatives Contracts

The accounting policy for derivative financial instruments is set out in schedule 18 note 4.4. Further, the Bank conforms to the RBI guidelines on provisioning.

All trading derivatives are recognised initially at fair value. In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received).

In certain circumstances, however, the fair value will be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only data from observable markets, such as interest rate yield curves, option volatilities and currency rates. When such evidence exists, the Bank recognises a trading gain or loss on inception of the financial instrument, being the difference between the transaction price and the fair value. When unobservable market data have a significant impact on the valuation of financial instruments, the entire initial difference in fair value from the transaction price as indicated by the valuation model is not recognised immediately in the income statement. Instead, it is recognised over the life of the transaction (also known as Day 1 P&L reserve) on an appropriate basis, when the inputs become observable, the transaction matures or is closed out, or when the Bank enters into an offsetting transaction.

Subsequent to initial recognition, the fair values of financial instruments measured at fair value are measured in accordance with the Bank's valuation methodologies, which are described below.

Fair values are subject to a control framework designed to ensure that they are either determined or validated by a function independent of the risk-taker.

For all financial instruments where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is utilised. In inactive markets, direct observation of a traded price may not be possible. In these circumstances, the Bank will source alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair value adjustments are adopted when the Bank considers that there are additional factors that would be considered by a market participant which are not incorporated within the valuation model. The typical types of fair value adjustments carried by the Bank are bid-offer adjustments, uncertainty adjustments, credit and debit valuation adjustments (CVA and DVA), funding fair value adjustments (FFVA) and Day 1 Profit and Loss reserve. A bid-offer adjustment recognises the cost to the Bank to close out the open market risk positions in the market as valuation models typically generate mid-market values. Where uncertainty exists about a market data or quote an adjustment may be made to recognise the same. CVA adjusts the fair value of a derivative to reflect the probability of default (PD) of a counterparty to meet its obligations under a derivative contract whereas DVA adjusts the fair value of a derivative to reflect the PD of the Bank failing to meet its obligations under a derivative contract. FFVA is a portfolio valuation adjustment that seeks to recognise within fair value the present value of the expected future cost or benefit of funding the uncollateralised derivative counterparty exposure over its remaining life.

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Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.6 Statutory disclosures (Continued)

(aj) Risk exposure in derivatives (Continued)

Quantitative disclosure

(Rs '000)

Sr. No.	Particular	As at 31 March 2020 Currency Derivatives	As at 31 March 2020 Interest Rate Derivatives	As at 31 March 2019 Currency Derivatives	As at 31 March 2019 Interest Rate Derivatives
1	Derivatives (Notional Principal Amount)				
	a) for hedging	**–**	**–**	–	–
	b) for trading	**10,086,350,742**	**8,494,692,254**	5,286,099,855	7,653,004,114
2	Marked-to-Market Position				
	a) Asset (+)	**194,110,374**	**105,462,262**	85,823,736	43,492,145
	b) Liability (–)	**189,620,514**	**111,045,088**	87,183,705	45,692,899
3	Credit Exposure #	**315,466,048**	**126,675,381**	171,307,947	80,380,691
4	Likely impact of one percentage point change in interest rate (100 x PV01)				
	a) on hedging derivatives	**–**	**–**	–	–
	b) on trading derivatives	**911,029**	**4,986,138**	1,409,487	1,350,432
5	Maximum and Minimum of 100 x PV01 observed during the year				
	a) on hedging				
	Maximum	**–**	**–**	–	–
	Minimum	**–**	**–**	–	–
	b) on trading				
	Maximum	**1,450,192**	**5,895,896**	1,574,955	3,603,029
	Minimum	**692,109**	**1,211,048**	727,693	940,861

The credit exposure is computed based on the current exposure method specified in the RBI Basel III norms.

Currency derivatives include forwards, currency options, currency swaps and currency futures.

Interest rate derivatives include Forward Rate Agreements, Interest Rate Options, Interest Rate Swaps and Interest Rate Futures.

The Bank did not have exposure to Credit Default Swap as on 31 March 2020.

(ak) Disclosure on interest rate swaps and forward rate agreements ('FRA')

(Rs '000)

		As at 31 March 2020	As at 31 March 2019
(i)	The notional principal of swap agreements	**8,493,605,827**	7,652,143,519
(ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	**105,460,559**	43,489,134
(iii)	Collateral required by the bank upon entering into swaps	**–**	–
(iv)	Concentration of credit risk arising from the swaps		
	– maximum single industry exposure with banks (previous year with banks)	**68%**	55%
(v)	The fair value of the swap book	**(5,582,826)**	(2,200,754)

The nature and terms of interest rate swaps outstanding are set out below:

(Rs '000)

Nature	Terms	As at 31 March 2020 No.	As at 31 March 2020 Notional principal	As at 31 March 2019 No.	As at 31 March 2019 Notional principal
Trading swaps	Receive floating pay floating	**26**	**54,932,790**	27	48,408,500
Trading swaps	Receive floating pay fixed	**6,098**	**4,282,621,071**	5,750	3,805,911,352
Trading swaps	Receive fixed pay floating	**6,458**	**4,119,256,737**	5,654	3,790,672,945
Trading swaps	Receive fixed pay fixed	**4**	**9,433,080**	3	3,930,722

The nature and terms of forward rate agreements outstanding are set out below:

(Rs '000)

Nature	Terms	As at 31 March 2020 No.	As at 31 March 2020 Notional principal	As at 31 March 2019 No.	As at 31 March 2019 Notional principal
Trading swaps	Receive fixed pay floating	**98**	**27,362,150**	24	3,220,000

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Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.6 Statutory disclosures (Continued)

(al) Exchange traded interest rate derivatives

(Rs '000)

No.	Particulars	31 March 2020	31 March 2019
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise) 10 Yrs G Secs	–	–
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding	–	–
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	–	–
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective"	–	–

(am) Subordinated debt

There was no subordinated debt that was outstanding at any point of time during the year ended 31 March 2020 (previous year: Rs. Nil).

(an) Penalties imposed by RBI

No penalties were paid to RBI during the year. (Previous year: Rs.10 million vide order No. 624/02.03.012/2018-19 u/s 35, 35A, 46, 47A of Banking Regulation Act, 1949).

(ao) Operating Expenses – other expenditure

"Other expenditure" includes the following:

(Rs '000)

	For the year ended 31 March 2020	For the year ended 31 March 2019
Head office costs allocated	**1,671,162**	1,997,788
Services contracted out	**10,100,166**	7,816,656
PSLC cost	**1,733,474**	1,002,062

(ap) Bancassurance income

During the year, the Bank earned an amount of Rs.1,071 million towards bancassurance income (previous year: Rs. 1,200 million).

(Rs '000)

Nature of Income	For the year ended 31 March 2020	For the year ended 31 March 2019
For selling life insurance products	**190,507**	160,188
For selling non life insurance products	**15,166**	15,202
For selling mutual fund products	**865,826**	1,024,805
Total	**1,071,499**	1,200,195

(aq) Micro, Small and Medium Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED), the following disclosure is made based on the information and records available with the management in respect of the Micro, Small and Medium Enterprises who have registered with the competent authorities:

(Rs '000)

	31 March 2020	31 March 2019
Principal amount remaining unpaid to any registered supplier as at the year end	**9,989**	15,076
Interest due thereon	–	–
Amount of interest paid by the Company in terms of section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	–	–
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 the MSMED act	–	–
Amount of interest accrued and remaining unpaid at the end of the accounting year	–	–
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 enterprises, under Section 23 of the MSMED act	–	–

The Hongkong and Shanghai Banking Corporation Limited – India Branches
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Schedules forming part of the Financial Statements for the year ended 31 March 2020 (*Continued)*

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts ***(Continued)***

5.6 Statutory disclosures (Continued)

(ar) Maturity pattern

Management has made certain estimates and assumptions in respect of behavioural maturities of non-term assets and liabilities and trading securities while compiling their maturity profile which is consistent with the Bank's reporting to the RBI which have been relied upon by the auditors.

As at 31 March 2020

(Rs '000)

	Day 1	**2 to 7 days**	**8 to 14 days**	**15-30 days**	**31 days to 2 months**	**2 months to 3 months**	**Over 3 months to 6 months**	**Over 6 months to 12 months**	**Over 1 year to 3 years**	**Over 3 years to 5 years**	**Over 5 years**	**Total**
Loans and Advances	**9,639,602**	**60,320,410**	**21,099,449**	**70,912,948**	**48,341,399**	**57,734,033**	**77,865,715**	**74,129,817**	**118,143,421**	**111,846,185**	**115,773,677**	**765,806,656**
Investment Securities	**265,222,132**	**49,676,878**	**91,343,796**	**62,474,606**	**19,854,459**	**16,451,699**	**20,324,509**	**27,528,253**	**72,663,327**	**18,915,470**	**71,765,001**	**716,220,130**
Deposits	**62,895,626**	**166,007,536**	**69,263,356**	**136,798,703**	**67,137,304**	**64,163,471**	**56,528,390**	**94,600,096**	**62,761,615**	**468,873,402**	**378**	**1,249,029,877**
Borrowings	**1,092,637**	**110,837,987**	**94,721,179**	**277,500**	**243,400**	**520,900**	**2,562,700**	**13,408,573**	**20,752,478**	**–**	**–**	**244,417,354**
Foreign Currency Assets	**32,914,905**	**18,789,206**	**7,778,701**	**41,876,765**	**34,359,895**	**36,333,348**	**41,284,168**	**51,792,299**	**30,453,126**	**9,124,381**	**11,578,675**	**316,285,469**
Foreign Currency Liabilities	**10,586,763**	**51,007,032**	**1,125,512**	**35,799,355**	**24,043,275**	**25,097,224**	**39,551,855**	**52,122,728**	**23,893,243**	**52,257,910**	**12,173,567**	**327,658,464**

In accordance with the ALM guideline issued by RBI, the estimates and behavioural assumptions used by the Bank for classification of assets and liabilities under the different maturity buckets is based on the returns submitted to RBI for the relevant periods.

Moratorium offered to customers based on RBI COVID-19 relief package announced on 27th March 2020 has been adjusted in above maturity profile except for credit cards as same are reported based on behavioral study.

As at 31 March 2019

(Rs '000)

	Day 1	2 to 7 days	8 to 14 days	15-30 days	31 days to 2 months	2 months to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Loans and Advances	9,130,971	49,376,656	29,849,954	58,426,196	52,265,485	39,746,536	54,317,023	57,995,742	113,589,384	88,974,073	115,374,285	669,046,305
Investment Securities	79,167,472	171,373,225	114,426,479	64,802,124	46,418,235	26,265,038	24,642,641	36,644,691	66,958,718	16,987,482	62,051,516	709,737,621
Deposits	53,960,058	153,374,968	85,437,366	70,886,772	89,364,233	71,308,690	60,194,244	52,162,259	58,912,947	330,495,052	124	1,026,096,713
Borrowings	7,915,095	157,009,527	100,000,000	277,500	30,277,500	–	832,500	31,476,673	5,727,500	–	–	333,516,295
Foreign Currency Assets	4,933,189	85,900,836	1,832,847	7,757,204	8,107,675	6,976,908	10,331,932	12,237,261	19,702,111	9,708,745	2,877,545	170,366,253
Foreign Currency Liabilities	15,149,267	6,143,249	342,480	2,894,915	1,585,820	2,102,999	3,274,560	37,053,346	9,982,171	34,197,855	3,671,240	116,397,902

(as) Overseas Assets, NPAs and Revenue

As the Bank is a branch of a foreign bank, this disclosure is not considered applicable.

(at) Liquidity Coverage Ratio

Qualitative disclosure

The Liquidity Coverage Ratio (LCR) promotes the short term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient unencumbered High Quality Liquid Assets (HQLAs) (which can be converted readily into cash) to survive in an acute scenario lasting for 30 days, by which time it is assumed that appropriate corrective action would be taken.

The Bank has maintained an LCR of 168% as at 31 Mar 2020 and average LCR ratio as of 176% for the financial year ending March 2020 (based on the simple average of the daily values for the year ended March 31, 2020) which remains well above the minimum regulatory requirement.

i. Main drivers of LCR results and evolution of contribution of inputs to LCR's calculation over time

The key components/drivers of the LCR are (i) stock of HQLA and (ii) Net cash outflows over the next 30 calendar days. HQLA comprises high quality assets that can be readily sold or used as collateral to obtain funds in a range of stress scenarios. They should be unencumbered and easily convertible into cash at little or no loss of value. Net cash outflows are the total expected cash outflows minus expected cash inflows for the subsequent 30 calendar days. Cash outflows and inflows are calculated by multiplying outstanding balances of various types of liabilities and off-balance sheet commitment and various categories of contractual receivables by the prescribed outflows/inflows rates. Total inflows are capped at 75% of total outflows for LCR computation. The contribution of Facility to Avail Liquidity for LCR (FALLCR) and Marginal Standing Facility (MSF) has increased over time with RBI permitting up to 15.50% of Net Demand and Time Liabilities (NDTL) as at 31 Mar 2019 which has further increased to 16.50% as of 31 Mar 2020. As a part of COVID-19 liquidity support measure, RBI has allowed additional 1% to be considered as MSF till 30 June 2020.

ii. Intra period changes as well as changes over time

The LCR requirement is binding for banks from 1 January 2015; with the minimum requirement of 100% applicable from 1 January 2019. As a part of COVID-19 liquidity support measure, RBI has lowered the LCR requirement to 80% from April'20 with gradual phase back as 90% from 01 Oct 2020 and 100% from 01 April 2021.

Schedules forming part of the Financial Statements for the year ended 31 March 2020 (*Continued)*

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts ***(Continued)***

5.6 Statutory disclosures (Continued)

(at) Liquidity Coverage Ratio (Continued)

iii. Composition of HQLA

Level 1 assets for the Bank comprise 92% of the total average HQLAs for the period 01 April 2019 to 31 March 2020. Approximately 99% of the Level 1 assets are in the form of Government securities. This includes the regulatory dispensation allowed up to 17.50% (including 1% increase in Marginal Standing facility) of Net Demand and Time Liabilities in the form of borrowing limit available through Marginal Standing Facility (MSF) and Facility to Avail Liquidity for LCR (FALLCR).

Level 2 assets are further divided as Level 2A and Level 2B. For the Bank, Level 2A assets consist of bonds issued by Public Sector Entities that are assigned a 20% risk weight under the BASEL II Standardised Approach for credit risk.Bonds issued by non-financial corporate and commercial papers that are assigned a credit rating of AA- or below are also classified as Level 2A. For the period April 2019 to March 2020, the Bank held investments in papers that qualified as Level 2A assets with a haircut of 15% and which constituted approximately 8% of the total HQLAs, well below the maximum cap of 40%.

iv. Concentration of funding sources

The purpose of monitoring the funding sources is to ensure that there is no significant source, the withdrawal of which could trigger liquidity problems. The Bank relies on the customer deposits as the primary source of stable funds. The level of customer deposits continues to exceed the level of loans to customers. The Bank's customer deposits are diversified across retail, commercial, corporate and institutional clients as well as across products, tenors and currency. The positive funding gap is predominantly deployed in Level 1 assets. Apart from customer deposits, the Bank receives foreign currency funding from Hongkong branch to support foreign currency trade advances, however this support is not material. The deposit mix is of stable retail deposits and wholesale deposits in line with the overall strategy of the bank.

v. Derivative exposure and potential collateral calls

Derivative exposures with outflows and inflows in the next 30 calendar days are included in the LCR calculations. Further, historical look back approach is considered to arrive at an expected outflow related to market valuation changes. The largest absolute net 30 day collateral flow realized during the preceding 24 months is taken as outflow for LCR computation.

vi. Currency mismatch in LCR

LCR computation is aggregated across currencies, with the predominant currency being INR. The foreign currency advances are mainly in USD and are funded through foreign currency deposits and borrowing from HSBC Hongkong, however HQLA's are maintained in INR.

vii. Description of the degree of centralization of liquidity management and interaction between group's units.

The Bank's liquidity and funding management activities are centralized and managed by the Balance Sheet Management (BSM) team. The framework and policy around the liquidity and funding management is driven through the Asset, Liability and Capital Management (ALCM) function and reports in to the Finance function. The liquidity risk management policies are approved by the Asset and Liability Management Committee (ALCO). The Bank has in place its internal framework for monitoring of the balance sheet on a daily basis against the prescribed internal limits. The Bank also maintains a Contingency Funding Plan, which outlines the actions to be taken to meet any liquidity crisis scenarios that may emerge.

viii. Other inflows and outflows in the LCR calculation that are not captured in the LCR common template but which the institution considers to be relevant for its liquidity profile.

Nil.

Quantitative disclosure

INR million

Sr. No.	Particulars	**Three months ended 31 March 2020**		Three months ended 31 December 2019		Three months ended 30 September 2019		Three months ended 30 June 2019		Three months ended 31 March 2019	
		Unweighted Value (average)	**Total Weighted Value** (average)	Unweighted Value (average)	Total Weighted Value (average)	Unweighted Value (average)	Total Weighted Value (average)	Unweighted Value (average)	Total Weighted Value (average)	Unweighted Value (average)	Total Weighted Value (average)
	High quality liquid assets										
1.	**Total high quality liquid assets**	**NA**	**520,030**	NA	469,227	NA	372,721	NA	417,930	NA	365,812
	Cash Outflows										
2.	**Retail deposits and deposits from small business customers, of which:**	**238,308**	**22,905**	233,686	22,474	240,484	23,155	230,085	22,114	220,250	21,136
	(i) Stable Deposits	**18,504**	**925**	17,889	894	17,868	893	17,882	894	17,776	889
	(ii) Less Stable Deposits	**219,804**	**21,980**	215,797	21,580	222,616	22,262	212,203	21,220	202,474	20,247
3.	**Unsecured wholesale funding, of which:**	**740,175**	**347,444**	703,548	329,960	632,135	293,076	657,181	305,171	615,759	289,832
	(i) Operational deposits (all counterparties)	**200,589**	**50,063**	188,298	46,997	171,405	42,770	179,748	44,850	166,760	41,605
	(ii) Non-operational deposits (all counterparties)	**539,586**	**297,381**	515,250	282,963	460,730	250,306	477,433	260,321	448,999	248,227
	(iii) Unsecured debt	**–**	**–**	–	–	–	–	–	–	–	–

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Schedules forming part of the Financial Statements for the year ended 31 March 2020 (*Continued*)

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.6 Statutory disclosures (Continued)

(at) Liquidity Coverage Ratio (Continued)

Quantitative disclosure *(Continued)*

INR million

Sr. No.	Particulars	**Three months ended 31 March 2020**		Three months ended 31 December 2019		Three months ended 30 September 2019		Three months ended 30 June 2019		Three months ended 31 March 2019	
		Unweighted Value (average)	**Total Weighted Value** (average)	Unweighted Value (average)	Total Weighted Value (average)	Unweighted Value (average)	Total Weighted Value (average)	Unweighted Value (average)	Total Weighted Value (average)	Unweighted Value (average)	Total Weighted Value (average)
4.	Secured wholesale funding	**NA**	**–**	NA	–	NA	–	NA	–	NA	–
5.	Additional requirements, of which	**65,240**	**11,761**	65,008	11,648	74,336	11,544	80,064	13,874	86,385	13,362
	(i) Outflows related to derivative exposures and other collateral requirements	**3,725**	**3,725**	3,874	3,874	2,697	2,697	5,161	5,161	3,229	3,229
	(ii) Outflows related to loss of funding on debt products	**–**	**–**	–	–	–	–	–	–	–	–
	(iii) Credit and liquidity facilities	**61,515**	**8,036**	61,134	7,774	71,639	8,847	74,903	8,713	83,156	10,133
6.	**Other contractual funding obligations**	**5,688**	**5,688**	3,870	3,870	4,353	4,353	7,155	7,155	17,431	17,431
7.	**Other contingent funding obligations**	**1,211,962**	**49,933**	1,166,771	47,683	1,094,950	45,003	1,065,471	44,007	1,062,921	43,734
8.	**TOTAL CASH OUTFLOWS**	**NA**	**437,731**	NA	415,635	NA	377,131	NA	392,321	NA	385,495
	Cash Inflows										
9.	Secured Lending (e.g. reverse repo)	**58,922**	**–**	58,198	30	13,220	–	17,501	17	10,308	5
10.	Inflows from fully performing exposures	**210,065**	**144,628**	215,127	145,485	216,641	149,772	207,842	139,232	180,476	128,114
11.	Other cash inflows	**12,581**	**8,380**	11,542	7,385	8,354	6,097	10,992	8,470	11,309	8,549
12.	**TOTAL CASH INFLOWS**	**NA**	**153,008**	NA	152,900	NA	155,869	NA	147,719	NA	136,668
13.	**Total HQLA**	**NA**	**520,030**	**NA**	469,227	NA	372,721	NA	417,930	NA	365,812
14.	Total net cash outflows	**NA**	**284,723**	NA	262,735	NA	221,262	NA	244,602	NA	248,827
15.	**Liquidty Coverage Ratio (%)**	**NA**	**182.6%**	NA	178.6%	NA	168.5%	NA	170.9%	NA	147.0%

(au) Letters of comfort

The Bank has not issued any letters of comfort during the year ended 31 March 2020 (previous year: Rs. Nil).

(av) Remuneration policy

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

(aw) Drawdown from reserves

The Bank has not drawn down from reserves during the year ended 31 March 2020 (previous year: Rs. Nil).

(ax) Disclosure of complaints

Customer Complaints

	For the year ended 31 March 2020	For the year ended 31 March 2019
No. of complaints pending at the beginning of the year	**487**	1,070
No. of complaints received during the year	**14,904**	21,511
No. of complaints redressed during the year	**15,173**	22,094
No. of complaints pending at the end of the year	**218**	487

Awards Passed By Banking Ombudsman

	For the year ended 31 March 2020	For the year ended 31 March 2019
No. of unimplemented awards at the beginning of the year	**–**	–
No. of awards passed by the Banking Ombudsman during the year	**–**	–
No of awards lapsed during the year	**–**	–
No. of unimplemented awards at the end of the year	**–**	–

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Schedules forming part of the Financial Statements for the year ended 31 March 2020 *(Continued)*
(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.6 Statutory disclosures (Continued)

(ay) Factoring services

The Bank has receivables acquired under factoring services amounting to Rs. 6,065 million as on 31 March 2020 (previous year: Rs 10,843 million).

(az) Details of provisioning pertaining to fraud accounts

The following table sets forth, for the periods indicated, the details of provisioning pertaining to fraud accounts.

(Rs '000)

	For the year ended 31 March 2020	For the year ended 31 March 2019
Number of frauds reported	**3,624**	2,899
Amount involved in frauds	**102,174**	204,094
Provision made	**14,638**	99,404
Unamortised provision debited from balance in profit and loss account under 'Reserves and Surplus'	–	–

(ba) Disclosure – COVID-19 Regulatory Package

The SARS-CoV-2 virus responsible for COVID-19 continues to spread across the globe and India, which has contributed to a significant decline and volatility in global and Indian financial markets and a significant decrease in global and local economic activities. On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. Numerous governments and companies, including the Bank, have introduced a variety of measures to contain the spread of the virus. On March 24, 2020, the Indian government announced a strict 21-day lockdown which was further extended till 31 May 2020 across the country to contain the spread of the virus. The extent to which the COVID-19 pandemic will impact the Bank's results will depend on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated or elected by the Bank.

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 dated 27 March 2020 and RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 dated 17 April 2020, the Bank granted a moratorium of three months on the payment of all installments and/or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 to all eligible borrowers classified as Standard, even if overdue, as on February 29, 2020. In view of the extension of lockdown and continuing disruption on account of COVID-19, RBI vide its circular RBI/2019-20/244 DOR.No.BP.BC.71/21.04.048/2019-20 dated 23 May 2020 has permitted the banks to extend the moratorium by another three month i.e. from 01 June 2020 to 31 August 2020. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Asset Classification and Provisioning norms).

In addition to the provisions made in line with RBI ciruclar dated 17 April 2020 above, the bank has considered additional provision for standard advances to certain stressed sector in line with RBI circular RBI/2016-17/282 DBR.No.BP.BC.64/21.04.048/2016-17 dated 18 April 2017. Given the likely material impact of the Covid 19 outbreak on the broader global economy including India, the bank has identified the sectors which are likely to witness stress and additional standard asset provision has been considered for such stressed sectors. Accordingly the bank has taken an additional standard asset provision of Rs 2,531 million.

The quantitative disclosures as required by the above referred RBI circular dated April 17, 2020 are given below:

(Rs '000)

Particulars	**For the year ended 31 March 2020**
Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended, in terms of paragraph 2 and 3 of the circular	**1,754,405**
Respective amount where asset classification benefits is extended*	**56,879**
Provisions made during the quarter ended March 31, 2020 in terms of para 5 of the circular	**113,252**
Provisions adjusted during the respective accounting periods against slippages in terms of paragraph 6 of the circular	**–**
Residual provisions as of March 31, 2020 in terms of paragraph 6 of the circular	**113,252**

* represents SMA-2 accounts where asset classification benefit is extended

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Schedules forming part of the Financial Statements for the year ended 31 March 2020 (*Continued*)

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts ***(Continued)***

5.7 Employee benefits

a) Summary

(Rs '000)

	As at 31 March 2020		As at 31 March 2019	
	Gratuity	**Pension**	Gratuity	Pension
Defined benefit obligation	**1,305,582**	**3,687,716**	1,154,801	2,745,030
Fair value of plan assets	**1,158,716**	**1,559,886**	1,008,097	1,459,457
Net Deficit	**146,866**	**2,127,830**	146,704	1,285,573

The pension liability includes a liability in respect of the unfunded plans of Rs. 356 million (previous year: Rs. 332 million).
The majority of the plan assets are invested in government securities, corporate bonds and special deposit schemes.

b) Changes in present value of defined benefit obligations

(Rs '000)

	For the year ended 31 March 2020		For the year ended 31 March 2019	
	Gratuity	**Pension**	Gratuity	Pension
Opening balance	**1,154,801**	**2,745,030**	1,058,961	2,515,636
Current service cost	**80,690**	**93,795**	76,033	87,505
Interest cost	**84,064**	**206,040**	80,126	198,632
Plan amendment	**–**	**–**	–	–
Benefits paid	**(97,394)**	**(84,707)**	(114,780)	(73,359)
Actuarial loss/(gain) recognised during the year	**83,421**	**727,558**	54,461	16,616
Closing Balance	**1,305,582**	**3,687,716**	1,154,801	2,745,030

c) Changes in the fair value of plan assets

(Rs '000)

	For the year ended 31 March 2020		For the year ended 31 March 2019	
	Gratuity	**Pension**	Gratuity	Pension
Opening balance	**1,008,097**	**1,459,457**	843,257	1,380,705
Expected return on plan assets	**82,632**	**114,455**	71,469	108,640
Contributions by the bank	**147,000**	**–**	215,000	–
Benefits paid	**(97,394)**	**(57,528)**	(114,780)	(45,421)
Actuarial gain /(loss) recognised during the year	**18,381**	**43,50**2	(6,849)	15,533
Closing Balance	**1,158,716**	**1,559,886**	1,008,097	1,459,457
Actual return on plan assets	**101,013**	**157,957**	64,620	124,173

Based on actuarial valuation report expected contribution of the Bank is Rs. 147 million to the gratuity plan assets and Rs. Nil to the pension assets for the annual period ending on 31 March 2021.

d) Total expense recognised in the profit and loss account in schedule 16 (I)

(Rs '000)

	For the year ended 31 March 2020		For the year ended 31 March 2019	
	Gratuity	**Pension**	Gratuity	Pension
Current service cost	**80,690**	**93,795**	76,033	87,505
Interest cost	**84,064**	**206,040**	80,126	198,632
Plan amendment	**–**	**–**	–	–
Expected return on plan assets	**(82,632)**	**(114,455)**	(71,469)	(108,640)
Net actuarial loss /(gain) recognised during the year	**65,040**	**684,056**	61,310	1,083
	147,162	**869,436**	146,000	178,580

Schedules forming part of the Financial Statements for the year ended 31 March 2020 *(Continued)*
(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.7 Employee benefits (Continued)

e) Key assumptions

	For the year ended 31 March 2020		For the year ended 31 March 2019	
	Gratuity	**Pension**	Gratuity	Pension
Salary Escalation #	**6%-11%**	**11%**	6%-11%	11%
Discount rate*	**6.6%**	**6.6%**	7.6%	7.6%
Expected rate of return on plan assets	**8%**	**8%**	8%	8%
Attrition rate	**1.5%-14%**	**1.5%-14%**	1%-15%	1%-15%

Salary escalation rate varies based on the category of employees, their salary terms and future period of employment. Further, the estimates of future salary increases, considered in actuarial valuation, take into consideration inflation, seniority, promotion, bipartite settlements and other relevant factors such as supply and demand in the employment market.

* 6.9% for unfunded pension schemes (previous year: 7.8%).

f) Experience adjustments

(Rs '000)

	For the year ended 31 March				
	2020	2019	2018	2017	2016
Gratuity					
Defined benefit obligation	**1,305,582**	1,154,801	1,058,961	924,936	988,032
Fair value of plan assets	**1,158,716**	1,008,097	843,257	983,226	905,961
Net deficit/(surplus)	**146,866**	146,704	215,704	(58,290)	82,071
Experience loss on plan liabilities	**18,923**	28,283	20,632	49,792	36,099
Experience (gain)/loss on plan assets	**(18,381)**	6,849	108,455	(122,156)	38,470
Pension					
Defined benefit obligation	**3,687,716**	2,745,030	2,515,636	3,580,169	4,930,944
Fair value of plan assets	**1,559,886**	1,459,457	1,380,705	1,557,604	1,974,755
Net deficit	**2,127,830**	1,285,573	1,134,931	2,022,565	2,956,189
Experience loss/(gain) on plan liabilities	**77,365**	(76,764)	184,361	(71,258)	(1,474,063)
Experience (gain)/loss on plan assets	**(43,502)**	(15,533)	51,944	(106,663)	(113,888)

g) Defined contribution plan

The Bank has recognised an amount of Rs. 355 million as an expense for the defined contribution plan of provident fund (previous year: Rs. 322 million) and Rs. 11 million towards defined contribution plan of pension fund (previous year: Rs. 7 million).

5.8 Employee share-based payments

Eligible employees of the Bank have been granted options/awards of equity shares of the ultimate holding company HSBC Holdings plc. As per the schemes, these options/awards vest in a graded manner over an average period of one to five years. During the year the Bank has included these costs under "Payments to and provisions for employees" as compensation cost.

5.9 Segment Reporting

Segment Description

In line with the RBI guidelines, the Bank has identified "Treasury", "Retail Banking", "Corporate Banking", and "Other Banking Business" as the primary reporting segments.

Treasury undertakes trading operations, derivatives trading and foreign exchange operations. Principal expenses of this segment comprise interest on market borrowings, personnel costs and other direct overheads and allocated expenses.

Retail Banking includes personal banking business of the Bank, servicing retail customers and offering personal banking products. This segment includes exposures, which fulfill the four criteria of orientation, product, granularity and low value of individual exposures for retail exposures as detailed in the RBI guidelines for "Segment Reporting". Credit card operations and home loans are also included in Retail Banking.

Corporate Banking caters to the Corporate and Institutional customers. This segment includes all advances to trusts, partnership firms, companies and statutory bodies, which are not included under "Retail Banking". These also include custody operations, payment and settlement operations and factoring advances. Small and medium enterprises are also included in Corporate Banking.

Other Banking Business includes all other banking operations not covered under "Treasury", "Retail Banking" and "Corporate Banking" segments. It also includes all other residual operations such as para banking transactions/activities, except for credit card, factoring business, custody operations and payment and settlement operations.

Expense of these segments comprises interest expense on deposits, infrastructure cost for the branch network, personnel costs, other direct overheads and allocated expenses.

The Hongkong and Shanghai Banking Corporation Limited – India Branches
(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2020 (*Continued)*

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts ***(Continued)***

5 Notes to accounts ***(Continued)***

5.9 Segment Reporting (Continued)

Segment Description (Continued)

Segment revenues stated below are aggregate of Schedule 13 - Interest income and Schedule 14 - Other income and after considering the net fund transfer pricing adjustment. Treasury gives notional interest benefit to other divisions for the funds mobilised by the latter through deposits, and similarly charges notional interest to other divisions for the funds utilised by them for lending and investment purposes. Based on tenor of assets/ liabilities and market scenarios, Treasury calculates notional interest rates used for this purpose.

(Rs '000)

Business Segments	**Treasury**	**Retail Banking**	**Corporate Banking**	**Other Banking Business**	**Total**
Particulars		**For the year ended 31 March 2020**			
Segment Revenue	**34,040,700**	**23,485,276**	**79,231,262**	**1,265,225**	**138,022,463**
Segment Result	**22,382,873**	**708,908**	**30,796,601**	**(612,230)**	**53,276,152**
Unallocated expenses					**(1,671,162)**
Unallocated provisions					**–**
Extraordinary items					–
Profit before taxes					**51,604,990**
Income taxes					**(23,828,747)**
Net profit					**27,776,243**
			As at 31 March 2020		
Other information					
Segment assets	**1,287,327,445**	**111,291,311**	**661,802,862**	**38,579,877**	**2,099,001,495**
Unallocated assets					**12,736,767**
Total assets					**2,111,738,262**
Segment liabilities	**526,084,084**	**252,410,542**	**1,047,016,147**	**27,513,473**	**1,853,024,246**
Unallocated liabilities					**95,124**
Total net assets					**258,618,892**
Depreciation	**114**	**19,703**	**1,655**	**705,794**	**727,266**
Non cash Expense other than depreciation	**282,248**	**1,084,269**	**3,704,630**	**-**	**5,071,147**

(Rs '000)

Business Segments	Treasury	Retail Banking	Corporate Banking	Other Banking Business	Total
Particulars		For the year ended 31 March 2019			
Segment Revenue	28,072,540	22,224,704	68,747,736	1,340,015	120,384,995
Segment Result	18,713,076	1,511,271	28,336,273	(1,116,558)	47,444,062
Unallocated expenses					(1,997,788)
Unallocated provisions					–
Extraordinary items					–
Profit before taxes					45,446,274
Income taxes					(19,789,932)
Net profit					25,656,342
			As at 31 March 2019		
Other information					
Segment assets	1,029,134,228	106,940,566	568,094,296	49,481,512	1,753,650,602
Unallocated assets					11,024,664
Total assets					1,764,675,266
Segment liabilities	450,590,591	236,296,957	825,719,409	21,184,134	1,533,791,091
Unallocated liabilities					71,083
Total net assets					230,813,092
Depreciation	280	14,856	485	761,324	776,945
Non cash Expense other than depreciation	(468,148)	1,122,750	(992,958)	15,513	(322,843)

In computing the above information, certain estimates and assumptions have been made by the management which were relied upon by the auditors.

Geographical segments

The Bank does not have overseas operations and is considered to operate only in the domestic segment.

The Hongkong and Shanghai Banking Corporation Limited – India Branches
(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2020 (*Continued)*
(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.10 Related parties

The related parties of the Bank are broadly classified as follows:

a) Parent

The Hongkong and Shanghai Banking Corporation Limited, Hong Kong (HBAP) is the Head office of the Bank and HSBC Holdings plc is the ultimate holding company of the Bank.

b) Branch Offices

Branch offices comprise all branches of The Hongkong and Shanghai Banking Corporation Limited outside India.

c) Fellow subsidiaries

Fellow subsidiaries comprise companies, which have a common ultimate holding company, HSBC Holdings plc. These are as follows:
HSBC Bank plc and branches
HSBC Private Equity Management (Mauritius) Limited (Liaison office)
HSBC Bank Canada
HSBC Bank Malaysia Berhad
HSBC Trinkaus and Burkhardt AG
HSBC Bank Mauritius Limited
HSBC Bank Australia Limited
HSBC France and branches
HSBC Bank (China) Company Limited
HSBC Software Development (Guangdong) Limited
HSBC Bank Oman SAOG
HSBC Bank A.S. Turkey
HSBC Bank Polska S.A.
HSBC Bank (RR) Moscow
HSBC Software Development (Malaysia) Sdn Bhd
HSBC Service Delivery (Czech Republic) S.R.O
HUSI North America
HSBC Bank (Taiwan) Limited
HSBC Bank plc Joburg Branch
HSBC Software Development Malayasia
HSBC Bank (Singapore) Limited
HSBC Bank (Vietnam) Limited
HSBC Germany Holdings GmbH
HSBC Global Services (UK) Limited
HSBC Global Services (HK) Limited
HSBC Bank Middle East Limited and branches
HSBC Private Banking Holdings (Suisse) SA
HSBC Bank USA, N.A.
HSBC Global Operations Company Limited
HSBC Investsmart Financial Services Limited
HSBC Asset Management (India) Private Limited
HSBC Professional Services (India) Private Limited
HSBC Electronic Data Processing India Private Limited
HSBC Invest Direct (India) Limited
HSBC Invest Direct Securities (India) Private Limited
HSBC Insurance Brokers (India) Private Limited
HSBC Securities and Capital Markets (India) Private Limited
HSBC Software Development (India) Private Limited
HSBC Global Shared Services (India) Private Limited
HSBC Invest Direct Financial Services (India) Limited
HSBC Invest Direct Distribution Services (India) Limited
HSBC Invest Direct Academy for Insurance and Finance (India) Limited
HSBC Invest Direct Sales & Marketing (India) Limited
Republic Leasing Uruguay SA
HSBC Services Japan Limited
HSBC Service Delivery (Poland) Sp. z o.o

d) Other Related Parties

Canara HSBC Oriental Bank of Commerce Insurance Company Limited

Saudi British Bank

e) Key management personnel and subsidiaries

The Chief Executive Officer Mr. Surendra Rosha is considered the Key Management Personnel of the Bank.
HSBC Agency (India) Private Limited is the only subsidiary of the Bank.

The Hongkong and Shanghai Banking Corporation Limited – India Branches
(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2020 (*Continued*)

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.10 Related parties (Continued)

e) Key management personnel and subsidiaries (Continued)

The transactions of the Bank with related parties are detailed below except where there is only one related party (i.e. key management personnel and subsidiary in line with RBI circular DBR.BP.BC No.23/21.04.018/2015-16 dated 01 July 2015):

Income/Expense during the year with related parties is as follows:

(Rs '000)

	Parent		**Fellow Subsidiaries & Other Related Parties**	
	31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
Interest Paid	**–**	–	**183,522**	75,055
Interest Received	**–**	–	**986,825**	120,733
Rendering of Services	**–**	–	**341,153**	187,744
Receiving of Services	**1,671,162**	1,997,788	**7,392,680**	4,956,871

(Rs '000)

	Branch offices	
	31 March 2020	31 March 2019
Interest Paid	**487,763**	839,477
Interest Received	**89,860**	221,973
Rendering of Services	**286,380**	165,210
Receiving of Services	**2,251,004**	1,717,693

Balances with related parties are as follows:

(Rs '000)

Parent	**As at 31 March 2020**	**Maximum during the year 2020**	As at 31 March 2019	Maximum during the year 2019
Borrowings	–	–	–	–
Deposit	–	–	–	–
Placement of deposits/other asset	–	–	–	–
Advances	–	–	–	–
Nostro balances	–	–	–	–
Other liabilities	95,124	392,459	71,083	2,571,178
Non Funded Commitments	–	–	–	–

(Rs '000)

Branch offices	**As at 31 March 2020**	**Maximum during the year 2020**	As at 31 March 2019	Maximum[1] during the year 2019
Borrowings	**43,791,573**	**52,097,136**	29,811,673	57,738,981
Deposit/other liability	**1,723,284**	**10,510,702**	2,315,119	20,141,961
Placement of deposits/other asset	**651,664**	**27,689,408**	11,467,372	43,281,873
Advances	**–**	**–**	–	–
Nostro balances	**1,918,678**	**6,266,430**	1,432,136	6,180,099
Positive MTMs	**27,356,382**	**34,397,690**	8,678,898	14,671,020
Negative MTMs	**31,880,415**	**23,681,061**	12,605,654	27,931,715
Derivative notionals	**1,454,085,988**	**1,663,615,375**	1,080,980,635	1,199,126,595
Non Funded Commitments	**15,198,356**	**17,178,713**	13,449,494	14,346,031

(Rs '000)

Fellow Subsidiaries & Other Related Parties	**As at 31 March 2020**	**Maximum[1] during the year 2020**	As at 31 March 2019	Maximum[1] during the year 2019
Borrowings	**1,092,638**	**22,589,439**	7,915,096	60,918,916
Deposit/other liability	**25,349,946**	**46,406,604**	7,653,611	52,948,988
Placement of deposits/other asset	**4,035**	**77,562**	5,775	202,858
Advances	**7,080,000**	**9,980,000**	8,625,800	8,625,800
Nostro balances	**1,739,339**	**12,998,540**	1,953,438	11,032,097
Positive MTMs	**508,957**	**1,744,395**	1,191,416	4,256,497
Negative MTMs	**593,156**	**15,455,912**	994,595	5,096,785
Derivative notionals	**45,304,361**	**176,879,835**	149,571,513	303,854,572
Investments	**100**	**100**	100	100
Non Funded Commitments	**18,039,229**	**18,823,356**	13,962,433	16,084,658

1 Disclosure of maximum balances has been enhanced and presented based on comparison of the total outstanding daily balances during the financial year.

The Hongkong and Shanghai Banking Corporation Limited – India Branches
(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2020 (*Continued)*
(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.10 Related parties (Continued)

Material related party transactions (Amounts in Rs. 000's)

A related party transaction is disclosed as a material related party transaction wherever it exceeds 10% of all related party transactions in that category. Following are such related party transactions. All amounts are Indian Rupees in thousands.

Interest paid:

Payment of interest to HBAP Hong Kong Branch Rs. 487,276 (previous year: Rs. 839,403), HSBC Electronic Data Processing India Private Limited Rs. 120,485 (previous year: Rs. 52,073), HSBC Software Development (India) Private Limited Rs. 37,955 (previous year: Rs. 7,488), HSBC Professional Services (India) Private Limited Rs. 10,466 (previous year: Rs. 7,737).

Interest received:

Interest received from HBAP Hong Kong Branch Rs. 89,860 (previous year: Rs. 221,973), HSBC Electronic Data Processing India Private Limited Rs. 298,562 (previous year: Rs. 15,000), HSBC Software Development (India) Private Limited Rs. 686,350 (previous year: Rs. 105,732).

Rendering of services:

HBAP Hong Kong Branch Rs. 258,784 (previous year: Rs. 144,491), HUSI North America Rs. 144,261 (previous year: Rs. Nil), HSBC Securities and Capital Markets (India) Private Limited Rs. 59,671 (previous year: Rs. 60,332), HSBC Asset Management (India) Private Limited Rs. 42,534 (previous year: Rs. 42,881) and HSBC Electronic Data Processing India Private Limited Rs. 23,289 (previous year: Rs. 22,098).

Receiving of services:

Expenses for receiving of services from HBAP Hong Kong Branch Rs. 2,176,658 (previous year: Rs. 1,605,771) HSBC Electronic Data Processing India Private Limited Rs. 2,000,260 (previous year: Rs. 1,993,351) HSBC Global Services (UK) Limited Rs. 1,997,235 (previous year: 961,397), HSBC Software Development (India) Private Limited Rs. 1,218,129 (previous year: Rs. 655,008), HSBC Global Services (HK) Limited Rs. 998,668 (previous year: Rs. 331,039) and HBAP (Head Office) Rs. 1,671,162 (previous year: Rs. 1,997,788).

Borrowings:

HBAP Hong Kong Branch Rs. 43,791,573 (previous year: Rs. 29,811,673), HUSI North America Rs. 1,004,101 (previous year: Rs. 7,097,099) and HSBC France Rs. Nil (previous year: Rs. 800,851)

Placement of deposits/other asset:

HBAP Hong Kong Branch Rs. 651,664 (previous year: Rs. 11,467,372).

Nostros:

HBAP Japan Rs. 638,835 (previous year: Rs. 860,343), HBAP Hong Kong Branch Rs. 579,825 (previous year: Rs. 286,142), HBAP Singapore Rs. 311,407 (previous year: Rs. 6,423), HSBC Bank Plc Rs. 466,785 (previous year: Rs. 871,635), HSBC Bank Australia Limited Rs. 344,183 (previous year: Rs. 148,596) and HSBC Bank Canada, Rs. 192,427 (previous year: Rs. 405,719).

Deposits/other liability:

HBAP Hong Kong Rs. 734,845 (previous year: Rs. 1,037,377), HBAP Bangladesh Rs. 100,695 (previous year: Rs. 570,904), HBAP Sri Lanka Rs. 708,215 (previous year: Rs. 489,057), HSBC Electronic Data Processing India Private Limited Rs. 10,333,074 (previous year: Rs. 4,212,718) and HSBC Software Development (India) Private Limited Rs. 12,443,047 (previous year: Rs. 2,453,716).

Advances:

HSBC Software Development (India) Private Limited Rs. 5,580,000 (previous year: Rs. 5,625,800) and HSBC Electronic Data Processing India Private Limited Rs. 1,500,000 (previous year: Rs. 3,000,000).

Non Funded Commitments:

HBAP Hong Kong Branch Rs. 12,396,429 (previous year: Rs. 9,084,931) and HSBC France Rs. 4,217,662 (previous year: Rs. 3,703,782).

Derivative Notionals:

The Hongkong and Shanghai Banking Corporation Limited, Hong Kong Branch Rs. 1,414,505,589 (previous year: Rs. 1,063,611,742) and HSBC Bank plc Rs. 35,679,993 (previous year: Rs. 71,705,695), HSBC Bank USA Rs. 7,826,205 (previous year: Rs 13,418,840) and HSBC Bank Middle East Limited UAE Branch Rs. 580,067 (previous year: Rs. 21,878,924) and HSBC Electronic Data Processing India Private Limited Rs. Nil (previous year: Rs. 20,104,313)

Positive MTM:

The Hongkong and Shanghai Banking Corporation Limited, Hong Kong Branch Rs. 27,274,297 (previous year: Rs. 8,513,869) and HSBC Bank Plc Rs. 503,683 (previous year: Rs. 1,075,634).

Negative MTM:

The Hongkong and Shanghai Banking Corporation Limited, Hong Kong Branch Rs. 29,261,084 (previous year: Rs. 11,221,258), HSBC Bank Singapore Rs. 1,826,386 (previous year: Rs. 1,381,864), HSBC Electronic Data Processing India Private Limited Rs. Nil (previous year: Rs. 566,811), HSBC Bank Plc Rs. 264,764 (previous year: Rs. 212,111) and HSBC Bank USA Rs. 317,557 (previous year: Rs. 127,475).

The Hongkong and Shanghai Banking Corporation Limited – India Branches
(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2020 (*Continued)*
(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.11 Deferred taxes

There is a deferred tax release of Rs. 881 million for the year ended 31 March 2020 (previous year: deferred tax charge of Rs. 1,136 million) which is included in the provision for taxation for the year.

The primary components that gave rise to deferred tax assets and liabilities included in the balance sheet are as follows:

(Rs '000)

Deferred tax assets	**As at 31 March 2020**	As at 31 March 2019
Provision for doubtful advances	**4,444,191**	3,353,245
Employee benefits	**1,442,423**	1,371,825
Fixed Assets	**1,378**	–
Provisions	**108,423**	108,423
Others	**192,702**	192,702
Gross Deferred tax assets	**6,189,117**	5,026,195
Deferred tax liability		
Specific reserve	**(1,417,295)**	(1,125,489)
Fixed Assets	**–**	(10,147)
Net Deferred Tax Asset	**4,771,822**	3,890,559

5.12 Operating leases

Total lease rental of Rs. 1,190 million (previous year: Rs. 1,175 million) has been included under Operating expenses - rent, taxes and lighting in the profit and loss account. The terms of escalation clauses are those normally prevalent in similar agreements.

Details of total future minimum lease payments under non-cancellable operating leases are set out below:

(Rs '000)

	As at 31 March 2020	As at 31 March 2019
Not later than one year	**61,120**	126,616
Later than one year and no later than five years	**103,270**	116,441
Later than five years	**–**	–
Total	**164,390**	243,057

5.13 Provisions and contingencies

The Bank has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Bank has reviewed and ensured that adequate provision as required under any law/accounting standards for material foreseeable losses on such long term contracts (including derivative contracts) has been made in the books of accounts. Details of provisions for reward points on credit cards and debit cards and other provisions are set out below:

(Rs '000)

	For year ended 31 March 2020		For year ended 31 March 2019	
	Reward points	**Other provisions**	Reward points	Other provisions
Opening balance at the beginning of the period	**383,779**	**290,251**	430,556	216,549
Add: Provision/(release) made during the period (Note 5.6.(c))	**174,928**	**(90,253)**	250,559	80,511
Less: (Utilisation) during the period	**(193,805)**	**–**	(297,336)	(6,808)
Closing balance at the end of the period	**364,902**	**199,998**	383,779	290,251

Note: Other provisions represent provision made for legal cases, overdue receivables, impaired non-financial assets and onerous contracts.

Description of contingent liabilities (included in schedule 12)

Claims against the Bank not acknowledged as debts - others

These represent various legal claims filed against the Bank in its normal course of business. It also includes claims/demands raised by Income tax authorities, which are disputed by the Bank. The Bank has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable in its financial statements.

The Hongkong and Shanghai Banking Corporation Limited – India Branches
(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2020 (*Continued)*
(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.13 Provisions and contingencies (Continued)

Liability on account of forward exchange and derivative contracts

The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps, interest rate swaps and interest rate options on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Forward Rate Agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. 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 benchmark for the calculation of the interest component of the contracts.

Guarantees given on behalf of constituents, acceptances, endorsements and other obligations

As a part of its normal 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.

Other items for which the Bank is contingently liable

These include non-unconditionally cancellable undrawn commitments, indemnity, capital commitments and credit enhancements given in relation to securitisation transactions undertaken by the Bank.

5.14 Disclosure of CSR Expenditure

a) Gross amount required to be spent by the Bank during the year was Rs. 833 million (previous year: Rs. 748 million).

b) Amount spent during the year:

(Rs '000)

For the Year ended 31 March 2020	**In Cash**	**Yet to be paid in Cash**	**Total**
i) Construction/acquisition of any asset	–	–	–
ii) On purpose other than (i) above	832,955	–	832,955

(Rs '000)

For the Year ended 31 March 2019	In Cash	Yet to be paid in Cash	Total
i) Construction/acquisition of any asset	–	–	–
ii) On purpose other than (i) above	747,779	–	747,779

5. 15 Prior period comparatives

Previous year figures have been regrouped and reclassified where necessary to conform to current year's presentation.

For MSKA & Associates
Chartered Accountants
Firm Registration No: 105047W

Sd/-
Swapnil Kale
Partner
Membership No: 117812

For The Hongkong and Shanghai Banking Corporation Limited – India Branches

Sd/-
Amitabh Nevatia
Chief Financial Officer

Sd/-
Surendra Rosha
Group General Manager and Chief Executive Officer India

Mumbai
25 June 2020

The Hongkong and Shanghai Banking Corporation Limited – India Branches
(Incorporated in Hong Kong SAR with limited liability)

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2020

1 Background and Scope of Application

a. Background

The information contained in the document is for the India Branches of The Hongkong and Shanghai Banking Corporation Limited ('the Bank'), which is incorporated and registered in Hong Kong Special Administrative Region ('SAR'). The Bank's ultimate holding company is HSBC Holdings plc, which is incorporated in the United Kingdom. References to 'the Group' within this document mean HSBC Holdings plc together with its subsidiaries.

b. Scope of Application

The capital adequacy framework applies to the Bank as per Reserve Bank of India ('RBI') Basel III Capital Regulations vide RBI Circular DBR. No. BP. BC. 1/21.06.201/2015-16 dated July 1, 2015 as amended from time to time. The Bank has a subsidiary, HSBC Agency (India) Private Limited ('HAPL'), which is consolidated in line with Accounting Standard ('AS') – 21 (consolidated financial statements). Full capital deduction is taken in regulatory capital for investment in HAPL. The Bank holds minority interests (2.07% shareholding) in a Group entity HSBC Professional Services (India) Private Limited which is neither consolidated nor is capital deducted. The investment in this company is appropriately risk weighted. The Bank does not have any other Group company where a pro-rata consolidation is done or any deduction is taken. The disclosure and analysis provided herein are in respect of the Bank, except where required and specifically elaborated, to include other Group entities operating in India.

(i) Accounting and prudential treatment/ consolidation framework

a. Subsidiaries not included in the consolidation

The aggregate amount of capital held by the Bank in HAPL of Rs. 500,000 is not included in the regulatory scope of consolidation and is deducted from capital.

b. List of Group entities in India considered for consolidation under regulatory scope of consolidation:

The RBI guidelines on Financial Regulation of Systemically Important NBFCs and Banks' Relationship vide circular ref. DBOD. No. FSD. BC.46/24.01.028/ 2006-07 dated 12 December 2006 read with 'Guidelines for consolidated accounting and other quantitative methods to facilitate consolidated supervision' vide circular ref. DBOD.No.BP.BC.72/ 21.04.018/2001-02 dated 25 February 2003 mandate coverage of the 'Consolidated Bank'. This includes, in addition to the Bank the following Non-Banking Finance Company ('NBFC'), which is a subsidiary of HSBC Holdings plc, held through intermediary holding companies:

(Rs '000)

Name of Entity /Country of Incorporation	Principle activity of the entity	Total balance sheet equity*	Total balance sheet assets*
HSBC InvestDirect Financial Services (India) Limited (HIFSL)(Note1)	Non-banking Finance company	1,462,847	8,413,816

** As stated in the audited balance sheet of the legal entity as at 31 March 2020*

Note 1. HIFSL is 'Systemically important non-deposit taking non-banking financial company' ('NBFC-ND-SI') governed by Reserve Bank of India ('RBI').

As prescribed in the above guidelines, the Bank is not required to prepare consolidated financial statements as it has no shareholding in this entity. However, HIFSL has been considered under regulatory scope of consolidation for the quantitative disclosures including that of capital adequacy computation under Basel III guidelines.

(ii) Bank's total interest in insurance entities

The Bank has no interest in any of the insurance entities of the Group.

(iii) List of Group entities in India not considered for consolidation both for accounting and regulatory scope of consolidation:

(Rs '000)

Name of Entity /Country of Incorporation	Principle activity of the entity	Total balance sheet equity*	Total balance sheet assets*
HSBC Asset Management (India) Private Limited	Asset management/portfolio management	615,909	1,679,466
HSBC Electronic Data Processing India Private Limited	Back office/data processing/ call centre activities	3,554,678	20,631,061
HSBC Global Shared Services (India) Private Limited	Non-operating company	25,000	50,074
HSBC InvestDirect (India) Limited	Holding company for HSBC InvestDirect Group	712,713	5,118,978
HSBC InvestDirect Employees Welfare Trust	Non-operating company	15	18,586
HSBC InvestDirect Sales & Marketing (India) Limited	Non-operating company	1,000	38,058
HSBC InvestDirect Securities (India) Private Limited	Retail securities broking and related activities (Discontinued)	Equity - 875,112 0.001% Compulsory Convertible Preference shares - 870,000	151,066
HSBC Professional Services (India) Private Limited	Providing internal audit services to Group companies	4,838	295,345
HSBC Securities and Capital Markets (India) Private Limited	Stock broking and corporate finance & advisory	Equity - 4,701,139 Preference - 250,000	6,801,819
HSBC Software Development (India) Private Limited	Software design, development and maintenance	327,264	25,006,000
Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited	Life insurance	9,500,000	150,902,863

* As stated in the accounting balance sheet of the legal entity as at 31 March 2019.

Note 1: The Bank does not hold any stake in the total equity of the entities mentioned above with the exception of HSBC Professional Services (India) Private Limited.

Note 2: Since the Bank does not hold any stake in the total equity of the entities, the same have not been considered for any regulatory treatment.

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2020 *(Continued)*

2 Capital Adequacy & Structure

a. Capital Adequacy

The Bank's capital management framework is shaped by its structure, business model and strategic direction. The Bank carefully assesses its growth opportunities relative to the capital available to support them, particularly in light of the economic environment and tightening of regulations around capital requirements. The Bank's Executive Committee ('EXCO'), Risk Management Meeting ('RMM') and Asset-Liability Committee ('ALCO') maintains an active oversight over the Capital and Risk Management framework.

Under Pillar 1 of the RBI guidelines on Basel III, the Bank currently follows Standardised Approach for Credit Risk, Standardised Duration Approach for Market Risk and Basic Indicator Approach for Operational risk capital charge for computation and reporting capital adequacy to RBI. Further, the Bank has a comprehensive Internal Capital Adequacy Assessment Process ('ICAAP'), which covers the capital management policy of the Bank, sets the process for assessment of the adequacy of capital to meet regulatory requirements, support current and future activities and meet the Pillar I and material Pillar II risks to which the bank is exposed to. The ICAAP also involves stress testing of extreme but plausible scenarios to assess the Bank's resilience to adverse economic or political developments and resultant impact on the Bank's risk profile and capital position for current and future periods. This ensures that the bank has robust, forward looking capital planning processes that account for unique and systemic risks. Further, the bank has put in place stringent risk appetite measures as per revised RBI guidelines on Prompt Corrective Action. In addition to the above, the Bank is also subject to Capital Buffers as prescribed by RBI from time to time.

As per the transitional arrangement, at 31 March 2020, the Bank is required to maintain minimum capital requirement including capital buffers as per the table below:

Regulatory Minimum in % as per RBI guidelines	**As at 31 March 2020**
(i) Common Equity Tier I (CET1)	**5.50%**
(ii) Capital Conservation Buffer (CCB) - (Refer note I)	1.88%
(iii) Counter-cyclical Buffer (CCCB) - (Refer note II)	–
(iv) Global Systemically Important Bank (G-SIB) - (Refer note III)	1.80%
Minimum Common Equity Tier I (i+ii+iii+iv)	**9.18%**
Minimum Tier I Capital	**10.68%**
Total Minimum Capital Adequacy Ratio	**12.68%**

Notes: I. The CCB is designed to ensure that banks build up capital buffers during normal times, which can be drawn down during a stressed period. Banks in India are required to maintain a capital conservation buffer of 2.5% in a phased manner. Current CCB stands at 1.88%. As stated by RBI in Bi-monthly policy dated 27 Mach 2020, it has been decided to defer the implementation of the last tranche of 0.625% of the CCB from March 31, 2020 to September 30, 2020.

II. RBI issued guidelines on CCCB framework for banks in India in February 2015. The CCCB may vary from 0 to 2.5% of total RWA and the decision would normally be pre-announced with a lead time of 4 quarters. The activation of CCCB will depend upon Credit to GDP gap in India along with supplementary indicators such as Credit-Deposit ratio for a moving period of 3 years, industry outlook assessment index and interest coverage ratio. As stated by RBI in First Bi-monthly Monetary Policy Statement, 2019-20 issued on 4th April 2019, a review of CCCB indicators was carried out by the RBI and it has been decided that it is not necessary to activate CCCB in India for FY 2019-20.

III. The Reserve Bank of India (RBI) released the framework on D-SIB requirements for banks operating in India in July 2014. Banks may become systemically important due to their size, cross-jurisdictional activity, complexity, interconnectedness and lack of substitutability. As per the RBI guidelines, a foreign bank having branch presence in India (such as the Bank) which is classified as Globally Systemically Important Bank (G-SIB) by Financial Stability Board (FSB), has to maintain additional CET1 capital surcharge in India as applicable to it as a G-SIB, proportionate to its Risk Weighted Assets (RWAs) in India. Accordingly, 1.80% had been added to minimum requirement towards G-SIB as of 31 March 2020.

The Bank continues to monitor developments and believes that current robust capital adequacy position means the bank is well placed for continuing compliance with the Basel III framework.

b. Capital Structure

(i) Composition of Tier 1 capital for the bank (Rs '000)

	Standalone		**Consolidated**	
	As at 31 March 2020	As at 31 March 2019	**As at 31 March 2020**	As at 31 March 2019
Capital	**44,991,660**	44,991,660	**46,454,507**	46,454,507
Eligible Reserves	**162,220,504**	156,037,756	**165,265,559**	158,843,975
– Capital reserves (excl. revaluation reserve)	**90,855,494**	90,855,495	**90,855,494**	90,855,494
– Statutory Reserves	**67,194,433**	60,250,370	**67,194,431**	60,250,370
– Specific Reserves	**3,244,721**	2,576,669	**3,244,721**	2,576,669
– Free Reserves	**–**	–	**3,045,057**	2,806,220
– Revaluation Reserves at a discount of 55 per cent	**925,856**	2,355,222	**925,856**	2,355,222
Less: Deductions from Tier I Capital	**(647,369)**	(138,215)	**(653,749)**	(151,075)
– Intangible asset	**(145,651)**	–	**(149,051)**	–
– Deferred Tax Asset ('DTA') (Note 1)	**–**	–	**(2,980)**	(12,860)
– Investment in subsidiaries in India	**(35)**	(35)	**(35)**	(35)
– Debit Value Adjustments (DVA)	**(501,683)**	(138,180)	**(501,683)**	(138,180)
– Defined Benefit Pension Fund Asset	–	–	–	–
Common Equity Tier I Capital	**206,564,795**	200,891,201	**211,066,317**	205,147,407
Additional Tier I Capital	**–**	–	**–**	–
Total Tier I Capital	**206,564,795**	200,891,201	**211,066,317**	205,147,407

Note 1: As per RBI guidelines as on 01 March 2016, DTA which was deducted from CET1 capital, can be recognised in the CET1 up to a limit of 10% of Bank's CET1 capital (after application of regulatory adjustments mentioned in RBI Master Circular on Basel-III Capital Regulations dated 01 July 2015). Accordingly, DTA of Rs. 4,771,822 ('000) (previous year: Rs. 3,890,559 ('000)) is not deducted.

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Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2020 *(Continued)*

2 Capital Adequacy & Structure *(Continued)*

b. Capital Structure (*Continued)*

(ii) Tier 2 capital for the bank

(Rs. '000)

	Standalone		Consolidated	
	As at 31 March 2020	As at 31 March 2019	**As at 31 March 2020**	As at 31 March 2019
General Loss Provisions	**8,571,724**	4,775,169	**8,572,326**	4,804,155
Other Eligible Reserves	**4,112,839**	2,495,557	**4,112,839**	2,495,557
Investment Fluctuation Reserves	**12,176,040**	4,800,000	**12,176,040**	4,800,000
Total Tier II Capital (Note 1)	**24,860,603**	12,070,726	**24,861,205**	12,099,712

Note 1: There is no debt capital instrument and subordinated debt outstanding as at 31 March 2020 (previous year: Nil) included in Tier II Capital.

(iii) Capital requirements for Credit Risk, Market Risk and Operational Risk

– Standalone and Consolidated

(Rs '000)

	Standalone		Consolidated	
	As at 31 March 2020	As at 31 March 2019	**As at 31 March 2020**	As at 31 March 2019
I. Capital required for Credit Risk	**132,049,945**	110,797,552	**133,198,147**	112,093,628
– For portfolios subject to Standardised approach	**132,049,945**	110,797,552	**133,198,147**	112,093,628
II. Capital required for Market Risk (Standard Duration Approach)	**33,095,430**	25,976,177	**33,095,430**	25,976,177
– Interest rate risk	**26,661,228**	19,992,130	**26,661,228**	19,992,130
– Foreign exchange risk	**1,569,150**	1,588,950	**1,569,150**	1,588,950
– Equity risk	**472,461**	392,467	**472,461**	392,467
– Securitisation exposure	**4,392,591**	4,002,630	**4,392,591**	4,002,630
III. Capital required for Operational Risk (Basic Indicator Approach)	**17,006,188**	16,065,991	**17,006,188**	16,065,991
Total capital requirement (I + II + III)	**182,151,563**	152,839,720	**183,299,764**	154,135,796
Total capital funds of the Bank	**231,425,396**	212,961,927	**235,927,522**	217,247,119
Total risk weighted assets	**1,436,526,519**	1,190,340,501	**1,444,181,198**	1,198,981,007
Total capital ratio	**16.11%**	17.89%	**16.34%**	18.12%
Common Equity Tier I Capital Ratio	**14.38%**	16.88%	**14.61%**	17.11%
Tier I capital ratio	**14.38%**	16.88%	**14.61%**	17.11%

3. Credit risk

a. General

Credit Risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. It arises principally from direct lending, trade finance, marked-to-market exposure from derivative contracts and certain off-balance sheet products such as guarantees and from the Bank's holdings of assets in the form of debt securities.

The principal objectives of our credit risk management function are:

- to maintain a strong culture of responsible lending, and a robust credit risk policy and control framework;
- to both partner and challenge our businesses in defining, implementing and continually re-evaluating our credit risk appetite under actual and stress scenario conditions; and
- to ensure there is independent, expert scrutiny of credit risks, their costs and their mitigation.

Strategy and Processes

HSBC Holdings plc formulates high-level risk management policies for the HSBC Group entities worldwide. The Bank has also formulated local credit guidelines consistent with HSBC policy and RBI guidelines. The Bank's risk management policies and procedures are subject to a high degree of oversight and guidance to ensure that all types of risk are systematically identified, measured, analyzed and actively managed. The Bank remains a full service bank, servicing all major business groups- Global Banking and Markets (GBM), Commercial Banking (CMB) and Retail Banking and Wealth Management (RBWM).

The Bank has standards, policies and procedures dedicated to the sanctioning, monitoring and management of various risks, which include the following:

- The Board of The Hongkong and Shanghai Banking Corporation Limited in Hong Kong SAR (HBAP) has established the India Executive Committee (EXCO) to assist the Board in the running of the Bank. The EXCO is authorized to exercise all the powers, authorities and discretions of the HBAP on the management and day to day running of the Bank, in accordance with the policies and directions set by the Board from time to time. EXCO approves all the policies including credit policies. A Risk Management Meeting (RMM) consisting of senior executives, reviews overall portfolio risks and key risks faced by the bank in India on a monthly basis.
- A Wholesale Credit and Market Risk Management (WMR) unit independent of business with a matrix of delegated approval authorities, undertaking independent reviews and objective assessment of the credit risk for all wholesale customers. All large value proposals will be tabled and approved by the Credit Committee (CC). The WMR function has the responsibility of setting and managing strategy, policy, appetite, expectations and standards for wholesale credit and market risk.

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2020 *(Continued)*

3 Credit risk *(Continued)*

a. General *(Continued)*

Strategy and Processes *(Continued)*

- The RBWM Risk function is responsible for monitoring the quality of the Retail Banking and Wealth Management (RBWM) lending portfolio. For retail lending, INM has developed credit application scorecards (which make use of statistical models & historical data) and defined policy parameters to assess the borrowers. The Bank also deploys other tools like external verifications, negative customer database search & most importantly credit bureau checks through the Credit Information Bureau (India) Limited (CIBIL). Policy rules are built into the system to enable online checks. This may also be supplemented with judgmental lending as appropriate. The judgmental aspect tries to identify the financial strength, ability and intentions of borrowers for repayment.
- First Line of Defense (FLOD) activities of Underwriting and Collections team have been merged into a new unit called Credit Control Services (CCS) which at an entity level reports into the RBWM Chief Operating Office and functionally into the Regional CCS structure. FLOD underwriting decisions cases within the approved policy parameters whereas exceptions/deviation proposals are approved by the RBWM Risk Second Line of Defense (SLOD) underwriting team. Cases beyond the limit of Head-RBWM Risk are approved by the Retail Credit Committee (RCC).
- For retail risk, the INM RBWM Risk and Acquisition and Account Risk Management Team reviews and communicates the various internal risk policies. The RRPs (Risk reward program) defines the product parameters for RBWM.
- All material risks are covered under robust framework for Risk Appetite Statements (RAS) and Risk Tolerance triggers. The Risk Management committee reviews and regularly monitors the compliance with RAS. The Bank has stipulated Credit Risk Appetite and tolerance triggers for asset quality, impairments, risk weighted assets, risk adjusted returns and concentration risks.
- Designing of comprehensive credit risk policies for management of Exposure norms and Country Risk Plan. These policies delineate the Bank's risk appetite and maximum permissible exposures to individual customers, customer groups, industries, sensitive sectors and other forms of credit risk concentrations.
- The bank also has comprehensive policies for valuation, end use monitoring, real estate exposures, management of intra-group exposures, provisioning, distressed assets and recovery and sale of NPA.
- Sustainability risk policies to ensure sustainable financing in accordance with the group guidelines.
- Stress Testing Policy & Framework for rigorous risk specific and Enterprise-wide stress testing and reporting.
- Managing exposures to debt securities by establishing controls in respect of the liquidity of securities held for trading and setting issuer limits for financial investments. Separate portfolio limits are established for asset-backed securities and similar instruments.
- Controlling of cross-border exposures to manage country and cross-border risk through the imposition of country limits with sub-limits by maturity and type of business.
- Maintaining and developing HSBC's risk rating framework and systems to classify exposures meaningfully and facilitate focused management of the risks involved. Rating methodologies are based upon a wide range of financial analytics together with market data-based tools, which are core inputs to the assessment of customer risk. For larger facilities, while full use is made of automated risk rating processes, the ultimate responsibility for setting risk ratings rests with the final approving executive. Risk grades are reviewed frequently and amendments, where necessary, are implemented promptly.

Structure and Organisation

The Risk function is responsible for the quality and performance of its credit portfolios and for monitoring and controlling all credit risks in its portfolios.

Credit underwriting is processed at different levels (country, region, Group) depending on size and complexity of proposals and by different teams (FIs/Corporate/Trade/Cross-Border Approvals). Credit approval authorities are delegated from the Chief Risk Officer at the Regional Head Office in Hong Kong to the CEO, India and the CRO, India. The CRO in India maintains a functional reporting line to the CRO in Hong Kong. The delegation of limits to Head WMR, WMR executives including LMU will be approved by EXCO, and the CRO will only communicate the delegated limits to the respective staff. For Retail, the ASP Head of RBWM Risk delegates lending authority to the India RBWM Risk Head who, in turn, delegates the lending authority to underwriters in RBWM Risk and CCS. For certain customer types, the approval is granted either ASP Risk/ Group Risk basis the recommendation of India WMR. Relationship management of problem accounts or downgrades in certain internal ratings are transferred to LMU (Loan Management Unit) within Risk.

Scope and nature of risk reporting, measurement, monitoring and mitigation

The Bank manages and directs credit risk management systems initiatives. HSBC has constructed a centralized database covering substantially all of the Group's direct lending exposures, to deliver an increasingly granular level of management reporting.

The Bank performs regular reporting on its credit risk portfolio (wholesale & retail), to include information on large credit exposures, concentrations, industry exposures, levels of impairment provisioning, delinquencies, LTVs and country exposures to various internal governance forums. The analysis of the portfolio is also presented to the RMM monthly.

Non-performing advances

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 (including mortgage loans but excluding other homogeneous retail loans), 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.

Special attention is paid to high risk exposures, which are subject to more frequent and intensive review and reporting, in order to accelerate remedial action. The bank engages with customers closely to work out of distress situations.

Subject to the minimum provisioning levels prescribed by the RBI, the provision on homogeneous unsecured loans relating to retail business is assessed on a portfolio basis using the historical loss and/or net flow rate method.

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Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2020 *(Continued)*

3 Credit risk *(Continued)*

b. Quantitative disclosures for portfolios under the Standardised approach

(i) Total gross credit risk exposures by geography for the Bank

(Rs '000)

			As at 31 March 2020
	Fund based Note 1	**Non-fund based Note 2**	**Total**
Overseas	–	–	–
Domestic	**1,131,425,842**	**769,916,559**	**1,901,342,401**
Total	**1,131,425,842**	**769,916,559**	**1,901,342,401**

(Rs '000)

			As at 31 March 2019
	Fund based Note 1	Non-fund based Note 2	Total
Overseas	–	–	–
Domestic	944,385,293	509,711,156	1,454,096,449
Total	944,385,293	509,711,156	1,454,096,449

Note 1: Amount represents funded exposure before credit risk mitigants.

Note 2: Amount represents non-funded exposure after applying credit conversion factor and before credit risk mitigants.

(ii) Industry type distribution of exposures for the Bank as at 31 March 2020

(Rs '000)

Industry	**Funded**	**Non-Funded**	**Total**
Mining and Quarrying	**-**	**39,019**	**39,019**
Food Processing	**5,678,884**	**2,266,304**	**7,945,188**
Beverages (excluding Tea & Coffee) and Tobacco	**1,500,010**	**966,308**	**2,466,318**
Textiles	**12,618,139**	**2,939,341**	**15,557,480**
Leather and Leather products	**145,530**	**36,015**	**181,545**
Wood and Wood Products	**1,464,728**	**177,329**	**1,642,057**
Paper and Paper Products	**2,749,596**	**1,520,837**	**4,270,433**
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	**–**	**4,083,397**	**4,083,397**
Chemicals and Chemical Products (Dyes, Paints, etc.)	**45,336,440**	**37,300,538**	**82,636,978**
Rubber, Plastic and their Products	**19,260,650**	**6,039,482**	**25,300,132**
Glass & Glassware	**1,113,198**	**1,507,248**	**2,620,446**
Cement and Cement Products	**6,739,295**	**2,040,642**	**8,779,937**
Basic Metal and Metal Products	**15,386,489**	**11,575,418**	**26,961,907**
All Engineering	**51,063,870**	**66,506,811**	**117,570,681**
Vehicles, Vehicle Parts and Transport Equipments	**26,688,625**	**21,774,760**	**48,463,385**
Gems and Jewellery	**–**	**428**	**428**
Construction	**350,000**	**2,767,332**	**3,117,332**
Infrastructure	**40,270,534**	**39,231,290**	**79,501,824**
NBFCs and trading	**117,447,828**	**28,357,292**	**145,805,120**
Banking and finance	**276,517,042**	**193,268,523**	**469,785,565**
Computer Software	**2,840,101**	**25,978,949**	**28,819,050**
Professional Services	**60,075,194**	**229,163,675**	**289,238,869**
Commercial Real Estate	**119,210,094**	**1,849,847**	**121,059,941**
Other Industries	**97,287,682**	**77,166,325**	**174,454,007**
Retail	**109,003,655**	**13,359,450**	**122,363,105**
Others*	**118,678,257**	**–**	**118,678,257**
Total	**1,131,425,842**	**769,916,559**	**1,901,342,401**

Note: Exposure is comprised of Loans & Advances, Credit equivalent of guarantees, acceptances, letters of credit, other Non-Market Related off balance sheet obligations, credit equivalent of derivative exposures, Balance with Banks and Money at call and short notice.
** Others include Cash and balances with RBI, Fixed Assets and Other Assets*

Industry type distribution of exposures as at 31 March 2019

(Rs '000)

Industry	Funded	Non-Funded	Total
Mining and Quarrying	–	29,019	29,019
Food Processing	5,973,540	1,372,767	7,346,307
Beverages (excluding Tea & Coffee) and Tobacco	394,101	1,128,156	1,527,732
Textiles	11,220,210	2,167,727	13,387,937
Leather and Leather products	97,450	32	97,482
Wood and Wood Products	1,180,199	62,600	1,242,799
Paper and Paper Products	4,018,401	736,736	4,527,952
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	–	3,044,559	3,044,559

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Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2020 *(Continued)*

3 Credit risk *(Continued)*

b. Quantitative disclosures for portfolios under the standardised approach *(Continued)*

Industry type distribution of exposures as at 31 March 2019

(Rs '000)

Industry	Funded	Non-Funded	Total
Chemicals and Chemical Products (Dyes, Paints, etc.)	52,597,477	27,302,023	79,921,993
Rubber, Plastic and their Products	14,024,325	4,731,238	18,748,603
Glass & Glassware	988,899	1,840,863	2,829,762
Cement and Cement Products	3,677,564	1,931,610	5,609,174
Basic Metal and Metal Products	16,695,673	6,250,587	22,946,260
All Engineering	59,108,064	55,790,511	115,127,881
Vehicles, Vehicle Parts and Transport Equipments	26,825,288	22,020,856	48,846,144
Gems and Jewellery	238	2,075	2,313
Construction	48,547	2,280,197	2,328,744
Infrastructure	42,593,467	29,565,387	71,205,248
NBFCs and trading	116,026,581	25,070,156	120,960,651
Banking and finance	145,419,530	123,406,616	241,595,344
Computer Software	3,097,619	13,593,660	16,691,279
Professional Services	33,798,767	126,223,663	133,582,028
Commercial Real Estate	99,952,320	3,476,533	102,542,395
Other Industries	76,098,982	44,735,874	196,459,081
Retail	105,314,506	12,947,711	118,262,217
Others*	125,233,545	–	125,233,545
Total	944,385,293	509,711,156	1,454,096,449

** Others include Cash and balances with RBI, Fixed Assets and Other Assets*

(iii) Residual contractual maturity breakdown of total assets for the bank

As at 31 March 2020

(Rs '000)

	Cash & balances with RBI	**Balance with Banks & Money at call & Short Notice**	**Investments**	**Advances**	**Fixed Assets**	**Other Assets**
1 day	**7,238,165**	**34,689,594**	**248,971,206**	**9,639,604**	**–**	**6,988,437**
2 to 7 days	**–**	**160,548,115**	**49,676,878**	**60,320,410**	**–**	**25,267,930**
8 to 14 days	**–**	**3,783,250**	**91,343,796**	**21,099,449**	**–**	**4,716,960**
15 to 30 days	**9,847,543**	**–**	**62,475,202**	**70,912,948**	**–**	**40,263,306**
31 days & upto 3 months	**5,877,993**	**–**	**36,305,171**	**106,075,432**	**–**	**57,786,256**
Over 3 months and upto 6 months	**1,662,228**	**–**	**20,324,652**	**77,865,715**	**–**	**36,163,388**
Over 6 months and upto 1 year	**1,463,146**	**1,891,625**	**28,548,388**	**74,129,817**	**–**	**54,406,734**
Over 1 year and upto 3 years	**2,791,166**	**6,431,525**	**87,894,169**	**118,143,421**	**–**	**86,301,295**
Over 3 years and upto 5 years	**1,875,170**	**–**	**18,916,120**	**111,846,185**	**–**	**41,412,457**
Over 5 years	**12,120,754**	**–**	**71,764,548**	**115,773,675**	**7,641,322**	**18,543,117**
TOTAL	**42,876,165**	**207,344,109**	**716,220,130**	**765,806,656**	**7,641,322**	**371,849,880**

As at 31 March 2019

(Rs '000)

	Cash & balances with RBI	Balance with Banks & Money at call & Short Notice	Investments	Advances	Fixed Assets	Other Assets
1 day	1,265,091	120,435,652	88,660,439	8,164,196	–	16,892
2 to 7 days	–	–	161,880,236	49,071,750	–	15,263,557
8 to 14 days	–	–	114,426,479	29,331,016	–	525,763
15 to 30 days	11,799,686	–	65,934,966	57,296,963	–	9,312,831
31 days & upto 3 months	6,721,929	–	70,638,027	89,032,890	–	22,430,557
Over 3 months and upto 6 months	2,986,331	–	24,956,064	48,475,503	–	27,646,117
Over 6 months and upto 1 year	2,478,603	–	36,840,982	44,465,416	–	27,699,734
Over 1 year and upto 3 years	2,001,478	5,186,625	66,377,837	89,023,799	–	65,058,986
Over 3 years and upto 5 years	2,496,313	5,878,175	16,164,519	105,304,486	–	25,012,239
Over 5 years	12,787,857	–	63,858,072	148,880,286	7,801,275	11,085,649
TOTAL	42,537,288	131,500,452	709,737,621	669,046,305	7,801,275	204,052,325

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Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2020 *(Continued)*

3 Credit risk *(Continued)*

b. Quantitative disclosures for portfolios under the standardised approach *(Continued)*

(iv) Amount of Non-Performing Assets (NPAs) (Gross) for the bank

(Rs '000)

	As at 31 March 2020	As at 31 March 2019
Substandard	**2,529,194**	1,622,388
Doubtful 1	**416,818**	493,940
Doubtful 2	**860,223**	811,307
Doubtful 3	**2,136,738**	2,161,056
Loss	**750,293**	888,391
Total	**6,693,266**	5,977,082

(v) Net NPAs

The net NPAs are Rs. 1,262 million (previous year: Rs. 1,291 million). Please see table (vi) below.

(vi) Movement of NPAs for the bank

(Rs '000)

			As at 31 March 2020
	Gross NPA's	**Provision**	**Net NPA**
Opening balance as at 1 April 2019	**5,977,082**	**4,685,912**	**1,291,170**
Additions during the period	**4,694,120**	**2,292,990**	**2,401,130**
Reductions during the period	**(3,977,936)**	**(1,547,556)**	**(2,430,380)**
Closing balance as at 31 March 2020	**6,693,266**	**5,431,346**	**1,261,920**

(Rs '000)

			As at 31 March 2019
	Gross NPA's	Provision	Net NPA
Opening balance as at 1 April 2018	9,242,663	7,802,562	1,440,101
Additions during the period	3,914,319	1,394,098	2,520,221
Reductions during the period	(7,179,900)	(4,510,748)	(2,669,152)
Closing balance as at 31 March 2019	5,977,082	4,685,912	1,291,170

(vii) NPA ratios for the bank

	As at 31 March 2020	As at 31 March 2019
Gross NPAs to gross advances	**0.87%**	0.89%
Net NPAs to net advances	**0.16%**	0.19%

(viii) General Provisions

General provisions comprise of provision towards standard assets including additional provision for stressed sector, Covid-19 provision, country risk and Unhedged Foreign Currency Exposure (UFCE).

(ix) Non-performing investments

Non-performing investments as at 31 March 2020 are Rs. 2 (previous year: Rs. 2). This represents preference/equity share investments which have been written down to Rs.2.

(x) Movement of provisions for depreciation on investments for the bank

(Rs '000)

	As at 31 March 2020	As at 31 March 2019
Opening balance	**485,348**	1,062,084
Provisions during the year	–	–
Write offs during the year	–	–
Write back of excess provisions during the year	**(413,388)**	(576,736)
Closing balance	**71,960**	485,348

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2020 *(Continued)*

3 Credit risk *(Continued)*

b. Quantitative disclosures for portfolios under the standardised approach *(Continued)*

(xi) Classification (by major industry) of NPA, Provision, past due loans and Specific Provision and Write off during the year for the bank

As at 31 March 2020

(Rs '000)

		NPA	Past Due Loans	Provision	Specific Provision during the year	Write off during the year
1.	Agriculture	**871,655**	**1,606**	**643,427**	**587,931**	**–**
2.	Advances to Industries sector of which:	**1,206,050**	**2,635,499**	**1,209,001**	**23,024**	**178,223**
2.1	Chemicals and Chemical Products	141,249	1,457,358	141,397	8,346	–
2.2	All Engineering	34,887	408,232	34,887	–	61,038
2.3	Infrastructure	433,946	6,555	436,754	–	–
2.4	Paper and Paper Products	281,421	24,745	281,421	–	–
2.5	Textile	314,541	224,705	314,541	14,678	59,272
3.	Services of which:	**1,467,933**	**103,129**	**1,653,478**	**265,065**	**62,134**
3.1	Trade	1,055,917	97,629	1,213,091	92,245	63,899
3.2	Commercial Real Estate	53,562	–	53,562	75,998	–
3.3	NBFC	89,035	–	117,567	44,099	–
4.	Retail	**3,147,627**	**2,451,796**	**1,925,439**	**1,416,970**	**944,620**
Total		**6,693,266**	**5,192,031**	**5,431,346**	**2,292,990**	**1,184,977**

As at 31 March 2019

(Rs '000)

		NPA	Past Due Loans	Provision	Specific Provision during the year	Write off during the year
1.	Agriculture	**–**	**6,269**	**–**	**–**	**–**
2.	Advances to Industries sector of which:	**1,452,583**	**1,746,520**	**1,468,354**	**137,185**	**1,928,835**
2.1	Chemicals and Chemical Products	140,578	852,368	145,085	–	–
2.2	All Engineering	104,916	777,915	104,916	–	–
2.3	Infrastructure	601,057	–	612,325	137,121	16,271
2.4	Paper and Paper Products	282,090	17,887	282,090	–	1,773,646
2.5	Textile	323,939	16,050	323,938	–	87,118
3.	Services of which:	**1,712,231**	**173,159**	**1,515,639**	**163,662**	**828,347**
3.1	Trade	1,101,842	–	1,125,459	144,438	828,347
3.2	Commercial Real Estate	266,080	–	54,148	–	–
3.3	NBFC	68,796	–	89,035	7,923	–
4.	Retail	**2,812,268**	**2,112,357**	**1,701,919**	**1,093,249**	**834,847**
Total		**5,977,082**	**4,038,305**	**4,685,912**	**1,394,098**	**3,592,029**

(xii) Write offs and recoveries directly booked to income statement for the bank

(Rs '000)

	For the year ended 31 March 2020	For the year ended 31 March 2019
Write offs	**1,007,425**	892,737
Recoveries	**301,318**	359,527

(xiii) Ageing of past due loans for the bank

(Rs '000)

	As at 31 March 2020	As at 31 March 2019
Overdue less than 30 days	**4,468,545**	3,097,001
Overdue for 30 to 60 days	**488,093**	641,896
Overdue for 60 to 90 days	**235,393**	299,408
Total	**5,192,031**	4,038,305

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Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2020 *(Continued)*

3 Credit risk ***(Continued)***

b. Quantitative disclosures for portfolios under the standardised approach ***(Continued)***

(xiv) Amount of NPAs and past due loans by significant geographic areas for the bank
As at 31 March 2020

(Rs '000)

	NPA	**Past Due Loan**
Overseas	–	–
Domestic	**6,693,266**	**5,192,031**
Total	**6,693,266**	**5,192,031**

As at 31 March 2019

(Rs '000)

	NPA	Past Due Loan
Overseas	–	–
Domestic	5,977,082	4,038,305
Total	5,977,082	4,038,305

4. Disclosures for portfolios under the Standardised approach

The Bank uses the following External Credit Assessment Institutions (ECAIs) approved by RBI to calculate its capital adequacy requirements under the Standardised approach to credit risk for Corporate, Bank and Sovereign counterparties.

Domestic ECAIs for external ratings of Indian Corporates:

a) Credit Analysis and Research Limited (CARE)
b) CRISIL Limited
c) India Ratings and Research Private Limited (FITCH)
d) ICRA Limited
e) Brickwork Ratings India Pvt Limited
f) ACUITE
g) Infomerics

The Bank used the ratings issued by the ECAIs (for both long term and short term facilities) to risk weight both funded as well as non–funded exposures to corporate customers.

The process used by the Bank to transfer public issue ratings onto comparable assets in the banking book is in line with RBI Master Circular on Basel-III Capital Regulations dated 01 July 2015.

For assets in the Bank's portfolio that have contractual maturity less than or equal to one year, short term ratings accorded by the chosen credit rating agencies are considered relevant. For other assets, which have a contractual maturity of more than one year, long term ratings accorded by the chosen credit rating agencies are considered relevant.

The mapping of external credit ratings and risk weights for corporate exposures is provided in the grids below:

Risk weight mapping of Long term and short term corporate ratings

Long Term Ratings of all ECAIs	**Risk weights**
AAA	20%
AA	30%
A	50%
BBB	100%
BB & Below	150%
Unrated	100%*

			Short Term Ratings			**Risk weights**
CARE	**CRISIL**	**FITCH**	**ICRA**	**BRICKWORK**	**ACUITE**	
CARE A1 +	CRISIL A1 +	FITCH A1 +	ICRA A1 +	BRICKWORK A1+	ACUITE A1+	20%
CARE A1	CRISIL A1	FITCH A1	ICRA A1	BRICKWORK A1	ACUITE A1	30%
CARE A2	CRISIL A2	FITCH A2	ICRA A2	BRICKWORK A2	ACUITE A2	50%
CARE A3	CRISIL A3	FITCH A3	ICRA A3	BRICKWORK A3	ACUITE A3	100%
CARE A4	CRISIL A4	FITCH A4	ICRA A4	BRICKWORK A4	ACUITE A4	150%
CARE D	CRISIL D	FITCH D	ICRA D	BRICKWORK D	ACUITE D	150%
Unrated	Unrated	Unrated	Unrated	Unrated	Unrated	100%*

* As per RBI guidelines dated 25th Aug 2016, Exposures to Corporates, AFCs and NBFC-IFCs having aggregate exposure to banking system > INR 100 crores which are currently rated but becomes unrated subsequently, the risk weights need to be increased to 150% with immediate effect.

In August 2016, RBI issued guidelines for revising the risk weights for unrated exposures to Corporates, AFCs, and NBFC-IFCs having aggregate exposure from banking system > INR 200 crore to 150% from 100%. The implementation of these guidelines was deferred by RBI till 31 March 19, however the same is applicable from April 2019.

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Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2020 *(Continued)*

4. Disclosures for portfolios under the Standardised approach *(Continued)*

The claims on banks incorporated in India and foreign banks branches in India, excluding investment in equity shares and other instruments eligible for capital status *(Investments referred to in paragraph 5.6.1 (i) & (ii) of RBI Master circular on Basel-III Capital Regulations dated 01 July 2015)*, are risk weighted as shown below:

Claims on Banks Incorporated in India and Foreign Bank Branches in India		**Risk Weights%**
Level of Common Equity Tier 1 capital (CET1) including applicable capital conservation buffer (CCB) (%) of the investee bank (where applicable)	**Scheduled Bank**	**Other Banks**
Applicable Minimum CET1 + Applicable CCB and above	20%	100%
Applicable Minimum CET1 + CCB = 75% and <100% of applicable CCB	50%	150%
Applicable Minimum CET1 + CCB = 50% and <75% of applicable CCB	100%	250%
Applicable Minimum CET1 + CCB = 0% and <50% of applicable CCB	150%	350%
Minimum CET1 less than applicable minimum	625%	625%

International ECAIs for external ratings of Foreign Banks, Foreign Sovereigns, Foreign Public Sector Entities and Non-Resident Corporates:

a) Fitch Ratings;
b) Moodys; and
c) Standard & Poor's Ratings Services (S&P)

The mapping of external credit ratings and risk weights for the above entities are provided in the grids below:

Risk weight mapping of foreign banks

S&P and Fitch ratings	AAA to AA	A	BBB	BB to B	Below B	Unrated
Moody's rating	Aaa to Aa	A	Baa	Ba to B	Below B	Unrated
Risk weight	20%	50%	50%	100%	150%	50%

Risk weight mapping of foreign sovereigns/foreign central banks

S&P and Fitch ratings	AAA to AA	A	BBB	BB to B	Below B	Unrated
Moody's rating	Aaa to Aa	A	Baa	Ba to B	Below B	Unrated
Risk weight	0%	20%	50%	100%	150%	100%

Risk weight mapping of foreign public sector entities

S&P and Fitch ratings	AAA to AA	A	BBB	Below BB	Unrated
Moody's rating	Aaa to Aa	A	Baa to Ba	Below Ba	Unrated
Risk weight	20%	50%	100%	150%	100%

Risk weight mapping of non-resident corporates

S&P and Fitch ratings	AAA to AA	A	BBB	Below BB	Unrated
Moody's rating	Aaa to Aa	A	Baa to Ba	Below Ba	Unrated
Risk weight	20%	50%	100%	150%	100%

Exposure under various risk buckets (post Credit Risk Mitigants)

(Rs '000)

	As at 31 March 2020	As at 31 March 2019
Below 100% risk weight	**1,322,831,438**	850,723,688
100% risk weight	**281,907,583**	426,431,527
Above 100% risk weight	**239,276,098**	144,947,618
Deductions*	**(647,369)**	(138,215)
Total	**1,843,367,750**	1,421,964,618

* Deduction represents amounts deducted from Tier I Capital

Note: Exposure is comprised of Loans & Advances, Credit equivalent of guarantees, acceptances, letter of credit, other Non-Market Related off balance sheet obligations, credit equivalent of derivative exposures post CRM.

** As per RBI guidelines as on 01 March 2016, DTA which was deducted from CET1 capital, can be recognised in the CET1 up to a limit of 10% of Bank's CET1 capital (after application of regulatory adjustments mentioned in RBI Master Circular on Basel-III Capital Regulations dated 01 July 2015.). Currently DTA is 2.36% of Bank's CET1 capital. Accordingly, there is no deduction on account of DTA for 31 March 2020.*

5. Policy for Collateral Valuation and Management

The Bank has policies and manuals for collateral management and credit risk mitigation techniques, which include among other aspects guidelines on acceptable types of collateral, ongoing monitoring of collateral including the frequency and basis of valuation and application of credit risk mitigation techniques.

The Bank's approach when granting credit facilities is to do so on the basis of capacity to repay rather than placing primary reliance on credit risk mitigants. Depending on a customer's standing and the type of product, facilities may be provided unsecured. Mitigation of credit risk is a key aspect of effective risk management for the bank.

Where credit risk mitigation is available in the form of an eligible guarantee, the exposure is divided into covered and uncovered portions. The covered portion, which is determined after applying an appropriate 'haircut' for currency and maturity mismatch to the amount of the protection provided, attracts the risk weight of the protection provider. The uncovered portion attracts the risk weight of the obligor.

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Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2020 *(Continued)*

5. Policy for Collateral Valuation and Management *(Continued)*

All deeds of ownership/titles related to collateral are held in physical custody under control of executives independent of the business.

Valuation strategies are established to monitor collateral mitigants to ensure that they will continue to provide the anticipated secure secondary repayment source. For mortgages, the credit policy clearly outlines the acceptable Loan to value ratio (LVR) for different types of properties. The maximum LVR offered to customers has been capped at 80% for loans upto INR 7.5 Mn and 75% or lower for loans greater than INR 7.5 Mn. The valuation of property is initiated through a bank-empaneled valuer who is an expert on the subject matter. Additionally, as per the Bank's Risk Valuation Policy, in some cases where real estate is held as a security, dual valuations are initiated in order to have the benefit of a second opinion on the mortgaged property. Retail risk has a board-approved valuation policy which includes conditions when dual valuation is done. The disbursal of the loan is handled through an empaneled lawyer who in exchange collects the security documents from the borrower. In some scenarios security documents are also collected post disbursal and there is a framework in place for tracking and collecting these documents. The property documents thus collected are stored in central archives in a secure manner.

An in-house Property Price Index (PPI) has been developed which is used to measure the actual LVR of the properties financed by the Bank. The methodology for PPI development has been approved by Retail Risk and refreshed every 6 months. However, should a loan become a non-performing asset (NPA), a fresh valuation is initiated through the bank-empanelled valuer and the provisions applicable are calculated accordingly.

Main Types of Collateral taken by the Bank

As stipulated by the RBI guidelines, the Bank uses the comprehensive approach for collateral valuation for RWA computation. Under this approach, the Bank reduces its credit exposure to counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible collateral as specified in the Basel III guidelines. The Bank adjusts the value of any collateral received to adjust for possible future fluctuations in the value of the collateral in line with the requirements specified by RBI guidelines. These adjustments, also referred to as 'haircuts', to produce volatility-adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights. The Bank reckons the permitted credit risk mitigants for obtaining capital relief only when the credit risk mitigant fulfills the conditions stipulated for eligibility and legal certainty by RBI in its guidelines on Basel III.

The main types of recognised collateral taken by the Bank appear in the list of eligible financial collaterals advised in RBI Master circular on Basel III Capital Regulations issued in July 2015, and include cash on deposits and eligible debt securities. Further the main types of recognised collateral taken by the Bank for mortgages include plots of land, ready possession and under construction properties.

Main Types of Guarantor Counterparty and their Creditworthiness

As stated in Section 7.5.6 of the RBI's Master circular on Basel-III guidelines, certain guarantees are recognised for credit risk mitigation purposes. Where guarantees are direct, explicit, irrevocable, unconditional and meeting all operating guidelines prescribed by RBI, the Bank may take account of such credit protection in calculating capital requirements. The main types of guarantees are from Sovereigns, sovereign entities (including Bank for International Settlements (BIS), International Monetary Fund (IMF), European Central Bank and European Community as well as those Multilateral Development Banks (MDBs) referred to in paragraph 5.5 of the RBI's Master circular on Basel-III guidelines, Export Credit Guarantee Corporation of India Ltd (ECGC) and Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTSI), Credit Guarantee Fund Trust for Low Income Housing (CRGFTLIH)), banks and primary dealers with a lower risk weight than the counterparty. Other entities that are externally rated are also eligible guarantors, except when credit protection is provided to a securitisation exposure. This would include credit protection provided by parent, subsidiary and affiliate companies when they have a lower risk weight than the obligor.

Information about (Market or Credit) Risk Concentrations within the mitigation taken

The quantum of the credit portfolio which benefits from financial collaterals and/or guarantees as credit risk mitigants is an insignificant portion of the customer advances of the Bank.

The total exposure (including non-funded post Credit Conversion Factors) that is covered by eligible financial collateral and eligible Guarantees is as below

(Rs '000)

	As at 31 March 2020	As at 31 March 2019
Exposure covered by Financial Collaterals	**57,327,282**	31,993,616
Exposure covered by Guarantees	**44,895,920**	39,956,138

6. Securitisation disclosure for Standardised approach

The Bank acts as originator, servicer and investor in securitisation transactions. The Bank's strategy is to use securitisation to diversify our sources of funding for asset origination, capital efficiency, managing liquidity and meet the priority sector lending (PSL) requirements. The Bank also undertakes 'purchase' transactions through the direct assignment route.

The Bank participates in securitisation transactions in any or all of the following roles:

- Originator: The Bank uses Special Purpose Vehicle (SPV) to securitise customer loans and advances that we have originated, in order to diversify our sources of funding for asset origination and for capital efficiency purposes. In such cases, we transfer the loans and advances to the SPVs for cash, and the SPVs issue debt securities to investors to fund the cash purchases. Credit enhancements to the underlying assets may be used to obtain investment grade ratings on the senior debt issued by the SPVs.
- Servicer: For sold assets, the Bank undertakes the activity of collections and other servicing activities such as managing collections and monthly payouts to investors/assignee with respect to the underlying assets.
- Investor: The Bank invests in Pass through certificates (PTCs) primarily to meet its priority sector lending requirements. We have exposure to third-party securitizations which are reported as investments. These securitisation positions are managed by a dedicated team that uses a combination of market standard systems and third party data providers to monitor performance and manage market and credit risks.

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Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2020 *(Continued)*

6. Securitisation disclosure for Standardised approach *(Continued)*

Valuation of securitisation positions

The investments of the Bank in PTCs have been marked to market on the basis of the Base Yield Curve and the applicable spreads as per the spread matrix relative to the Weighted Average Maturity of the paper as notified by Fixed Income Money Market and Derivative Association of India (FIMMDA).

Securitisation accounting treatment

The accounting treatment applied is as below:

- Originator: Securitised assets are derecognized upon sale if the true sale criteria are fully met and the bank surrenders control over the contractual rights that comprise the financial asset. In respect of credit enhancements provided or recourse obligations accepted by the Bank, appropriate provision/ disclosures is made in accordance with AS 29 – 'Provisions, contingent liability and contingent assets'. Gains on securitisation, being the excess of consideration received over the book value of the loans and provisions against expected costs including servicing costs and the expected delinquencies are amortized over the life of the securities issued by the SPV. Losses are recognised immediately. Sale and transfer that do not meet the above criteria are accounted for as secured borrowings.
- Servicer: In case the Bank acts as servicer of the securitisation deal the fees charged for servicing the loans would be recognised on an accrual basis.
- Investor: The investment in PTCs are accounted for as Available for Sale (AFS) investments and valued as per the note above. The loan assignment deals are classified as advances.

Securitisation regulatory treatment

- Originator: In case the loan is de-recognised from the books, no capital needs to be maintained by the Bank, however the Bank is required to maintain capital for credit enhancements provided in line with the RBI guidelines.
- Servicer: No impact on capital.
- Investor: The Bank uses the issue specific rating assigned by eligible ECAI's to compute the RWAs of the investment in the PTCs.

ECAI's used

The Bank uses one of the following ECAIs for all types of securitisation deals:

a) Credit Analysis and Research Limited (CARE)
b) CRISIL Limited
c) India Ratings and Research Private Limited (FITCH)
d) ICRA Limited
e) Brickwork Ratings India Pvt Limited
f) ACUITE
g) Infomerics

Details of Securitisation trades of the Bank

(i) Details of securitisation of standard assets

The Bank has not Securitised any standard assets in the current year (previous year: Nil)

The RBI issued addendum guidelines on securitisation of standard assets vide its circular dated 7 May2012, subsequent to this date the Bank has not originated any securitisation transaction.

(ii) Securitisation of impaired/past due assets

The Bank has not Securitised any impaired/past due assets (previous year: Nil).

(iii) Loss recognised on securitisation of assets

The Bank has not recognised any losses during the current year for any securitisation deal (previous year: Nil).

(iv) Securitisation exposures retained or purchased

The Bank has made investments in Pass Through Certificates (PTCs) of Rs. 94,754 million as at 31 March 2020 (previous year: Rs. 85,703 million) which are classified under Available for Sale category. These attracts a capital charge of 1.8% equivalent to a risk weight of 23% since these are AAA rated instruments. PTC's where underlying exposure is CRE the capital charge of 9% is applicable equivalent to risk weight of 113%.

Aggregate amount of securitisation exposures retained or purchased and the associated capital charge, broken down between exposures and further broken down into different risk weight bands for each regulatory capital approach

Securitisation exposures broken down into different risk weight bands as at 31 March 2020

(Rs. '000)

Risk weight bands	Exposure type	Exposure	Capital charge
Less than 100%	Vehicle/Auto loans	92,735,156	1,700,150
At 100%	Vehicle/Auto loans	–	–
More than 100%	Vehicle/Auto loans	–	–
Total		**92,735,156**	**1,700,150**

(Rs. '000)

Risk weight bands	Exposure type	Exposure	Capital charge
Less than 100%	Housing loan	2,961,585	56,231
At 100%	Housing loan	–	–
More than 100%	Housing loan	115,280	10,375
Total		**3,076,865**	**66,606**

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2020 *(Continued)*

7. Market risk in trading book

The objective of the HSBC's market risk management is to manage and control market risk exposures in order to optimize return on risk while maintaining a market profile consistent with our risk appetite.

Market risk is the risk that movements in market factors, including foreign exchange rates, interest rates, credit spreads and equity prices will reduce our income or the value of our portfolios. Market risk arises on financial instruments, which are measured at fair value in the trading book.

Strategy and Processes

The Bank maintains capital for market risk on Trading book which comprises of Held for Trading (HFT) and Available for Sale (AFS). HFT book includes positions arising from market-making customer demand driven inventory. AFS book includes positions that arise from the interest rate management of the Bank's retail/ commercial banking assets/ liabilities and financial investments designated as AFS and held-to-maturity.

The risk components apply equally to cash and to derivative instruments. All open market risk is subject to approved limits. Limits are established to control the level of market risk and are complementary to counterparty credit limits.

The existence of a market risk trading limit does not confer any credit, counterparty, country or sovereign risk limit; they are established separately through normal credit procedures.

Structure and Organisation of management of risk

The management of market risk is undertaken in Markets using risk limits approved by an independent Risk function. Limits are set for portfolios, products and risk types. The level of market risk limits set for each operation depends upon the market liquidity, financial and capital resources of the business, the business plan, the experience and track record of the management, dealers and market environment, as well as the Group's risk appetite. Market risk limits are reviewed annually.

Global Risk, an independent unit within the Group, is responsible for our market risk management policies and measurement techniques. At local level, the Bank has a Market Risk Management function, independent of Markets, which is responsible for measuring market risk exposures in accordance with the Group policies, and monitoring and reporting these exposures against the prescribed limits on a daily basis.

Scope and nature of risk measurement, reporting and monitoring

The Bank employs a range of tools to monitor and limit market risk exposures. These include position limits, sensitivity analysis (PVBP limits), stop loss limit, VaR, Stressed VaR and stress testing.

While VaR provides a measure of the market risk in the Bank, sensitivity analysis (e.g Present Value of 1 basis point (PV01)) and VaR are more commonly utilised for the management of the business units. Stress testing and stressed VaR complement these measures with estimates of potential losses arising from market turmoil.

The Bank's VaR and stressed VaR models are predominantly based on historical simulation. VaR and Stressed VaR measures are calculated to a 99% confidence level and use a one-day holding period. The accuracy of VaR models is routinely validated by back-testing the actual daily profit and loss results, adjusted to remove non-modelled items such as fees and commissions, against the corresponding VaR numbers.

Market Risk Limits are proposed by Local Global Markets. The Local Market Risk function reviews the market risk limits and provides its endorsement as appropriate to the Regional Market Risk Management for approval. After regional concurrence, the proposed mandates are tabled to INM EXCO for approval. Upon approval, the limits are formally delegated by the CEO to the Head of Global Markets, who in turns delegates limits to its different Front office desks. These limits are monitored daily by the Bank's Market Risk Management function through system reports and advised to senior management on an ongoing basis. Any breaches in the internal and regulatory market risk limits set as part of internal risk policy is reported to the senior management immediately and is also tabled at the RMM and EXCO for discussion.

Market risk charge is computed on net basis for cases where an underlying of same notional is purchased/sold to hedge the risk of the derivative contract

(i) Capital requirements for market risk for the bank

(Rs '000)

Standardised Duration Approach	As at 31 March 2020	As at 31 March 2019
Interest rate risk	**26,661,228**	19,992,130
Foreign exchange risk	**1,569,150**	1,588,950
Equity risk	**472,461**	392,467
Securitisation exposure	**4,392,591**	4,002,630
Capital requirements for market risk	**33,095,430**	25,976,177

8. Operational risk/Non-Financial Risk

Non-financial risk is the risk of loss resulting from people, inadequate or failed internal processes, data or systems, or external events. These risks arise during our day-to-day operations, while taking financial risks. Non-financial risks may have an impact on our management of financial risks, **Purpose and Risk management approach**

The HSBC Risk Management Framework ("RMF") supports our Global Principles. The Global Principles guide all that we do at HSBC, embodied in our strategy, our values, how we conduct our business, and how we manage risk.

Compliance with the Global Principles and the RMF is mandatory. Compliance exceptions require the approval of the Group Chief Executive and mitigating actions must be established to address any gaps.

The RMF describes our approach to managing risk. It is applicable to all employees. The RMF is governed by the Risk Management Meeting.

The RMF applies to all the types of risk that we face in our business and operational activities. It is used throughout the Group, including all subsidiaries, jurisdictions, Global Businesses, Functions and HSBC Operations Services and Technology ("HOST").

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Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2020 *(Continued)*

8. Operational risk/Non-Financial Risk ***(Continued)***

The RMF is designed to ensure we:

- Manage risk in the same way across the Group
- Have a strong risk culture: managing risk is simply part of how we work
- Are aware of risks, identify our material risks and take better decisions as a result
- Have sufficient controls in place to ensure we only take the right type and amount of risk to grow our business safely and within our appetite
- Deliver fair outcomes for customers and maintain the orderly and transparent operation of financial markets

The RMF is supported by supplementary guidance, detailed user guides, and training materials, which are targeted to specific risk roles.

Active risk management helps us to achieve our strategy, serve our customers and communities, and grow our business safely.

Our risk management approach follows five steps: 1) define and enable, 2) identify and assess, 3) manage, 4) aggregate and report, and 5) govern.

Risk management starts with a strong risk culture, clear accountability, and a formally-defined risk appetite that articulates the level and types of risks the Group accepts to achieve our strategic objectives. Our Risk Appetite shapes our requisite controls and dictates risk behaviours. We identify risks to our business and assess their materiality by considering their likelihood and potential customer, financial, reputational and regulatory impacts, as well as market conduct and competition outcomes. We manage these risks through a combination of limits and controls to ensure risks are within our appetite. We then aggregate and report risk data to highlight material risks and support good decision making. Where necessary, these risks are escalated to senior management and risk governance committees to facilitate management decisions, challenge and remediation.

Structure and Organisation

The Risk Management Meeting (RMM) is the apex body at an entity level that is responsible for oversight and management of all risks in INM. Additionally, for Financial Crime risk (FCR) management and oversight, INM has a Financial Crime Risk Management Committee (FCRMC) at an entity level. Both these governance meetings are the apex risk management bodies of the bank and report to the EXCO. INM Operational Risk Working Group (ORWG) is responsible for providing guidance, advice and challenge in embedding of the Non Financial Risk and Controls in INM and reports into FCRMC and RMM.

At individual business level, there are Business Control Committees (BCC)/ Risk Management forum that are responsible for oversight and management of all risks. Similar bodies specializing in FCR risks also exists at business level. Theses bodies escalate/ report to RMM and FCRMC respectively.

Three Lines of Defence (3LOD) Overview

The three Lines of Defence ("LOD") model is used to define roles and responsibilities within HSBC. The activity-based model delineates accountabilities and responsibilities for risk management and the control environment within each LOD. The model applies to all individuals and all risk types, and supports the delivery of conduct outcomes.

There must be a clear segregation between risk ownership (First LOD), risk oversight and stewardship (Second LOD) and independent assurance (Third LOD) to help support effective identification, assessment, management, and reporting of risks. It is our activities, not our job titles, which determine where we sit in the three LOD model.

Global Functions may have responsibilities across both the First and Second LODs, and therefore must segregate these responsibilities across teams. At an appropriate level of seniority (normally executive committee member level or their direct reports), a single individual may have responsibilities across the First and Second LOD.First Line of Defence.

The First LOD has ultimate ownership for risk and controls and delivering fair conduct outcomes. The First LOD includes three key roles: Risk Owners, Control Owners and Chief Control Officers.

Risk Owners are accountable for identifying, assessing, managing and reporting key existing and emerging risks that they own for their business or function in line with the risk appetite set by the Board. Their key responsibilities include:

1. Actively identifying and understanding key existing and emerging risks they own.
2. Operating within the stated risk appetite, or outside of risk appetite with an agreed plan for moving back into tolerance.
3. Ensuring that front to back processes underpinning their business activities are robust, understood and include effective controls to manage the risks inherent within the activities for which they are accountable.
4. Understanding key controls that mitigate their risks, and are able to evidence that the Control Owners have a plan to monitor appropriately (including those controls performed outside of their area, e.g. HOST, third parties).
5. Monitoring and assessing their risk exposure over time.
6. Responsible for assessing, identifying and understanding the conduct impacts across the risk types they own and identifying and understanding the controls they rely on to support the delivery of fair conduct outcomes.
7. Escalating risks through governance when they are outside of appetite or there is an emerging threat or theme.
8. Remediation of control gaps in a prioritised and timely manner.
9. Clearly articulating and documenting their key risks, key controls, remediation and mechanisms they use to manage their risk.
10. Being able to explain and evidence their risks, key controls, what is being done to fix key controls or otherwise mitigate inherent risks if key controls are not working effectively, and the mechanisms they use to manage their risks.

Control Owners are accountable for operating controls on behalf of Risk Owners, and for the control monitoring processes to assess and report control effectiveness. Their key responsibilities include:

1. Understanding the inherent risks to be mitigated.
2. Designing and implementing key controls (and understanding and documenting how they prevent/mitigate/detect the risk).
3. Defining and implementing mechanisms to monitor and assess their control effectiveness (e.g. key indicators, exception reports, alerts).
4. Promptly escalating control weaknesses and gaps to the Risk Owner(s), including how and when they will be fixed.
5. Fixing controls that are not designed or working effectively in a timely manner. Being able to explain and evidence how their key controls operate; whether they are working effectively and supporting the delivery of the conduct outcomes; how they monitor their controls and what is being done to fix key controls if they are not working effectively.

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8. Operational risk/Non-Financial Risk *(Continued)*

Chief Control Officers are accountable for driving the effective governance and management of non-financial risks in the First LOD. Their key responsibilities include:

1. Promote accountable risk and control decision-making based on quality data and commercial analysis
2. Enable the business to clearly, consistently and comprehensively articulate the risk profile of the business/service/process including the integrity of processes and controls
3. Support Risk and Control Owners in identifying anomalies in control effectiveness or the aggregation of risks that may take the risk profile of the business outside of tolerance
4. Assess and promote improvements to the Accountability, Roles and Responsibilities matrix for a given set of activities
5. Support Risk Owners through proactive advice based on risk and control knowledge and insights and present risk management solutions where appropriate
6. Identify trends to anticipate future developments in the risk and control environment
7. Actively challenge poor, inefficient or excessive controls, related tasks and behaviours
8. Challenge Control Owners on the design and implementation of control monitoring to confirm it is fit for purpose
9. Drive the development and implementation of future-fit risk management frameworks, in collaboration with Risk Stewards and taking regulatory requirements into account
10. Promoting desired behaviours and a positive risk culture, and supporting the delivery of the conduct outcomes.

Second Line of Defence

The Second LOD review and challenge the First LOD's activities to help ensure that risk management decisions and actions are appropriate, within risk appetite and support the delivery of conduct outcomes. The Second LOD is independent of the risk-taking activities undertaken by the First LOD and includes CROs, Risk Stewards and the Operational Risk function.

The Operational Risk function provides direction, insight and challenge on the management of non-financial risks, along with an overall assessment of the non-financial risk exposure versus Board appetite.Risk Stewards sit within the Global Functions. They are subject matter experts who set policies and oversee the First LOD activities by risk type. There are Global Business, Regional and Country Risk Stewards throughout the organisation who execute the responsibilities cascaded to them by the Global Risk Steward, as well as local requirements. Where there is no Risk Steward in Country, the Regional Risk Steward retains responsibility. Where there is no Risk Steward in Region, then the Global Risk Steward retains responsibility.

Risk Stewards are accountable for setting policy and control standards to manage risks, providing advice and guidance to support these policies, and challenging the First LOD to ensure it is managing risk effectively. Their key responsibilities include:

1. Provide subject matter expertise, advice, guidance, and effective challenge to the Risk and Control Owners
2. Support in setting the Risk Appetite, and oversee risk appetite monitoring
3. Write, own and monitor compliance with a comprehensive set of clear and concise policies that outline the key principles and minimum requirements applicable to the management of their risk
4. Report on the risk and control profile, including impacts of external environment changes, emerging risks and changes to the business strategy
5. Work with the business to understand the impact of emerging risks that require changes to controls, resources and business operations to ensure they remain within appetite
6. Overseeing, escalating and providing guidance on the identification of conduct impacts across their risk types and activities owned by the First LOD, including where control weaknesses and risk events impact the delivery of fair outcomes
7. Define the Risk and Control Library, including minimum control standards, with input from Risk Owners, and Control Owners, specifying key risks and key controls and providing guidance on continuous monitoring expectations
8. Recommend Risk and Control Assessment ("RCA") scoping, and challenge where this is not appropriately applied in the RCA
9. Challenge Risk and Control Owners on risk and control management, including inherent risk, residual risk, control effectiveness ratings, issues, actions and events

Third Line of Defence

Third LOD is Internal Audit. Internal Audit provides independent assurance to management and the non-executive Risk and Audit Committees that our risk management, governance and internal control processes are designed and operating effectively.

Scope and Nature of Risk reporting

Risk reporting enables senior management and stakeholders to make informed decisions by providing insightful analysis from accurate and timely data together with subject matter expert perspectives from across the Three LOD. Risk reporting helps senior management to understand what the top risks are and if they are managed within risk appetite. It also provides visibility of common themes and systemic issues across the organisation, which enables us to manage risks more proactively and effectively.

In order to provide a consistent end-to-end view of risk management across the Global Businesses, Functions, Regions, Countries and legal entities, risk reporting is based on key principles:

- Data is recorded timely and accurately in the appropriate system of record
- Data is aggregated into meaningful risk information and consistently reported through governance committees
- Risk information is used by the business to make better decisions

Risk data aggregation and reporting must be in line with all relevant FIMs and legislation/regulation including "Principles for effective risk data aggregation and risk reporting" published by the Basel Committee on Banking Supervision in 2013. Risk reporting procedures should include the identification of relevant data quality issues, limitations and issues identified through appropriate validation checks and resolved.

HSBC meets local and global regulatory risk reporting requirements and makes sufficient public disclosures of how it manages risk. All risk reporting disclosed to supervisory and regulatory authorities are subject to quality assurance. A regular report on non-financial risk is made to the Bank's senior management through the RMM.

(i) Capital requirements for Operational risk for the Bank

(Rs '000)

	As at 31 March 2020	As at 31 March 2019
Capital required for Operational Risk (Basic Indicator Approach)	**17,006,188**	16,065,991

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9. Interest rate risk in the banking book (IRRBB)

Interest rate risk in the banking book (IRRBB) refers to the current or prospective risk to the bank's capital and earnings arising from adverse movements in interest rates that affect the bank's banking book positions. When interest rates change, the present value and timing of future cash flows change. This in turn changes the underlying value of a bank's assets, liabilities and off-balance sheet items and hence its economic value. Changes in interest rates also affect a bank's earnings by altering interest rate-sensitive income and expenses, affecting its Net Interest Income (NII).

Asset, Liability & Capital Management (ALCM) is responsible for measuring and controlling IRRBB under the supervision of the Asset and Liability Management Committee (ALCO).

Its primary responsibilities are

- To define the rules governing the transfer of interest rate risk from the commercial bank to Balance Sheet Management (BSM);
- To ensure that all market interest rate risk that can be hedged is effectively transferred from the global businesses to BSM; and
- To define the rules and metrics for monitoring the residual interest rate risk in the global businesses.

Market risk in the banking book arises principally from structural mismatches in assets and liabilities and from off-balance-sheet instruments arising from repricing risk, yield curve risk and basis risk.

Further, an analysis of these risks incorporates assumptions on optionality in certain products such as in mortgage prepayments, and from behavioral assumptions regarding the economic duration of liabilities which are contractually repayable on demand, for example, current accounts.

IRRBB is monitored as part of the Bank's Internal Capital Adequacy Assessment Process and capital maintained, if required, based on this assessment.

Strategy and Process

In order to manage this risk efficiently, interest rate risk in the banking book is transferred to BSM.

The transfer of interest risk to the BSM is achieved through a formal transfer pricing framework wherein a series of internal deals are executed between the business units and BSM. In certain products, the interest rate risk behaviour may differ from the contractual nature thereby requiring a study to determine the correct approach in managing the risk. This is achieved through a behaviouralisation study that is periodically updated and placed before the ALCO for approval, along with underlying assumptions.

Structure and Organisation

The Bank has an independent interest rate risk management and control function which is responsible for measuring interest rate risk exposures in accordance with prescribed policies, monitoring and reporting these exposures against the approved limits on a daily basis. This monitoring process effectively builds on the level of interest rate risk that is commensurate with the capital held.

Scope and nature of Risk reporting, measurement, monitoring and mitigation

The Bank monitors the sensitivity of projected net interest income under varying interest rate scenarios. The Bank effectively identifies, measures, monitors and controls the interest rate risk in the banking book, to mitigate the impact of prospective interest rate movements which could reduce future net interest income, whilst balancing the cost of such hedging activities on the current income stream.

The Bank manages the interest rate risk arising from commercial banking activities in order to maximize the return commensurate with its capital base, without exposing the Bank to undue risk arising from movements in market interest rates.

(i) Impact on Economic Value of Equity(EVE)

Economic Value of Equity (EVE) measures the impact of 200 bps movement in interest rates on capital. When interest rates change, the present value and timing of future cash flows change. This in turn changes the underlying value of a bank's assets, liabilities and off-balance sheet items and hence its economic value.

(Rs in Million)

	As at 31 March 2020	As at 31 March 2019
Base		
Total EVE	**255,993**	282,982
Total Regulatory Capital	**231,425**	212,962
+200 bps		
EVE	**252,309**	260,092
EVE Sensitivity	**(3,684)**	(22,890)
EVE Sensitivity/Total Regulatory Capital	**1.59%**	10.75%
-200 bps		
EVE	**260,550**	308,155
EVE Sensitivity	**4,557**	25,173
EVE Sensitivity/Total Regulatory Capital	**1.97%**	11.82%
EVE Limit	**18.00%**	18.00%

(ii) Impact on Earnings (NII)

Changes in interest rates also affect a bank's earnings by altering interest rate-sensitive income and expenses, affecting its Net Interest Income (NII).

(Rs in Million)

	As at 31 March 2020	As at 31 March 2019
Projected NII for next 12 months	**69,380**	48,794
Parallel movement in yield curve		
+100 bps	**1,495**	(1,783)
-100 bps	**(1,727)**	2,104

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10. Counterparty Credit Risk

Methodology used to assign economic capital and credit limits for counterparty credit exposures

Counterparty credit risk arising from over-the-counter (OTC) derivatives is calculated in both the trading and non-trading books, and is the risk that a counterparty to a transaction may default before completing the satisfactory settlement of the transaction on any foreign exchange, interest rates, or equity contracts. An economic loss occurs if the transaction or portfolio of transactions with the counterparty has a positive economic value at the time of default.

As per the RBI Master circular on Basel-III Capital Regulations dated 01 July 2015, banks are expected to use the Standardised method for computation of counterparty credit exposure using the Current Exposure Method (CEM) for market related off balance sheet exposures. Under this method the exposure on all the derivative contracts is calculated as the sum of current credit exposure/replacement cost i.e. the sum of the positive mark-to-market (MTM) of the contracts (negative MTMs are to be ignored) and the potential future exposure (PFE). PFE is determined based on a set percentage multiplied by the notional of the deal. The percentage by which the notional is multiplied is dependent upon the type of the product and the tenor as prescribed in RBI guidelines. PFE so obtained is added to the gross positive replacement cost to arrive at the final exposure at default.

Bilateral netting of counterparty credit exposures, in derivative contracts, i.e bilateral netting of MTM values arising on account of such derivative contracts is not permitted. Accordingly, only gross positive MTM value of such contracts is considered for the purposes of exposure computation for capital adequacy.

The Group assesses total economic capital requirements centrally for the risk by utilising the embedded operational infrastructure used for the Pillar 1 capital calculation.

Limits for counterparty credit risk exposures are assigned within the overall credit process for distinct customer limit approval.

Policies for securing collateral and establishing credit reserves

Despite these being a standard credit mitigant for OTC derivatives in most jurisdictions, market practice in this respect is still evolving in India. The bank has executed a few Credit Support Annexes (CSA's) and is currently negotiating with some more counterparties.

The credit valuation adjustment (CVA) is an adjustment to the value of OTC derivative transaction contracts to reflect, within fair value, the possibility that the counterparty may default or migrate to a lower credit grade, and we may not receive the full market value of the transactions. The Bank calculates a separate CVA for each counterparty to which the bank has exposure. The adjustment aims to calculate the potential loss arising from the portfolio of derivative transactions against each third party, based upon a modeled expected positive exposure profile, including allowance for credit risk mitigants such as netting agreements and CSA's.

The bank computes a CVA for its markets related off balance sheet exposures and takes it to the profit and loss account for financial reporting purposes. The same was implemented for capital adequacy purposes under Basel III in line with RBI Guidelines from quarter ending June 2014.

Wrong-way Risk exposures

Wrong-way risk is a form of concentration risk and arises when there is a strong correlation between the counterparty's Probability of Default (PD) and the MTM value of the underlying transaction. The Bank uses a range of procedures to monitor and control wrong-way risk, including requiring prior approval before undertaking wrong-way risk transactions outside pre-agreed guidelines.

Central Counterparties

Whilst exchange traded derivatives have been cleared through central counterparties ('CCP's) for many years, recent regulatory initiatives designed to reduce systemic risk in the banking system are directing increasing volumes of OTC derivatives to be cleared through CCPs. The Bank has accordingly developed a risk appetite framework to manage risk on CCPs.

Impact of Credit Rating Downgrade

The Credit rating downgrade clause in an International Swaps and Derivatives Association (ISDA) Master Agreement is designed to trigger a series of events which may include the requirement to pay or increase collateral, the termination of transactions by the non-affected party, or assignment by the affected party, if the credit rating of the affected party falls below a specified level. At the Group level, we assess additional collateral requirements where credit ratings downgrade language affects the threshold levels within a collateral agreement.

The derivative exposure is calculated using Current Exposure Method ('CEM'). The outstanding balances are given below:

(Rs '000)

Particulars	As at 31 March 2020		As at 31 March 2019	
	Notional	Current credit exposures	Notional	Current credit exposures
Currency Swaps	**316,492,298**	**32,176,806**	191,430,718	31,077,580
Forward Contracts	**2,070,517,713**	**109,838,523**	1,427,215,453	64,930,424
FX options	**334,256,372**	**21,644,337**	392,642,430	17,822,694
Interest rate options	**2,855,214**	**30,255**	430,298	7,314
Interest Rate swaps	**4,244,764,918**	**93,136,700**	2,925,987,777	47,576,077
Single currency Floating Floating	**51,149,540**	**38,821**	44,950,750	5,246
Forward Rate Agreements	**27,362,150**	**371,563**	3,220,000	56,039
Grand Total	**6,996,248,665**	**257,237,005**	4,940,926,676	161,475,374

Note: The above does not include Exposure to QCCP.

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11. Leverage Ratio

The leverage ratio requirement was introduced into the Basel III framework as a non-risk-based limit, to supplement risk-based capital requirements. It aims to constrain the build-up of excess leverage in the banking sector. As per the Bi-Monthly Monetary policy committee held on 6th Jun 2019, RBI has advised banks to maintain the minimum leverage ratio at 3.5%. The bank's leverage ratio is calculated as per RBI guidelines as follows:

Leverage Common disclosure: (Rs in Million)

Sr No	Item	At 31 March 2020	At 31 March 2019
	On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	**1,670,622**	1,604,453
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	**(647)**	(138)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	**1,669,975**	1,604,315
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	**116,335**	56,708
5	Add-on amounts for PFE associated with all derivatives transactions	**419,137**	211,914
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)	**535,472**	268,622
	Securities financing transaction exposures		–
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	**141,543**	30,907
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)	**141,543**	30,907
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	**1,316,668**	1,194,514
18	Adjustments for conversion to credit equivalent amounts	**(913,305)**	(841,476)
19	Off-balance sheet items (sum of lines 17 and 18)	**403,363**	353,038
	Capital and total exposures		–
20	Tier 1 capital	**206,565**	200,891
21	Total exposures (sum of lines 3, 11, 16 and 19)	**2,750,353**	2,256,882
	Leverage ratio		
22	Basel III leverage ratio (per cent)	**7.51%**	8.90%

Comparison of accounting assets vs leverage ratio exposure measure:

(Rs in Million)

Sr No	Item	At 31 March 2020	At 31 March 2019
1	Total consolidated assets as per published financial statements	**2,111,738**	1,764,675
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	**235,899**	139,307
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)	**403,363**	353,038
7	Other adjustments	**(647)**	(138)
	Total Exposure (point 21 in Table 1)	**2,750,353**	2,256,882

Note: The consolidated leverage ratio is 7.65% as on 31 March 2020.

HSBC

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12 Composition of Capital

(Rs in Million)

	Basel III common disclosure template	Basel-III Amounts	Basel-III Amounts under regulatory scope of consolidation	Reference with DF-13
	Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	44,992	46,455	**A**
2	Retained earnings ***(incl. Statutory Reserves, Capital Reserves and Remittable Surplus retained for Capital to Risk-weighted Assets Ratio (CRAR))***	161,295	164,340	**B1+B2+B3+B4+ B5+B6+B7**
3	Accumulated other comprehensive income (and other reserves)	926	926	**C1*45%**
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	–	–	
	Public sector capital injections grandfathered until 1 January 2018			
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	207,212	211,720	
	Common Equity Tier 1 capital: regulatory adjustments		–	
7	Prudential valuation adjustments	–	–	
8	Goodwill (net of related tax liability)	–	–	
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	146	149	
10	Deferred tax assets	–	3	
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	502	502	
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[7] (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[8]	–	–	
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank[9]	–	–	
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	–	–	

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12 Composition of Capital *(Continued)*

(Rs in Million)

	Basel III common disclosure template	Basel-III Amounts	Basel-III Amounts under regulatory scope of consolidation	Reference with DF-13
28	**Total regulatory adjustments to Common equity Tier 1**	**647**	**654**	
29	**Common Equity Tier 1 capital (CET1)**	**206,565**	**211,066**	
	Additional Tier 1 capital: instruments	**–**	**–**	
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**	**–**	**–**	
	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 in respect of Amounts Subject to Pre-Basel III Treatment	–	–	
43	**Total regulatory adjustments to Additional Tier 1 capital**	**–**	**–**	
44	**Additional Tier 1 capital (AT1)**	**–**	**–**	
44a	**Additional Tier 1 capital reckoned for capital adequacy11**	**–**	**–**	
45	**Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)**	**206,565**	**211,066**	
	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 (incl. eligible reserves)	24,861	24,861	D1+D2+D3+ C2*45%
51	**Tier 2 capital before regulatory adjustments**	**24,861**	**24,861**	
	Tier 2 capital: regulatory adjustments	**–**	**–**	
52	Investments in own Tier 2 instruments	–	–	
53	Reciprocal cross-holdings in Tier 2 instruments	–	–	

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12 Composition of Capital *(Continued)*

(Rs in Million)

	Basel III common disclosure template	Basel-III Amounts	Basel-III Amounts under regulatory scope of consolidation	Reference with DF-13
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	–	–	
56b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	–	–	
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment	–	–	
	of which:	–	–	
	of which:	–	–	
57	**Total regulatory adjustments to Tier 2 capital**	**–**	**–**	
58	**Tier 2 capital (T2)**	**24,861**	**24,861**	
58a	**Tier 2 capital reckoned for capital adequacy**	**24,861**	**24,861**	
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**		**–**	
58c	**Total Tier 2 capital admissible for capital adequacy (58a + 58b)**	**24,861**	**24,861**	
59	**Total capital (TC = T1 + T2) (45 + 58c)**	**231,425**	**235,928**	
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment	–	–	
	of which:	–	–	
	of which:	–	–	
60	**Total risk weighted assets (60a + 60b + 60c)**	**1,436,527**	**1,444,181**	
60a	of which: total credit risk weighted assets	1,041,403	1,049,058	
60b	of which: total market risk weighted assets	261,005	261,005	
60c	of which: total operational risk weighted assets	134,118	134,118	
	Capital ratios		–	
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	14.38%	14.61%	
62	Tier 1 (as a percentage of risk weighted assets)	14.38%	14.61%	
63	Total capital (as a percentage of risk weighted assets)	16.11%	16.34%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	**9.18%**	**9.18%**	
65	of which: capital conservation buffer requirement	1.88%	1.88%	
66	of which: bank specific countercyclical buffer requirement	–	–	
67	of which: G-SIB buffer requirement	1.80%	1.80%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	8.88%	9.11%	
	National minima (if different from Basel III)	–	–	
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	–	–	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	–	–	
71	National total capital minimum ratio (if different from Basel III minimum)	–	–	
	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)	4,772	4,775	
	Applicable caps on the inclusion of provisions in Tier 2	**–**	**–**	

HSBC

The Hongkong and Shanghai Banking Corporation Limited – India Branches
(Incorporated in Hong Kong SAR with limited liability)

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2020 *(Continued)*

12 Composition of Capital *(Continued)*

(Rs in Million)

	Basel III common disclosure template	Basel-III Amounts	Basel-III Amounts under regulatory scope of consolidation	Reference with DF-13
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	11,242	11,266	**D1+D2**
77	Cap on inclusion of provisions in Tier 2 under standardised approach	13,018	13,018	
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)	–	–	

13. Composition of Capital – Reconciliation

(Rs in Million)

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Reference No
		As on reporting date	As on reporting date	DF-12
A	**Capital & Liabilities**			
i	Paid-up Capital	44,992	46,455	A
	Reserves & Surplus	213,627	216,696	
	a. Statutory Reserve	67,194	67,194	B1
	b. Capital Reserve - Surplus on sale of Immovable assets	5,675	5,675	B2
	c. Capital Reserves	13,262	13,278	B3
	d. Remittable surplus retained in India for CRAR purposes	71,919	71,919	B4
	e.(i). Revaluation Reserve eligible for Tier 1	2,058	2,058	C1
	e.(ii) Revaluation Reserve eligible for Tier 2	3,205	3,205	C2
	f. Investment Reserve	2,670	2,670	D1
	g. Specific Reserve	3,245	3,636	B5
	h. Investment Fluctation Reserve (refer to schedule 18 note 5.5)	12,176	12,176	D3
	i. Balance in Profit & Loss Account	32,223	32,925	
	j. General Reserve	–	23	B6
	k. Security Premium	–	1,935	B7
	Minority Interest	–	–	
	Total Capital	258,619	263,150	
ii	Deposits	1,249,030	1,249,030	
	of which: Deposits from banks	15,909	15,909	
	of which: Customer deposits	1,233,121	1,233,121	
	of which: Other deposits (pl. specify)	–	–	
iii	Borrowings	244,417	248,257	
	Borrowings in India	199,533	203,373	
	of which: From RBI	98,251	98,251	
	of which: From banks	–	–	
	of which: From other institutions & agencies	101,282	105,123	
	Borrowings outside India	44,884	44,884	
	of which: Others (pl. specify)	44,884	44,884	
	of which: Capital instruments	–	–	

The Hongkong and Shanghai Banking Corporation Limited – India Branches
(Incorporated in Hong Kong SAR with limited liability)

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2020 *(Continued)*

13. Composition of Capital – Reconciliation *(Continued)*

(Rs in Million)

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Reference No DF-12
iv	Other liabilities & provisions	359,672	359,714	
	of which: Provisions towards Standard Assets	8,572	8,596	D2
	Total Capital and Liabilities	**2,111,738**	**2,120,152**	
B	**Assets**			
i	Cash and balances with Reserve Bank of India	42,876	42,876	
ii	Balance with banks and money at call and short notice	207,344	207,951	
iii	Investments:	716,220	717,699	
	of which: Government securities	581,480	581,480	
	of which: Other approved securities	–	–	
	of which: Shares	136	136	
	of which: Debentures & Bonds	46,427	46,427	
	of which: Subsidiaries/Joint Ventures/Associates	0	0	
	of which: Others (Commercial Papers, Mutual Funds etc.)	88,177	88,177	
iv	Loans and advances	765,807	771,826	
	of which: Loans and advances to banks	35,015	35,015	
	of which: Loans and advances to customers	730,792	736,812	
v	Fixed assets	7,641	7,643	
vi	Other assets	371,850	372,157	
	of which: Goodwill and intangible assets	–	–	
	of which: Deferred tax assets	4,772	4,775	
vii	Goodwill on consolidation	–	–	
viii	Debit balance in Profit & Loss account	–	–	
	Total Assets	**2,111,738**	**2,120,152**	

14. Regulatory capital Instruments

The Bank has not issued any regulatory capital instruments in India.

15. Disclosure Requirements for Remuneration

In accordance with the requirements of the RBI Circular DOR.Appt.BC.No.23/29.67.001/2019-20 dated 4 November 2019, the Head office of the Bank has submitted a declaration to RBI that the Bank's compensation policies, including that of the CEO, is in conformity with the Financial Stability Board principles and standard on sound compensation practices.

16. Equities - Disclosure for Banking Book Positions

Investment in equity shares as at 31 March 2020 is Rs.136 million. This includes investment in shares of private limited companies held either for:

(i) business facilitation purpose;
(ii) acquired as part of Corporate Restructured Debt(CDR) package; or
(iii) in one instance investment in group subsidiary.

These investments are classified as 'Available for Sale'(AFS). All investments in equity shares are held in Unlisted limited companies. There are no quoted market prices for these securities. Accordingly, these are valued at lower of cost or break-up value basis the latest available balance sheet.

Quantitative Disclosures

1. The value of equity investments (unquoted) as at 31 March 2020 is Rs.136 million.
2. All equity investments are held in private limited companies.
3. The cumulative realised gain on sale of shares is Nil as at 31 March 2020.
4. The unrealised gain or loss recognised in the balance sheet and not through the profit and loss account is nil.
5. The break-up value of unquoted equity investment as at 31 March 2020 is Rs. 1,472 million. The difference between break-up value and current cost of equity investment is Rs. 1,336 million.
6. Investment in equity included in Tier 1 and Tier 2 capital – Nil.
7. These investments are risk weighted for capital adequacy purposes. The capital requirement for credit risk relating to these investments amounts to Rs.472 million.

INDEPENDENT AUDITOR'S REPORT

To
The Executive Committee
MUFG Bank Ltd.- India Branches

Report on the Audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of MUFG Bank Ltd. (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd)- India Branches ('the Bank'), which comprise the Balance Sheet as at March 31, 2020 and the Profit and Loss Account and the Cash Flow statement for the year then ended, and 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 together with notes thereon give full 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 true and fair view in conformity with the accounting principles generally accepted in India:

   a. in the case of the Balance Sheet, of the state of affairs of the Bank as at March 31, 2020;
   b. in case of the Profit and Loss Account, of the profit of the Bank for the year ended on that date;
   c. in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

Basis for Opinion

2. 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 ('ICAI') 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

3. We draw attention to note no. 58 of schedule 18 of the financial statements, which describes that the extent to which the COVID-19 pandemic will impact the Bank's results will depend on future developments, which are highly uncertain.

   Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditor's Report Thereon

4. The Bank's management is responsible for the other information. The other information comprises the information included in the Bank's Basel III – Pillar 3 disclosures and annual report, but does not include the financial statements and our auditors' report thereon. The other information is expected to be made available to us after the date of this auditor's report. 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

   When we read the other Information and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charges with governance as required under SA 720 'The Auditor's responsibilities Relating to other Information'.

Responsibility of Management for Financial Statements

5. 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 financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under prescribed Section 133 of the Act, provision 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; 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

6. 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 our 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, to 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.

AUDITORS' REPORT

- 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 system with reference to financial statements and on 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.
- 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

7. The Balance Sheet and Profit and Loss Account and the Cash Flow Statement have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014.
8. As required by Section 30(3) of the Banking Regulation Act, 1949, 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; and
   c. the financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches.
9. 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; the financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches; except that the backup of the books of accounts and other books and papers maintained in electronic mode has been maintained on servers physically located outside India;
   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, read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank;
   e. there are no material observations or comments on the financial transactions or matters which have any adverse effect on the functioning of the Bank;
   f. reporting requirement pursuant to provision of Section 164 (2) of the Act is not applicable considering the Bank is a branch of MUFG Bank Ltd. (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd) which is incorporated in Japan with limited liability;
   g. 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 1 to this report;
   h. Reporting requirement pursuant to section 197 of the Act related to managerial remuneration is not applicable considering the Bank is a branch of MUFG Bank Ltd. (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd) which is incorporated in Japan with limited liability;
   i. 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, we report as under:
      i the Bank has disclosed the impact, if any, of pending litigations on its financial positions in its financial statements as at March 31, 2020; Refer Schedule 12 and Note 24 of Schedule 18 to the financial statements;
      ii the Bank has made adequate 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 26 of schedule 18 to the financial statements;
      iii the Bank is currently not liable to transfer any amount to the Investor Education and Protection Fund.

For **Khimji Kunverji & Co LLP**
(formerly Khimji Kunverji & Co)
Chartered Accountants
FRN: 105146W/ W100621

Gautam V Shah
Partner (F-117348)

Mumbai
June 29, 2020

AUDITORS' REPORT

ANNEXURE 1 TO THE INDEPENDENT AUDITORS' REPORT

[referred to in paragraph 9(g) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report]

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

We have audited the internal financial controls with reference to financial statements of MUFG Bank Ltd (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd)- India Branches which is incorporated in Japan with limited liability ("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 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 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 Act.

Auditors' 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, issued by 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 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 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 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. A Bank's internal financial control with reference to financial statements includes those policies and procedures that:

(a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank;

(b) 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

(c) 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 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, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 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 ICAI except that the backup of the books of accounts and other books and papers maintained in electronic mode has been maintained on servers physically located outside India.

For **Khimji Kunverji & Co LLP**
(formerly Khimji Kunverji & Co)
Chartered Accountants
FRN: 105146W/ W100621

Gautam V Shah
Partner (F-117348)

Mumbai
June 29, 2020

MUFG

MUFG Bank, Ltd.
(Incorporated in Japan with limited liability)

BALANCE SHEET & PROFIT & LOSS ACCOUNT

BALANCE SHEET OF INDIAN BRANCHES AS AT 31ST MARCH 2020

(Rs. 000's)

	Schedule	As at 31st March 2020 Rs.	As at 31st March 2019 Rs.
CAPITAL AND LIABILITIES			
Capital	1	**22,073,356**	22,073,356
Reserves & Surplus	2	**34,522,545**	30,072,941
Deposits	3	**195,850,027**	159,175,300
Borrowings	4	**59,949,260**	63,487,740
Other liabilities and Provisions	5	**61,851,645**	30,414,216
TOTAL		**374,246,833**	305,223,553
ASSETS			
Cash and Balances with Reserve Bank of India	6	**17,172,247**	8,435,588
Balances with banks and money at call and short notice	7	**35,933,354**	37,890,301
Investments	8	**119,601,361**	103,789,886
Advances	9	**132,510,768**	120,452,036
Fixed Assets	10	**329,566**	420,280
Other Assets	11	**68,699,537**	34,235,462
TOTAL		**374,246,833**	305,223,553
Contingent Liabilities	12	**2,397,691,385**	1,934,838,835
Bills for Collection		**10,833,345**	9,777,424

Significant Accounting Policies and Notes forming part of the Financial Statements. 17, 18
The Schedules referred to herein form an integral part of the financial statements.
This is the Balance Sheet referred to in our report of even date.

PROFIT & LOSS ACCOUNT OF INDIAN BRANCHES FOR THE YEAR ENDED 31ST MARCH 2020

(Rs. 000's)

	Schedule	For the Year Ended 31st March 2020 Rs.	For the Year Ended 31st March 2019 Rs.
I. INCOME			
Interest earned	13	**17,166,291**	15,037,115
Other income	14	**3,898,956**	3,883,487
TOTAL		**21,065,247**	18,920,602
II. EXPENDITURE			
Interest expended	15	**10,353,938**	9,488,900
Operating expenses	16	**3,278,711**	2,847,870
Provisions and contingencies		**2,982,995**	2,735,373
TOTAL		**16,615,644**	15,072,143
III. PROFIT			
Net Profit for the year		**4,449,603**	3,848,459
Profit brought forward		**2,186,027**	2,347,751
TOTAL		**6,635,630**	6,196,210
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		**1,112,401**	962,115
Transfer to Capital Account		**2,186,027**	2,347,751
Transfer to\from Investment Reserve Account		**4,547**	8,313
Transfer to\from Investment Fluctuation Reserve Account		**850,011**	692,004
Remitted to Head Office		**–**	–
Balance carried over to Balance Sheet		**2,482,644**	2,186,027
TOTAL		**6,635,630**	6,196,210

Significant Accounting Policies and Notes forming part of the Financial Statements. 17, 18
The Schedules referred to herein form an integral part of the financial statements.
This is the Profit and Loss Account referred to in our report of even date.

For Khimji Kunverji & Co. LLP
(formerly Khimji Kunverji & Co)
Chartered Accountants
FRN: 105146W/W100621

MUFG Bank, Ltd.

(Gautam V Shah)
Partner
Membership No. F-117348

(Junsuke Koike)
Regional Executive of India

(Ashwini Shetye)
Chief Financial Officer - India

(S Ramanathan)
Chief Compliance Officer-India

Place: Mumbai
Dated: June 29, 2020

CASH FLOW

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31ST MARCH 2020

(Rs. 000's)

	For the year ended 31st March 2020 Rs.	For the year ended 31st March 2019 Rs.
Cash Flows from operating activities:		
Net Profit Before Tax	**7,872,480**	**6,392,703**
Adjustment for:		
Depreciation for the year on Fixed Assets	141,637	154,117
Provision for depreciation on Investments	(10,764)	(314,813)
Provision on Standard Assets, Country Risk & Others	(313,322)	758,551
(Profit)/Loss on sale of Fixed Assets	3,426	3,706
	(179,023)	**601,560**
Adjustments for:		
(Increase)/Decrease in Investments	(15,800,710)	(8,701,272)
(Increase)/Decrease in Advances	(11,358,731)	(33,268,077)
(Increase)/Decrease in Other Assets	(30,728,165)	(10,368,764)
Increase/(Decrease) in Deposits	36,674,727	51,868,670
Increase/(Decrease) in Other Liabilities and Provisions	27,637,710	8,989,776
	6,424,831	**8,520,333**
Direct Taxes Paid	(3,745,747)	(3,340,238)
Net Cash Flow from operating activities	**10,372,542**	**12,174,358**
Cash Flow from investing activities		
Net of (Purchase)/Sale of Fixed Assets	(54,349)	(122,405)
Net Cash flow from investing activities	**(54,349)**	**(122,405)**
Cash Flow from financing activities		
Increase/(Decrease) in Borrowings	(3,538,481)	822,900
Increase/(Decrease) in Subordinate debt	–	–
Net Cash used in financing activities	**(3,538,481)**	**822,900**
Net increase/(decrease) in cash and cash equivalents	**6,779,712**	**12,874,852**
Cash and cash equivalents at the beginning of the year	46,325,889	33,451,037
Cash and cash equivalents at the end of the year (Schedule 6 & 7)	53,105,601	46,325,889

For Khimji Kunverji & Co. LLP
(formerly Khimji Kunverji & Co)
Chartered Accountants
FRN: 105146W/W100621

MUFG Bank, Ltd.

(Gautam V Shah)
Partner
Membership No. F-117348

(Junsuke Koike)
Regional Executive of India

(Ashwini Shetye)
Chief Financial Officer - India

(S Ramanathan)
Chief Compliance Officer-India

Place: Mumbai
Dated: June 29, 2020

SCHEDULES

Schedules to Financial Statements for the year ended March 31, 2020

	As at 31st March 2020 Rs. 000	As at 31st March 2019 Rs. 000
Schedule 1 - Capital		
I. Capital received from Head Office	**22,038,783**	22,038,783
II. Profits retained	**–**	–
III. Amounts received from Head Office for acquisition of property	**34,573**	34,573
TOTAL (I, II and III)	**22,073,356**	22,073,356
Deposits kept with RBI under section 11(2)(b) of the Banking Regulation Act, 1949. (Face Value)	**8,850,000**	7,500,000
Schedule 2 - Reserves and Surplus		
I. Statutory Reserve		
Opening Balance	**7,817,630**	6,855,515
Additions during the year	**1,112,401**	962,115
	8,930,031	7,817,630
II. Revenue and other Reserve		
Opening Balance	**1,894,876**	1,894,876
Additions during the year	**–**	–
	1,894,876	1,894,876
III. Capital Reserve		
Opening Balance	**7,544**	7,544
Additions during the year	**–**	–
	7,544	7,544
IV. Investment Reserve Account		
Opening Balance	**31,073**	22,761
Additions during the year	**4,547**	8,312
	35,620	31,073
V. Investment Fluctuation Reserve Account		
Opening Balance	**692,004**	–
Additions during the year	**850,011**	692,004
	1,542,015	692,004
VI. Remittable Surplus Retained in India		
for CRAR purposes		
Opening Balance	**17,443,787**	15,096,036
Additions during the year	**2,186,028**	2,347,751
	19,629,815	17,443,787
VII. Balance in Profit and Loss Account	**2,482,644**	2,186,027
TOTAL (I, II, III, IV, V, VI and VII)	**34,522,545**	30,072,941

	As at 31st March 2020 Rs. 000	As at 31st March 2019 Rs. 000
Schedule 3 - Deposits		
A. I. Demand Deposits		
i) From banks	**366,494**	126,687
ii) From others	**32,890,239**	26,626,291
TOTAL	**33,256,733**	26,752,978
II. Savings bank Deposits	**432,924**	914,243
III. Term Deposits		
i) From banks	**5,250,150**	–
ii) From others	**156,910,220**	131,508,079
TOTAL	**162,160,370**	131,508,079
TOTAL (I, II and III)	**195,850,027**	159,175,300
B. i) Deposits of branches in India	**195,850,027**	159,175,300
ii) Deposits of branches outside India	**–**	–
TOTAL	**195,850,027**	159,175,300
Schedule 4 - Borrowings		
I. Borrowings in India*		
i) Reserve Bank of India	**7,500,000**	7,000,000
ii) Other banks	**4,000,000**	9,640,000
iii) Other institutions and agencies.	**3,493,580**	–
TOTAL	**14,993,580**	16,640,000
II. Borrowings outside India	**44,955,680**	46,847,740
TOTAL (I and II)	**59,949,260**	63,487,740
*Secured borrowings included in I above	**10,993,580**	7,000,000
Schedule 5 - Other Liabilities and Provisions		
I. Bills payable	**19,841**	23,180
II. Inter-office adjustments (net)	**–**	1,346
III. Interest accrued	**1,697,267**	1,246,027
IV. Provision for Tax (net of advance tax)	**–**	–
V. Others (including provisions)	**60,134,537**	29,143,663
TOTAL (I, II, III, IV and V)	**61,851,645**	30,414,216
Schedule 6 - Cash and Balances with Reserve Bank of India.		
I. Cash in hand (including foreign currency notes)	**35,472**	28,892
II. Balances with Reserve Bank of India		
i) In Current Account	**17,136,775**	8,406,696
ii) In Other Accounts	**–**	–
TOTAL (I and II)	**17,172,247**	8,435,588

SCHEDULES

Schedules to Financial Statements for the year ended March 31, 2020

	As at 31st March 2020 Rs. 000	As at 31st March 2019 Rs. 000
Schedule 7 - Balances with Banks and Money at Call and Short Notice.		
I. In India		
i) Balance with banks		
a) In Current accounts	**246,852**	76,729
b) In Other Deposit accounts	–	–
	246,852	76,729
ii) Money at call and short notice		
a) With Banks	**23,750,000**	6,400,000
b) With Other Institutions	**7,990,142**	2,748,535
TOTAL (i and ii)	**31,986,994**	9,225,264
II. Outside India		
i) In Current Accounts	**3,946,360**	3,423,462
ii) In Other Deposit Accounts	–	–
iii) Money at Call and Short Notice	–	25,241,575
TOTAL	**3,946,360**	28,665,037
TOTAL (I and II)	**35,933,354**	37,890,301
Schedule 8 - Investments in India		
I. Gross Investments in India	**119,601,361**	103,800,650
Less: Provision for Diminution in Investments	–	(10,764)
Net Investments in India	**119,601,361**	103,789,886
Break up of Net Investments in India in :		
i) Government Securities	**118,994,968**	100,772,504
ii) Other approved Securities	–	–
iii) Shares	–	–
iv) Debentures and Bonds	–	–
v) Subsidiaries and/or joint ventures	–	–
vi) Others (includes Pass Through Certificate & Negotiable Certificate of Deposits)	**606,393**	3,017,382
II. Investments Outside India	–	–
TOTAL (I and II)	**119,601,361**	103,789,886
Schedule 9 - Advances :		
A. i) Bills Purchased and Discounted	**14,652,392**	42,086,727
ii) Cash Credits, Overdrafts and Loans repayable on demand	**108,753,186**	73,245,563
iii) Term Loans	**9,105,190**	5,119,746
TOTAL	**132,510,768**	120,452,036
B. i) Secured by tangible assets (includes advances against Book Debt)	**11,116,106**	9,309,943
ii) Covered by Bank/ Government Guarantees.	**505,000**	456,650
iii) Unsecured	**120,889,662**	110,685,443
TOTAL	**132,510,768**	120,452,036

	As at 31st March 2020 Rs. 000	As at 31st March 2019 Rs. 000
C. I. Advances in India		
i) Priority sectors	**23,880,603**	30,293,382
ii) Public sector	**950,000**	–
iii) Banks	**12,250,355**	39,144,267
iv) Others	**95,429,810**	51,014,387
	132,510,768	120,452,036
II. Advances outside India	–	–
TOTAL	**132,510,768**	120,452,036
Schedule 10 - Fixed Assets		
I. Premises		
At cost as on 31st March of the preceding year	**25,937**	25,937
Additions during the year	–	–
Deductions during the year	–	–
	25,937	25,937
Depreciation to date	**(6,128)**	(5,549)
TOTAL	**19,809**	20,388
II. Other Fixed Assets		
(including intangibles, furniture and fixtures and leasehold improvements)		
At cost as on 31st March of the preceding year	**1,880,848**	1,791,167
Additions during the year	**53,248**	127,531
Deductions during the year	**(31,774)**	(37,850)
	1,902,322	1,880,848
Depreciation to date	**(1,599,665)**	(1,480,956)
TOTAL	**302,657**	399,892
III. Capital work in progress	**7,100**	–
TOTAL (I, II and III)	**329,566**	420,280
Schedule 11 - Other Assets		
I. Inter-Office adjustment (net)	–	–
II. Interest accrued	**2,191,122**	1,845,846
III. Advance Tax/Tax deducted at source	–	–
IV. Deferred Tax Asset (Net)	**844,249**	731,957
V. Stationery and Stamps	–	–
VI. Non-banking assets acquired in satisfaction of claims	–	–
VII Others	**65,664,166**	31,657,659
TOTAL (I, II, III, IV, V, VI and VII)	**68,699,537**	34,235,462

SCHEDULES

SCHEDULES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

(Rs. 000's)

	As at 31st March 2020	As at 31st March 2019		**As at 31st March 2020**	As at 31st March 2019
	Rs.	Rs.		**Rs.**	Rs.
Schedule 12 - Contingent Liabilities			IV. Guarantees given on behalf of constituents-		
I. Claims against the bank not acknowledged as debts	–	–	a) In India	**13,626,882**	12,721,624
II. Liability for partly paid investments	–	–	b) Outside India	**110,603**	3,281,563
III. Liability on account of outstanding-			V. Acceptances, endorsements and other obligations	**30,019,517**	14,385,412
a) Forward exchange contracts.	**1,070,514,746**	752,903,800	VI. Other items for which the Bank is contingently liable	**2,886,495**	4,380,004
b) Liquidity on account of derivative contracts	**1,280,533,142**	1,147,166,432	**TOTAL (I, II, III, IV, V and VI)**	**2,397,691,385**	1,934,838,835

SCHEDULES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

(Rs. 000's)

	For the Year Ended 31st March 2020	For the Year Ended 31st March 2019
	Rs.	Rs.
Schedule 13 - Interest Earned		
I. Interest/discount on advances/bills	**8,885,181**	7,908,165
II. Income on investments	**7,259,663**	6,594,162
III. Interest on balances with Reserve Bank of India and other inter-bank funds	**903,101**	497,170
IV. Others	**118,346**	37,618
TOTAL (I, II, III and IV)	**17,166,291**	15,037,115
Schedule 14 - Other Income		
I. Commission, exchange and brokerage	**798,296**	767,343
II. Profit/(Loss) on sale of investments (net)	**299,855**	(304,424)
III. Profit/(loss) on sale of fixed assets (net)	**(3,426)**	(3,706)
IV. Profit on exchange transactions (net) (Including profit/(loss) on derivative transactions)	**2,591,297**	2,728,889
V. Miscellaneous Income	**212,934**	695,385
TOTAL (I, II, III, IV and V)	**3,898,956**	3,883,487

	For the Year Ended 31st March 2020	For the Year Ended 31st March 2019
	Rs.	Rs.
Schedule 15 - Interest Expended		
I. Interest on deposits	**8,575,370**	7,038,803
II. Interest on Reserve Bank of India/Inter-bank borrowings	**1,239,999**	1,940,043
III. Others	**538,569**	510,054
TOTAL (I, II and III)	**10,353,938**	9,488,900
Schedule 16 - Operating Expenses		
I. Payments to and provisions for employees	**1,632,341**	1,553,166
II. Rent, taxes and lighting.	**460,453**	307,218
III. Printing and stationery	**19,810**	24,017
IV. Advertisement and publicity	**2,247**	4,851
V. Depreciation on bank's property	**141,637**	154,117
VI. Local Advisory Board member's fees, allowances and expenses	**-**	-
VII. Auditors' fees and expenses	**3,486**	2,943
VIII. Law Charges	**4,455**	7,330
IX. Postage, Telegrams & Telephones etc.	**49,549**	53,705
X. Repairs and maintenance	**148,836**	133,896
XI. Insurance	**188,779**	120,098
XII. Other expenditure	**627,118**	486,529
TOTAL (I to XII)	**3,278,711**	2,847,870

SCHEDULES

Schedule – 17

Significant Accounting Policies forming part of the financial statements for the year ended March 31, 2020.

(I) Significant Accounting Policies

1. Background

The financial statements for the year ended March 31, 2020 comprise the Balance Sheet, Profit and Loss Account, Cash Flow statement and summary of Significant accounting policies and other explanatory information of the India Branches of MUFG Bank (the 'Bank') which is incorporated in Japan with limited liability.

2. Basis of Preparation

The accompanying financial statements have been prepared on a going concern concept following the historical cost convention and accrual basis of accounting except where otherwise stated and conform to the generally accepted accounting principles (GAAP) in India and statutory provisions prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India (R.B.I.), Accounting Standards notified under section 133 of the Companies Act 2013 read together with paragraph 7 of the Companies (Accounts) Rules 2014, to the extent applicable and current practices prevailing within the banking industry in India.

3. Use of Estimates

The preparation of the financial statements in conformity with the accounting principles generally accepted in India requires the Management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosures of contingent liabilities as at the date of the financial statements. The Management believes that the estimates used in preparation of financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

4. Revenue & Expense Recognition

Income and Expenditure is generally accounted for on accrual basis as stated below:

a) Income on Advances is recognized on accrual basis except that on Non - Performing Advances (NPAs) is recognized to the extent of realisation in accordance with the prudential norms prescribed by Reserve Bank of India.

b) Payments made under the Early Voluntary Retirement Scheme (E.V.R.) are accounted for on payment basis.

c) Interest income on discounted instruments is recognized over the tenor of the instrument on a straight line basis.

d) Realized gain on investments under the Available for Sale (AFS) category are recognized in Profit & Loss A/c. Losses are recognized in Profit & Loss A/c in accordance with RBI guidelines.

e) Fee for services are recognized at the time the services are rendered and a binding obligation to receive the fees has arisen. Commission income on guarantees, Letters of credit and acceptances are recognised over the life of the contract.

f) Fees charged from activities such as loan arrangement, corporate advisory services are recognised at the time the services are rendered and a binding obligation to receive the fees has arisen.

5. Foreign Exchange Transactions

a) Transactions in foreign currency are recorded at exchange rates prevailing on the date of the transaction. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the Profit and Loss Account.

b) Monetary assets and liabilities denominated in foreign currencies are translated at the Balance Sheet date at rates of exchange notified by the Foreign Exchange Dealers' Association of India ('FEDAI'), except in case of Chinese Yuan where the rates are taken from Reuters and the resultant exchange differences are recognised in the Profit and Loss Account.

c) In accordance with the guidelines of Foreign Exchange Dealers Association of India (FEDAI), outstanding Forward Exchange Contracts in each currency are revalued at rates notified by FEDAI, except in case of Chinese Yuan, Russian Ruble, Saudi Riyal and Thai Baht where the rates are taken from Reuters for specified maturities. The resulting gains or losses are recognized in Profit & Loss A/c in Schedule 14 – Other income under 'Profit on exchange transactions (net)'.

d) Funding Swap Cost - In respect of borrowings/deposits, which are swapped into Indian Rupees or other foreign currencies, the forward premia (i.e. the difference between spot and forward rates of exchange) is pro-rated over the tenure of the Swap and recognized in the Profit and Loss Account as "Other Interest".

e) Foreign exchange forward contracts not intended for trading and are outstanding at the Balance Sheet date, are effectively valued at the closing spot rate. The premia or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

f) Contingent liabilities on account of outstanding foreign exchange and derivative contracts, guarantees, acceptances, endorsements & other obligations denominated in foreign currencies are revalued at closing exchange rate notified by FEDAI, except in case of Chinese Yuan where the rates are taken from Reuters as at the Balance Sheet date.

6. Investments

a) Accounting and Classification – Investments are recognised using the settlement date basis of accounting. Classification is done as follows in accordance with guidelines prescribed by RBI from time to time:

I. In accordance with RBI guidelines, Investments in India are classified into:

i. Held to Maturity (HTM)

ii. Available for Sale (AFS)

iii. Held for Trading (HFT)

II. The Bank classifies all its investments under "Available for Sale" and "Held for Trading" categories. Each category is further classified into (i) Government Securities (ii) Other Approved Securities (iii) Shares (iv) Debentures and Bonds (v) Investments in Subsidiaries / Joint Ventures and (vi) Other Investments.

III. Investments under AFS & HFT categories are valued on daily basis scrip-wise. Depreciation/Appreciation is aggregated for each sub-category. Net depreciation if any is provided for on monthly basis and net appreciation, if any, is ignored. Net depreciation required to be provided for in any one sub-category is not netted off against appreciation in any other sub-category. The securities in HFT are valued on daily basis scrip wise.. The book value of individual security is not changed consequent to periodical valuation of investments.

b) Acquisition cost – Cost of investment excludes broken period interest paid at the time of acquisition.

c) Valuation – The market value for the purpose of periodical valuation of investments in AFS category is the market price of the scrip as declared by FBIL (Financial Benchmark India Limited) Price list of RBI, trade quotes on stock exchanges and in case of unquoted securities, procedures laid down by RBI in respect of the same is adopted. The bank's investment portfolio consists of Government securities, Treasury Bills, Balance with National Housing Bank Certificate of Deposits and Pass through Certificates which are valued as follows:

SCHEDULES

(i) Government securities are valued at lower of cost or market value. Market value is on market quotations published by FBIL.

(ii) Treasury Bills and Certificate of Deposits, if any, are valued at carrying cost.

(iii) Pass through Certificates (PTCs) are valued for the purpose of provisioning requirement on quarterly intervals by discounting cash flows using annualized GSec Zero Coupon Yield Curve added with spread for NBFC published by FBIL periodically based on credit rating of the PTC.

d) Investment Reserve Account – In accordance with the RBI's Master Circular DBR No.BP.BC.6/21.04.141/2015-16 dated 1st July 2015, reversal of provision on account of depreciation in the AFS category in excess of the required amount is credited to the Profit & Loss Account and an equivalent amount (net of taxes if any and net of transfer to Statutory Reserve) is appropriated to an Investment Reserve Account (IRA) and is reflected under Schedule 2-Reserves and Surplus.

e) Investment Fluctuation Reserve– In accordance with RBI circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 02, 2018 the Bank has created Investment Fluctuation Reserve during the year.

7. Disposal of Investments

Profit/ (Loss) on sale of investments in AFS category is taken to Profit & Loss A/c and is shown under the head 'Profit/ (Loss) on sale of investments' (Net) in Schedule 14-Other Income.

8. Accounting for Repo/Reverse Repo Transactions

Effective 3rd October 2016, Repo and Reverse Repo transactions with RBI are accounted for as per RBI circular ref no.FMRD. DIRD.10/14.03.002/2015-16 dated 19th May 2016 by which RBI has aligned the accounting treatment for transactions done with RBI (under Liquidity Adjustment Facility, Marginal Standing Facility and variable rate term operations) with the accounting guidelines prescribed for Market Repo transactions. The corresponding income & expense thereon is treated as interest income & expense respectively.

9. Issuance of Certificate of Deposits (CD)

The issue price of outstanding CD if any is shown under the head 'Term deposits from Banks' under Schedule 3-Deposits in line with RBI Master circular on issuance of Certificate of Deposits. The interest accrued on CD issued is reflected as part of 'Interest accrued' under Schedule 5-Other Liabilities & Provisions.

10. Advances

a) Advances are classified into Standard / 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 outstanding based on periodic review and as per the Bank's policy, at rates lower than those prescribed as per the guidelines issued by the RBI.

d) The Bank maintains provision on standard assets as per RBI norms to cover potential loan losses not yet identified, which are inherent in any loan portfolio. In addition to above, the Bank on a prudential basis makes provisions on specific advances or exposures which are not NPAs, where the customer internal rating is below the specified category. The same is disclosed under Schedule 5-"Other Liabilities and Provisions" in Balance-sheet and under the head 'Provisions & Contingencies' in Profit & Loss A/c.

e) As per RBI guidelines on Country Risk Management, the Bank has formulated "Country Risk Management" Policy and made adequate provisions, for individual country exposures, including indirect country risk exposure (other than for home country exposures). Exposures is classified into seven risk categories as mentioned in ECGC guidelines and provisioning is done for that country if the net funded exposure is one percent or more of bank's total assets based on rates stipulated by RBI. The provision is reflected under the head under Schedule 5- 'Other Liabilities and Provisions' in Balance-sheet and under the head "Provisions and Contingencies" in Profit And Loss A/c.

f) The Bank assesses the unhedged foreign currency exposure (UFCE) of corporate customers and adequate provisions are maintained as required by RBI guidelines. The same is disclosed under Schedule 5-"Other Liabilities and Provisions" in Balance-sheet and under the head 'Provisions & Contingencies' in Profit & Loss A/c.

g) The Bank reviews and maintains incremental provisions in respect of advances to stressed sectors identified as per the Bank's policy on the stressed sectors. In addition to the said provisions the Bank also maintains incremental provisions with respect to Guidelines on Enhancing Credit Supply for Large Borrowers through Market Mechanism. These provisions are in accordance with RBI guidelines and disclosed under Schedule 5-"Other Liabilities and Provisions" in Balance-sheet and under the head 'Provisions & Contingencies' in Profit & Loss A/c.

h) Amounts recovered against debts written-off in prior years and provisions no longer considered necessary are recognised in the Profit and Loss Account.

11. Fixed Assets and Depreciation

a) Fixed assets are stated at their historical cost less accumulated depreciation.

b) Depreciation is provided at the rates on the diminishing balance method based on management's estimate of useful life of the asset except for:

i. Computer systems, which are being depreciated on straight-line basis at the rate of 33.33 per cent as per RBI guidelines.

ii. Improvements on Leased Premises are amortized/ depreciated over the lease period.

Asset Category	Rate (%)
Building	10%
Vehicles & Conveyance	15%
Software (Intangible Assets)	33.33%
Hardware	33.33%
Plant & Machinery- (includes Cooling and Heating, Telephone and Equipment, Refrigerators, Electric Items)	15%
Furniture & Fixture	10%
Structure/Leasehold improvements	Amortized as per Lease Period

c) Items (including computer systems), the purchase value of which is individually up to Rs. 40('000) is fully depreciated in the year of purchase itself.

SCHEDULES

12. Derivative transactions

a) Derivative transactions comprise of Forward exchange contracts, Interest Rate Swaps (IRS), Cross Currency Swaps (CRS), OTC Currency Options and exchange traded currency futures & Options. These are undertaken either for hedging or trading purposes.

b) Outstanding IRS and CRS in Trading Book are marked to market and the resultant unrealized gain or loss (net) is recognized in Balance Sheet under Schedule 10- 'Other Assets' or Schedule 5-'Other Liabilities and Provisions'. IRS & CRS undertaken for hedging purposes are accounted on accrual basis.

c) In case of foreign currency rupee option trades, the premium received/paid is reflected on the balance-sheet and recognized in Profit & Loss A/c on expiry of the Option. Outstanding Option contracts are marked to market and the resultant gain/loss (net) is recognized in Schedule 14-Other income in Profit & Loss A/c.

d) The Bank also maintains a general provision @ 0.40% on positive Mark to Market value of outstanding derivative contracts in accordance with RBI guidelines.

13. Employee Benefits

a) Provident Fund

The Employee Provident Fund is recognized under Rule 3(1) of the 4th Schedule Part 'A' of the Income Tax Act, 1961 and the bank contributes (other than expatriate employees) to recognized provident fund, which is a defined contribution scheme. The contribution is accounted for on accrual basis and is recognised in the Profit and Loss Account.

b) Gratuity (Defined Benefit Scheme)

The Bank provides for its gratuity liability based on actuarial valuation as at the balance sheet date which is carried out by an independent actuary. The Bank contributes to gratuity fund which is managed by a trust and the same is funded under Group Scheme with insurance companies. Actuarial gains and losses which comprise experience adjustments and the effects of changes in actuarial assumptions are recognised in the Profit and Loss Account in the year in which they arise.

c) Pension

The Bank provides for its pension liability for eligible employees based on actuarial valuation of the pension liability as at the balance sheet date which is carried out by an independent actuary using the Projected Unit Credit Method. The contributions to the pension fund are managed by a trust which invests funds as per the Investment Pattern prescribed by Ministry of Finance, Government of India when the eligible employee retires or resigns.

d) Compensated absences

The Bank provides for its leave encashment liability for eligible employees who are permitted to accumulate leave, based on actuarial valuation as at the balance sheet date which is carried out by an independent actuary using the Projected Unit Credit Method.

14. Taxation

Income Tax comprise of the current tax charge as per the normal provisions of the Income Tax Act, 1961 and the net change in the deferred tax assets and the deferred tax liability during the year computed in accordance with the Accounting Standard – 22 of the Institute of Chartered Accountants of India (ICAI). Deferred Income Tax comprises of current year timing difference between accounting income and taxable income for the year and reversal of timing difference of earlier years. Deferred Tax is measured based on the tax rates and tax laws substantially enacted at the Balance Sheet date. Deferred tax assets are recognized only if there is virtual certainty that they will be realized and are reviewed for appropriateness of their carrying values at each balance sheet date.

Tax Demands are recognized on the basis of orders passed by the Income Tax Authorities. The disputed demand is reflected under Schedule 12-"Contingent liabilities". Provisions are created based on chances of winning and the disputed demand is charged to Profit and Loss account upon payment. Subsequent refunds, if any, when granted by tax department, are accordingly credited to Profit & Loss Account.

15. Net Profit

Net Profit disclosed in the Profit and Loss account is arrived at after considering:

a) Taxes on income including deferred Tax.

b) Provision for income tax and in accordance with the statutory requirements.

c) Provision for litigation

d) Provision for non-performing assets.

e) Provision for depreciation in the value of investments if any.

f) Standard provision on Advances and Derivatives as per RBI guidelines.

g) Country Risk Provision.

h) Other usual and necessary provisions.

16. Accounting for Lease

Assets taken on lease are accounted for in accordance with provisions of Accounting Standard- 19, Leases. Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

17. Provisions, Contingent Liabilities and Contingent Assets

In accordance with Accounting Standard- 29, Provisions, Contingent Liabilities and Contingent Assets, the Bank creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources embodying economic benefits and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that will require an outflow of resources. 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 in financial Statements.

Contingent assets are not recognized 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 recognized in the period in which the change occurs.

18. Priority Sector Lending Certificates (PSLCs)

The Bank vide RBI circular FIDD.CO.Plan.BC.23/ 04.09.01/2015-16 dated April 7, 2016 purchases PSLC to meet the priority sector lending obligation. There is no transfer of risks or loan assets in respect of these transactions to the Bank. The fee paid for purchase of the PSLC is treated as an expense.

19. Cash and Cash equivalents

Cash and Cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

20. 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.

NOTES TO ACCOUNTS

Schedule 18 - Notes forming part of the financial statements for the year ended March 31, 2020

1. Capital

During the year, the Bank has transferred the remittable surplus for the Financial Year 2019-20 amounting to Rs. 218.60 crores to Tier I Capital, intimation of which has been submitted to The Reserve Bank of India.

The capital adequacy ratio has been computed in accordance with the Basel III Capital Adequacy guidelines issued vide RBI circular DBR. No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 and amended thereto.

(Amount Rs. in Crores)

Particulars	March 31, 2020	March 31, 2019
i) Common Equity Tier 1 capital ratio (%)	18.74%	20.62%
ii) Tier I capital ratio (%)	18.74%	20.62%
iii) Tier II capital ratio (%)	0.94%	0.65%
iv) Total Capital ratio (CRAR) (%)	19.68%	21.27%
v) Percentage of the shareholding of the Government of India in public sector banks	-	-
vi) Amount of equity capital raised	-	-
vii) Amount of Additional Tier 1 capital raised;		
of which	-	-
PNCPS :	-	-
PDI :		
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)]	-	-

Capital adequacy has been calculated based on Master Circular - Basel III Capital Regulations, issued vide RBI circular DBR.No.BP. BC.6/21.06.201/2015-16 dated 1st July 2015.

The Bank has not raised any additional Tier I and Tier II capital during the years ended March 31, 2020 and March 31, 2019.

2. Investments

i) Details of Investments:

(Amount in Rs. Crores)

Particulars	March 31, 2020	March 31, 2019
(1) Value of investments		
(i) Gross Value of Investments	11,960.14	10,380.07
(a) In India	11,960.14	10,380.07
(b) Outside India	-	-
(ii) Provisions for Depreciation	-	-
(a) In India	-	(1.08)
(b) Outside India	-	-
(iii) Net Value of Investments	11,960.14	10,378.99
(a) In India	11,960.14	10,378.99
(b) Outside India	-	-
(2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	1.08	32.56
(ii) Add: Provisions made during the year		
(iii) Less: Write-off/write-back of excess provisions during the year	(1.08)	(31.48)
(iv) Closing balance	–	1.08

ii) Repo Transactions (in Face Value Terms): *(Amount in Rs. Crores)*

Particulars	Outstanding during the year			March 31, 2020
	Minimum	Maximum	Daily Average	
Securities sold under repo				
i) Government securities	-	750.00	196.16	750.00
ii) Corporate debt securities	-	-	-	-
Securities purchased under reversed repo				
i) Government securities	-	2,450.00	1,227.68	2,375.00
ii) Corporate debt securities	-	-	-	-

Minimum, Maximum & Average outstanding during the year includes days with NIL outstanding.

(Amount in Rs. Crores)

Particulars	Outstanding during the previous year			March 31, 2019
	Minimum	Maximum	Daily Average	
Securities sold under repo				
i) Government securities	-	1,850.00	795.06	700.00
ii) Corporate debt securities	-	-	-	-
Securities purchased under reverse repo				
i) Government securities	-	2,400.00	237.62	640.00
ii) Corporate debt securities	-	-	-	-

Minimum, Maximum & Average outstanding during the year includes days with NIL outstanding.

NOTES TO ACCOUNTS

iii) Non-SLR Investment Portfolio

a) Issuer composition of Non-SLR Investments:

(Amount in Rs. Crores)

Sr. 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)	Public Sector Units	- -	- -	- -	- -	- -
(ii)	Financial Institutions	- -	- -	- -	- -	- -
(iii)	Banks	- (99.19)	- -	- -	- -	- (99.19)
(iv)	Private Corporates	- -	- -	- -	- -	- -
(v)	Subsidiaries/Joint Ventures	- -	- -	- -	- -	- -
(vi)	Others (Pass through certificates)	60.64 (203.63)	60.64 (203.63)	- -	- -	60.64 (203.63)
(vii)	Provisions held towards depreciation	- (1.08)				
	Total*	**60.64 (301.74)**	**60.64 (203.63)**	**- -**	**- -**	**60.64 (302.82)**

(Previous year figures in brackets)

b) Non-Performing Non-SLR Investments:

There are no non-performing Non-SLR investments as at March 31, 2020 and March 31, 2019.

iv) Sale and transfers to / from HTM Category

The Bank does not have any investment in HTM category as at March 31, 2020 and March 31, 2019.

3. Derivatives

(i) (a) Forward Rate Agreement / Interest Rate Swap:

There are no Forward Rate Agreements (FRA's) outstanding as at March 31, 2020 and March 31, 2019.

Details of Interest Rate Swaps are as below:

(Amount in Rs. Crores)

Items		March 31, 2020	March 31, 2019
(i)	The notional principal of swap agreements	73,443.69	73,710.46
(ii)	Losses which would be incurred if the counterparties failed to fulfill their obligations under the agreements *	1,367.74	596.51
(iii)	Collateral required by the Bank upon entering into swaps	-	-
(iv)	Concentration of credit risk arising from the swaps #	86%	92%
(v)	The fair value of the swap book	198.64	78.13

*Consists of gross positive mark to market.

#Exposure on interbank counter parties.

(b) Nature and terms of the swaps:

The details of the nature and terms of the swap for (a) (i) above are as under:

(Amount in Rs. Crores)

Items	March 31, 2020	March 31, 2019
Inter Bank	66,871.56	70,303.45
Swap done on behalf of customers	6,572.13	3,407.01
Total	**73,443.69**	**73,710.46**

(Amount in Rs. Crores)

Benchmark	Terms	March 31, 2020		March 31, 2019	
		No.	Notional Principal	No.	Notional Principal
LIBOR	Receivable Floating Vs Payable Fixed	98	20,050.54	112	21,563.71
LIBOR	Receivable Fixed Vs Payable Floating	127	24,224.92	142	25,658.55
LIBOR	Receivable Floating Vs Payable Floating	35	6,219.95	28	2,854.08
MIOIS	Receivable Floating Vs Payable Fixed	0	-	0	-
OIS	Receivable Floating Vs Payable Fixed	88	4,222.72	106	7,822.72
OIS	Receivable Fixed Vs Payable Floating	86	4,050.00	117	8,550.00
OTHER	Receivable Fixed Vs Payable Floating	11	1,365.28	14	1,468.20
OTHER	Receivable Floating Vs Payable Fixed	11	1,365.28	14	1,468.20
MIFOR	Receivable Fixed Vs Payable Floating	101	5,295.00	49	2,050.00
MIFOR	Receivable Floating Vs Payable Fixed	136	6,650.00	52	2,275.00
	Total	**693**	**73,443.69**	**634**	**73,710.46**

NOTES TO ACCOUNTS

(ii) Exchange Traded Interest Rate Derivatives

(Amount in Rs. Crores)

Sr. no.	Particulars	March 31, 2020	March 31, 2019
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year	-	-
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as at end of the year	-	-
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	-	-
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective"	-	-

(iii) Disclosures on risk exposures in derivatives

Qualitative Disclosures:

Products

The Bank undertakes transactions in derivatives namely Foreign exchange Forward contracts, Interest Rate Swaps, Currency Swaps, FX Options and exchange traded currency futures and options within the approved limits. These are undertaken on own account as well as on behalf of customers.

The derivative transactions entered are as per the internal policy of the bank in line with Head Office policies and also in accordance with the guidelines issued by Reserve Bank of India.

Separately, the Bank has also a policy on "Derivatives Sales Rules" which sets out the framework for Derivative Products Sales Rules (DSR) for India, as well as highlights the key principles for "Suitability" and "Appropriateness" of Derivative Products being offered to the customers.

The head office of the bank has formulated New Activities and Product guidelines to identify, evaluate, monitor and to control key risks for all derivative products before undertaking any transaction.

At the India level, launch of new products are governed by the 'Procedures for Risk Management of Products and Businesses for MUFG Bank India'.

Organization architecture

The treasury function has been structured into separate units as front, back and middle ensuring independency of each function. The Bank has a derivative desk within the Global Markets front office, which deals in derivative transactions. Within Risk Management are units responsible for credit risk, market risk, integrated risk and operational risk. The bank has risk management department responsible for the risk monitoring associated with the derivative transactions and the reporting to Asset Liability Management Committee (ALCO), Risk committee, Executive Committee (EXCO), RBI and Head Office.

Policies for hedging risk

The derivative transactions entered are as per the internal policy framed by head office of the bank and also in accordance with the guidelines issued by Reserve Bank of India. Separately, the Bank has also a policy on "Suitability and Customer Appropriateness" put in place as per the group norms. All the transactions under trading book are marked to market on daily basis. The Bank also transacts in derivative products both as a market maker and as a tool for risk management purposes to hedge the interest rate and foreign currency risk. The banking book of derivatives contracts consist of transactions entered by bank for hedging on balance sheet Assets/Liabilities. These derivative contracts are accounted for on accrual basis. Specific hedges undertaken, if any, are ring fenced from the transactions undertaken in trading book and held in a separate designated portfolio for easy identification and control.

Risk measurement and monitoring

The market risk arising out of derivatives exposure is monitored through various market risk limits such as VaR, Delta, Position limits etc. The back testing of VaR models are carried out to ensure the pre-determined levels of accuracy in risk estimation. The bank has robust market risk management systems for monitoring limits on daily basis. The Bank enters into derivative deals within credit limits set for each counterparty as per HO approval. The Bank applies the current exposure methodology to manage credit risk associated with derivative transactions. Derivative exposure is measured as the sum of the potential future changes in value and the replacement cost, which is the positive mark-to-market value of the contract. The Bank has also formulated a comprehensive Stress Testing policy to measure impact of adverse stress scenarios which are reviewed periodically. The Bank has in place a Credit policy, which includes details on credit risk mitigation.

Provisioning, collateral and credit risk mitigation

All instruments in derivatives portfolio are valued on the basis of a common methodology, consistent with generally accepted practices as per regulatory and internal guidelines to capture the various variables such as yield curves, tenor, currency rates, volatility, etc. and their respective sources such as Reuters, Bloomberg, FEDAI, FIMMDA / FBIL, etc. for the pricing and measuring of various risks. The exposure taken on derivative contracts are also subject to provisioning and asset classification as per bank's internal guidelines and assessment subject to minimum RBI norms on provisioning. The Bank monitors the risk and mitigates on a continuous basis through various limits and reports on periodical basis, which are reviewed by the Management. Appropriate credit covenants and collaterals are stipulated where required for risk mitigation.

Quantitative Disclosures:

(Amount in Rs. Crores)

Sr. no.	Particulars as at March 31, 2020	Currency Derivatives**	Interest Rate Derivatives
1	Derivatives (Notional Principal Amount)		
	a) For hedging	1,702.46	-
	b) For trading	52,832.99	73,443.69
2	Marked to Market Positions		
	a) Asset (+)	2,291.79	1,367.74
	b) Liability (-)	(2,238.19)	(1,169.10)
3	Credit Exposure*	6,863.52	2,050.52
4	Likely impact of one percentage change in interest rate (100*PV01)$		
	a) On hedging derivatives	6.31	-
	b) On trading derivatives	68.42	144.31
5	Maximum and minimum of 100*PV01 observed during the year$		
	a) On hedging		
	Maximum^:	8.57	-
	Minimum^:	3.66	-
	b) On trading		
	Maximum^:	108.22	184.46
	Minimum^:	73.27	140.92

* Credit exposure stated above is based on the current exposure method as per RBI guidelines.

** Currency derivatives consist of positions in currency swaps and currency options.

^ The maximum and minimum PV01 is based on the position as at each month end during the year.

$ PV01 values are only for Currency swaps, it excludes Currency Option trades.

NOTES TO ACCOUNTS

(Amount in Rs. Crores)

Sr. no.	Particulars as at March 31, 2019	Currency Derivatives**	Interest Rate Derivatives
1	Derivatives (Notional Principal Amount)		
	c) For hedging	1,555.99	-
	d) For trading	39,450.20	73,710.46
2	Marked to Market Positions		
	c) Asset (+)	1,216.82	596.51
	d) Liability (-)	(1,091.78)	(518.38)
3	Credit Exposure*	4,953.53	1,263.61
4	Likely impact of one percentage change in interest rate (100*PV01)$		
	c) On hedging derivatives	9.46	-
	d) On trading derivatives	113.65	127.36
5	Maximum and minimum of 100*PV01 observed during the year$		
	c) On hedging		
	Maximum^:	9.46	-
	Minimum^:	-	-
	d) On trading		
	Maximum^:	148.83	158.94
	Minimum^:	105.85	107.16

* Credit exposure stated above is based on the current exposure method as per RBI guidelines.
** Currency derivatives consist of positions in currency swaps and currency options.
^ The maximum and minimum PV01 is based on the position as at each month end during the year.
$ PV01 values are only for Currency swaps, it excludes Currency Option trades.

4. Asset Quality

(i) Non-Performing Assets

(Amount in Rs. Crores)

Particulars	Funded		Non Funded	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
(i) Net NPAs to Net Advances (%)	-	-	-	-
(ii) Movement of NPAs (Gross)				
(a) Opening balance	70.00	75.13	10.94	10.43
(b) Additions during the year	-	-	0.92	0.56
(c) Reductions during the year	(70.00)	(5.13)	-	(0.05)
(d) Closing balance	-	70.00	11.86	10.94
(iii) Movement of Net NPAs				
(a) Opening balance	-	52.50	0.65	0.85
(b) Additions during the year	-	-	-	-
(c) Reductions during the year	-	(52.50)	-	(0.20)
(d) Closing balance	-	-	0.65	0.65
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)				
(a) Opening balance	70.00	22.63	10.30	9.58
(b) Provisions made during the year	-	52.50	0.92	0.72
(c) Write-off/write-back of excess provisions	(70.00)	(5.13)	-	-
(d) Closing balance	-	70.00	11.22	10.30

*** Addition during the year represents increase on account of Foreign exchange rate difference.**

(ii) Particulars of Accounts Restructured

During the year, the Bank has not restructured advances given to any customer. Disclosures pertaining to Strategic Debt Restructuring Scheme, Scheme of Sustainable Structuring of Stressed Assets (S4A) and Resolution of Stressed Assets are not applicable (Previous year – Nil).

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

There are no financial assets which were sold to Securitization/ Reconstruction Company for Asset Reconstruction during the current year (Previous year: Nil).

(iv) Investments in Security Receipts:

The bank has not invested in security receipts during the current year (Previous year: Nil).

(v) Details of Non-Performing Financial Assets Purchased/ Sold to other banks

The Bank has not purchased or sold any Non-Performing Financials assets to other banks during the current year (Previous year: Nil).

(vi) Provisions on Standard Assets

(Amount in Rs. Crores)

Particulars	March 31, 2020	March 31, 2019
Provisions towards Standard Assets (including derivatives)	80.18	59.37

NOTES TO ACCOUNTS

5. Business Ratios

Items		March 31, 2020	March 31, 2019
(i)	Interest income as a percentage to working funds	6.30%	6.34%
(ii)	Non-interest income as a percentage to working funds	1.43%	1.64%
(iii)	Operating profit as a percentage to working funds	2.65%	2.48%
(iv)	Return on Assets	1.63%	1.62%
(v)	Business (Deposits *plus* Advances) per employee (Rs. in Crores)	74.71	67.85
(vi)	Profit per employee (Rs. in Crores)	1.03	0.93

1. Working funds represent average of total assets as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the year.
2. Employees are based on the number of employees as at the year end.
3. Deposits and Advances as per balances outstanding as at March 31, 2020 are taken for calculating ratios in (v) above.

6. Asset Liability Management

(Amount in Rs. Crores)

Particulars	1 day	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	More than 2 months & upto 3 months	Over 3 month & up to 6 Months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Advances	-	924.30	1,117.83	4,662.43	1,598.90	1,950.17	1,178.80	588.58	815.74	152.86	261.47	13,251.08
	(-)	(2,039.38)	(482.06)	(2,896.01)	(1,064.02)	(805.98)	(2,103.18)	(2,250.62)	(273.46)	(94.51)	(37.98)	(12,045.20)
Investments	-	9,055.64	552.12	509.57	472.23	328.30	391.68	168.21	482.34	0.02	0.03	11,960.14
	(-)	(7,088.81)	(1088.25)	(332.69)	(573.21)	(208.69)	(439.30)	(167.10)	(481.63)	(0.36)	(0.03)	(10,380.07)
Deposits	-	3,685.32	2,973.49	2,713.11	3,490.85	2,510.77	1,594.93	506.37	2,109.90	0.14	0.12	19,585.00
	(-)	(2,541.91)	(1,466.50)	(2,454.05)	(2,779.99)	(2,061.52)	(1,511.95)	(646.87)	(2,453.93)	(0.63)	(0.18)	(15,917.53)
Borrowings	-	279.27	1,133.69	1,433.62	1,190.18	220.97	34.74	-	1,702.46	-	-	5,994.93
	(-)	(152.83)	(1,125.53)	(1,335.72)	(310.26)	(705.80)	(955.17)	(207.47)	(1,555.99)	(-)	(-)	(6,348.77)
Foreign Currency Assets*	-	1,171.19	467.67	601.82	235.02	901.38	207.65	20.87	1,797.76	88.20	-	5,491.56
	(-)	(1,468.02)	(209.23)	(2,001.85)	(353.13)	(953.07)	(206.81)	(2.15)	(77.80)	(13.70)	(-)	(5,285.76)
Foreign Currency Liabilities*	-	408.22	442.80	886.29	990.18	220.97	36.54	6.20	2,014.84	82.49	-	5,088.53
	(-)	(1,184.54)	(228.51)	(1,856.88)	(160.33)	(1,097.43)	(206.16)	(22.67)	(234.03)	(-)	(-)	(4,990.55)

(Previous year figures in brackets)

* Foreign Currency Assets and Liabilities exclude Off-Balance Sheet items.

1. Gross Investments have been shown in the above mentioned table.
2. As per RBI circular ref no. 2015-16/109 DBR.No.BP.BC.26/21.04.098/2015-16 dated 02 July 2015, the bucketing of excess SLR and MSF securities are slotted in Day 1 bucket and mandatory SLR securities as Demand and Time Liabilities (DTL) profile for investments.
3. The Investment position has been placed as per revised time buckets (short term) for 31-Mar-20 with reference to RBI circular ref no. 2015-16/344 DBR.BP.BC.No.86/ 21.04.098/2015-16 dated 23-Mar-2016.

7. Exposures

(i) Exposure to Real Estate Sector:

(Amount in Rs. Crores)

Category	March 31, 2020	March 31, 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 estates (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.	235.21	410.39
Total Exposure to Real Estate Sector	**235.21**	**410.39**

NOTES TO ACCOUNTS

(ii) Exposures to Capital Market:

(Amount in Rs. Crores)

S. No.	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;	-	-
(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 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;	-	-
(vii)	Bridge loans to companies against expected equity flows/issues;	150.00	-
(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)	-	-
	Total Exposure to Capital Market	**150.00**	**-**

(iii) Risk Category wise country exposure:

As per RBI guidelines on Country Risk Management, the Bank has formulated "Country Risk Management" Policy and made adequate provisions, for the present, only in respect of the country, where the bank's net funded exposure is 1% or more of its total assets. Accordingly, the Bank is maintaining provisions ranging from 0.25% to 100.00% of the total exposure to a particular country depending upon the classification of the country based on the "Risk Category" under which it falls. The provision is reflected under the head "Provisions and Contingencies" in the Profit and Loss A/c.

(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	3,993.33	9.38	3,487.81	12.30
Low	597.76	-	1,745.68	-
Moderate	0.01	-	-	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-Credit	-	-	-	-
Total	**4,591.10**	**9.38**	**5,233.49**	**12.30**

(iv) Disclosure on Single Borrower Limits ('SBL')/Group Borrower Limits ('GBL')

The RBI has prescribed exposure limits for banks in respect of their lending to single/group borrowers. The exposure limits prescribed are as under:

Revised Prudential Limit (as a % Tier I capital)		
	Prudential Limit	**Exceptional enhancement by Board approval**
Single borrower limit	20%	25%
Group borrower limit (i.e. Group of connected counterparties)	25%	Not Allowed
NBFC	20%	Not Allowed
NBFC - Gold (engaged in lending against Gold)	7.5%	Not Allowed

Further, as per clarification received from RBI vide notification RBI/2018-19/156 DBR.No.BP.BC.31/ 21.01.003/2018-19 dated 01st April,2019, for the purpose of reckoning exposure limits under LEF, an Indian branch of a foreign G-SIB will be considered as any other Indian bank and can accordingly take exposure upto 25% of its Tier I capital on another non-GSIB in India. Based on the same MUFG India will be considered as an Indian Bank for the purpose of LEF.

Additionally, the interbank exposure limit of an Indian branch of a foreign G-SIB with its Head Office will be 20% of its Tier I capital in India. This is applicable to all MUFG India exposures to HO, branches of HO outside India and subsidiaries of HO.

NOTES TO ACCOUNTS

Based on the same below limits will apply:

	Prudential Limit (as a % Tier I capital)	Trigger Point (as a % Tier I capital)
Non-GSIB	25%	20%
G-SIB*	20%	16%
HO, Branches and subsidiaries of HO outside India	20%	16%

** Exposure to a G-SIB will be sublimit of exposure to Indian branch of the foreign GSIB which will considered as an Indian bank*

Note: non-centrally cleared derivatives exposures will be outside the purview of exposure limits till April 01, 2021

During FY 2019-20 Nil customers were approved an additional 5% limit in accordance with aforesaid RBI guidelines:

In line with the aforesaid RBI guidelines relating to exposure norms, the exposure to none of the customers or groups or NBFC/NBFC-AFC had exceeded the prudential exposure limit during FY 2019-20 (Previous Year: Nil)

(v) Unsecured Advances – advances granted against intangible securities

There are no advances granted against intangible securities such as charge over rights, licenses, authority during the year (Previous year: Nil).

8. The Bank is in appeal before the Appellate Authorities in respect of various income tax matters for the past several years. Based on the review of assessment orders and the report provided by the expert, the Bank has adequate provision against the disputed demand raised by the Appellate Authorities. Accordingly there is no contingent Liability relating to Income Tax.

Amount of Provisions made for Income-tax during the year:

(Amount in Rs. Crores)

Particulars	March 31, 2020	March 31, 2019
Provision made towards income tax (including deferred taxes)	342.29	254.42
Provision on Tax for earlier years	(2.87)	(25.26)

9. Head Office

Head Office administrative expenses have not been charged in the accounts while provision for taxes has been computed after deduction of such expenses.

10. Penalties imposed by Reserve Bank of India

No penalty imposed by the RBI during the year ended March 31, 2020 (Previous year: Nil).

11. Accounting Standard 5 (Net profit or loss for the period, prior period items and changes in accounting policies)

Prior period item - NIL debited in Profit & Loss for FY 2019-20 (Previous year: Nil).

12. Accounting Standard 9 (Revenue Recognition)

No unresolved significant uncertainties have been identified during FY 2019-20 for postponing revenue recognition to future years (Previous year: Nil)

13. Other Liabilities

An amount of INR 61.2 crores is held under Other Liabilities pending approval from The Reserve Bank of India. Such amount is payable to an overseas branch of the Bank against their claim with respect to the contractual right of setoff proceeds over the early termination from a loan transaction (Previous year: INR 61.2 crore)

14. Colombo Representative Office:

During the financial year 2015-2016 a representative office of the bank was opened in Colombo, Sri Lanka, pursuant to the approval granted by the Central Bank of Sri Lanka vide its letter dated 26th October, 2015 Ref No 02/19/205/0052/002. Further the Chennai branch of the Bank had been granted approval from the Reserve Bank of India vide the approval no Che.FED.EXD/3116/11.11.007/2015-16 dated 11th December, 2015 to remit funds to the said Representative Office in Sri Lanka. Consequent to these approvals, the Chennai branch of the Bank has remitted the funds to the Representative Office in Sri Lanka and accounted for the expenses amounting Rs. 1.94 crores (Previous year: Rs. 2.20 crores), Assets Rs. 0.56 crores (Previous year: Rs. 0.44 crores) and Liabilities Rs. 0.23 crores (Previous year: Rs. 0.15 crores) respectively of the representative office in the financial statements.

15. Accounting Standard 15-Employee Benefits

(i) The Principal actuarial assumptions used as at the balance sheet date:

Defined benefits	Wholly Funded		Wholly Unfunded
	Pension	Gratuity	Leave Encashment
Discount Rate per annum	6.45% (7.35%)	6.45% (7.35%)	6.45% (7.35%)
Future Cost/ salaries increase per annum	AGM & Above and Workmen: 5% (5%) Others: 8% (8%)	AGM & Above and Workmen: 5% (5%) Others: 8% (8%)	AGM & Above and Workmen: 5% (5%) Others: 8% (8%)
Attrition Rate	AGM & Above and Workmen: 0% (0%) Senior Manager & Manager: 10% (8%) Dy Manager & Below: 12% (16%)	AGM & Above and Workmen: 0% (0%) Senior Manager & Manager: 10% (8%) Dy Manager & Below: 12% (16%)	AGM & Above and Workmen: 0% (0%) Senior Manager & Manager: 10% (8%) Dy Manager & Below: 12% (16%)
Rate of Return on Plan Assets	7.5% (7.5%)	7.5% (7.5%)	- -

(Previous year figures in brackets)

NOTES TO ACCOUNTS

(ii) A reconciliation of Opening and Closing Balances of the present value of the defined benefit obligations and the effects during the year attributable to each of the following is as under:

(Amount in Rs. Crores)

Defined benefits	Wholly Funded		Wholly Unfunded
	Pension	Gratuity	Leave Encashment
Present value of obligation (01.04.2019)	**6.96** **(7.32)**	**14.44** **(12.72)**	**25.77** **(18.16)**
Interest Cost	0.51 (0.57)	1.00 (1.01)	1.76 (1.42)
Current Service Cost	0.21 (0.21)	1.51 (1.61)	3.25 (1.42)
Benefit Paid	-1.47 (-2.90)	-1.26 (-2.14)	-2.47 (-3.85)
Actuarial (Gain) / Loss on obligation	0.93 (1.76)	1.64 (1.24)	-0.81 (8.62)
Present value of obligation (31.03.2020)	**7.14** **(6.96)**	**17.33** **(14.44)**	**27.50** **(25.77)**
Fair value of plan Assets (01.04.2019)	**9.64** **(14.45)**	**10.26** **(10.85)**	**0.00** **(0.00)**
Adjustment to Opening Asset Values	0.00 (-2.68)	0.00 (0.00)	0.00 (0.00)
Expected return on plan assets	0.72 (1.07)	0.71 (0.83)	0.00 (0.00)
Contributions	0.00 (0.00)	0.04 (0.04)	2.47 (3.85)
Benefits Paid	-1.47 (-2.90)	-1.26 (-2.14)	-2.47 (-3.85)
Actuarial Gain / (Loss) Plan Assets	-0.05 (-0.30)	-0.08 (0.68)	0.00 (0.00)
Fair value of plan Assets (31.03.2020)	**8.84** **(9.64)**	**9.67** **(10.26)**	**0.00** **(0.00)**

(Previous year figures in brackets)

(iii) Total expense recognized in Profit and Loss Account:

(Amount in Rs. Crores)

Defined benefits	Wholly Funded		Wholly Unfunded
	Pension	Gratuity	Leave Encashment
Current Service Cost	0.21 (0.21)	1.51 (1.61)	3.25 (1.42)
Interest Cost	0.51 (0.57)	1.00 (1.01)	1.77 (1.42)
Expected return on plan assets	-0.72 (-1.07)	-0.71 (-0.83)	- -
Net Actuarial (Gain) / Loss recognized in the period	0.98 (2.06)	1.72 (0.56)	-0.81 (8.62)
Expenses recognized in the statement of profit and loss	0.98 (1.77)	3.52 (2.35)	4.21 (11.46)

(Previous year figures in brackets)

Experience adjustments *(Amount in Rs. Crores)*

	For the year ended March 31,				
	2020	2019	2018	2017	2016
Gratuity					
Defined benefit obligation	**17.33**	14.44	12.72	9.86	7.74
Fair value of plan assets	**9.67**	10.26	10.85	10.21	8.83
Experience (gain)/loss on plan liabilities	**0.43**	0.81	(0.50)	(0.75)	(0.54)
Experience (loss)/gain on plan assets	**(0.08)**	0.67	0.71	(0.03)	(0.64)
Pension					
Defined benefit obligation	**7.14**	6.96	7.32	8.66	10.59
Fair value of plan assets	**8.84**	9.64	14.45	13.90	12.74
Experience (gain)/loss on plan liabilities	**0.44**	1.45	0.08	(1.84)	(1.90)
Experience (loss)/gain on plan asset	**(0.05)**	(0.30)	0.72	(0.10)	(0.95)

(iv) Defined Contribution Plan: The bank has one more pension plan called as Defined Contribution Plan. Under this plan, the bank has contributed a sum of Rs. 0.70 crores (Previous year: Rs. 0.71 crores).

(v) The bank has recognized an amount of Rs. 5.61 crores as an expense in the profit and loss account towards contribution to employees provident fund (Previous year: Rs. 4.97 crores).

16. Accounting Standard - 17 (Segment Reporting)

- In line with RBI guidelines, the Bank has identified “Treasury”, “Corporate/ Wholesale Banking operations” and “Other Banking Operations” as the primary reporting segments.

NOTES TO ACCOUNTS

- "Treasury" comprise of foreign exchange operations (merchant and interbank), liquidity management, money market and derivatives trading. "Corporate/ Wholesale Banking operations" include commercial client relationships, trade finance, correspondent banking, corporate finance/ advisory. "Other Banking Operations" includes all other banking operations not covered under "Treasury", "Corporate Banking" and Other banking operations.
- The Bank operates only in domestic segment.
- The Bank does not have any retail banking operations and hence the same is not disclosed separately.

(Amount in Rs. Crores)

	TREASURY		CORPORATE/ WHOLESALE BANKING		OTHER BANKING OPERATIONS		TOTAL	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Revenue	1,114.81	955.34	970.76	869.73	20.95	66.99	2,106.52	1,892.06
Result	895.81	666.34	36.28	102.96	(144.84)	(130.03)	787.25	639.27
Unallocated expenses							-	-
Operating profit (before provisions)*							787.25	639.27
Income taxes							342.29	254.42
Extra ordinary profit or loss								
Net profit							444.96	384.85
Other information								
Segment assets	23,742.47	15,365.70	13,296.79	12,187.00	-	-	37,039.26	27,552.70
Unallocated assets							385.42	2,969.66
Total assets							37424.68	30,522.36
Segment liabilities	8,570.23	7,456.07	19,827.96	16,063.40	-	-	28,398.19	23,519.47
Unallocated liabilities							9,026.49	7,002.89
Total liabilities							37,424.68	30,522.36

As the financial statements are for Indian operations only, geographic segments have not been considered.
Operating expenses are allocated based on number of employees.
*Provisions other than taxes Rs. -43.99 crores (Previous Year Rs. 19.12 crores)
Note: In allocation of some items of expenses/income and asset/liabilities, certain estimates and assumptions have been made by the management, which has been relied upon by the auditors.

17. Accounting Standard - 18 (Related Party Disclosures)

(i) Parent Head Office and its branches: MUFG Bank, Ltd. and its branches

(ii) Key Management Personnel: Mr. Junsuke Koike, Regional Executive for India.

As per RBI Circular Ref No. DBR.BP.BC No.23/21.04.018/2015-16 dated 1 July 2015, the Bank has not disclosed the details pertaining to the related party where there is only one entity/person in any category of related party. (i.e. Head Office & its branches and Key Management Personnel).

(iii) Ultimate Parent Company: Mitsubishi UFJ Financial Group.

(iv) Subsidiaries of Parent and entities under common control with whom there are transactions:

Bank of Ayudhya Public Company Limited
MUFG Bank (Malaysia) Berhad
(Company name was changed from "Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad")
MUFG Bank (Europe) N.V.
MUFG Securities Asia (Singapore) Limited
MUFG Securities EMEA Plc
Tokio Marine Holdings, Inc.
MUFG Bank (China), Ltd.
MUFG Enterprise Solutions India Private Limited
MUFG Turkey AS
Note: Related parties are identified by Management and relied upon by Auditors.

Balances with fellow subsidiaries and entities under common control are as follows:

(Amount in Rs. Crores)

Nature of transactions	March 31, 2020	Maximum outstanding during the year ended March 31, 2020	March 31, 2019	Maximum outstanding during the year ended March 31, 2019
Fund based				
Deposit	10.00	32.03	2.66	3.15
Vostro	27.06	27.06	1.28	210.24
Other Payables	0.16	0.23	0.25	4.66
Nostro	2.69	5.98	5.68	6.22
Non-Fund based				
Guarantee	30.03	31.93	32.12	32.12
Derivatives/Forex*	1,470.75	1,470.75	871.30	671.69

* includes Notional of INR 1,690 cr. (P.Y. INR 914.5 cr.)

NOTES TO ACCOUNTS

Income/Expense during the year with fellow subsidiaries and entities under common control is as follows:

(Amount in Rs. Crores)

Nature of transactions	2019-20	2018-19
Interest expense	-	-
Interest income	-	-
Fee expense	-	-
Fee income	2.91	1.13
Sales of fixed assets	16.75	0.00

Reimbursement of expenses INR 1.48 cr (P.Y. Nil)

SBLC outstanding INR 18.22 cr. (P.Y. Nil)

18. Accounting Standard 19 (Leases)

(i) Commercial and residential leases are taken on operating leases, which are cancellable in nature.

(Amount in Rs. Crores)

Details of future rentals payable on operating leases as at the end of the year	March 31, 2020	March 31, 2019
Commercial Lease (Office premises, Godown & Safety Vault)	**63.28**	**82.93**
Not later than one year	22.91	21.50
Later than one year & not later than five years	40.13	58.79
Later than five years	0.24	2.64
Residential Lease for staff	**11.53**	**12.49**
Not later than one year	7.03	6.68
Later than one year & not later than five years	4.50	5.81
Later than five years	-	-

(Amount in Rs. Crores)

Lease payments recognized in Profit and Loss account in respect of operating leases	March 31, 2020	March 31, 2019
Commercial Lease (Office premises, Godown & Safety Vault)	24.57	24.63
Residential Lease for staff	9.00	8.72

(ii) The lease agreements do not have any undue restrictive or onerous clauses other than those prevalent in similar agreement regarding use of assets, lease escalations, renewals and a restriction on sub-leases.

19. Accounting Standard 21 (Consolidated Financial Statements)- Not Applicable

20. Accounting Standard 22- Accounting for Taxes on Income

The bank accounts for deferred tax in accordance with the provision of Accounting Standards 22 amounting to Rs. 11.22 crores credit (Previous year Rs. 61.45 crores credit) for the year ended March 31, 2020 which has been considered in the provision for the taxation for the year. The Net Deferred Tax Asset has been included in "Schedule-11 Other Assets".

The components of Deferred Tax Assets/ (Liabilities) are as under:

(Amount in Rs. Crores)

Particulars	March 31, 2020	March 31, 2019
Deferred Tax Asset		
Depreciation	14.32	13.92
Provision for Gratuity	3.35	1.83
Provision for Pension	(0.74)	-
Provision for Leave Encashment	12.01	11.26
Sundry Loss - Civil Suit	0.18	0.27
Bonus	0.96	0.77
Voluntary retirement scheme	0.97	-
Non Performing Assets & Other Provisions	53.37	45.15
Total Deferred Tax Asset	**84.42**	**73.20**
Deferred Tax Liability		
Net Mark to Market Gain/(Loss) (FX forwards & Derivatives)*	-	-
Total Deferred Tax Liability	**-**	**-**
Total Net Deferred Tax Asset/(Liability)	**84.42**	**73.20**

*considered in accordance with the requirements of Income Computation and Disclosure Standards.

21. Accounting Standard 23(Accounting for Investment in Associates in Consolidated Financial Statements) - Not Applicable

22. Accounting Standard 24(Discontinuing Operations)- Not Applicable

23. Accounting Standard 25(Interim Financial Statements) - Not Applicable

NOTES TO ACCOUNTS

24. Accounting Standard - 29: Provisions, Contingent Liabilities & Contingent Assets:

(Amount in Rs. Crores)

Item		Amount for which the bank is contingently liable	Provisions as per AS – 29				
			Provision as on 01.04.2019	Additions during the year	Amounts used during the year	Unused amounts reversed during the year	Provision as on 31.03.2020
1.	Claims against the Bank not acknowledged as debts (net of provisions)	- (-)	132.80 (158.02)	2.74 (0.04)	- (-)	0.11 (25.26)	135.43 (132.80)
2.	Liability on account of --foreign exchange contracts	107,051.47 (75,290.38)	3.73 (2.02)	4.38 (3.60)	0.00 (-1.89)	- (-)	8.11 (3.73)
	--Derivatives	128,053.31 (114,716.64)	7.25 (5.30)	7.39 (7.39)	0.00 (-5.44)	- (-)	14.64 (7.25)
3.	Guarantees issued on behalf of the constituents	1,373.75 (1,621.85)	10.30 (9.58)	0.92 (1.20)	(0.00) (-0.48)	- (-)	11.22 (10.30)
4.	Acceptances, endorsements and other obligations	3,001.95 (1,417.01)	- (-)	- (-)	- (-)	- (-)	- (-)
5.	Other items for which the bank is contingently liable	288.65# (438.00)	- (-)	- (-)	- (-)	- (-)	- (-)

(Previous year figures in brackets)

\# Includes transfer to DEAF of Rs. 3.64 crores (Previous year Rs. 3.00 crores) and the balance represents Committed Lines of Credit.

25. Accounting Standard - 28 Impairment of Assets:

At March 31, 2020, there were no events or changes in circumstances which indicate any material impairment in the carrying value of the assets covered by AS 28 on "Impairment of Assets" issued by ICAI (Previous year: Nil).

26. i) Provisions and Contingencies:

(Amount in Rs. Crores)

Break-up of Provisions & Contingencies charged to Profit and Loss Account	March 31, 2020	March 31, 2019
Provision made towards income tax (including Deferred Tax)	342.29	254.42
Provision towards NPA	(70.00)	47.38
Provision for depreciation on investments	(1.08)	(31.48)
Provision on Tax for earlier years	(2.87)	(25.26)
Other Provision and Contingencies	29.96	28.48
– Provision on Standard Advances	4.82	13.32
– Standard Provision on Derivatives & FX	11.77	3.67
– Provision on Country Risk	(2.92)	6.93
– Provision on Unhedged Foreign Currency Exposure	11.26	3.71
– Provision on stressed sector advances	1.47	0.13
– Provision on exposure to large borrowers	2.75	-
– Specific Provision	0.81	0.72
Total	**298.30**	**273.54**

ii) Floating Provisions

The Bank does not have any outstanding floating provisions as at March 31, 2020 (Previous year: Nil) .

iii) Draw down from Reserves (Investment Reserve Account)

The bank has not drawn down from Reserves during the current year (Previous year: Nil).

27. Customers complaints and unimplemented awards of Banking Ombudsman

(i) Customer Complaints

		FY 2019-20	FY 2018-19
(a)	No. of complaints pending at the beginning of the year	-	-
(b)	No. of complaints received during the year	11	19
(c)	No. of complaints redressed during the year	10	19
(d)	No. of complaints pending at the end of the year	1	-

(ii) Awards passed by the Banking Ombudsman

		FY 2019-20	FY 2018-19
(a)	No. of unimplemented awards at the beginning of the year	-	-
(b)	No. of awards passed by the Banking Ombudsmen during the year	-	-
(c)	No. of awards implemented during the year	-	-
(d)	No. of unimplemented awards at the end of the year	-	-

28. Letters of Comfort (LoCs) issued by the bank:

The Bank has not issued any Letter of Comfort (LoC) during the year and there are no LoC's outstanding as at year end (Previous year: Nil).

29. Provisioning Coverage Ratio (PCR):

Bank does not have any funded NPA as on March 31, 2020 and therefore the PCR is NIL (Previous year: 100%).

NOTES TO ACCOUNTS

30. Bancassurance Business:

The bank has not earned any income from bancassurance business during the year ended March 31, 2020 (Previous year: Nil).

31. Concentration of Deposits, Advances, Exposures and NPAs

(i) Concentration of Deposits

(Amount in Rs. Crores)

	March 31, 2020	March 31, 2019
Total Deposits of twenty largest depositors	12,359.48	9,825.65
Percentage of Deposits to twenty largest depositors to Total Deposits of the Bank	63.22%	61.77%

(ii) Concentration of Advances*

(Amount in Rs. Crores)

	March 31, 2020	March 31, 2019
Total Advances to twenty largest borrowers	10,614.99	8,621.03
Percentage of Advances to twenty largest borrowers to Total Advances of the Bank	30.73%	27.19%

*Advances are computed as per definition of credit exposure including derivatives as per RBI Mastercircular on exposure norms.

(iii) Concentration of Exposure*

(Amount in Rs. Crores)

	March 31, 2020	March 31, 2019
Total Exposure to twenty largest borrowers/customers	10,614.99	8,621.03
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the Bank on borrowers/customers	30.68%	26.88%

***Exposures are computed based on credit as well as investment exposure as per RBI Master circular on exposure norms.

(iv) Concentration of NPAs

(Amount in Rs. Crores)

	March 31, 2020	March 31, 2019
Total Exposure to top four NPA accounts (Funded)	-	70.00

32. Sector-wise Advances

(Amount in Rs. Crores)

Sr. No.	Sector		March 31, 2020			March 31, 2019		
			Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that Sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that Sector
A		**Priority Sector**						
	1	Agriculture and allied activities	3.25	-	-	5.86	-	-
	2	Advances to industries sector eligible as priority sector lending	2,384.81	-	-	2,539.39	-	-
	2.1	*Chemicals and Chemical Products (Dyes, Paints, etc.)*	*1,116.87*	-	-	*1,431.96*	-	-
	2.2	*Infrastructure*	*400.00*	-	-	-	-	-
	2.3	*Rubber, Plastic and their Products*	*252.50*	-	-	*1.00*	-	-
	2.4	*Vehicles, Vehicle Parts and Transport Equipments*	*200.34*			*557.71*		
	2.5	*Others*	*415.10*	-	-	*548.72*	-	-
	3	Services	-	-	-	484.09	-	-
	3.1	Computer Software	-	-		484.09		
	4	Personal loans	-	-	-	-	-	-
		Sub-total (A)	2,388.06	-	-	3,029.34	-	-
B		**Non Priority Sector**						
	1	Agriculture and allied activities	-	-	-	-	-	-
	2	Industry	5,713.74	-	-	2,588.30	-	-
	2.1	*Vehicles, Vehicle Parts and Transport Equipments*	*1,585.47*	-	-	*859.10*	-	-
	2.2	*Chemicals and Chemical Products (Dyes, Paints, etc.)*	*1,583.18*	-	-	*808.74*	-	-
	2.3	*Infrastructure*	*966.78*	-	-	*134.34*	-	-
	2.4	*All Engineering*	*571.58*	-	-	*387.16*	-	-
	2.5	*Others*	*1,006.73*	-	-	*398.96*	-	-
	3	Services	5,148.04	-	-	6,495.97	70.00	1.08%
	3.1	*NBFC*	*2,300.20*	-	-	*1,328.80*	-	-
	3.2	*Other Services*	*1,915.29*	-	-	*4,748.37*	-	-
	3.3	*Trade (3.6.1 Wholesale Trade)*	*535.51*	-	-	*347.40*	-	-
	3.4	*Others*	*397.04*	-	-	*71.40*	*70.00*	*98.04%*
	4	Personal loans	1.24	-	-	1.59	-	-
		Sub-total (B)	10,863.02	-	-	9,085.86	70.00	0.77%
	Total (A+B)		**13,251.08**	**-**	**-**	**12,115.20**	**70.00**	**0.58%**

NOTES TO ACCOUNTS

33. 1. Movement of NPAs

(Amount in Rs. Crores)

Particulars	March 31, 2020	March 31, 2019
Gross NPAs as on April 1 (Opening balance)	70.00	75.13
Additions (Fresh NPAs) during the year	-	-
Sub-total (A)	70.00	75.13
Less :-		
(i) Upgradations	-	-
(ii) Recoveries (excluding recoveries made from upgraded accounts)	(70.00)	5.13
(iii) Technical / Prudential Write-offs	-	-
(iv) Write-offs other than those under (iii) above	-	-
Sub-total (B)	(70.00)	70.00
Gross NPAs as of 31st March (Closing balance) (A-B)	-	**70.00**

2. Stock of technical write-offs and the recoveries made:

(Amount in Rs. Crores)

Particulars	March 31, 2020	March 31, 2019
Opening balance of Technical / Prudential written off accounts as at April 01	-	-
Add : Technical / Prudential write-offs during the year	-	-
Sub-total (A)	-	-
Less : Recoveries made from previously technical / prudential written-off accounts during the year (B)	-	-
Closing balance as on 31st March (A-B)	-	-

34. Overseas Assets, NPAs and Revenue

As the Bank is a branch of a foreign bank, this disclosure is considered as not applicable.

35. Off-balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

The Bank does not have any Off Balance Sheet sponsored SPVs as at March 31, 2020 (Previous year: Nil).

36. Unamortised Pension and Gratuity Liabilities - Not applicable

37. 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 “Compensation of Whole Time director/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 Regional Executive, is in conformity with Financial Stability Board (FSB) principles and standards.

38. Disclosures relating to Securitization

- **Details of securitisation of standard assets**
  The Bank has not securitised any standard assets in the current year (Previous year: Nil)
- **Securitisation of impaired/past due assets**
  The Bank has not securitised any impaired/past due assets (Previous year: Nil).
- **Loss recognised on securitisation of assets**
  The Bank has not recognised any losses during the current year for any securitisation deal (Previous year: Nil).
- **Securitisation exposures retained or purchased**
  The Bank has invested in PTC through Sansar Trust to meet Priority Sector targets. The PTC balance outstanding as at March 31, 2020 is Rs. 60.64 crores (Previous year: Rs. 203.63 crores).

(Amount in Rs. Crores)

Sr. no.	Particulars	No. /Amounts
1.	No. of SPVs sponsored by the bank for securitization transactions	–
2.	Total amount of securitized assets as per books of SPVs sponsored by the bank	–
3.	Total amount of exposures retained by the bank to comply with MRR as on the balance sheet date	–
	a) Off-balance sheet exposure	–
	First loss	–
	Others	–
	b) On-balance sheet exposure	–
	First loss	–
	Others	–
4.	Amount of exposures to securitization transactions other than MRR	–
	a) Off-balance sheet exposures	–
	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 securitizations	–
	First loss	–
	Others	–
	ii) Exposure to third party securitizations	–
	First loss	–
	Others	–

NOTES TO ACCOUNTS

39. Credit default Swaps

The Bank has not entered into any Credit Default Swap during the year ended March 31, 2020 (Previous year-Nil).

40. Intra - Group Exposures

Details of Intra-group exposure are as follows:

(Amount in Rs. Crores)

Particulars	March 31, 2020	March 31, 2019
Total amount of intra-group exposures	249.03	217.22
Total amount of top-20 intra-group exposures	249.03	217.22
Percentage of intra group exposures to total exposure of the bank on borrowers / customers	0.56	0.52
Details of breach of limits on intra group exposures and regulatory action thereon, if any.	NIL	NIL

*Intra-group exposure does not include the Bank's exposure to Head Office and overseas branches

41. Transfers to Depositor Education and Awareness Fund (DEAF)

The Bank has reflected the amounts transferred to DEAF under "Schedule-12 Contingent liabilities – Others, items for which the bank is contingently liable".

The amounts transferred to DEAF during the year are shown below as per the format:

(Amount in Rs. Crores)

Particulars	March 31, 2020	March 31, 2019
Opening balance of amounts transferred to DEAF	3.00	2.20
Add : Amounts transferred to DEAF during the year	0.70	1.07
Less : Amounts reimbursed by DEAF towards claims	0.05	0.27
Closing balance of amounts transferred to DEAF	3.65	3.00

42. Unhedged Foreign Currency Exposure (UFCE):

The Bank has in place a policy on unhedged foreign currency exposure and robustly evaluates the risk arising out of unhedged foreign currency exposures of its borrowers. The risk arising out of the unhedged foreign currency exposure is also evaluated as part of credit assessment of borrowers and the Bank endeavors to educate their borrowers on the benefits of hedging and encourage them to use forex / derivative products to hedge themselves against adverse foreign currency movements and resultant risks.

The Bank periodically reviews the unhedged foreign currency exposure of its borrowers and maintains incremental provision and capital towards the unhedged foreign currency exposures of its borrowers in line with the extant RBI guidelines on Capital and Provisioning Requirements for Exposures to entities with Unhedged Foreign Currency Exposure.

The incremental provisioning and capital for exposures to entities with Unhedged Foreign currency exposure.

(Amount in Rs. Crores)

Particulars	March 31, 2020	March 31, 2019
Cumulative provisioning held for UFCE	21.45	10.18
Incremental Capital requirement for UFCE	75.82	58.39

43. Corporate Social Responsibility (CSR):

As per Section 135 of the Companies Act, 2013, the Bank has a local Corporate Social Responsibility (CSR) committee responsible for the preparation and implementation of the CSR policy, review and approval of budgets, developing a monitoring framework for implementation. The Bank continues to have a strong focus on CSR and has put in place a very strong governance process around project adoption and funds disbursal.

The Bank's CSR Policy document sets out the following primary objectives:

"Empowering our youth to create a sustainable impact on India's future."

Our CSR activities will primarily focus on the development of youth by catering to their needs and enhancing their employability skills to become future-ready. This objective is aimed to be met through interventions in the following areas:

i. Supporting skill development and livelihood programs

ii. Promoting innovative youth-centric initiatives

iii. Leveraging Japanese culture (where possible) to create maximum social impact.

In accordance with the policy and regulatory requirements, the prescribed CSR expenditure for the Bank for FY 2019-20 is Rs. 12.95 crores which is 2% of the average net profits of the previous three years i.e. Rs.647.74 crores. The amount spent towards CSR from the prescribed CSR expenditure of 2019-20 during FY 2019-20 was Rs. 0.36 crores. The Bank has resolved to spend 2% of the average net profit of the last three financial years as required under section 135(5) of the Act. The Bank has made provisions towards unspent amount as the Bank has a contractual obligation towards these projects (as per ICAI Guidance Note on Accounting for Expenditure on Corporate Social Responsibility Activities). The projects taken up for CSR initiative are of long gestation and the Bank expects over time to be able to increase its CSR expenditure towards being able to meet its obligation to the maximum amount.

Expenses incurred during the year ended March 31, 2020:

(Amount in Rs. Crores)

Sr. no.	Particulars	In Cash	Yet to be paid in Cash	Total
(i)	Construction/Acquisition of any asset	11.83	17.37	29.20
(ii)	On purposes other than (i) above	0.36	-	0.36

Expenses incurred during the year ended March 31, 2019:

(Amount in Rs. Crores)

Sr. no.	Particulars	In Cash	Yet to be paid in Cash	Total
(i)	Construction/Acquisition of any asset	10.33	16.62	26.95
(ii)	On purposes other than (i) above	0.13	-	0.13

44. Other Expenses:

Expenses (based on their nature) included in 'other expenditure', do not exceed 1% of the total income as on March 31, 2020 (Previous year: Nil).

NOTES TO ACCOUNTS

45. Liquidity Coverage Ratio (LCR)

The following table sets forth the average of un-weighted and weighted value of the LCR of the Bank, based on daily values, for the quarter ended March 31, 2020, December 31, 2019, September 30, 2019, June 30, 2019 and March 31, 2019.

	Amount in Rs. Crores	Quarter ended March 31, 2020		Quarter ended March 31, 2019		Quarter ended December 31, 2019		Quarter ended September 30, 2019		Quarter ended June 30, 2019	
		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)	Total Un-weighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets											
1	Total High Quality Liquid Assets (HQLA)		11,976.54		8,336.45		11,356.05		9,754.04		9,803.57
Cash Outflows											
2	Retail deposits and deposits from small business customers, of which:	76.72	7.67	142.35	14.24	89.73	8.97	108.52	10.85	129.08	12.91
	(i) Stable deposits	-	-	-	-	-	-	-	-	-	-
	(ii) Less stable deposits	76.72	7.67	142.35	14.24	89.73	8.97	108.52	10.85	129.08	12.91
3	Unsecured wholesale funding, of which:	17,825.70	8,566.57	17,796.99	10,702.91	18,261.00	8, 704.41	16,857.60	8,488.29	17,362.41	9,577.17
	(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-	-	-
	(ii) Non-operational deposits (all counterparties)	15,431.88	6,172.75	11,823.47	4,729.39	15, 927.66	6,371.07	13,948.86	5,579.55	12,975.39	5,190.15
	(iii) Unsecured debt	2,393.82	2,393.82	5,973.52	5,973.52	2,333.34	2,333.34	2,908.74	2,908.74	4,387.02	4,387.02
4	Secured wholesale funding	256.64	-	144.32	-	64.21	-	285.70	-	441.28	-
5	Additional requirements, of which	651.18	459.55	551.20	321.33	725.31	467.82	670.44	448.44	544.80	397.25
	(i) Outflows related to derivative exposures and other collateral requirements	387.01	387.01	187.66	187.66	338.92	338.92	334.05	334.05	316.09	316.09
	(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-	-	-
	(iii) Credit and liquidity facilities	264.17	72.54	363.54	133.67	386.39	128.90	336.39	114.39	228.71	81.16
6	Other contractual funding obligations	145.11	145.11	4.76	4.76	150.78	150.78	225.09	225.09	48.82	48.82
7	Other contingent funding obligations	14,949.21	671.23	13,843.15	629.96	14,929.53	668.05	14,817.54	665.84	13,277.07	604.00
8	Total Cash Outflows		9,850.13		11,673.20		10,000.03		9,838.51		10,640.15
Cash Inflows											
9	Secured lending (e.g. reverse repos)	1,789.30	-	453.06	-	394.64	-	250.27	-	1,077.39	-
10	Inflows from fully performing exposures	5,519.97	3,185.44	7,289.66	4,358.38	7,159.62	3,561.40	6,533.50	3,860.32	6,775.93	3965.02
11	Other cash inflows	1,506.99	400.37	940.87	444.90	1,036.97	351.02	1,075.18	388.28	895.93	353.04
12	Total Cash Inflows	8,816.26	3,585.81	8,683.59	4,803.28	8,591.23	3,912.42	7,858.95	4,248.60	8,749.25	4,318.06
Total Adjusted Value											
	TOTAL HQLA		11,976.54		8,336.45		11,356.05		9,754.04		9,803.57
	Total Net Cash Outflows		6,264.32		6,869.92		6,087.61		5,589.91		6,322.09
	Liquidity Coverage Ratio (%)		191.19		121.35		186.54		174.49		155.07

a) For all the quarters, the weighted and un-weighted amounts are calculated taking simple average of daily positions of working days in the respective quarter.

46. Qualitative disclosure on LCR

1. Bank has started observing Liquidity Coverage Ratio (LCR) from September ‘2014 and maintains the required ratio as per RBI’s guidelines effective 1st Jan 2015. This ensure that the bank maintains an adequate level of unencumbered HQLAs that can be converted into cash to meet its liquidity needs for a 30 calendar days’ time horizon under a significantly severe liquidity stress scenario. Liquidity coverage ratio is applicable to the foreign bank on a standalone basis (for Indian Operation only).

2. LCR disclosed in this note is simple average of daily observation for the quarter ending March 2020 which is 191.19% (as compared to 121.35% in March 2019). The adequacy in the LCR maintenance is an outcome of a conscious strategy of the Bank towards complying with LCR mandate ahead of the stipulated timelines which makes bank at comfortable level of LCR against the regulatory requirement of 100% during the entire FY 2019-20.

- **The main drivers of LCR results and the evolution of the contribution of inputs to the LCR’s calculation over time:**
  The main drivers of LCR are Level 1-HQLA i.e. weighted amount of INR 11,976.54 crores (as compared to INR 8,336.45 crores in March 2019) and maturity of short term performing exposures i.e. weighted inflow of INR 3,185.44 crores (as compared to INR 4,358.38 crore in March 2019) which is sufficient to meet liquidity requirements of the bank for the next 30 days i.e. Total Net Outflow of INR 6,264.32 crores (as compared to INR 6,869.92 crore in March 2019). The weighted outflow related to deposit and borrowings is INR 8,574.24 crore (as compared to INR 10,717.14 crore in March 2019) and from derivatives & other contingent funding obligation is INR 1,275.90 crores (as compared to INR 956.06 crores in March 2019).

  (Numbers used are simple average of daily observation for quarter ended on March 31, 2020)

NOTES TO ACCOUNTS

- **Intra-period changes as well as changes over time:**
  The bank's LCR has been constantly above 100% throughout the FY 2019-20. The minimum LCR during period Apr'19-Mar'20 was 119.54% (as on 29th August 2019 against regulatory requirement of 100%) and the maximum LCR was 223.90% (as on 08th January 2020 against regulatory requirement of 100%).

- **The composition of HQLA:**

  The bank during last quarter of financial year i.e. Jan-Mar 2020 maintained average HQLA of INR 11,976.54 crores against the average liquidity requirement of INR 6,264.32 crores at minimum LCR requirement of 100%. The HQLA for the bank consists of Level-1 assets as Government Securities in excess of minimum SLR requirement, Excess CRR balance, Securities allowed for MSF & FALLCR and Cash in Hand.

  The composition of HQLA (daily average for quarter Jan-Mar 2020) is tabled below:

Composition of HQLA	%
Cash in Hand	0.03%
Excess CRR Balance	1.09%
Government Securities in excess of minimum SLR requirement	70.10%
Allowed Securities for MSF*	3.56%
Allowed Securities for FALLCR**	25.22%

* Liquidity available under MSF is considered as prescribed by RBI

** Liquidity available under FALLCR is considered as prescribed by RBI

- **Cash outflow and Concentration of funding sources:**

  The bank has outflow mainly from unsecured wholesale funding and other contingent funding liabilities contributing 86.97% and 6.81% respectively as per daily simple average for last quarter of the financial year. The funding concentration is monitored by significant counterparty and significant product/instrument as per RBI guidelines. The significant counterparties are the single counterparty or group of connected or affiliated counterparties accounting in aggregate for more than 1% of the bank's total liabilities. As of 31-Mar-20, the number of significant depositors was 8 contributing 23.82% of total liabilities and number of significant borrowing counterparties was 3 contributing 14.44% (mainly HO borrowing contributing 11.42%) of total liabilities. The significant product/instruments i.e. more than 1% of total liabilities were Wholesale Deposits, Foreign Currency Borrowing (HO borrowing), Repo Borrowing and Inter Bank Term Borrowing contributing 51.19%, 11.81%, 1.97% and 1.05% respectively to the total liabilities.

- **Derivative exposures and potential collateral calls:**

  Bank calculates derivative exposure as per guidelines i.e. expected contractual derivative cash inflows and outflows in accordance with existing valuation methodologies. The outstanding positions in CRS, IRS, FX, FX option and exchange traded derivatives (ETCF/CO) transactions are subjected for LCR computation. The cash inflows/outflows expected to be settled in next 30 days on account of these derivatives positions are considered in computation.

  On account of 'Downgrade Triggers', the bank assumes that 100% of this additional collateral or cash outflow will have to be posted for any downgrade up to and including a 3-notch downgrade of the bank's long-term credit rating. However, bank has no such product or derivatives contract which requires collateral/additional collateral to be posted on account of downgrade triggers. Additionally, the bank may be required to post additional collateral due to market valuation changes on derivatives transactions with interbank counterparties under CSA as well as with CCPs for Forex Forward contracts and ETCF/CO settled through Clearing Corporation of India (CCIL) and NSCCL respectively. The outflow on account of MTM changes for these transactions was considered based on look back approach prescribed by RBI

- **Currency mismatch in the LCR:**

  As per the revised regulatory guidelines, foreign banks were exempted from computation of LCR by significant currencies and accordingly our bank has stopped computation of LCR by significant currency i.e. USD from Mar-16 onwards.

- **Description of the degree of centralization of liquidity management and interaction between the group's units**

  The bank's liquidity management for its India operation is centralized and managed by its treasury function; the bank has ALM committee to bring together information which is necessary for ALM and liquidity management in the presence of the executive member of all branches, and to form policies on ALM and liquidity management required from time to time. The adequacy in the LCR maintenance is an outcome of a conscious strategy of the Bank towards complying with LCR mandate ahead of the stipulated timelines.

- **Other inflows and outflows in the LCR calculation that are not captured in the LCR common template but which the institution considers to be relevant for its liquidity profile.**

  The Bank has made its endeavor to capture all its inflows and outflows in the LCR common template.

47. Update on Indian Accounting Standard (IND AS) Implementation

The Institute of Chartered Accountants of India had issued Ind AS (a revised set of accounting standards) which largely converges the Indian accounting standards with International Financial Reporting Standards (IFRS). The Ministry of Corporate Affairs (MCA) had notified these accounting standards (Ind AS) for adoption. For banking companies, the implementation of Ind AS was to begin from April 1, 2018 onwards, with comparatives for the year beginning April 1, 2017. However, as per RBI circular issued on March 22, 2019 the Reserve Bank of India decided to defer the implementation of Ind AS till further notice, as the legislative amendments recommended by them the Reserve Bank are under consideration of the Government of India. This is in furtherance to the RBI communication dated April 5, 2018 to defer the applicability of Ind AS by one year for Scheduled Commercial Banks.

The bank continues to liaise with RBI and Industry players/bodies on various aspect of the IND AS implementation in order to adopt the best practices.

48. Factoring Exposures

The bank has receivables acquired under factoring amounting to INR 149.50 crores as at March 31, 2020 (Previous year: INR 168.25 crores), which is reported under 'Bills Purchased and Discounted' in Schedule 9 of the Balance Sheet.

49. Provisioning pertaining to fraud accounts

The following table sets forth, for the periods indicated, the details of provisioning pertaining to fraud reported during the year.

NOTES TO ACCOUNTS

(Amount in Rs. Crores)

Particulars	March 31, 2020	March 31, 2019
Number of frauds reported	-	1
Amount involved in frauds	-	0.03
Provision held	-	0.11
Unamortised provision debited from 'other reserves'	-	NIL

50. Priority Sector Lending Certificate (PSLC)

As at March 31, 2020, the Bank has purchased Priority Sector Lending Certificate of INR 3,150 crores (Previous year: 250 crores).

The Bank has purchased Priority Sector Lending Certificate during the year (Previous year: 250 crores).

(Amount in Rs. Crores)

Type of PSLC	March 31, 2020	March 31, 2019
Agriculture	-	-
Small and Marginal farmers	-	-
Micro Enterprises	850.00	250.00
General	2,300.00	-
Total	3,150.00	250.00

51. Spread over of shortfall on sale of NPAs to Securitisation Companies or Reconstruction Companies (SCs/RCs)

The Bank has not purchased or sold any NPAs to SCs/RCs during the year (Previous year: Nil).

52. Resolution of Stressed Assets

The Bank does not have any stressed Asset during the FY 2019-20 which was under a resolution plan (Previous year: Nil).

53. Scheme for Sustainable Structuring of Stressed Assets

The Bank has not adopted Scheme for Sustainable Structuring of Stressed Assets during the year (Previous year: Nil).

54. Scheme for Sustainable Structuring of Stressed Assets-Revisions

The Bank has no accounts during the current year as well as previous year where S4A has been applied (Previous year: Nil).

55. Disclosure on sale of Stressed assets

The Bank does not have any sale of stressed assets.

(Amount in Rs. Crores)

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	Nil	Nil	Nil
	Provision held against (i)	Nil	Nil	Nil
(ii)	Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	Nil	Nil	Nil
	Provision held against (ii)	Nil	Nil	Nil
Total (i) + (ii)		Nil	Nil	Nil

56. Disclosure on Scheme of Stressed Assets

i. Disclosures on Flexible Structuring of Existing Loans

There are no borrowers taken up for flexible structuring during the current year and previous year.

ii. Disclosures on Strategic Debt Restructuring Scheme (SDR) (accounts which are currently under the stand-still period)

There are no accounts during the current and previous year where SDR has been invoked**.**

iii. Disclosures on Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period)

There are no accounts during the current and previous year where the Bank has decided to effect change in ownership.

iv. Disclosures on Change in Ownership of Projects Under Implementation (accounts which are currently under the stand-still period)

There are no project loans accounts during the current and previous year where the Bank has decided to effect change in ownership.

57. Divergence in the Asset Classification and Provisioning for NPA's: (ref DBR.BP.BC.No. 63/21.04.018/2016-17 dated April 18, 2017and subsequent circular DBR.BP.BC.No.32/21.04.018/2018-19 dated April 01, 2019)

There is no instance of divergence in the asset classification, provisioning of advances and net profit after tax based on the latest inspection report published by the RBI which are required to be disclosed in terms of the above circular for the current and previous year.

58. COVID-19 Moratorium

The novel coronavirus (COVID-19) pandemic continues to spread rapidly across the globe including India. On 11th March, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. COVID-19 has taken its toll on not just human life, but business and financial markets too, the extent of which is currently unascertainable. Various governments, civil society and many organisations, including the Bank, have introduced a variety of measures to contain the spread of the virus to protect lives and livelihood. On 24th March, 2020, the Indian government announced a strict 21-day lockdown which was further extended by 19 days and again by 14 days across the country to contain the spread of virus.

NOTES TO ACCOUNTS

There is a high level of uncertainty about the duration of the lockdown and 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 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.

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated 27th March, 2020, 17th April, 2020, & 20th May 2020 and clarification issued by RBI through Indian Bankers Association dated 6th May, 2020, the Bank is granting moratorium on the payment of instalments and/or interest, as applicable, falling due between 1st March, 2020 and 31st August, 2020 ('moratorium period') to eligible borrowers classified as Standard. The moratorium period, wherever granted, shall be excluded by the Bank from the number of days past-due for the purpose of asset classification under RBI's Income Recognition and Asset Classification norms.

In reference to RBI circular RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020, RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020 and DOR.No.BP.BC.71/21.04.048/2019-20 dated May 20, 2020 on 'COVID-19 Regulatory Package', the Bank will grant moratorium for Advances dues falling due between March 01, 2020 and August 31, 2020 based on the Bank's COVID 19 Moratorium Policy. Below are the details of accounts which were granted moratorium till May 31, 2020 and were in overdue status as on February 29, 2020:

(Amount in Rs. Crores)

Days Past Overdue	Amount Outstanding as at March 31, 2020	Provision as at March 31, 2020	Provision Adjusted against Slippages
01 - 30 Days	-	-	-
31 - 60 Days	-	-	-
61 - 90 Days	-	-	-

59. Micro, Small and Medium Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED), the following disclosure is made based on the information and records available with the management in respect of the Micro, Small and Medium Enterprises who have registered with the competent authorities:

(Amount in Rs. Crores)

Particulars	March 31, 2020	March 31, 2019
Principal amount remaining unpaid to any registered supplier as at the year end	0.19	0.41
Interest due thereon	-	-
Amount of interest paid by the Company in terms of section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	-	-
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 the MSMED act	-	-
Amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
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 enterprises, under Section 23 of the MSMED act	-	-

60. Prior-period comparatives

Previous year amounts have been reclassified / regrouped wherever necessary, to conform to the current year's presentation.

For Khimji Kunverji & Co. LLP
(formerly Khimji Kunverji & Co.)
Chartered Accountants
FRN: 105146W/W100621

MUFG Bank, Ltd.

(Gautam V Shah)
Partner
Membership No. F-117348

(Junsuke Koike)
Regional Executive for India

(Ashwini Shetye)
Chief Financial Officer - India

(S Ramanathan)
Chief Compliance Officer-India

Place: Mumbai
Dated: June 29, 2020

BASEL-III

Table DF – 1: Scope of application

Name of the head of the banking group to which the framework applies

The BASEL III - Pillar 3 disclosures contained herein relate to MUFG Bank, India Branches (herein also referred to as the 'Bank').

These are compiled in accordance with the Reserve Bank of India (the 'RBI') Master Circular – Basel III Capital regulation DBR. No.BP. BC.1/21.06.201/2015-16 dated July 1, 2015 and the amendments thereto issued from time to time.

Qualitative Disclosures

- 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						

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

Name of the entity / country of in corporation	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)*
Not Applicable					

Quantitative Disclosures

- 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			

Qualitative Disclosures

- 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				

- 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				

- Any restrictions or impediments on transfer of funds or regulatory capital within the banking group:

  Not Applicable

Table DF – 2: Capital Adequacy

Qualitative disclosures

- Bank is maintaining a healthy CRAR during the FY 2019-20 which is commensurate with the size of its operations.

  The Bank's capital management approach is driven by its desire to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times.

  As on 31 March 2020, the position of CRAR is provided in the table below. The bank is well capitalized, given the risk exposure arising from its portfolio of assets.

Particulars	**Minimum Requirement**	**Bank maintains as of 31st March 2020**
CRAR	12.375%	19.68%
Tier 1 CRAR	10.375%	18.74%
Common Equity Tier 1(CET1)	8.875%	18.74%

- The Bank has a process for assessing its overall capital adequacy in relation to the Bank's risk profile. The Bank identifies, assesses and manages comprehensively all risks that it is exposed to through sound governance and control practices, risk management framework.

  The Asset Liability Committee (ALCO) of the bank is responsible for market risk management of the bank, policies for hedging and /or mitigating risk and strategies for monitoring future funding activities of the bank. A well-defined Credit and Investment Policy for the bank

BASEL-III

is in place and the same is reviewed on an annual basis. Impact of Liquidity Risk is assessed through gap analysis for maturity mismatches based on residual maturity in different time buckets and management of the same is done within the prudential limits fixed thereon.

Quantitative disclosures

- The Capital requirements for credit risk are**:**
  - ➢ For portfolios subject to Standardized approach @ 12.375% Rs. 30,077.58 mio.
- The Capital requirements for market risk (under standardised duration approach) are:

(Amount in Rs. Millions)

Risk Category	Amount
i) Interest rate risk	1,276.51
ii) Foreign Exchange Risk (including Gold)	360.00
iii) Equity Risk	-
iv) Total capital charge for market risks under Standardised duration approach (i + ii + iii)	1,636.51

- The Capital charge for Operational Risk under Basic Indicator Approach (BIA) is Rs. 1,338.10 mio as on 31st March 20. The notional RWA as per BIA for operational Risk is Rs. 16,726.29 mio.
- The capital ratios of the bank are as follows:

CRAR (%)	19.68%
CRAR-Common Equity Tier 1 Capital (%)	18.74%
CRAR-Tier I capital (%)	18.74%
CRAR-Tier II capital (%)	0.94%

CET1 and Tier I Capital primarily comprises of interest free capital received from the Head Office, balance in statutory reserves, capital reserves and remittable surplus retained for CRAR requirement.

Tier II Capital primarily comprises of Provision on Standard Assets, UFCE, Country risk, Investment Fluctuation Reserve, Investment Reserve which is created in accordance with the extant RBI guidelines.

Table DF – 3: Credit Risk: General Disclosures for All Banks

General

Credit risk reflects the risk of losses that may occur from the failure of one or more borrowers to meet all or part of their obligations towards the Bank. The Bank is exposed to Credit risk in its lending operations and off balance sheet exposures.

a) Policies and Processes

The Bank's risk management policies and procedures are subject to a high degree of oversight and guidance to ensure that all types of risk are systematically identified, measured, analyzed and actively managed. The Bank has standards, policies and procedures dedicated to the approval, monitoring and management of credit risk. All credit risk related aspects are governed by the Credit Policy of the Bank. The Credit Policy is approved by the Executive Committee of the Bank for Indian Operations.

The credit rating process is governed by the Procedures for Credit Ratings issued by the Credit Policy and Planning division of our Head office.

The Bank's credit risk management encompasses identification, assessment, measurement, monitoring and control of credit risk in exposures.

The credit risk governance consists of the following primary functions:

- Establishing a comprehensive credit risk policy framework in line with Head office and Regulatory guidelines.
- Assessment of credit risk through a structured and standardized credit approval process.
- Measuring, Monitoring and managing credit risk on a portfolio basis.

b) Structure and Organization

The Bank has a Credit Risk Management team, which works in close coordination with the business teams and is based in the principal office in Mumbai.

The credit analysis function is responsible for the periodic rating review and submission of credit proposals to the Credit Division in Head office/Singapore.

The Head Office Credit Division does an independent review of the entire proposal including financial analysis and compliance to risk appetite and provides a final credit approval along with certain terms and conditions.

The Credit Risk management team is an independent risk management function that defines credit risk policies and procedures and monitors the compliance of credit risk policy, procedures and credit approval terms and conditions, both pre-disbursement and post-disbursement through the lifecycle of the exposure.

All the credit monitoring activities like monitoring of prudential limits, credit documentation, post sanction monitoring activities and credit related reporting are performed by the Credit Risk Management team.

The Chief Risk Officer (CRO) in India maintains a functional reporting line to the Regional Executive for India and to regionally to the Asia CRO. The Credit Risk management team reports to the India CRO. The Credit Risk Management function is independent of the business functions.

c) Scope and nature of risk reporting, measurement, monitoring and mitigation

To measure credit risk, the Bank employs several methodologies for estimating the likelihood of obligor or counterparty default. Credit risk measurement is based upon the amount of exposure should the obligor or the counterparty default, the probability of default and the expected loss given a default event.

The credit rating is utilized in various aspects of the banking operations for enhanced management of credits and portfolio, etc. as an important criterion that forms the basis of the credit risk management. All Borrowers of the Bank are assigned a credit rating and such rating is reviewed on an annual basis at the minimum. Revolving credit facilities are reviewed on an annual basis, while term facilities are monitored through annual review of financial statements and periodic covenants.

Though the Bank has implemented Basel-II Standardized Approach, Bank has an explicit Borrower Rating System. For the corporate portfolio, the Bank has borrower rating models and facility rating models. The borrower rating models are based on borrower specific characteristics which

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can be used to deduce the probability of default of the borrowers. The facility rating models are based on facility and transaction characteristics like collaterals, seniority, etc. These models are reflective of the expected loss given default on a particular facility.

The Bank performs regular reporting on its credit risk portfolio, to include information on large credit exposures, concentrations, industry exposures, levels of impairment provisioning, delinquencies and country exposures to various internal governance forums. The analysis of the portfolio is also presented to the Credit Risk Management Committee on a quarterly basis.

Credit Concentration risk-

Credit Concentration risk arises on account of concentration of exposures under various categories like Single name, Sectoral and Group concentrations.

The Bank is in compliance with the prudential exposure norms as laid down by RBI for Single borrower and Group borrower limits which is defined in the Credit Policy of the Bank. Further Bank has internal thresholds for monitoring of SBL/GBL and sector wise limits.

The Bank, in addition to the standard provision on advances also maintains other provisions to counter various types of concentration risks like provisions on Large Borrowers for Market Mechanism, un-hedged foreign currency exposures, country risk exposures and industry specific provisions like provisions on stressed sectors.

d) Non-performing advances

The 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. Further, an NPA can be identified by periodic appraisals of the portfolio by Management or in accordance with RBI guidelines, whichever is earlier.

Quantitative disclosures

- Total gross credit risk exposures, fund based & non-fund based separately are:

(Amount in Rs. Millions)

Category	Amount
Fund Based*	132,510.77
Non Fund Based**	43,757.00

* Includes outstanding of Gross Advances

** Includes outstanding of Letter of Credit, Acceptance and Bank Guarantees

- Geographic distribution of exposures, fund based & non-fund based separately are:

(Amount in Rs. Millions)

Category	Overseas	Domestic
Fund Based	-	132,510.77
Non Fund Based	-	43,757.00

- Industry wise distribution of exposures, (Fund based & Non-Fund based) is as under:

(Amount in Rs. 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)	95.00	8.10
21	B.1 Sugar	-	-
22	B.2 Edible Oils and Vanaspati	-	-
23	B.3 Tea	-	-
24	B.4 Coffee	-	-
25	B.5 Others	95.00	8.10
3	C. Beverages (excluding Tea & Coffee) and Tobacco (sum of C.1 & C.2)	1,661.00	-
31	C.1 Tobacco and Tobacco Products	-	-
32	C.2 Others	1,661.00	-
4	D. Textiles (sum of D.1 to D.6)	2,207.64	-
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	2,207.64	-
5	E. Leather and Leather Products	-	-
6	F. Wood And Wood Products	-	-
7	G. Paper and Paper Products	950.00	-
8	H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	-	5,159.29
9	I. CHEMICALS AND CHEMICAL PRODUCTS (DYES, PAINTS, ETC.) (sum of I.1 to I.4)	27,000.50	14,375.33
91	I.1 Fertilizers	10,420.00	3,566.33
92	I.2 Drugs and Pharmaceuticals	13,243.91	1,265.61
93	I.3 Petro-chemicals (excluding under infrastructure)	1,926.50	774.12
94	I.4 Others	1,410.09	8,769.26

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Industry Code	Industry Name	Fund based Amount	Non-Fund based Amount
10	J. Rubber, Plastic and their Products	2,524.99	4.27
11	K. Glass & Glassware	1,867.67	32.46
12	L. Cement and Cement Products	1,350.00	-
13	M. Basic Metal and Metal Products (sum of M.1 and M.2)	4,510.95	7,101.62
131	M.1 Iron and Steel	3,583.71	7,070.35
132	M.2 Other Metal and Metal Products	927.24	31.27
14	N. ALL ENGINEERING (sum of N.1 & N.2)	6,771.49	2,647.60
141	N.1 Electronics	1,850.46	1,665.44
142	N.2 Others	4,921.02	982.17
15	O. Vehicles, Vehicle Parts and Transport Equipments	17,858.05	1,035.84
16	P. Gems and Jewellery	-	-
17	Q. Construction	-	-
18	R. Infrastructure (sum of R.1 to R.4)	**13,667.82**	**1,797.99**
181	R.1 Transport (sum of R.1.1 to R.1.5)	4,000.00	-
1811	R.1.1 Railways	-	-
1812	R.1.2 Roadways	-	-
1813	R.1.3 Airport	-	-
1814	R.1.4 Waterways	4,000.00	-
1815	R.1.5 Others	-	-
182	R.2 Energy (sum of R.2.1 to R.2.4)	4,667.82	31.49
1821	R.2.1 Electricity (generation-transportation and distribution)	3,653.15	-
18211	R.2.1.1 State Electricity Boards	-	-
18212	R.2.1.2 Others	3,653.15	-
1822	R.2.2 Oil (storage and pipeline)	744.67	31.49
1823	R.2.3 Gas/LNG (storage and pipeline)	270.00	-
1824	R.2.4 Others	-	-
183	R.3 Telecommunication	5,000.00	1,766.49
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	Other Industries	503.82	89.54
20	All Industries (sum of A to S)	80,968.93	32,252.04
21	Residuary Other Advances (to tally with gross advances) (a+b+c)	**51,541.84**	**11,504.96**
211	a. Education Loans	-	-
212	b. Aviation sectors	-	-
213	c. Other Residuary Advances	51,541.84	11,504.96
22	**Total Loans and Advances**	**132,510.77**	**43,757.00**

- The residual contractual maturity break down of assets is as follows:

(Amount in Rs. Millions)

Maturity Pattern	Advances*	Investments (gross)	Foreign Currency Assets
1 day	-	-	-
2-7 days	9,243.08	90,556.42	5,705.22
8-14 days	11,178.27	5,521.14	887.53
15-30 days	46,624.25	5,095.72	6,251.93
31 days to up to 2 months	15,989.03	4,722.28	2,338.22
Over 2 months to up to 3 months	19,501.73	3,283.03	3,329.83
Over 3 months to 6 months	11,788.02	3,916.77	2,068.35
6 months to 1year	5,885.82	1,682.10	136.76
Over 1 year to 3 years	8,157.35	4,823.35	851.23
Over 3 years to 5 years	1,528.56	0.21	1.44
Over 5 years to 7 years	2,605.66	0.34	-
Over 7 years to 10 years	3.37	-	-
Over 10 years to 15 years	5.14	-	-
Over 15 years	0.49	-	-
Total	**132,510.77**	**119,601.36**	**21,570.51**

** Overdraft maturity pattern is as per behavioural study of the bank. Overdue loans have been shown under "1 day" Maturity Pattern.*

** NPA is Nil as on 31, March 2020.*

*** In case of investments, as per RBI circular ref no. 2015-16/109 DBR.No.BP.BC.26/21.04.098/2015-16 dated 02 July 2015, the bucketing of excess SLR and MSF securities are slotted in Day 1 bucket and mandatory SLR securities as DTL profile. Investment bucketing is with reference to RBI circular ref no. 2015-16/344 DBR.BP.BC.No.86 / 21.04.098/2015-16 dated 23-Mar-2016, where the bucketing for structural liquidity statement has been revised for the short term buckets from 8-14 days, 15-28 days and 29 days -3 months to 8-14 days, 15-30 days, 31 days-2 months and 2 – 3 months to align it with LCR computation.*

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a. Amount of NPAs (Gross) - Funded

(Amount in Rs. Millions)

Category	Amount
Sub Standard	-
Doubtful – 1	-
Doubtful – 2	-
Doubtful – 3	-
Loss	-
NPAs (Gross)	-

b. The amount of net NPAs is NIL.

- The NPA ratios are as under:
  - ➢ Gross NPAs to Gross Advances: Nil
  - ➢ Net NPAs to Net Advances: Nil
- The movement of gross NPAs is as under:

(Amount in Rs. Millions)

	Funded Advances
i) Opening Balance at the beginning of the year	700.00
ii) Addition during the year	-
iii) Reduction during the year	700.00
iv) Closing Balance as at the end of the year (i + ii - iii)	-

- The movement of provision for NPAs is as under:

(Amount in Rs. Millions)

	Funded Advances
i) Opening Balance at the beginning of the year	700.00
ii) Provisions made during the year	-
iii) Write-off made during the year	-
iv) Write-back of excess provisions made during the year	700.00
v) Closing Balance as at the end of the year (i + ii - iii-iv)	-

- Amount of NPA by major industry type is as below:

Asset Classification	Geography	Sector	Amount in Rs. Millions	Provision
NIL				

- The movement of Specific and General provisions is as under:

(Amount in Rs. Millions)

Provisions on account of	Type of Provision	Opening Balance	Provisions made during year	Write-off	Write-back of excess provisions	Closing Balance
NPA (Funded)	Specific	700.00	-	-	(700.00)	-
Non Funded exposure	Specific	102.97	9.21	-	-	112.18
Standard Assets (Loans)	General	481.81	48.23	-	-	530.04
Stressed Sector Advances	Specific	2.02	14.73	-	-	16.75
Incremental exposure beyond NPLL	Specific	-	27.46	-		27.46
Standard Assets (Derivative MTM)	General	109.88	117.64	-	-	227.52
Unhedged Foreign Currency Exposure	General	101.84	112.63	-	-	214.47
Country Risk	General	123.04	-	-	(29.23)	93.81
Total		**1,621.56**	**329.90**	**-**	**(729.23)**	**1,222.23**

- The amount of non-performing investment is NIL.
- The amount of provisions held for non-performing investment is NIL.
- The movement of provisions for depreciation on investments is as under:

(Amount in Rs. Millions)

	Amount
i) Opening Balance at the beginning of the year	10.76
ii) Provisions made during the year	-
iii) Write-off made during the year	-
iv) Write-back of excess provisions made during the year	(10.76)
v) Closing Balance as at the end of the year (i + ii - iii-iv)	-

Table DF – 4: Credit Risk: Disclosures for Portfolios

Subject to the Standardized Approach

Qualitative disclosures

- Bank has decided to use the ratings of the following credit rating agencies for Credit Exposure of Indian Operations, in line with RBI guidelines:

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Domestic Credit Rating Agencies

a) Credit Analysis and Research Ltd.
b) Credit Rating Information Services of India Limited-CRISIL Ltd.
c) India Ratings and Research Pvt Ltd (Fitch)
d) ICRA Limited
e) Brickworks Ratings India Pvt. Limited
f) SMERA Ratings Limited (SMERA)

- For exposure with a contractual maturity of less than or equal to one year (except cash credit, overdraft and other revolving credits), short term ratings given by approved rating agencies to be used.
- For domestic cash credit, overdraft and other revolving credits (irrespective of the period) and for Term Loan exposures of over one year, long term ratings to be used.

Quantitative disclosures

- The exposure amounts after risk mitigation (subject to the standardized approach) in different risk buckets are as under:

(Amount in Rs. Millions)

i)	Below 100% risk weight exposure outstanding	363,915.40
ii)	100% risk weight exposure outstanding	28,368.48
iii)	More than 100%	86,751.83
iv)	Deducted	
	Total	**479,035.71**

Note: The above table covers all exposures except those for Market Risk & Operational Risk.

<u>Table DF – 5: Credit Risk: Disclosures for Standardized Approaches</u>

Qualitative disclosures

- Process for collateral valuation is being determined by the policies and procedures laid down by Head Office.
- The collaterals commonly taken by the Bank for risk mitigation are financial collaterals comprising of Bank deposits and other categories comprising of movable and immovable assets/landed properties and these serve to minimize the loss resulting from credit default.
- The counter party guarantors considered by the Bank are generally parent companies of our Borrower. While taking such corporate guarantees, factors like the constitution of the Guarantors, the percentage of shareholding in the Borrower and credit worthiness of the Guarantor is considered.
- The Bank does not take any capital relief on account of credit risk mitigation. Exposure limits to single and group borrowers, various industries are well defined in our credit policy and adherence to the same is monitored regularly. Funding strategies are in alignment with the Asset Liability Management position.

Quantitative disclosures

- The Bank has not considered any eligible financial collateral for on or off balance sheet netting.
- The Bank has not considered any disclosed portfolio covered by guarantees/credit derivatives (whenever specifically permitted by RBI) for on or off balance sheet netting.

<u>Table DF – 6: Securitization Exposures: Disclosure for Standardized Approach</u>

Qualitative disclosures

- The Bank has not originated any securitization transaction in during the period from April 19 to March 20.
- The Bank has invested in Pass Through Certificates (PTCs) to meet Priority Sector targets.
- The Bank performs regular stress tests on the pool of Assets basis various scenarios to periodically assess the health of portfolio. The PTC in which the bank has invested is rated ‘AAA’ by CRISIL.
- Investment in PTC is done through Board Approval. There is no specific policy for PTC Investment.

Quantitative disclosures – Trading book

- The outstanding balance of PTC as on 31st March 20 is INR 606.39 mio. Risk weight of 20% is applied based on AAA rating by CRISIL to calculate Risk weighted Assets on PTC.
- PTCs are valued at quarterly intervals by discounting its cash flows using Annualized GSec ZCYC curve added with spread of NBFC published by PDAI jointly with FIMMDA periodically. Depreciation if any is provided for and appreciation if any is ignored.

<u>Table DF – 7: Market risk in the trading book</u>

Qualitative disclosures

The objective of the Bank’s market risk management is to manage and control market risk exposures in order to optimize return on risk while maintaining a market profile consistent with our risk appetite.

General

The Market Risk Management Department, India (MRM), an independent unit, monitors and reports the limit utilizations to internal management / regulator / HO as per laid down guidelines. It supervises the day to day monitoring of various Market Related Risk parameters. The primary categories of market risk for the Bank are interest rate risk, currency exchange rate risk. Market risk arises on financial instruments, which are measured at fair value in the trading book.

a) *Strategy and Processes*

The Bank has market risk management process, which consists of risk identification, limits setting and risk monitoring. The process ensures that the market risk assumed by bank is within the stipulated risk appetite of the Bank. This risk appetite is handed down through different types of limits such as Position, Gap, VaR, liquidity etc.

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b) *Scope and nature of risk measurement, reporting and monitoring*

The bank has in place the risk monitoring system which is capable of computing and monitoring various market risk limits. The tools include position limits, sensitivity analysis (PVBP limits), stop loss limit, VaR, and stress testing. The Bank has adopted the Current Exposure Method prescribed by RBI for measuring the credit risk on derivative products. The bank computes market risk capital charge on trading portfolio consisting of derivatives / forex and investments in AFS & HFT portfolio capital requirements for market risk (under standardized duration approach).

These limits are monitored and reported by MRM through system reports and reported to management / HO/ regulator on an ongoing basis as per frequency prescribed in risk management framework.

Quantitative disclosures

- The capital requirements for market risk (under standardized duration approach) are:

(Amount in Rs. Millions)

Risk Category	**Amount**
i) Interest rate risk	1,276.51
ii) Foreign Exchange Risk (including Gold)	360.00
iii) Equity Risk	-
iv) Total capital charge for market risks under Standardised duration approach (i + ii + iii)	1,636.51

Table DF – 8: Operational risk

Qualitative disclosures

a) *General*

Operational risk (OR) is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

b) *Strategy and Processes*

The Bank manages this risk within a control-based environment in which processes are documented, authorization is independent and transactions are reconciled and monitored. The bank has in place appropriate policies and procedures to effectively control the operational risk arising on account of inadequate or failure of internal process.

c) *Scope and Nature of Risk reporting, monitoring and mitigation*

The Bank manages operational risk by identifying, assessing, monitoring, controlling and mitigating the risk, rectifying operational risk events, and implementing any additional procedures required for compliance with RBI requirements.

Assessments are undertaken of the operational risks facing businesses and the risks inherent in its processes, activities and products. A regular report on operational losses if any is made to the Bank's senior management through the Risk Management Committee.

The Bank conducts operational risk assessments in the annual Internal Capital Adequacy Assessment Process (ICAAP) to evaluate whether the operational risk capital is sufficient. These calculations are reviewed and approved by the India Executive Committee on an annual basis.

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 3 years is considered for computing the capital charge. The required capital is Rs. 1,338.10 mio.

Table DF – 9: Interest rate risk in the banking book

Qualitative Disclosures

Interest rate risk in non-trading portfolios arises principally from mismatches between the future yield on assets and their funding cost as a result of interest rate changes.

Asset Management (ALM) Committee

The Bank has ALM Committee to manage Assets and Liability. The purpose of ALM committee is to bring together information which is necessary for ALM and liquidity management in the presence of the executive members of ALCO, and to form policies on ALM and liquidity management as required from time to time, together with discussing other important matters on ALM and liquidity management.

Scope and nature of Risk reporting, measurement, monitoring and mitigation

The objective of measuring and monitoring of interest rate risk is to maximize the net interest income within the overall risk appetite of the Bank. Bank undertakes behavioral analysis of on/off- balance sheet items to bucket non-maturing asset and liability, availing of overdraft, optionality in term deposit etc. while preparing interest rate sensitivity statements. Bank also undertakes variance analysis to validate the assumption taken through behavioral analysis which is used for preparation of structural liquidity and Interest rate sensitivity reports.

IRRBB is measured and controlled using both

- Earning Perspective (Traditional Gap analysis) and
- Economic Value Perspective (duration gap analysis).

Earning Perspective measures the sensitivity of the net interest income to changes in interest rate over the next 12 months. It involves bucketing of rate sensitivity assets, liabilities and off-balance sheet items as per residual maturity/ re-pricing dates in various time buckets and computing change of income under 200 basis points upward and downward rate shocks over a period of one year. Economic value prospective calculates the change in present value of Bank's expected cash flow over 200 basis points upwards and downwards rate shocks. Bank also conducts stress test to determine resilience and countermeasures to be taken. The impact of Market Value of Equity due to adverse movement of interest rate is determined by using modified duration approach.

IRRBB is monitored as part of the Bank's Internal Capital Adequacy Assessment Process and capital maintained, if required, based on this assessment

The ALM committee monitors the overall monthly market risk, profit/ loss of the portfolio, evaluate the market risk & loss limit excesses, interest rate risk, conduct reviews, discussion and comment upon areas of market, liquidity risk and monitor the market condition, liquidity matters, evaluation of the economic environment and also to share information on customers' activities in treasury and credit areas.

Quantitative Disclosure

Earning Prospective

The impact on the bank's interest income due to the change in the interest Rate Risk is being monitored on a regular basis. Impact of 200 bps change upward/downwards in interest rate on Net Interest Income (NII) amounted to expected loss/gain of Rs. 262.32 mio approx. based on Asset Liability position of March 31, 2020 using Traditional Gap Analysis.

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Economic Value Prospective

The economic value reflects the aggregated effects of a change in market interest rates by discounting all future cash flows. A long-term impact of changes in interest rates is on bank's Market Value of Equity (MVE) or Net worth through changes in the economic value of its assets, liabilities and off-balance sheet positions. Impact of 200 bps change upward/downwards in interest rate on Market Value of equity amounted to expected loss/gain of Rs. 1,359.68 mio based on asset Liability position of March 31, 2020 using Modified Duration Gap Analysis.

Table DF – 10: General disclosure for exposures related to counterparty credit risk

Qualitative Disclosures

Counterparty credit risk (CCR) is the risk that a Bank's counterparty defaults in a FX, interest rate, commodity or credit derivative contract prior to or at the maturity date of the contract and that the Bank at the time has a claim on the counterparty.

Credit Limits

The counterparty credit risk limits for the banking counterparties are assessed and approved as per internal guidelines by Head Office based on proposal of treasury. The limit review is carried out annually or as and when required. The Market Risk Management, India (MRM), an independent unit, monitors and reports the limit utilizations to internal management / HO as per laid down guidelines.

The exposure on CCIL (Clearing Corporation of India Limited) and NSCCL (National securities clearing corporation Limited) on account of forex forward & SFT and Exchange traded currency futures / options respectively is assessed as per the RBI guidelines prescribed for Qualified Central Counterparty (QCCP).

The credit valuation adjustment (CVA) is an adjustment to the value of OTC derivative transaction contracts to reflect, within fair value, the possibility that the counterparty may default or migrate to a lower credit grade, and we may not receive the full market value of the transactions. The capital for counterparty risk exposure for derivatives transactions is assessed as per standardized approach prescribed by RBI.

Impact of credit rating downgrade

Credit ratings are formally reviewed at least annually and additionally reviewed whenever there is any major credit event / releases of regular earning statements of companies. Credit Risk Management monitors credit ratings of all counterparties on an on-going basis and Credit Analysis team initiates rating actions throughout the year based on changes in business conditions / specific credit events /changes in sector outlooks / views of external rating agencies.

Quantitative Disclosure

The derivatives exposure is calculated using Current Exposure Method. The balance outstanding as on 31st March, 2020 is given below:

(***Amount in Rs. Millions***)

Particulars	**31st March 2020**	
	Notional Amounts	**Current Exposure**
Foreign exchange contracts	1,070,514.75	36,094.22
Interest rate derivative contracts	734,436.90	20,505.23
Currency swaps	475,236.67	62,371.17
Currency Options	70,117.84	6,264.08
Total	**2,350,306.16**	**125,234.70**

Table DF – 11: Composition of Capital

Basel III common disclosure template as on 31st March 2020			
Common Equity Tier 1 capital : instruments and reserves			**Ref No**
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	22,073.36	A1
2	Retained earnings	19,629.82	A5
3	Accumulated other comprehensive income (and other reserves)	10,832.44	A2+A3+A4
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies[1])		
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**	52,535.62	A1+A2+A3+ A4+A5
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)	27.03	
10	Deferred tax assets[2]	1.77	
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)[3]		

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Basel III common disclosure template as on 31st March 2020			
Common Equity Tier 1 capital : instruments and reserves			**Ref No**
20	Mortgage servicing rights[4](amount above 10% threshold)		
21	Deferred tax assets arising from temporary differences[5](amount above 10% threshold, net of related tax liability)		
22	Amount exceeding the 15% threshold[6]		
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[7](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[8]		
26c	of which : Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank[9]		
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**	28.80	
29	**Common Equity Tier 1 capital (CET1)**	52,506.82	
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)[10]		
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)**	52,506.82	
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[11]	2,643.47	C1+C2+C3+ C4+C5+C6
51	**Tier 2 capital before regulatory adjustments**	2,643.47	
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 investments[12] 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		

BASEL-III

Basel III common disclosure template as on 31st March 2020			
Common Equity Tier 1 capital : instruments and reserves			**Ref No**
57	**Total regulatory adjustments to Tier 2 capital**		
58	**Tier 2 capital (T2)**	2,643.47	
59	**Total capital (TC = T1 + T2) (45 + 58)**	55,150.29	
60	**Total risk weighted assets (60a + 60b + 60c)**	280,233.81	
60a	of which : total credit risk weighted assets	243,051.15	
60b	of which : total market risk weighted assets	20,456.37	
60c	of which : total operational risk weighted assets	16,726.29	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	18.74%	
62	Tier 1 (as a percentage of risk weighted assets)	18.74%	
63	Total capital (as a percentage of risk weighted assets)	19.68%	
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)		
65	of which : capital conservation buffer requirement		
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)	8.875%	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	10.375%	
71	National total capital minimum ratio (if different from Basel III minimum)	12.375%	
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)	2,643.47	C1+C2+C3+ C4+C5+C6
77	Cap on inclusion of provisions in Tier 2 under standardised approach	3,502.92	
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)		

Notes to the template

Row no. of the template	**Particular**		**(*Amount in Rs. Millions*)**
10	Deferred tax assets associated with accumulated losses		1.77
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability		
	Total as indicated in row 10		1.77
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		2,643.47
	Eligible Revaluation Reserves included in Tier 2 capital		
	Total of row 50		2,643.47

BASEL-III

Table DF – 12: Composition of Capital – Reconciliation Requirements

Step 1:

As there is no difference between regulatory scope of consolidation and accounting scope of consolidation, the bank is not required to disclose the reported balance sheet under the regulatory scope of consolidation.

Step 2:

(*Amount in Rs. Millions*)

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Reference no.
		As on 31 March 20	As on 31 March 20	
A	**Capital & Liabilities**			
i	Paid-up Capital *of which:* Amount eligible for CET1 *of which:* Amount eligible for AT1	**22,073.36** 22,073.36 –	**22,073.36** 22,073.36 –	A1
	Reserves & Surplus	**34,522.54**	**34,522.54**	
	Statutory Reserves	8,930.03	8,930.03	A2
	Revenue Reserves	1,894.87	1,894.87	A3
	Capital Reserves	7.54	7.54	A4
	Investment Reserve Account	35.62	35.62	C5
	Investment Fluctuation Reserve	1,542.01	1,542.01	C6
	Retained Earnings	19,629.82	19,629.82	A5
	Balance in Profit & Loss Account	2,482.65	2,482.65	
	Minority Interest	-	-	
	Total Capital+ Reserves	**56,595.90**	**56,595.90**	
ii	Deposits	**195,850.03**	**195,850.03**	
	of which: Deposits from banks	5,616.64	5,616.64	
	of which: Customer deposits	190,233.39	190,233.39	
	of which: Other deposits (pl. specify)	-	-	
iii	Borrowings	**59,949.26**	**59,949.26**	
	of which: From RBI	7,500.00	7,500.00	
	of which: From banks	4,000.00	4,000.00	
	of which: From other institutions & agencies	3,493.58	3,493.58	
	of which: Others (Banks outside India)	44,955.68	44,955.68	
	of which: Capital instruments	-	-	
iv	Other liabilities & provisions	**61,851.64**	**61,851.64**	
	Of which			
	Provision for Standard Assets(Loans)	530.04	530.04	C1
	Provision for Standard Assets(Derivative MTM)	227.52	227.52	C2
	Provision for Country Risk	93.81	93.81	C3
	Provision for Unhedged Foreign Currency Exposure	214.47	214.47	C4
	Provision on Stress Sector Advances	16.75	16.75	
	Incremental exposure beyond NPLL	27.46	27.46	
	Specific Provision	112.18	112.18	
	Provision on NPA	-	-	
	Provision for Tax(including income tax and wealth tax)	3,422.90	3,422.90	
	Total Liabilities	**374,246.83**	**374,246.83**	
B	**Assets**			
i	Cash and balances with Reserve Bank of India	**17,172.25**	**17,172.25**	
	Balance with banks and money at call and short notice	**35,933.35**	**35,933.35**	
ii	Investments	**119,601.36**	**119,601.36**	
	of which: Government securities	118,994.97	118,994.97	
	of which: Other approved securities	-	-	
	of which: Shares	-	-	
	of which: Debentures & Bonds	-	-	
	of which: Subsidiaries / Joint Ventures / Associates	-	-	
	of which: Others (PTC& NCD)	606.39	606.39	
iii	Loans and advances	**132,510.77**	**132,510.77**	
	of which: Loans and advances to banks	12,250.36	12,250.36	
	of which: Loans and advances to customers	120,260.41	120,260.41	
iv	Fixed assets	**329.57**	**329.57**	
v	Other assets	**68,699.53**	**68,699.53**	
	Of which			
	Goodwill and intangible assets	27.03	27.03	
	Deferred tax assets	844.25	844.25	
vi	Goodwill on consolidation	-	-	
vii	Debit balance in Profit & Loss account	-	-	
	Total Assets	**374,246.83**	**374,246.83**	

BASEL-III

Table DF-13: Main Features of Regulatory Capital Instruments

The Bank has not issued any Regulatory Capital Instruments during the period. Regulatory capital increases for the Bank generally take place via capital infusion from our Head Office, increase in statutory/ regulatory reserves and/or retention of Remittable Surplus for CRAR requirements.

Table DF-14: Full Terms and Conditions of Regulatory Capital Instruments

There were no regulatory capital instruments issued by the Bank during the period.

Table DF-15: Disclosures 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 "Compensation of Whole Time director/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 Regional Executive, is in conformity with Financial Stability Board principles and standards.

Table DF-16: Equities Disclosures for Banking Book Positions

The Bank does not have any equity under the Banking Book.

Table DF-17: Summary of comparison of accounting assets and leverage ratio exposure

	Item	(*Amount in Rs. Millions*)
1	Total consolidated assets as per published financial statements	374,246.83
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0.00
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0.00
4	Adjustments for derivative financial instruments	82,371.14
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	4,496.56
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	26,572.93
7	Other adjustments	(28.80)
8	Leverage ratio exposure	487,658.66

Table DF-18: Leverage ratio disclosure

	Item	(*Amount in Rs. Millions*)
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	329,848.53
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(28.80)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	329,819.73
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	44,398.30
5	Add-on amounts for PFE associated with all derivatives transactions	82,371.14
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0.00
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0.00
8	(Exempted CCP leg of client-cleared trade exposures)	0.00
9	Adjusted effective notional amount of written credit derivatives	0.00
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0.00
11	Total derivative exposures (sum of lines 4 to 10)	126,769.44
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	4,496.56
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0.00
14	CCR exposure for SFT assets	0.00
15	Agent transaction exposures	0.00
16	Total securities financing transaction exposures (sum of lines 12 to 15)	4,496.56
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	46,643.50
18	(Adjustments for conversion to credit equivalent amounts)	(20,070.57)
19	Off-balance sheet items (sum of lines 17 and 18)	26,572.93
Capital and total exposures		
20	Tier 1 capital	52,506.82
21	Total exposures (sum of lines 3, 11, 16 and 19)	487,658.66
Leverage ratio		
22	Basel III Leverage ratio	10.77%

WOORI BANK

(Foreign Bank incorporated in Republic of Korea)

INDIAN OPERATIONS

INDEPENDENT AUDITORS' REPORT

To the Chief Executive Officer of
WOORI BANK – India branches

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of **WOORI BANK – 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 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') 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 rule 7 of the Companies (Accounts) Rules, 2014 (as amended), of the state of affairs of the Bank as at 31 March 2020, 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.

Information other than the financial statements and auditor's report thereon

The Bank's Management is responsible for the other information. The other information obtained at the date of this auditor's report is included information included in the Basel III Pillar 3 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, 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.

Responsibilities of management and those charged with governance 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 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 read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and 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 are 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 in 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 statement 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 a 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 (Rules), 2014 (as amended).

1. 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) The financial accounting systems of the Bank are centralized and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches, further 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.

2. Further, As required by Section 143(3) of the Act, based on our Audit, we report, to the extent applicable 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 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, read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended), to the extent they are not inconsistent with the accounting policies prescribed by RBI;

(e) the requirement of Section 164(2) of the Act are not applicable considering it is a Branch of Woori Bank , which is incorporated in South Korea.

(f) 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'**; to this report and

3. 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 litigation which would impact its financial positions.

ii. The Bank did not have any long-term contract including derivatives contract for which there were any material foreseeable losses.

iii. There were no amount which were required to be transferred to the investor education and protection fund by the bank.

4. With respect to the matter to be included in the Auditors' Report under Section 197(16):

The requirement of the section 197 of the act are not applicable considering the bank is a branch of Woori Bank, which is incorporated in South Korea.

For **V.C. Shah & Co.**
Chartered Accountants
Firm Registration No. 109818W

Viral J. Shah
Partner
Membership No.110120
UDIN No: 20110120AAAAEV1256

Place: Mumbai
Date: 29th June 2020

WOORI BANK

(Foreign Bank incorporated in Republic of Korea)

INDIAN OPERATIONS

Annexure A to the Independent Auditors' Report of even date on the financial statements of WOORI BANK – India branches

(Referred to in paragraph 2(f) under Report on other legal and regulatory requirements section of our report to the Chief Executive Officer of WOORI BANK – India branches of even date)

Independent Auditor's 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 WOORI BANK-India branches (the Bank) as at 31 March 2020 in conjunction with are audit of the financial statement of the financial statements of the bank for the year ended on the 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 Group 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 the respective company'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 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 issued by the ICAI 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 were 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 Group'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 the financial statements for external purposes in accordance with generally accepted accounting principles. A company'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 company; (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 company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company'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, 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 V.C. Shah & Co.
Chartered Accountants
Firm Registration No. 109818W

Viral J. Shah
Partner
Membership No.110120
UDIN No: 20110120AAAAEV1256

Place: Mumbai
Date: 29th June 2020

WOORI BANK

(Foreign Bank incorporated in Republic of Korea)

INDIAN OPERATIONS

BALANCE SHEET AS ON 31ST MARCH 2020

(Rs. in Thousands)

Particulars	Schedule	As on 31st March, 2020	As on 31st March, 2019
CAPITAL & LIABILITIES			
Capital	1	6,963,261	4,153,261
Reserves & Surplus	2	1,287,122	819,795
Deposits	3	35,113,838	26,842,556
Borrowings	4	3,191,896	454,569
Other Liabilities and Provisions	5	689,411	692,887
TOTAL		**47,245,528**	**32,963,068**
ASSETS			
Cash and Balances with Reserve Bank of India	6	1,241,933	1,138,869
Balances with Banks and Money at Call and Short Notice	7	11,124,054	5,331,716
Investments	8	12,048,713	7,403,523
Advances	9	21,338,741	18,406,709
Fixed Assets	10	70,492	100,873
Other Assets	11	1,421,595	581,378
TOTAL		**47,245,528**	**32,963,068**
Contingent Liabilities	12	14,573,256	3,945,494
Significant Accounting Policies Notes on Accounts	17 & 18		

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

As per our attached Report of even date.

For V.C. Shah & Co.
Chartered Accountants
Firm Registration No. 109818W

Viral J. Shah
Partner
Membership No.110120

Place : Mumbai
Dated : 29th June 2020

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

(Rs. in Thousands)

Particulars	Schedule	For the year ended 31st March, 2020	For the year ended 31st March, 2019
I. INCOME			
Interest earned	13	2,694,730	2,154,638
Other income	14	310,440	168,778
TOTAL		**3,005,170**	**2,323,416**
II. EXPENDITURE			
Interest expended	15	1,628,035	1,506,010
Operating expenses	16	530,610	460,541
Provisions and Contingencies	16A	379,198	236,844
TOTAL		**2,537,843**	**2,203,395**
III. PROFIT/LOSS			
Net profit / loss (-) for the year		467,327	120,021
Profit/Loss brought forward		614,295	524,374
TOTAL		**1,081,622**	**644,395**
IV. APPROPRIATIONS/ TRANSFERS			
Transfer to Statutory Reserves		116,900	30,100
Transfer to Investment Flucuation Reserve		120,000	-
Balance carried over to Balance Sheet		844,722	614,295
TOTAL		**1,081,622**	**644,395**
Significant Accounting Policies Notes on Accounts	17 & 18		

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

As per our report of even date attached

For **Woori Bank**

Dae Jin Lee
Chief Executive Officer-Indian Operations

Place : Mumbai
Dated : 29th June 2020

WOORI BANK

(Foreign Bank incorporated in Republic of Korea)

INDIAN OPERATIONS

STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31ST MARCH 2020

(Rs. in Thousands)

	Particulars	Year ended 31st March, 2020	Year ended 31st March, 2019
I)	**Cash flow from operating activities**		
	Net profit after Tax	**467,327**	**120,021**
	Adjustments for:		
	Depreciation and amortisation	32,245	33,143
	Provision for standard advances	11,736	7,715
	Provision for non performing advances	-	128,866
	Provision for unhedged foreign currency exposure	1,817	5,360
	Loss/(Profit) on sale of fixed assets	(226)	-
	Provision for deferred tax	45,997	(65,577)
	Short/(Excess) provision of direct taxes - earlier years	-	-
		558,895	**229,528**
	Adjustment For:		
	Increase/(Decrease) in Capital	-	-
	Increase/(Decrease) in Deposits	8,271,282	6,297,538
	Increase/(Decrease) in Borrowings	2,737,327	454,569
	(Increase)/Decrease in Advances	(2,943,767)	(2,065,418)
	(Increase)/Decrease in Investments	(4,645,189)	(3,155,390)
	(Increase)/decrease in Other assets	(85,569)	75,030
	(Increase)/decrease in Interest accrued on assets	(426,041)	14,315
	Increase/(decrease) in Other liabilities and provisions	53,465	472,404
	Increase/(decrease) in Interest accrued on liabilities	(58,758)	(210,645)
		3,461,645	**2,111,932**
	Refund/(payment) of direct taxes	(374,604)	(162,600)
	Net cash flow from/(used in) operating activities	**3,087,041**	**1,949,332**
II)	**Cash flow from investing activities**		
	Purchase of fixed assets	(1,987)	(3,209)
	Capital Work in Progress	-	-
	Proceeds from sale of fixed assets	350	-
	Net cash used in investing activities	**(1,637)**	**(3,209)**
III)	**Cash flow from financing activities**		
	Remittances from Head Office	2,810,000	-
	Remittances from Liaison Office	-	-
	Net cash generated from financing activities	**2,810,000**	**-**
	Net increase/(decrease) in cash and cash equivalents	5,895,404	1,946,123
	Cash and cash equivalents at beginning of the period (Cash/balances with RBI/other banks/Call and short notice)	6,470,584	4,524,461
	Cash and cash equivalents at end of the period (Cash/balances with RBI/other banks/Call and short notice)	12,365,988	6,470,584

As per our attached report of even date

For **V.C. Shah & Co.**
Chartered Accountants
Firm Registration No. 109818W

Viral J. Shah
Partner
Membership No.110120

Place : Mumbai
Dated : 29th June 2020

For **Woori Bank**

Dae Jin Lee
Chief Executive Officer- Indian Operations

Place : Mumbai
Dated : 29th June 2020

WOORI BANK

(Foreign Bank incorporated in Republic of Korea)

INDIAN OPERATIONS

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH 2020

(Rs. in Thousands)

Particulars	As on 31st March, 2020	As on 31st March, 2019
SCHEDULE 1 - CAPITAL		
Capital		
At the beginning of the year	4,153,261	4,153,261
Additions during the year	2,810,000	-
TOTAL	**6,963,261**	**4,153,261**
SCHEDULE 2 - RESERVES & SURPLUS		
I. Statutory Reserves		
Opening Balance	205,500	175,400
Additions during the year	116,900	30,100
Deductions during the year	-	-
TOTAL	**322,400**	**205,500**
II. Investment Flucuation Reserve		
Opening Balance	-	-
Additions during the year	120,000	-
Deductions during the year	-	-
TOTAL	**120,000**	**-**
III. Balance in Profit and Loss Account	844,722	614,295
TOTAL	**1,287,122**	**819,795**
SCHEDULE 3 - DEPOSITS		
A.I. Demand Deposits		
(i) From Banks	10	10
(ii) From Others	5,643,299	1,600,602
A.II. Savings Bank Deposits	426,757	393,879
A.III. Term Deposits		
(i) From Banks	1,409,900	2,445,000
(ii) From Others	27,633,872	22,403,065
TOTAL	**35,113,838**	**26,842,556**
B.I. Deposits of branches in India	35,113,838	26,842,556
B.II. Deposits of branches outside India	-	-
TOTAL	**35,113,838**	**26,842,556**
SCHEDULE 4 - BORROWINGS		
A. Borrowings in India	-	-
I. Reserve Bank of India	-	-
II. Other banks	-	-
III. Other Institutions and Agencies	-	-
B. Borrowings outside India	3,191,896	454,569
TOTAL	**3,191,896**	**454,569**
Secured Borrowings included in A & B above	-	-

(Rs. in Thousands)

Particulars	As on 31st March, 2020	As on 31st March, 2019
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	-	-
II. Inter office adjustments (net)	-	-
III. Interest accrued	352,486	293,728
IV. Others (including Provisions)*	336,925	399,158
* Includes provision against Standard Advances / Derivative exposure - Rs.85,362/- (Previous Year - 73,627/-)		
TOTAL	**689,411**	**692,887**
SCHEDULE 6 - CASH AND BALANCES WITH RBI		
I. Cash in Hand (including Foreign Currency Notes)	22,009	10,887
II. Balances with Reserve Bank of India in Current Account	1,219,924	1,127,982
TOTAL	**1,241,933**	**1,138,869**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
(i) Balance with banks in		
(a) Current Accounts	10,852	9,157
(b) Other Deposit Accounts	2,000	2,000
(ii) Money at call and short notice		
(a) With banks	-	3,750,000
(b) With other Institutions	-	-
(iii) Lending Under Reverse Repo (RBI)	10,750,000	1,150,000
TOTAL	**10,762,852**	**4,911,157**
II. Outside India		
(i) in Current Accounts	361,202	420,558
(ii) in Other Deposit Accounts	-	-
(iii) in Money at Call and Short Notice	-	-
TOTAL	**361,202**	**420,558**
GRAND TOTAL	**11,124,054**	**5,331,716**

WOORI BANK

(Foreign Bank incorporated in Republic of Korea)

INDIAN OPERATIONS

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH 2020

(Rs. in Thousands)

Particulars	As on 31st March, 2020	As on 31st March 2019
SCHEDULE 8 - INVESTMENTS		
I. Investments in India - in		
(i) Government securities	11,673,280	6,761,691
(ii) Other approved securities	-	-
(iii) Shares	-	-
(iv) Debentures and bonds	-	-
(v) Subsidiaries and for Joint Ventures	-	-
(vi) Others	375,433	641,832
TOTAL	**12,048,713**	**7,403,523**
Less : Provision for depreciation	-	-
TOTAL	**12,048,713**	**7,403,523**
II. Investments outside India	-	-
TOTAL	-	-
GRAND TOTAL (I & II)	**12,048,713**	**7,403,523**
SCHEDULE 9 - ADVANCES (Net of provisions)		
A. (i) Bills Purchased and Discounted	9,468,537	12,782,220
(ii) Cash credits, Overdrafts and Loans repayable on Demand	3,515,300	2,096,859
(iii) Term loans	8,354,904	3,527,631
TOTAL	**21,338,741**	**18,406,709**
B. (i) Secured by tangible assets (including advances against Book Debts)	7,420,007	2,919,859
(ii) Covered by Bank/ Government Guarantees (including advance to Banks)	1,941,470	1,178,953
(iii) Unsecured	11,977,264	14,307,897
TOTAL	**21,338,741**	**18,406,709**
C. (i) Advances in India		
(a) Priority Sector	8,627,426	3,153,602
(b) Public Sector	-	-
(c) Banks	7,795,611	12,439,273
(d) Others	4,915,704	2,813,834
TOTAL	**21,338,741**	**18,406,709**
(ii) Advances outside India	-	-
GRAND TOTAL (Ci & Cii)	**21,338,741**	**18,406,709**

(Rs. in Thousands)

Particulars	As on 31st March, 2020	As on 31st March 2019
SCHEDULE 10 - FIXED ASSETS		
I. Premises		
At cost at beginning of year	-	-
Additions during the year	-	-
Deductions during the year	-	-
Depreciation to date	-	-
TOTAL	-	-
II. Other Fixed Assets (including Furniture and Fixtures)		
At cost at beginning of year	222,130	218,921
Additions during the year (Net)	1,987	3,209
Deductions during the year	124	-
Depreciation (Net)	153,501	121,257
TOTAL	**70,492**	**100,873**
TOTAL (I & II)	**70,492**	**100,873**
SCHEDULE 11 - OTHER ASSETS		
I. Inter Office Adjustments (net)	-	-
II. Interest accrued	769,389	343,348
III. Tax paid in advance / tax deducted at source (net of provisions)	153,465	96,724
IV. Others	498,741	141,307
TOTAL	**1,421,595**	**581,379**
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	7,990,727	-
IV. Guarantees given on behalf of constituents	-	-
A. In India	6,582,529	3,714,238
B. Outside India	-	-
V. Acceptances, Endorsements and Other Obligations	-	231,256
VI. Other items for which the Bank is contingently liable	-	-
TOTAL	**14,573,256**	**3,945,494**

WOORI BANK

(Foreign Bank incorporated in Republic of Korea)

INDIAN OPERATIONS

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2020

(Rs. in Thousands)

Particulars	As on 31st March, 2020	As on 31st March, 2019
SCHEDULE 13 - INTEREST EARNED		
I. Interest/Discount on Advances/Bills	1,795,572	1,451,958
II. Income on Investments	633,359	419,311
III. Interest on Balances with RBI and other Inter Bank Funds	265,411	283,239
IV. Others	387	130
TOTAL	**2,694,730**	**2,154,638**
SCHEDULE 14 - OTHER INCOME		
I. Commission, Exchange and Brokerage	169,030	59,273
II. Profit / (Loss) on sale of Investments	12,522	-
III. Profit / (Loss) on Revaulation of Investments	-	-
IV. Profit/(loss) on sale of land, building & other Assets	226	-
V. Profit/(loss) on exchange transactions	128,517	109,273
VI. Miscellaneous Income	145	232
TOTAL	**310,440**	**168,778**
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on Deposits	1,595,162	1,498,336
II. Interest on Reserve Bank of India/inter-bank borrowings	25,119	6,501
III. Others	7,754	1,174
TOTAL	**1,628,035**	**1,506,010**

(Rs. in Thousands)

Particulars	As on 31st March, 2020	As on 31st March, 2019
SCHEDULE 16 - OPERATING EXPENDITURE		
I. Payments to and Provisions for Employees	248,870	202,231
II. Rent, Taxes and Lighting	106,956	110,258
III. Printing and Stationery	3,638	3,295
IV. Advertisement and Publicity	8,917	6,938
V. Depreciation on Bank's Property	32,245	33,143
VI. Auditors' Fee and expenses	750	572
VII. Law charges	4,353	3,859
VIII. Postages, Telegrams, Telephones, etc.	10,660	10,264
IX. Repairs and maintenance	8,309	4,953
X. Insurance	31,845	25,142
XI. Other expenditure	74,068	59,886
TOTAL	**530,610**	**460,541**
SCHEDULE 16A - PROVISIONS & CONTINGENCIES		
I. Provision for Non-Performing Advances	-	128,866
II. Provision for depreciation on Investments	-	-
III. Provision for Income Tax	319,648	160,480
IV. Provision for Deferred Tax	45,997	(65,577)
V. Provision on Standard Advances	11,736	7,715
VI. Provision for Unhedged Foreign Currency exposure	1,817	5,360
TOTAL	**379,198**	**236,843**

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 17 - SIGNIFICNT ACCOUNTING POLICIES FOR THE YEAR 2019-20

1. **BACKGROUND:**

The accompanying financial statements for the year ended 31st March 2020 comprise Balance Sheet as at 31st March 2020, Profit and Loss Account and Cash Flow Statement for the year then ended of the Indian Branches of Woori Bank ('the Bank'), which is incorporated in Republic of Korea. The India branches of the Bank as at 31st March 2020 are located at Mumbai, Chennai and Gurgaon.

2. **BASIS OF PREPARATION:**

The financial statements have been prepared in accordance with requirements prescribed under Section 29 and 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 together with paragraph 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016 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. The accounting policies have been consistently applied except for the changes in accounting policies disclosed in these financial statements.

The novel coronavirus (COVID-19) pandemic continues to spread rapidly across the globe including India. On 11th March, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. COVID-19 has taken its toll on not just human life, but business and financial markets too, 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 24th March 2020, the Indian government announced a strict 21- day lockdown which was further extended couple of times across the country to contain the spread of virus. There is a high level of uncertainty about the duration of the lockdown and the time required for life and business to get normal. The extent to which COVID-19 pandemic will impact the Banks operations and financial results is dependent on the future developments, which are highly uncertain, including among many the other things, and 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.

WOORI BANK

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INDIAN OPERATIONS

3. USE OF ESTIMATES

The preparation of financial statements, in conformity with GAAP, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amount of assets, liabilities, income and expenses and disclosure of contingent liabilities on the date of the financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognized prospectively in current and future periods.

4. TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS & BALANCES:

a) All monetary assets and liabilities, guarantees, acceptances, endorsements and other obligations are translated in Indian Rupee equivalent at the closing base rates prevailing at the end of the year and the resultant exchange differences are recognised in the Profit and Loss Account.

b) Non-monetary items other than fixed assets are translated at exchange rate prevailing on the date of transaction.

c) Income and expenditure items are accounted for at the exchange rate prevailing on the date of transaction. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the Profit and Loss Account.

d) Contingent liabilities on account of foreign exchange contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at the closing rates.

5. INVESTMENTS:

Classification:

5.1 Investments have been categorized into "Held to Maturity", "Available for Sale" and "Held for Trading" in terms of RBI guidelines.

5.2 Securities acquired by the Bank with an intention to hold till maturity is classified under "Held to Maturity".

5.3 The Securities that are held principally for resale within 90 days from the date of purchase are classified as "Held for Trading".

5.4 The securities, which do not fall within the above two categories, are classified under "Available for Sale".

5.5 Shifting/transfer of securities from one category to another is carried out in conformity with the regulatory guidelines.

DISPOSAL OF INVESTMENTS

- **Investments classified as HFT of AFS**- Profit or loss on sale or redemption is recognized in the Profit and Loss Account.
- **Investments classified as HTM**- Profit on sale or redemption of investments is recognized in the Profit and Loss account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserves. Loss on sale or redemption is recognized in the Profit and Loss Account.

ACQUISITION COST:

5.6 In determining acquisition cost of an investment

a. Brokerage/commission received on subscription is deducted from the cost of securities.

b. Brokerage, commission etc. paid in connection with acquisition of securities are treated as revenue expenses.

c. Interest accrued up to the date of acquisition of securities i.e. broken – period interest is excluded from the acquisition cost and the same is accounted in interest accrued but not due account.

VALUATION:

5.7 Investments are valued as per RBI/ FIMMDA guidelines**,** on the following basis:

Held to Maturity

i) Investments under "Held to Maturity" category are carried at acquisition cost. In case the acquisition cost is higher than the face value, the excess is amortized over the remaining period to maturity.

Available for Sale and Held for Trading

a)	**Govt. Securities** I. Central Govt. Securities II. State Govt. Securities	At market prices/YTM as published by Fixed Income Money Market And Derivatives Association of India (FIMMDA) On appropriate yield to maturity basis as per FIMMDA/RBI guidelines.
b)	Securities guaranteed by Central/State Government, PSU Bonds (not in the nature of advances)	On appropriate yield to maturity basis as per FIMMDA/RBI guidelines
c)	Treasury Bills	At carrying cost
d)	Other Investments	At carrying cost less diminution in value

The above valuation in category of Available for Sale and Held for Trading are done scrip wise and depreciation/appreciation is aggregated for each classification. Net depreciation for each classification if any is provided for while net appreciation is ignored.

5.8 Investments are subject to appropriate provisioning/ de-recognition of income, in line with the prudential norms of Reserve Bank of India for NPI classification. The depreciation/provision in respect of non-performing securities is not set off against the appreciation in respect of the other performing securities.

5.9 Profit or loss on sale of investments in any category is taken to Profit and Loss account but, in case of profit on sale of investments in "Held to Maturity" category, an equivalent amount is appropriated to "Capital Reserve Account".

5.10 Securities repurchased/resold under buy back arrangement are accounted for at original cost.

WOORI BANK

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INDIAN OPERATIONS

6. **ADVANCES : ACCOUNTING, CLASSIFICATION AND PROVISION:**

6.1 Advances are classified as performing and non-performing assets and provisions are made in accordance with prudential norms prescribed by RBI.

6.2 Advances are stated net of provisions in respect of non-performing assets.

6.3 The provision made for Standard Advances (Performing) in respect of RBI guidelines is included under "Other liabilities and provisions". Provision for NPAs comprising sub-standard, doubtful and loss assets is also made in accordance with the RBI guidelines. Any recoveries made by the Bank in case of NPAs written off are recognized in the Profit and Loss Account.

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated 27th March, 2020 and 17th April, 2020 and clarification issued by RBI through Indian Bankers Association dated 6th May, 2020, the Bank is granting a moratorium on the payment of installments and/or interest, as applicable, falling due between 1st March, 2020 and 31st May, 2020 to eligible borrowers classified as Standard, even if overdue, as on 29th February, 2020. In accordance with RBI guidelines, the moratorium period, wherever granted, is excluded by the Bank from the number of days past-due for the purpose of asset classification under RBI's Income Recognition and Asset Classification norms. In accordance with the said guidelines, such accounts where moratorium has been granted will not be considered as restructured.

In accordance with the RBI guidelines the Bank has provided general provision on standard assets including credit exposures computed as per the current marked to market values of foreign exchange derivatives contract and the same is shown under "Other Liabilities and Provisions".

7. **FIXED ASSETS AND DEPRECIATION:**

Fixed assets are stated at historical cost less accumulated depreciation. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefits/functioning capability from/ or such assets. Depreciation on assets are provided on straight-line method based on estimated life of the asset. The rates of depreciation on assets are given below:

Block of Asset	Estimated useful life of the Assets
Improvements to leasehold premises	5 years
Computers and accessories	3 years
Furniture & Fixture	5 years
Motor Vehicle	5 years
Office & Electrical Equipment	5 years
Strong Room Equipments	5 years

Depreciation for assets purchased/sold during the year is being provided on pro rata basis by the Bank. The useful life of assets is based on historical experience of the Bank, which may be different from the useful life as prescribed in Schedule II to the Companies Act, 2013.

8. **INTANGIBLE ASSETS (COMPUTER SOFTWARE):**

i) Software for a computer that cannot operate without that specific software is an integral part of related hardware and is treated as fixed assets. Where the software is not an integral part of the related hardware, computer software is recognised as an Intangible Asset.

ii) Cost of Computer software acquired are depreciated/amortised on straight line method over a period of 3 years.

9. **EMPLOYEE BENEFITS:**

• GRATUITY:

In terms of Revised Accounting Standard 15 (AS 15), the provision is made towards Gratuity based on actuarial valuation done by an Independent Actuary as at the year end, using the Project Unit Credit Method

• 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.

• COMPENSATED ABSENCES:

Accumulating compensated absences i.e. Privilege Leave (PL) is paid and expensed on a yearly basis, based on the internal calculations of the Bank.

10. **REVENUE RECOGNITION:**

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Income and expenditure are accounted for on accrual basis other than those stated below:

10.1 Upon the asset becoming NPA the interest accrued gets reversed, and is recognized only on realization, as per the RBI guidelines.

10.2 Commission (excluding on Government Business), interest on overdue bills, exchange, locker rent, income from merchant banking transactions and dividend income are accounted for on realization and insurance claims are accounted for on settlement.

10.3 Fees received on sale of Priority Sector Lending Certificates is considered as Miscellaneous Income, while fees paid for purchase is recognized as expense under other expenses in accordance with the guidelines issued by RBI.

11. LEASE TRANSACTIONS :

Leases where all the risk and rewards of ownership are retained by the Lessor are classified as Operating Leases. The Bank has entered into Operating Leases for office premises and staff accommodation. Rent paid for such leases are debited to the Profit and Loss Account. Initial indirect costs in respect of operating leases such as legal cost, brokerage costs etc. are immediately recognise as expense in Profit and Loss Account.

Certain leases are cancellable on providing notice period of 1 to 6 months and may be renewed for further period from 1 year to 3 years based on mutual agreement between both the parties.

12. TAXATION :

Provision is made for both current tax and deferred tax. Current tax is provided on the taxable income using applicable tax rate and tax laws. Incompliance with Accounting Standard 22 'Accounting for Taxes on Income' issued by the ICAI, deferred Tax Assets and Liabilities arising on account of timing differences and which are capable of reversal in subsequent periods are recognised using the tax rates and the tax laws that have been enacted or substantively enacted till the date of the Balance Sheet. Deferred Tax assets are not recognised unless there is 'virtual certainty' that sufficient future taxable income will be available against which such deferred tax assets will be realised.

13. CASH AND CASH EQUIVALENTS :

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

14. IMPAIRMENT OF ASSETS :

Impairment loss, if any, is recognised in accordance with the accounting standard issued in this regard by ICAI and impairment loss on any revalued asset is treated as a revaluation decrease.

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset's recoverable amount is the higher of an asset's net selling price and its value in use. If such assets are considered to be impaired, the impairment is recognized by debiting the profit and loss account and is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets.

15. CONTINGENT LIABILITIES & PROVISIONS AND CONTINGENT ASSETS :

The Bank estimates the probability of any loss that might be incurred on outcome of contingencies on the basis of information available up to the date on which the financial statements are prepared. A provision is recognised if a present obligation arises 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 determined based on management estimates of amounts required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management 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 in the financial statements. In case of remote possibility neither provision nor disclosure is made in the financial statements.

Contingent Assets are not recognised in the financial statements as this may result in the recognition of income that never be realised.

16. DERIVAITVE TRANSACTIONS :

Notional amounts of derivative transactions comprising of forwards are disclosed as off Balance Sheet exposures. These are done on back to back basis. The Bank recognizes all derivatives contracts at fair value, as per the guidelines prescribed by RBI. Derivatives are classified as assets when the fair value is positive (positive marked to market) or as liabilities when the fair is negative (negative marked to market). Changes in the fair value of derivatives are recognized in the Profit and Loss Account.

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1. Capital

(Rs. in Thousands)

	Particulars	As on 31st March 2020	As on 31st March 2019
I.	Remittances from Head Office *	6,922,524	4,112,524
II.	Remittance from Chennai Liaison Office	25,326	25,326
III.	Amount paid by Chennai Liaison Office **	267	267
IV.	Fixed Assets transferred from Chennai Liaison Office	144	144
V.	Other Assets transferred from Chennai Liaison Office	14,999	14,999
	Total	6,963,260	4,153,260

* Includes start-up capital as per RBI prescription in respect of Chennai Offices of USD 25,000 (in '000) equivalent to Rs 4,153,260 (in '000) Infusion of additional capital (Tier-I Capital) USD 40,551.90 (in '000) equivalent to Rs.2,810,000 (in '000) in F.Y. 2019-20.

** Includes Rs.16 /- received towards closure of Bank account with Shinhan Bank on 18-Jun-2013. No interest is payable on these funds.

2. Deposits with RBI

Amount of Deposits kept with RBI in the form of unencumbered approved Securities as on 31st March 2020 under Section 11 (2) (b) of the Banking Regulation Act, 1949 is purchase value of Treasury Bills of Rs.17,75,47,520/- (Rupees Seventeen Crores Seventy Five Lacs Forty Seven Thousand Five Hundred and Twenty Only) - Face Value of Rs.18,88,00,000/- (Rupees Eighteen Crores Eighty Eight Lacs Only).

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3. Adequate provision has been made in respect of performing advances in terms of RBI guidelines.

4. Reconciliation of outstanding entries in Suspense account, clearing adjustments, Bank Reconciliation and Inter-Office account are done on an on-going basis.

5. The following additional disclosures have been made taking into account the requirements of Accounting Standards (AS) and Reserve Bank of India (RBI) guidelines in this regard:

6. ***Capital Adequacy Ratio***

Capital adequacy ratio or Capital to risk weighted assets ratio (CRAR) – The bank is to comply with minimum capital adequacy requirements at 10.875% on the risk weighted assets. As per the extant guidelines of RBI, Bank has adopted Standardized Approach for Credit Risk, Standardized Duration Approach for Market Risk and Basic Indicator Approach for Operational Risk towards compounding Capital Adequacy Ratio (As per Basel III Norms) as assessed by the Bank:

(Rs. in Thousands)

Particulars	**As on 31st March 2020**	**As on 31st March 2019**
CRAR (%)	33.16%	31.95%
CRAR – Tier I capital (%)	32.22%	31.42%
CRAR – Tier II capital (%)	0.94%	0.53%
Amount of Additional Capital Infusion (‘000)	2,810,000	Nil

7. ***Investments***

Bank’s investment portfolio has been classified in accordance with RBI guidelines and the position as on 31st March 2020 under AFS category is 100%. (Previous year under AFS category-100%).

(Rs. in Thousands)

Particulars	**As on 31st March 2020**	**As on 31st March 2019**
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	12,048,713	7,403,523
(b) Outside India	-	-
(ii) Provisions for Diminution		
(a) In India	-	-
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	12,048,713	7,403,523
(b) Outside India	-	-
(2) Movement of provisions held towards depreciation of investments		
(i) Opening balance	-	-
(ii) Add: Provisions made during the year	-	-
(iii) Less: Write-off/ Write back of excess provision	-	-
(iv) Closing Balance	-	-

8. ***Repo Transactions (in face value terms)***

The Bank has undertaken Repo and Reverse Repo transactions during the year and the outstanding balance as on 31st March 2020 is as mentioned below:

(Rs. in Thousands)

	Minimum outstanding during the year	**Maximum outstanding during the year**	**Daily average outstanding during the year**	**As on 31st March 2020**
Securities sold under repos				
Government Securities	-	900,000 (160,000)	34,563 (2,603)	-
Corporate debt securities	-	-	-	-
Security purchased under reverse repo				
Government Securities	550,000.00	16,700,000 (10,810,000)	4,944,918 (2,342,372)	10,750,000 (1,150,000)
Corporate debt securities	-	-	-	-

(Figures in bracket indicates last year figures)

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9. Non-SLR Investment Portfolio

9.1 Issuer composition of Non-SLR Investment

(Rs. in Thousands)

SI. 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	-	-	-	-	-
(II)	FIs	-	-	-	-	-
(III)	Banks	-	-	-	-	-
(IV)	Private Corporate	-	-	-	-	-
(V)	Subsidiaries/Joint Ventures	-	-	-	-	-
(VI)	Others*	375,433 (641,832)	375,433 (641,832)	-	-	375,433 (641,832)
(VII)	Provision held towards diminution and NPI	-	-	-	-	-
	Total	375,433 (641,832)	375,433 (641,832)	-	-	375,433 (641,832)

**(Invested In Series A PTCs issued by Sansar Trust - February 2017 II, May 2018)*
(Figures in bracket indicates last year figures)

9.2 Non-performing Non-SLR Investment

There were no non-performing Non-SLR investments during the year ended 31st March 2020 (Previous year Nil).

9.3 Sale and Transfers to / from HTM Category

The Bank did not sell or transfer any investments to/from HTM Category during the year ended 31st March 2020 (Previous21 year Nil).

10. Derivatives

10.1 Forward Rate Agreement / Interest Rate Swap

(Rs. in Thousands)

Sr. No	Particulars	As on 31st March 2020	As on 31st March 2019
(i)	The notional principal of swap agreements	NA	NA
(ii)	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	NA	NA
(iii)	Collateral required by the bank upon entering into swaps	NA	NA
(iv)	Concentration of credit risk arising from the swaps	NA	NA
(v)	The fair value of the swap book	NA	NA

10.2 Exchange Traded Interest Rate Derivatives

(Rs. in Thousands)

Sr. No	Particulars	As on 31st March 2020	As on 31st March 2019
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument wise)	NA	NA
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding during the year (instrument wise)	NA	NA
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not highly effective (instrument wise).	NA	NA
(iv)	Mark to market value of exchange traded interest rate derivatives outstanding and not highly effective (instrument wise)	NA	NA

10.3 Disclosures on Risk Exposures in Derivatives.

Qualitative Disclosures

The Bank has started dealing in the foreign exchange Sell-Buy and Buy–Sell Swaps on Back to Back basis. The Bank has set VaR risks limits for the same. These are treated as economic hedges in the Bank books. The accounting of the same is akin to hedging accounting as prescribed by RBI. Currently there is no collateral exchanged with the Counterparty Banks.

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Quantitative Disclosures

(Rs in Thousands)

Sr. No.	Particular	Current Year		Previous Year	
		Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	7,990,727	-	-	-
	b) For trading	-	-	-	-
(ii)	Marked to Market Positions				
	a) Asset (+)	1,866	-	-	-
	b) Liability (-)	(2,076)	-	-	-
(iii)	Credit Exposure	161,681	-	-	-
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	5.51	-	-	-
	b) on trading derivatives	-	-	-	-
(v)	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging – Maximum	5.51	-	-	-
	b) on hedging – Minimum	-	-	-	-
	c) on trading – Maximum	-	-	-	-
	d) on trading – Minimum	-	-	-	-

11 Asset quality

11.1 Non-Performing Asset

(Rs. in Thousands)

Sr No.	Particulars	As on 31st March 2020	As on 31st March 2019
(i)	Net NPAs to Net Advances (%)	-	-
(ii)	Movement of NPA's (Gross)		
	(a) Opening Balance	128,866	-
	(b) Additions during the year	-	128,866
	(c) Reductions during the year		-
	- Recovery		
	- Write off	1,28,866	-
	(d) Closing Balance	-	1,28,866
(iii)	Movement of Net NPA's		
	(a) Opening Balance	-	-
	(b) Additions during the year	-	1,28,866
	(c) Reductions during the year	-	1,28,866
	(b) Closing Balance	-	-
(iv)	Movement of provisions for NPAs (excluding provision on standard assets)		
	(a) Opening Balance	1,28,866	-
	(b) Provisions made during the year	-	1,28,866
	(c) Write-off/write-back of excess provisions	1,28,866	-
	(b) Closing Balance	-	1,28,866

11.2 Provision coverage Ratio

The provision coverage ratio is 100% as on 31st March 2020. (Previous year: Not Applicable).

11.3 Divergence in Asset Classification and Provisioning for NPAs

There has been no divergence observed by RBI for the financial year 2018-19 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.

11.4 Disclosure of Schemes for Stressed Assets - Flexible Structuring of Existing Loans

There are no accounts where the Bank has implemented flexible restructuring scheme during the year ended 31st March 2020. (Previous year Nil).

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11.5 Disclosure of Resolution plans for Stressed Assets:
There are no accounts in stressed assets category during the year ended 31st March 2020. (Previous year Nil).

11.6 Disclosures on Strategic Debt Restructuring Scheme
There are no accounts where the Bank has implemented strategic debt restructuring scheme during the year ended 31st March 2020. (Previous year Nil).

11.7 Disclosures on Change in Ownership Outside SDR Scheme
There are no accounts where the Bank has decided to affect the change of ownership outside SDR scheme and which are currently under the stand-still period. (Previous year Nil).

11.8 Disclosures on Change in Ownership of Projects Under Implementation
There are no accounts where the Bank has decided to affect the change of ownership of projects under Implementation. (Previous year Nil).

11.9 Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A)
There are no accounts where the Bank has implemented the scheme for sustainable structuring of stressed assets (S4A) in the current year. (Previous year Nil).

11.10 Sector-wise Advances and NPAs

(Rs. in Thousands)

Sr No	Sector	Current Year			Previous Year		
A	Priority Sector	Outstanding Total Advances	Gross NPA's	Percentage of Gross NPA's to Total Advances in that sector	Outstanding Total Advances	Gross NPA's	Percentage of Gross NPA's to Total Advances in that sector
1	Agriculture and Allied Activities	-	-	0.00	-	-	0.00
2	Advances to Industries Sector Eligible as Priority Sector Lending	2,883,145	-	0.00	484,536	-	0.00
2.a.	MSME	154,290	-	0.00	149,992	-	0.00
2.b.	Export Finance	2,728,855	-	0.00	334,544	-	0.00
3	Services	5,744,281	-	0.00	2,669,066	-	0.00
3.a.	NBFC-MFI	4,965,644	-	0.00	2,209,722	-	0.00
3.b.	NBFC-HF	273,167	-	0.00	249,333	-	0.00
3.c.	Engineering & Construction	-	-	0.00	120,881	-	0.00
3.d.	Trade (Food Grains-Export Finance)	58,099	-	0.00	38,236	-	0.00
3.e.	Others	447,371	-	0.00	50,894	-	0.00
4	Personal Loans	-	-	0.00	-	-	0.00
	Sub Total (A)	8,627,426	-	0.00	3,153,602	-	0.00
A	Non-Priority Sector						
1	Agriculture and Allied Activities	-	-	0.00	-	-	0.00
2	Industry	-	-	0.00	2,046,162	128,866	6.30%
2.a	Automobile	1,411,915	-	0.00	861,962	-	0.00
2.b	Steel	52,500	-	0.00	540,000	-	0.00
2.c	Chemicals	123,546	-	0.00	263,400	-	0.00
2.d	Telecom (Wire, Cables)	-	-	0.00	-	-	0.00
2 e	Electrical/Electronic (Mobiles)	777,329	-	0.00	251,934	-	0.00
2 f	Food Processing (Milk Products)	-	-	0.00	128,866	1,28,866	6.30%
3	Services	2,550,415	-	0.00	896,537	-	0.00
3 a	Trade (Food Grains)	-	-	0.00	13,979	-	0.00
3 b	Trade (Others)	-	-	0.00	177,218	-	0.00
3 c	Services (Real Estate)	1,096,942	-	0.00	690,052	-	0.00
3 d	Services (Others)	1,453,473	-	0.00	15,288	-	0.00
4	Bank Exposure (LC Bills Discounted)	7,795,611	-	0.00	12,439,273	-	0.00
5	Personal Loans	-	-	0.00	-	-	0.00
	Sub Total (B)	12,711,316	-	0.00	15,381,973	1,28,866	6.30%
	Total (A+B)	**21,338,741**	**-**	**0.00**	**18,535,575**	**1,26,866**	**6.30%**

11.11 Restructured Accounts/Technical Write off
There were no instances of restructuring of loan assets for the year ended 31st March 2020 (Previous year Nil).

11.12 Financial assets sold to Securitisation/Reconstruction Company for Asset Reconstruction
The Bank has not sold any financial assets to Securitisation/Reconstruction Company for asset reconstruction during year ended 31st March 2020 (Previous year Nil).

11.13 Non-performing financial assets purchased/ sold from/ to other bank
The Bank has not purchased/sold any non performing financial assets from/to other banks during the year ended 31st March 2020 (Previous year Nil).

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11.14 Details of Investments held as Security Receipts received by sale of NPA to Securitization/Reconstruction Company.

There have been no investments held in Security Receipts in the current year since the Bank has not sold any NPA in the current year (Previous year Nil).

12 (a) Provisions for Standard Assets

(Rs. in Thousands)

Particulars	**For the year ended 31st March 2020**	**For the year ended 31st March 2019**
Provision towards Standard assets / Derivatives Exposure	11,736	7,715

(b) General Provision for COVID-19 deferment cases:

In accordance with the RBI guidelines relating to COVID-19 Regulatory package dated 27th March, 2020 and 17th April 2020, and classification issued by the RBI through Indian Bankers Association, dated 06th May 2020 the Bank is granting moratorium on the payment of installments and or / interest, as applicable, falling due between 01st March 2020 and 31st May 2020 ("moratorium period") to eligible borrowers classified as Standard, even if overdue, as on 29th February 2020. In accordance with RBI guidelines, the moratorium period, wherever granted, is excluded by the Bank from the number of days past-due for the purpose of asset classification under RBI's Income Recognition and Asset Classification Norms.

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

13 Business ratios

	Particulars	**As on 31st March 2020**	**As on 31st March 2019**
i)	Interest income as a percentage to working funds	7.02%	7.17%
ii)	Non-interest income as a percentage to working funds	0.81%	0.56%
iii)	Operating profit (loss) as a percentage to working funds	2.21%	1.19%
iv)	Return on assets	1.22%	0.40%
v)	Business (deposits plus net advances) per employee (in crores)	83.02	72.98
vi)	Profit / (Loss) per employee (in crores)	0.69	0.19

14 Maturity pattern of asset and liabilities

As on 31st March 2020

(Rs. in Thousands)

Particulars	**1 day**	**2 to 7 days**	**8 to 14 days**	**15 to 30 days**	**Over 1 month to 3 months**	**Over 3 months to 6 months**	**Over 6 months to 1 year**	**Over 1 year to 3 years**	**Over 3 years to 5 years**	**Over 5 years**	**Total**
Deposits	64,273	2,559,903	977,413	6,398,279	14,356,528	1,802,131	3,476,064	5,474,311	4,937		35,113,838
Advances	19,991	376,953	171,217	1,573,848	7,306,439	4,212,023	752,171	6,859,432	66,667		21,338,741
Investments	6,052,815	224,436	111,478	588,779	2,588,016	896,603	700,773	884,923	890	-	12,048,713
Borrowings	-	-	-	567,488	517,862	1,588,965	517,581	-	-	-	3,191,896
Foreign Currency Assets	159,795	-	-	-	-	-	-	-	-	-	159,795
Foreign Currency Liabilities	134,637	-	-	-	-	-	-	-	-	-	134,637

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As on 31st March 2019

(Rs. in Thousands)

Particulars	1 day	2 to 7 days	8 to 14 days	15 to 30 days	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	23,713	5,141,353	3,923,976	8,118,624	4,941,893	2,580,333	294,268	1,815,951	2,446		26,842,556
Advances	240,000	402,691	1,200,178	2,172,307	3,045,172	3,543,009	615,295	7,188,057			18,406,709
Investments	1,356,086	552,969	718,858	1,647,336	1,731,199	371,730	51,560	468,957	504,828	-	7,403,523
Borrowings	-	-	-	-	338,884	-	115,685	-	-	-	454,569
Foreign Currency Assets	231,014	-	-	-	372,897	-	-	-	-	-	603,911
Foreign Currency Liabilities		-	-	-	698,025	-	-	-	-	-	698,025

15. Exposures

15.1 Exposure to Real Estate Sector

The Bank has an direct exposure of Rs 1,096,942 (in '000) towards real estate sector for the year ended 31st March 2020. (Previous year 690,052 (in '000)).

15.2 Exposure to Capital Market

The Bank does not have any exposure to capital market sector as on 31st March 2020 (Previous year Nil).

15.3 Risk Category wise Country Exposure

(Rs. in Thousands)

Risk Category	Exposure (net) as on 31st March 2020	Provision held as on 31st March 2020	Exposure (net) as on 31st March 2019	Provision held as on 31st March 2019
Insignificant	361,202	-	420,558	-
Low	-	-	-	-
Moderate	-	-	-	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-Credit	-	-	-	-
Total	-	-	-	-

15.4 Details of Large Exposure Framework exceeded by the bank

With effect from 01st April 2019, the Large Exposure framework has been in place (earlier Single Borrower and Group Borrower exposure). The Bank has taken board approval for 4 counterparties for exposure upto 25% of the Tier 1 Capital. Further there has been excess exposure for 2 counterparties as on 31st March 2020. All other exposure as on 31st March 2020 are within the Large Exposure framework.

16 Unsecured Advances

Total Unsecured Advances Rs. 13,918,734 (in '000) consists of

(i) amounting to Rs.1,452,798 (in '000) was backed by Corporate Guarantee of Holding / Parent Companies incorporated outside India,

(ii) backed by Standby Letter of Credit amounting to Rs. 1,941,469 (in '000) and

(iii) LC Bill Discounting amounting to Rs. 10,524,467 (in '000) is backed by Letter of Credit issued by various scheduled Commercial Banks viz., Allahabad Bank, Andhra Bank, Axis Bank, Bank Asia Ltd, Bank of Baroda, Barclays Bank PLC, Central Bank of India, Citibank N.A, Corporation Bank, Credito Valtellinese, Export Import Bank of Bangladesh Ltd, HDFC Bank, IDBI Bank, IDFC Bank, IndusInd Bank, International Finance Investment and Commerce Bank Ltd, JP Morgan Chase Bank, Karur Vysya Bank, Kotak Mahindra Bank, Mercantile Bank Ltd, Oriental Bank of Commerce, Punjab National Bank, Raiffeisenlandesbank Oberoesterreich Aktiengesellschaft, RBL Bank, Shinhan Bank, South Indian Bank, Standard Bank Ltd, Standard Chartered Bank, State Bank of India, UCO Bank, Union Bank Limited, Union Bank of India, Vijaya Bank, Yes Bank

17 Miscellaneous

17.1 Provisions and contingencies made during the year

(Rs. in Thousands)

	For the year ended 31st March 2020	For the year ended 31st March 2019
Provision towards Standard assets / Derivatives Exposure	11,736	7,715
Provision for Country Risk	NIL	NIL
Provision for Income Tax	319,648	160,480
Previous year's Income tax	NIL	NIL
Provision for Deferred tax	45,997	(65,577)
Provision for Unhedged Foreign Currency Exposure	1,817	5,360

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17.2 Disclosure of penalties imposed by RBI

No penalties have been imposed by the RBI on the Bank during the year ended 31st March 2020 (Previous year NIL).

17.3 Fees/ Remuneration received from bancassurance

The Bank has not earned any income from bancassurance business during the year ended 31st March 2020 (Previous year NIL).

17.4 Concentration of Deposits

(Rs. in Thousands)

Particulars	As on 31st March 2020	As on 31st March 2019
Total Deposits to twenty large depositors	32,121,147	24,492,126
Percentage of Deposits of twenty largest depositors to Total deposits of the bank	91.48%	91.24%

17.5 Concentration of Advances

(Rs. in Thousands)

Particulars	As on 31st March 2020	As on 31st March 2019
Total Advances to twenty large borrowers	10,640,438	15,162,300
Percentage of Advances of twenty largest borrowers to Total Advances of the bank	79.39%	92.02%

17.6 Concentration of Exposures

(Rs. in Thousands)

Particulars	As on 31st March 2020	As on 31st March 2019
Total Exposure to twenty largest borrowers / customers	13,823,998	15,246,300
Percentage of Exposures of twenty largest borrowers / customers to Total Exposure of the bank on borrowers / customers	78.74%	88.02%

17.7 Overseas Assets, NPAs and Revenue

For the year ended 31st March 2020 the Bank did not have any overseas revenue (Previous year NIL). Further, the Bank does not have any overseas assets or NPA as at 31st March 2020 (Previous year NIL).

17.8 Sponsored SPVs

The Bank has not sponsored any SPV and hence there is no consolidation in Bank's books.

18 Disclosures as required by Accounting Standards

18.1 Employee benefits

The following table sets out the unfunded status of the Gratuity Plan and the amounts recognised in the Bank's financial statements:

Changes in the defined benefit obligation:

(Rs. in Thousands)

	As on 31st March 2020	As on 31st March 2019
Present Value of Obligation at the beginning of the period	-	-
Interest Cost	-	-
Current Service Cost	-	-
Past Service Cost	-	-
Benefits Paid	-	-
Actuarial (gain) / loss on Obligation	-	-
Present Value of Obligation at the end of the period	3,649	2,175

Changes in the fair value of the planned asset:

(Rs in Thousands)

	As on 31st March 2020	As on 31st March 2019
Fair value of plan assets at the beginning of the period	-	-
Expected return on plan assets	-	-
Contributions	-	-
Benefits paid	-	-
Actuarial (gain)/ loss on planned assets	-	-
Fair value of planned assets at the end of the period	-	-

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(Rs. in Thousands)

	For the year ended 31st March 2020	**For the year ended 31st March 2019**
Current Service Cost	1,474	(692)
Interest Cost	-	-
Expected Return on plan assets	-	-
Net Actuarial (gain)/ loss recognised in the period	-	-
Past Service Cost	-	-
Expenses recognized	1,474	(692)

The assumptions used in accounting for the gratuity plan are set out below:

	For the year ended 31st March 2020	**For the year ended 31st March 2019**
Discount Rate	5.95%	7.45%
Expected Return on plan asset	-	-
Future Salary increases	10.00%	10.00%
Attrition Rate	17.00%	20.00%

18.2 Segment Reporting

The Bank in India operates as a single unit and there are no identifiable geographical segments.

The Bank has classified its business into the following segments, namely:

- Treasury – primarily comprising of money market operations, liquidity management and foreign exchange operations.
- Corporate Banking – comprising of commercial client relationship and trade finance.
- Other Banking Operations – comprising of all operations including retail and other than treasury and corporate banking.
- Unallocated expenses mainly constitute costs of support functions that are not allocable to any of the segments.

(Rs. in Thousands)

Business segments as on 31st March 2020	**Treasury**	**Corporate Banking**	**Other Banking Operations**	**Total**
Segment revenue	1,040,196	1,964,602	371	3,005,170
Segment result	147,293	847,683	371	995,348
Unallocated expenses				162,376
Income and Deferred tax				365,645
Net profit / (loss)				467,327
Other information				
Segment assets	24,823,741	22,108,130	-	46,931,871
Unallocated asset				313,657
Debit Balance in Profit and Loss account				-
Total assets				47,245,528
Segment liabilities	3,193,972	33,237,227	2,501,065	38,932,264
Unallocated liabilities				62,881
Capital & Reserves				8,250,383
Total liabilities				47,245,528

Business segments as on 31st March 2019	**Treasury**	**Corporate Banking**	**Other Banking Operations**	**Total**
Segment revenue	716,472	1,606,712	232	1,606,712
Segment result	93,511	364,912	232	458,423
Unallocated expenses				129,373
Income and Deferred tax				94,902
Net profit / (loss)				120,022
Other information				
Segment assets	13,874,153	18,750,057	-	32,624,211
Unallocated asset				338,858
Debit Balance in Profit and Loss account				-
Total assets				32,963,068
Segment liabilities	454,569	26,513,547	960,409	27,928,525
Unallocated liabilities				61,487
Capital & Reserves				4,973,056
Total liabilities				32,963,068

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a) In computing the above information, certain estimates and assumptions have been made by the management and have been relied upon by the auditors.

b) Income, expense, assets and liabilities have been either specifically identified with individual segment or allocated to segments on a systematic basis or classified as unallocated.

c) Fixed assets and related depreciation on fixed assets which cannot be allocated to any segments have been classified as unallocated

18.3 Related Party Disclosure

a) The transactions of the Bank with related parties in terms of Accounting Standard 18 on "Related Party Transactions" notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014 and the related guidelines issued by the RBI are detailed below:

b) The information required in this regard in accordance with AS 18 "Related Party Disclosures", for the year ended 31st March 2020 are disclosed below:

Name and nature of relationship of related parties.

Relationship	Name
Parent/Head Office and branches of Head Office and ultimate holding company	Woori Bank, Foreign Bank incorporated in Republic of Korea, and its Branches
Key Management Personnel – Chief Executive Officer – Indian Operation	Mr. Dae Jin Lee

Transaction with Related parties:

a) Head Office – Woori Bank, Seoul, South Korea

b) Branches of Woori Bank, Seoul operating in other countries

(Rs. in Thousands)

Particulars	**As on 31st March 2020**	**As on 31st March 2019**
Interest received from HO	18	130
Interest paid to HO	7,754	1,174
Interest paid to Branches	25,119	6,501
Borrowings from HO and Branches	3,191,896	454,569
Due from HO	35,561	23,582

c) Key Management Personnel – Remuneration to Chief Executive Officer

(Rs. in Thousands)

Mr. Dae Jin Lee 21,847/-

18.4 Operating Leases

As at 31st March 2020, the Bank had certain non-cancellable operating leases. The future minimum lease obligations against the same were as follows (to the extent of non-cancellable period):

(Rs. in Thousands)

Lease obligations	**As on 31st March 2020**	**As on 31st March 2019**
Not later than one year	18,083	16,117
Later than one year and not later than five years	15,069	33,152
Later than five years	-	-
TOTAL	**33,152**	**64,994**

There are no provisions relating to contingent rent.

The terms of renewal/purchase options and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

The Bank has not sub leased any of the above assets.

19 Other Disclosures

19.1 Movement in Floating Provisions

The Bank has not created or utilised any floating provisions during the year ended 31st March 2020 (Previous year NIL). The floating provision as on 31st March 2020 is NIL. (Previous year NIL).

19.2 Movement in Floating Provisions

There has been no drawdown from reserves during the year ended 31st March 2020 (Previous year NIL).

19.3 Disclosure of complaints and awards passed by banking ombudsman

The Bank has resolved all the complaints during the year ended 31st March 2020 (Previous year NIL). Further, there have been no awards passed by banking ombudsman against the Bank during the year ended 31st March 2020 (Previous year NIL).

19.4 Dues to Micro, Small and Medium Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. On the basis of information and records available with the management, there have been no reported cases of delays in payments to micro, small and medium enterprises or of interest payments due to delays in such payments. (Previous year NIL). During the year there were no stressed MSME.

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19.5 Securitisation Transactions

The Bank has not carried out any securitization transaction during the year ended 31st March 2020 (Previous year NIL).

19.6 Letter of comfort

The Bank has not issued any letter of comfort during the year ended 31st March 2020 (Previous year NIL).

19.7 Off balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

There are no off balance sheet SPVs sponsored as at 31st March 2020. (Previous year NIL)

19.8 Credit Default Swaps

The Bank has not dealt in any Credit Default Swaps during the year ended 31st March 2020 (Previous year NIL).

19.9 Fixed Assets include intangible assets relating to software as follows –

(Rs. in Thousands)

Particulars	For the year ended 31st March 2020	For the year ended 31st March 2019
At cost on 31st March of the preceding year	2,22,130	2,18,921
Additions during the year	1,987	3,209
Deductions during the year	124	-
Depreciation to date	1,53,501	1,21,257
Total	**70,492**	**1,00,873**

20 Priority Sector Lending Certificate Sold and Purchased for the year ended 31st March 2020

The amount of PSLC (categorywise) sold and purchase during the year:

As at 31st March 2020

(Rs in Thousands)

Sr No	Type of PSLC	Purchase	Sale
1.	PSLC – Agriculture	-	-
2.	PSLC – SF /MF	-	-
3.	PSLC – Micro Enterprises	-	-
4.	PSLC – General	300,000	-
	TOTAL	**300,000**	**-**

As at 31st March 2019

(Rs in Thousands)

Sr No	Type of PSLC	Purchase	Sale
1.	PSLC – Agriculture	-	-
2.	PSLC – SF /MF	-	-
3.	PSLC – Micro Enterprises	-	-
4.	PSLC – General	-	-
	TOTAL	**-**	**-**

21 Investment Fluctuation Reserve (IFR)

During the year the bank created an Investment Fluctuation reserve (IFR) by transferring Rs 120,000 (in '000) from its current year Profits. (Previous year NIL)

22.1 Liquidity Coverage Ratio

(Rs. in Thousands)

	Quarter Ended 31 March 2020		Quarter Ended 31 December 2019		Quarter Ended 30 September 2019		Quarter Ended 30 June 2019	
	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value
High Quality Liquid Assets								
Total High Quality Liquid Assets (HQLA)		21,991,215		9,959,542		10,343,907		9,689,604
Cash Outflows								
1. Retail deposits and deposits from small business customers, of which:	426,757	42,676	473,040	47,304	351,781	35,178	333,699	33,370
(i) Stable deposits	-	-	-	-	-	-	-	-
(ii) Less stable deposits	426,757	42,676	473,040	47,304	351,781	35,178	333,699	33,370
2. Unsecured wholesale funding, of which:	15,802,382	6,677,529	10,645,821	4,244,714	17,992,117	7,747,064	13,587,923	6,960,471
(i) Demand and term deposits (less than 30 days maturity) provided by small business customers	26,187	2,619	45,381	4,538	40,943	4,094	94,825	9,482
(a) stable deposit	-	-	-	-	-	-	-	-
(b) less stable deposits	26,187	2,619	45,381	4,538	40,943	4,094	94,825	9,482

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	Quarter Ended 31 March 2020		Quarter Ended 31 December 2019		Quarter Ended 30 September 2019		Quarter Ended 30 June 2019	
	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value
(ii) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(iii) Non-financial corporates (all counterparties)	15,168,807	6,067,523	10,600,440	4,240,176	17,013,674	6,805,470	10,903,515	4,361,406
(iv) Funding from other legal entity customers	607,388	607,388	-	-	937,500	937,500	2,589,583	2,589,583
3. Secured wholesale funding	-	-	-	-	-	-	-	-
4. Secured wholesale funding	11,103,647	985,271	8,036,734	571,882	7,722,033	641,821	5,113,398	402,388
(i) Outflows related to derivative exposures and other collateral requirements	2,272	2,272	-	-	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	4,148,137	414,814	1,738,397	173,840	2,530,851	253,085	867,629	86,763
(iv) Other contractual funding obligations	370,709	370,709	215,559	215,559	240,207	240,207	194,074	194,074
(v) Other contingent funding obligations	6,582,529	197,476	6,082,778	182,483	4,950,975	148,529	4,051,695	121,551
Total Cash Outflows	**27,332,785**	**7,705,475**	**19,155,595**	**4,863,900**	**26,065,931**	**8,424,063**	**19,035,021**	**7,396,229**
Cash Inflows								
5. Secured Lending (eg. Reverse repos)	10,750,000	-	2,400,000	-	2,700,000	-	1,500,000	-
6. All other asset	82,688	82,688	99,177	99,177	66,887	66,887	86,796	86,796
7. Other inflows by counterparty	2,516,064	1,999,021	3,685,036	2,636,526	1,792,145	1,721,485	3,100,985	2,673,997
(i) Retail and small business (counterparties)	-	-	-	-	-	-	-	-
(ii) Non-financial wholesale counterparties	1,034,086	517,043	2,097,021	1,048,511	141,321	70,661	853,976	426,988
(iii) Financial institution and RBI/central banks	1,481,977	1,481,977	1,588,015	1,588,015	1,650,824	1,650,824	2,247,009	2,247,009
Total Cash Inflows	13,348,752	2,081,709	6,184,213	2,735,703	4,559,032	1,788,372	4,687,781	2,760,793
11. Total HQLA		21,991,215		9,959,542		10,343,907		9,689,604
12. Total Net Cash Outflows		5,623,767		2,128,197		6,635,691		4,635,436
13. Liquidity Coverage Ratio (%)		**391.04%**		**467.98%**		**155.88%**		**209.03%**

(Rs. in Thousands)

	Quarter Ended 31 March 2019		Quarter Ended 31 December 2018		Quarter Ended 30 September 2018		Quarter Ended 30 June 2018	
	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value
High Quality Liquid Assets								
Total High Quality Liquid Assets (HQLA)		5,407,037		4,316,169		4,923,927		3,636,254
Cash Outflows								
1. Retail deposits and deposits from small business customers, of which:	393,884	39,388	2,234,470	223,447	370,976	37,098	292,838	29,284
(i) Stable deposits	-	-	-	-	-	-	-	-
(ii) Less stable deposits	393,884	39,388	2,234,470	223,447	370,976	37,098	292,838	29,284
2. Unsecured wholesale funding, of which:	2,615,571	1,046,106	15,605,221	1,560,522	11,649,860	1,164,986	13,477,917	1,347,792
(i) Demand and term deposits (less than 30 days maturity) provided by small business customers	410	41	15,605,221	1,560,522	11,649,860	1,164,986	13,477,917	1,347,792
(a) stable deposit	-	-	-	-	-	-	-	-
(b) less stable deposits	410	41	15,605,221	1,560,522	11,649,860	1,164,986	13,477,917	1,347,792
(ii) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(iii) Non-financial corporates (all counterparties)	2,615,161	1,046,065	-	-	-	-	-	-
(iv) Funding from other legal entity customers	-	-	-	-	-	-	-	-
3. Secured wholesale funding	-	-	-	-	-	-	-	-
4. Secured wholesale funding	5,102,468	786,232	4,972,188	201,181	4,583,843	181,116	4,531,017	191,031
(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	792,694	79,269	743,090	74,309	622,870	62,287	787,153	78,715
(iv) Other contractual funding obligations	595,536	595,536	-	-	-	-	-	-
(v) Other contingent funding obligations	3,714,238	111,427	4,229,098	126,872	3,960,973	118,829	3,743,864	112,316
Total Cash Outflows	**8,111,923**	**1,871,726**	**22,811,879**	**1,985,150**	**16,604,679**	**1,383,200**	**18,301,772**	**18,301,772**
Cash Inflows								
5. Secured Lending (eg. Reverse repos)	3,813,769							
6. All other asset		3,813,769	650,000	650,000	400,000	400,000	850,000	850,000
7. Other inflows by counterparty	2,859,380	2,818,882	-	-	-	-	-	-
(i) Retail and small business (counterparties)	-	-	-	-	-	-	-	-
(ii) Non-financial wholesale counterparties	80,997	40,499	-	-	-	-	-	-
(iii) Financial institution and RBI/central banks	2,778,383	2,778,383	-	-	-	-	-	-
Total Cash Inflows	6,673,149	6,632,651	650,000	650,000	400,000	400,000	850,000	850,000
11. Total HQLA		5,407,037		4,316,169		400,000		3,636,254
12. Total Net Cash Outflows		467,932		1,335,150		983,200		718,107
13. Liquidity Coverage Ratio (%)		**1155.52%**		**323.27%**		**500.81%**		**506.37%**

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22.2 Qualitative disclosure around LCR

(a) Main drivers of LCR and evolution of contribution of inputs
The main drivers of the LCR is HQLA, it not only improves the LCR percentage but also increases the Bank's ability to meet the liquidity requirement upto 30 days. The LCR Position depends upon the level of High Quality Liquid Assets (HQLA) and level of inflows and outflows in 30 days stress horizon computed as per the RBI guidelines in this regard.

(b) Intra-period changes as well as changes over time : Not Applicable

(c) The composition of High Quality Liquid Assets (HQLA)

Banks High Quality Assets contains of the following:-

Cash

Balance with RBI in excess of CRR requirement

Unencumbered portion of investments in Government securities in excess of SLR requirement.

Investments in Government securities held within the mandatory SLR requirement, to the extent allowed by RBI under Marginal Standing facility (MSF).

The Bank has been maintaining HQLA primarily in the form of SLR investments in Treasury Bills over and above mandatory requirement.

(d) Concentration of funding sources:
Banks' concentration from top 20 depositors stood at 91.48% of total deposits as on 31st March, 2020.

(e) Derivative exposure and Potentials collateral calls:
Banks does not have derivative business.

(f) Currency Mismatch in LCR
Bank does not have any overseas operations.

(g) Centralization of liquidity management
Bank has a Board adopted liquidity management policy in line with RBI regulation and guidelines.

(h) Other inflows and outflows in the LCR calculation that are not captured – Not Applicable
The Bank has started daily LCR from 01st January 2020 and hence comparative averages are not available.

23 Corporate Social Responsibility ('CSR')

As per the provisions of Section 135 of the Companies Act, 2013 the Bank is required to contribute 2% of the average net profit of previous 3 years. Gross amount required to be spent by the Bank during the year is Rs.4,128 (in '000). Amount actually spent during the year is Rs.4,128 (in '000). The same is forming part of Schedule – Operating Expenses. (Previous year 4,687 (in '000))

24 Transfers to Depositor Education and Awareness Fund (DEAF)

The Bank did not have any dues to be transfered to Depositor Education and Awareness Fund during the year ended 31st March 2020. (Previous year NIL).

25 Unhedged Foreign Currency Exposure

The Bank has made a provision of Rs 1,817 (in '000) as provision for unhedged Foreign currency exposure of it's borrowers as on 31st March 2020 (Previous year Rs 5,360 (in '000)) as per guidelines issued by RBI.

26 Prior Period Expenses

There are no prior period expenses debited to the profit and loss account for the year ended 31st March 2020. (Previous year NIL).

27 Provisioning pertaining to Fraud Accounts

One account was reported as fraud and amount of INR 700 (in '000) provision was made during the year ended 31st March 2020 (Previous year NIL).

28 Comparatives

Previous year figures have been regrouped/ reclassified to confirm to the current year classification.

As per our attached report of even date

For V.C. Shah & Co.
Chartered Accountants
Firm Registration No. 109818W

Viral J. Shah
Partner
Membership No.110120

Place : Mumbai
Date : 29th June 2020

For **Woori Bank**

Dae Jin Lee
CEO - Indian Operations

Place : Mumbai
Date : 29th June 2020

BARCLAYS BANK PLC

INDIAN BRANCHES

(Incorporated in the United Kingdom with Limited Liability)

Independent Auditor's Report

To the Chief Executive Officer

Barclays Bank PLC (Indian Branches)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Barclays Bank PLC (Indian 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(2)(f)(xxvi) 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,
- 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.

BARCLAYS BANK PLC

INDIAN BRANCHES

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- 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 matter

The comparative financial information of the Bank for the year ended 31 March 2019 included in these financial statements, are based on the statutory financial statements audited by the predecessor auditor whose report dated 27 June 2019 expressed an unmodified opinion on those financial statements.

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 one branch.

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 Barclays Bank PLC, which is incorporated in the United Kingdom; 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(2)(d) 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(2)(r) 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

Sameer Mota
Partner
Membership No: 109928
UDIN No. 20109928AAAAEG5771

Mumbai
29 June 2020

BARCLAYS BANK PLC

INDIAN BRANCHES

(Incorporated in the United Kingdom with Limited Liability)

Annexure A to the Independent Auditor's Report of even date on the financial statements of Barclays Bank PLC (Indian Branches) for the year ended 31 March 2020

Barclays Bank PLC (Indian 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 Barclays Bank PLC (Indian 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

Sameer Mota
Partner
Membership No: 109928
UDIN No. 20109928AAAAEG5771

Mumbai
29 June 2020

BARCLAYS BANK PLC

INDIAN BRANCHES

(Incorporated in the United Kingdom with Limited Liability)

BALANCE SHEET AS AT 31 MARCH, 2020

(Indian Rupees 000's)

	Schedules	**As at 31 March, 2020**	**As at 31 March, 2019**
CAPITAL AND LIABILITIES			
Capital	*1*	**52,495,224**	52,495,224
Reserves and Surplus	*2*	**14,057,151**	13,780,756
Deposits	*3*	**144,392,178**	126,333,165
Borrowings	*4*	**11,850,774**	99,114,599
Other Liabilities and Provisions	*5*	**179,720,906**	108,999,076
Total		**402,516,233**	400,722,820
ASSETS			
Cash and Balances with Reserve Bank of India	*6*	**4,363,782**	8,842,667
Balances with Banks and Money at Call and Short Notice	*7*	**39,084,463**	18,997,326
Investments	*8*	**86,248,552**	122,978,459
Advances	*9*	**102,837,063**	154,028,518
Fixed Assets	*10*	**136,989**	181,677
Other Assets	*11*	**169,845,384**	95,694,173
Total		**402,516,233**	400,722,820
Contingent Liabilities	*12*	**8,733,539,385**	6,901,995,562
Bills for Collection		**221,861,394**	190,128,734
Significant Accounting Policies and Notes to the Financial Statements	*18*		

Schedules referred to herein form an integral part of the Balance Sheet.

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

(Indian Rupees 000's)

	Schedules	**Year ended 31 March, 2020**	**Year ended 31 March, 2019**
I. INCOME			
Interest Earned	*13*	**16,547,854**	15,467,029
Other Income	*14*	**3,269,787**	2,335,008
TOTAL		**19,817,641**	17,802,037
II. EXPENDITURE			
Interest Expended	*15*	**7,351,045**	6,373,838
Operating Expenses	*16*	**5,121,388**	4,277,685
Provisions and Contingencies (Refer Schedule 18 - Note 2 (e) (2))	*17*	**4,515,566**	4,228,823
TOTAL		**16,987,999**	14,880,346
III. PROFIT/LOSS			
Net Profit For The Year		**2,829,642**	2,921,691
Profit / (Loss) Brought Forward		**3,805,004**	8,801,530
TOTAL		**6,634,646**	11,723,221
IV. APPROPRIATIONS			
Transfers to /(from)			
Statutory Reserves		**707,411**	730,423
Investment Reserve Account		**44,576**	127,156
Investment Fluctuation Reserve		**329,499**	820,638
Remittable Surplus Retained in India for CRAR purposes		**2,999,913**	–
Profit Remitted to Head Office		**2,553,247**	6,240,000
Balance in Profit and Loss account carried forward		–	3,805,004
TOTAL		**6,634,646**	11,723,221
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 No. 101248W/W-100022

Sd/-
Sameer Mota
Partner
Membership No: 109928

Mumbai
June 29, 2020

For and on behalf of
Barclays Bank PLC - Indian Branches

Sd/-
Rajeev Ghadi
Chief Financial Officer

Sd/-
Ram Gopal
Chief Executive Officer

Mumbai
June 29, 2020

BARCLAYS BANK PLC

INDIAN BRANCHES

(Incorporated in the United Kingdom with Limited Liability)

Cash Flow Statement for the year ended 31 March, 2020

(Indian Rupees 000's)

		Year ended 31 March, 2020	Year ended 31 March, 2019
Cash flows from operating activities			
Net Profit before taxation		**5,663,130**	5,710,200
Adjustments for			
Depreciation on fixed assets		**61,216**	80,583
Depreciation in the value of investments		**(105,528)**	(301,032)
Interest income on income tax refund		**(55,805)**	-
Interest expense on borrowings		**503,581**	745,503
Loss on sale of fixed assets (Net) (including write off)		**-**	1,290
Provision for country risk		**-**	37,933
Provision for unhedged foreign currency exposure		**57,941**	52,572
Provision for non performing assets / write offs		**1,730,770**	1,631,154
Provision for lease dilapidation		**(14,639)**	483
Provision for others		**371**	(188)
Provision for incremental exposure beyond Normally Permitted Lending Limit (NPLL)		**13,163**	19,392
		7,854,200	7,977,890
Adjustments for			
Increase in deposits		**18,059,013**	42,475,959
Increase in other liabilities and provisions		**70,663,807**	39,437,374
Decrease / (Increase) in investments (excluding HTM securities)		**36,835,435**	(18,867,406)
Decrease / (Increase) in advances		**49,460,685**	(39,582,364)
(Increase) in other assets		**(73,643,375)**	(38,667,938)
		109,229,765	(7,226,485)
Income Tax (Paid - Net of refund received)		**(3,284,332)**	(3,079,577)
Net cash used in operating activities	**(A)**	**105,945,433**	(10,306,062)
Cash flows from investing activities			
Purchase of fixed assets (including Capital Work-in-progress and Capital Advances)		**(16,528)**	(31,266)
Net cash generated / (used in) from investing activities	**(B)**	**(16,528)**	(31,266)
Cash flows from financing activities			
(Decrease) / Increase in borrowings		**(87,263,825)**	33,402,883
Interest expense on borrowings		**(503,581)**	(745,503)
Proft remitted to Head Office		**(2,553,247)**	(6,240,000)
Net cash (used in) / generated from financing activities	**(C)**	**(90,320,653)**	26,417,380
Net Increase in cash and cash equivalents (A + B + C)		**15,608,252**	16,080,052
Cash and cash equivalents as at 1 April		**27,839,993**	11,759,941
Cash and cash equivalents as at 31 March		**43,448,245**	27,839,993

Notes to the Cash Flow Statement:

		31 March, 2020	31 March, 2019
1	Cash and cash equivalents includes the following:		
	Cash and Balances with Reserve Bank of India (Refer Schedule 6)	**4,363,782**	8,842,667
	Balances with Banks and Money at Call and Short Notice (Refer Schedule 7)	**39,084,463**	18,997,326
		43,448,245	27,839,993
2	Figures in brackets indicate cash outflow.		

As per our report of even date attached

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

Sd/-
Sameer Mota
Partner
Membership No: 109928

Mumbai
June 29, 2020

For and on behalf of
Barclays Bank PLC - Indian Branches

Sd/-
Rajeev Ghadi
Chief Financial Officer

Sd/-
Ram Gopal
Chief Executive Officer

Mumbai
June 29, 2020

BARCLAYS BANK PLC

INDIAN BRANCHES

(Incorporated in the United Kingdom with Limited Liability)

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH, 2020

(Indian Rupees 000's)

	As at 31 March, 2020	As at 31 March, 2019
1 Capital		
Head Office Account		
At the beginning of the Year	**52,495,224**	52,495,224
Additions during the Year	–	–
Total	**52,495,224**	52,495,224
Of the above, deposit kept with Reserve Bank of India under Section 11 (2) (b) of the Banking Regulation Act, 1949.	**8,150,000**	6,970,000
2 Reserves and Surplus		
I. Statutory Reserve		
Opening balance	**7,855,843**	7,125,420
Additions during the year	**707,411**	730,423
Closing balance	**8,563,254**	7,855,843
II. Investment Reserve Account		
Opening balance	**230,770**	103,614
Additions during the year	**44,575**	127,156
	275,345	230,770
Deductions during the year	–	–
Closing balance	**275,345**	230,770
III. Investment Fluctuation Reserve		
Opening balance	**820,638**	–
Additions during the year	**329,498**	820,638
Closing balance	**1,150,136**	820,638
IV. Capital Reserve*		
Opening balance	**19,152**	19,152
Additions during the year	–	–
Closing balance	**19,152**	19,152
V. General Reserve**		
Opening balance	**13,044**	13,044
Additions during the year	–	–
Closing balance	13,044	13,044
VI. Remittable Surplus Retained in India for CRAR***		
Opening balance	**1,036,305**	1,036,305
Additions during the year	**2,999,914**	–
Closing balance	**4,036,219**	1,036,305
VII. Balance in the Profit and LossAccount	–	3,805,004
Total (I + II + III + IV+V+VI+VII)	**14,057,150**	13,780,756

* Capital reserve includes the value at which the premises held by the Bombay Representative Office of Barclays Bank, PLC, London, were transferred to the books of account of the Mumbai Branch on 1 January, 2000 which was held as interest free funds received from abroad in a separate account as per instructions of Reserve Bank of India. Subsequently, the premises were sold at a profit on 18 January, 2008. It also includes appropriation made towards profit on sale of investments dated 16 February, 2017 in HTM category (net of taxes and statutory transfer).

** Balance in General reserve account was transferred from Revaluation Reserve which was created in the year ended 31 March, 2000 on revaluation of premises in August 1997 net of the loss incurred on the revalued properties.

*** In accordance with the para 4.2.3.2(B)(iii) of Master Circular on Basel III Capital Regulations DBR No.BP.BC.1/21.06.201/2015-16 dated 1 July 2015, the Bank will furnish the statutory auditor's certificate to Reserve Bank of India along with the Bank's audited annual financials for FY 2019-20 for augmentation to the "Remittable surplus retained in India for CRAR purposes.

(Indian Rupees 000's)

	As at 31 March, 2020	As at 31 March, 2019
3 Deposits		
A. I Demand Deposits		
i) From Banks	**733,513**	2,606,762
ii) From Others	**16,276,507**	13,702,396
II Savings Bank Deposits	**4,824,482**	2,651,627
III Term Deposits		
i) From Banks	12,529,600	3,895,100
ii) From Others	**110,028,076**	103,477,280
Total (I + II + III)	**144,392,178**	126,333,165
B. i) Deposits of Branches In India	**144,392,178**	126,333,165
ii) Deposits of Branches Outside India	–	–
Total	**144,392,178**	126,333,165
4 Borrowings		
I. Borrowings in India		
i) Reserve Bank of India	–	5,500,010
ii) Other Banks	3,875,270	10,111,975
iii) Other Institutions and Agencies	4,999,725	24,538,886
	8,874,995	40,150,871
II. Borrowings outside India		
i) From Banks	**2,975,779**	58,963,728
ii) From Others	–	–
	2,975,779	58,963,728
Total (I + II)	**11,850,774**	99,114,599
Secured borrowings included in I and II above	**4,999,725**	30,038,896
{Secured against Government securities of carrying value Rs.4,867,169 (000's) (Previous year : Rs 29,378,698 (000's))}		
5 Other Liabilities and Provisions		
I. Bills Payable	**81,219**	145,758
II. Interest Accrued	**675,210**	974,644
III. Others (Including Provisions)	**177,283,281**	106,268,582
IV. Provision against Standard Assets (includes unhedged foreign currencyexposure provision and provision for incremental exposure beyond Normally Permitted Lending Limit (NPLL)) (Refer Schedule 18 - Note 2 (f) (xvii) & (xviii))	**1,681,196**	1,610,092
Total (I + II + III + IV)	**179,720,906**	108,999,076
6 Cash and Balances with Reserve Bank of India		
I. Cash in hand and in ATM (Including Foreign Currency Notes)	**12,163**	10,159
II. Balances with Reserve Bank of India		
i) In Current Account	**4,351,619**	8,832,508
ii) In Other Accounts	–	–
Total (I + II)	**4,363,782**	8,842,667
7 Balances with Banks and Money at Call and Short Notice		
I. In India		
i) Balance with Banks		
(a) In Current Accounts	**305,803**	239,529
(b) In Other Deposit Accounts	**6,082,600**	7,207,300
ii) Money at Call and Short Notice		
(a) With Banks	–	–
(b) With Other Institutions	32,500,271	–
Total	**38,888,674**	7,446,829

BARCLAYS BANK PLC

INDIAN BRANCHES

(Incorporated in the United Kingdom with Limited Liability)

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH, 2020

(Indian Rupees 000's)

	As at 31 March, 2020	As at 31 March, 2019
7 Balances with Banks and Money at Call and Short Notice ***(Continued)***		
II. Outside India		
i) In Current Accounts	**195,789**	11,550,497
ii) In Other Deposit Accounts	**–**	–
iii) Money at Call and Short Notice	**–**	–
Total	**195,789**	11,550,497
Total (I + II)	**39,084,463**	18,997,326
8 Investments (Refer Schedule 18 – Note 1 (c))		
I. Investments in India		
i) Government Securities	**54,703,385**	67,212,678
ii) Other Approved Securities	**–**	–
iii) Shares	**–**	–
iv) Debentures and Bonds	**7,535,737**	31,177,575
v) Others (CD, CP, PTC)	**24,021,087**	24,705,391
Total	**86,260,209**	123,095,644
II. Investments outside India	**–**	–
Total (I + II)	**123,095,644**	104,228,238
Provision for Depreciation on Performing Investments	**(11,657)**	(117,185)
Provision for Depreciation on Non-Performing Investments	**–**	–
Total	**86,248,552**	122,978,459
*(Shares acquired under NCLT process and reflected at INR 1)		
9 Advances (Refer Schedule 18 – Note 1 (d))		
A. i) Bills Purchased and Discounted	**51,548,702**	106,999,355
ii) Cash Credits, Overdrafts and Loans Repayable on Demand	**29,222,776**	31,260,365
iii) Term Loans	**22,065,585**	15,768,798
Total	**102,837,063**	154,028,518
B. i) Secured by Tangible Assets (including advances against book debt and stock)	**17,797,018**	25,044,000
ii) Covered by Bank/Government guarantees	**4,718,753**	6,944,801
iii) Unsecured	**80,321,292**	122,039,717
Total	**102,837,063**	154,028,518
C.I. Advances in India		
i) Priority Sectors*	**20,261,737**	49,498,757
ii) Public Sector	**951,622**	4,436,546
iii) Banks	**14,463,762**	48,340,278
iv) Others	**67,159,942**	51,752,937
Total	**102,837,063**	154,028,518
C.II. Advances Outside India	**–**	–
Total	**–**	–
Total (C.I + C.II)	**102,837,063**	154,028,518

* (Includes priority sector exposures pertaining to bills which have been discounted against letters of credit issued by other banks)

(Indian Rupees 000's)

	As at 31 March, 2020	As at 31 March, 2019
10 Fixed Assets (Refer Schedule 18 – Notes 1 (e))		
I. Premises	**–**	–
II. Other Fixed Assets (including furniture and fixtures)		
At cost at the beginning of the year	**2,091,239**	2,319,273
Additions during the year	**41,638**	6,167
Deductions during the year	**(138)**	(234,201)
	2,132,739	2,091,239
Depreciation at the beginning of the year	**(1,946,714)**	(2,099,042)
Charge for the year	**(61,216)**	(80,583)
Deductions during the year	**138**	232,911
Depreciation to date (Refer Schedule 18 - Note 2 (i))	**(2,007,792)**	(1,946,714)
Total	**124,947**	144,525
III. Capital Work-in-Progress (including Capital Advances)	**12,042**	37,152
Total (I + II + III)	**136,989**	181,677
11 Other Assets		
I. Interest Accrued	**1,659,722**	3,805,824
II. Advance Tax / Tax Deducted at Source (Net of Provision for Taxation of Rs. 29,967,680 (000's)) (Previous year: Rs.26,637,680 (000's))	**2,660,185**	2,648,861
III. Deferred Tax Assets (Net) (Refer Schedule 18 - Note 2 (b))	**2,341,733**	1,845,221
IV. Others	**163,183,744**	87,394,267
Total	**169,845,384**	95,694,173
12 Contingent Liabilities (Refer Schedule 18 – Note 2 (e) (1))		
I. Claims against the Bank not acknowledged as debts*	**980,545**	2,507,102
II. Liability on Account of Outstanding Derivative and Forward Exchange Contracts	**8,702,395,155**	6,863,453,771
III. Guarantees Given on Behalf of Constituents*		
(i) In India	**9,034,819**	7,916,656
(ii) Outside India	**12,308,251**	13,144,026
IV. Acceptances, Endorsements and Other Obligations	**8,784,863**	14,952,761
V. Other items for which the Bank is contingently liable		
(i) Capital Commitments	**1,087**	1,462
(ii) Others	**34,665**	19,784
Total	**8,733,539,385**	6,901,995,562

* (excludes Rs. 2,170,000 (000's) (Previous year : Rs. 2,170,000 (000's)) in relation to tax demand liability for prior year's against which counter guarantee of Rs. 2,170,000 (000's) (Previous year : Rs. 2,170,000 (000's)) is issued and reported under Schedule 12.III)

BARCLAYS BANK PLC

INDIAN BRANCHES

(Incorporated in the United Kingdom with Limited Liability)

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2020

(Indian Rupees 000's)

	Year ended 31 March, 2020	Year ended 31 March, 2019
13 Interest Earned		
I. Interest/Discount on Advances/Bills	**8,628,204**	8,262,198
II. Income on Investments	**6,097,690**	6,351,803
III. Interest on Balances with Reserve Bank of India and Other Inter-Bank Funds	**416,261**	225,796
IV. Others	**1,405,699**	627,232
Total	**16,547,854**	15,467,029
14 Other Income		
I. Commission, Exchange and Brokerage (Net)	**3,087,857**	2,910,111
II. Profit/(Loss) on Sale of Investments (Net)	**(2,496,868)**	(644,305)
III. Loss on Revaluation of Investments (Net)	**–**	–
IV. (Loss)/Profit on Sale of Land, Buildings and Other Assets (Net)	**–**	–
V. Profit/ (Loss) on Exchange Transactions (Net) (including Profit/(Loss) on Derivative Transactions)	**2,583,635**	(150,415)
VI. Miscellaneous Income	**95,163**	219,617
Total	**3,269,787**	2,335,008
15 Interest Expended		
I. Interest on Deposits	**6,247,445**	4,878,535
II. Interest on Reserve Bank of India/Inter-Bank Borrowings	**503,581**	745,503
III. Others	**600,019**	749,800
Total	**7,351,045**	6,373,838

(Indian Rupees 000's)

	Year ended 31 March, 2020	Year ended 31 March, 2019
16 Operating Expenses		
I. Payments to and Provisions for Employees	**2,225,271**	1,963,031
II. Rent, Taxes and Lighting	**203,862**	215,674
III. Printing and Stationery	**4,721**	4,489
IV. Advertisement and Publicity	**1,127**	525
V. Depreciation on Bank's Property	**61,216**	80,583
VI. Auditors' Fees and Expenses	**10,000**	7,980
VII. Law Charges	**7,421**	6,784
VIII. Postages, Telegrams & Telephones	**119,330**	140,248
IX. Repairs and Maintenance	**114,203**	74,414
X. Insurance	**124,127**	82,000
XI. Other Expenditure (Net of recharges settled with group companies) (Includes - Group Cost Allocation Expenses Rs. 1,355,276 (000's) (Previous year: Rs. 903,076 (000's))	**2,250,110**	1,701,957
Total	**5,121,388**	4,277,685
17 Provisions and Contingencies		
I. Provision for income tax	**3,330,000**	3,390,000
II. Deferred tax (credit)	**(496,512)**	(601,491)
III. Provision for Non Performing Advances	**1,210,269**	1,631,154
IV. Provision for / (write back of) Lease Dilapidation	**(14,639)**	483
VA. (Write back of) Depreciation on Performing Investments	**(105,528)**	(301,032)
VB. Provision for Country risk	**–**	37,933
VI. Others (including write offs as well as operational/fraud losses)	**520,872**	(188)
VII. Provision for incremental exposure beyond Normally Permitted Lending Limit (NPLL)	**13,163**	19,392
VIII. Provision for unhedged foreign currency exposure	**57,941**	52,572
Total	**4,515,566**	4,228,823

Notes to the financial statements for the year ended 31 March, 2020

(Indian Rupees '000s)

SCHEDULE 18:

1. Significant Accounting Policies and Notes to the financial statements

(a) General

(i) Background

Barclays Bank PLC – Indian Branches (the "Bank") is a branch of Barclays Bank PLC which is incorporated in the United Kingdom with limited liability. The Bank provides corporate & investment banking, wealth management and retail liability products. As at 31 March, 2020, the Bank had six branches (excluding one service branch) operating in India.

(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.

BARCLAYS BANK PLC

INDIAN BRANCHES

(Incorporated in the United Kingdom with Limited Liability)

Notes to the financial statements for the year ended 31 March, 2020 ***(Continued)***

(Indian Rupees '000s)

SCHEDULE 18:

1. Significant Accounting Policies and Notes to financial statements ***(Continued)***

(a) General (Continued)

(iii) Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles ('GAAP') in India requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any revision to accounting estimates and assumptions is recognized prospectively in current and future periods.

(b) Transactions Involving Foreign Exchange

(i) Monetary assets and liabilities denominated in foreign currency are translated into Indian rupees at the closing rates of exchange notified by Foreign Exchange Dealers Association of India ("FEDAI"), Reuters or Bloomberg, as the case may be. The resultant profits or losses on such revaluation are included in the Profit and Loss Account.

(ii) Income and expenditure items are translated at the exchange rates prevailing on the date of transaction.

(iii) Outstanding foreign exchange contracts as at the balance sheet date (other than contracts undertaken to hedge foreign currency assets/liabilities which are not revalued) are revalued at the closing rates notified by FEDAI, Reuters or Bloomberg, as the case may be, for specified maturities and at interpolated rates for contracts of interim maturities. The contracts of longer maturities where exchange rates are not notified by FEDAI, are revalued at the forward exchange rates implied by the swap curves for respective currencies. The resultant profits or losses are recognised in the Profit and Loss Account. Outstanding foreign exchange contracts are valued at the present value of forward rates using appropriate discount rates.

(iv) Premium/discount on foreign exchange contracts undertaken to hedge foreign currency assets/liabilities is recognized as interest income/expense and is accrued/amortised on a pro-rata basis over the underlying contract period.

(v) Currency futures contracts are marked to market (MTM) using daily settlement price on the trading day, which is the closing price of the respective futures contracts on that day. The resultant MTM profit or loss is daily settled with the exchange. The final settlement price is taken as RBI reference rate on the last trading day of the futures contract or as may be specified by the relevant authority from time to time. The resultant profits or losses are recognised in the Profit and Loss Account.

(vi) Valuation of exchange traded currency options and interest rate future contracts are carried out on the basis of the daily settlement price of each individual option/contract provided by the exchange. The resultant profits or losses are recognised in the Profit and Loss Account.

(vii) Contingent liabilities on account of guarantees, endorsements, outstanding foreign exchange and derivative contracts and other obligations in foreign currency are stated at the closing rates of exchange notified by FEDAI, Reuters or Bloomberg, as the case may be.

(c) Investments

Investments are accounted on settlement date basis and are classified as 'Held to Maturity', 'Available for Sale' or 'Held for Trading' in accordance with RBI guidelines. However, for disclosure in the Balance Sheet, investments in India are classified under five categories-Government Securities, Other approved securities, Shares, Debentures & Bonds and Others. These are valued as per the extant guidelines prescribed by RBI as given below:

(i) Investments classified under the 'Held to Maturity' category are carried at their acquisition cost or at amortised cost, if acquired at a premium over the face value. Any premium to the face value on acquisition is amortised over the remaining period to maturity of the security. Where the acquisition cost is less than the face value, such discount is ignored. A provision is made for other than temporary diminution in the value of 'Held to Maturity' security, if any.

(ii) Investments classified under the 'Available for Sale' and 'Held for Trading' securities are valued periodically as per RBI guidelines. The market/fair value for the purpose of periodic valuation of quoted investments included in the 'Available for Sale' and 'Held for Trading' categories is the price of the security available from trades/closing quotes on the recognized stock exchanges, subsidiary general ledger account transactions, price list of RBI or prices declared by Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association (FIMMDA)/ Financial Benchmark India Private Limited (FBIL).

(iii) Treasury Bills, Commercial Papers (CPs) and Certificate of Deposits (CDs) being discounted instruments, are valued at carrying cost.

(iv) The market/fair value of unquoted statutory liquidity ratio securities included in the 'Available for Sale' and 'Held for Trading' categories is as per the prices published by FIMMDA/ FBIL.

(v) Securities are valued script-wise and depreciation/appreciation is aggregated for each category. Net unrealised appreciation in each category is ignored (except to the extent of depreciation previously provided), while net depreciation is provided for. Non-performing investments are identified and provision for depreciation is made thereon based on RBI guidelines.

(vi) The valuation of other unquoted fixed income securities, including Pass-Through Certificates (PTCs) and special bonds wherever linked to the Yield-to-Maturity (YTM) rates, is computed with a mark-up (reflecting associated credit risk and liquidity risk) over the YTM rates for government securities of similar maturities published by FIMMDA/FBIL.

(vii) Quoted equity shares are valued at their closing price on a recognised stock exchange. Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available, or at Re. 1, as per RBI guidelines. Quoted equity shares received as a part of settlement under the National Company Law Tribunal (NCLT) process is carried at Re. 1 per company.

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Notes to the financial statements for the year ended 31 March, 2020 *(Continued)*

(Indian Rupees '000s)

SCHEDULE 18:

1. Significant Accounting Policies and Notes to financial statements *(Continued)*

(c) Investments (Continued)

(viii) Profits or losses on sale of investments under 'Available for Sale' and 'Held for Trading' categories are taken to the Profit and Loss Account

(ix) Profit on sale of investments under 'Held to Maturity' category is recognized in the Profit and Loss Account and thereafter appropriated (net of applicable tax and Statutory Reserve requirements) to Capital Reserve.

(x) Transfer of investments from AFS to HFT or vice-a-versa is done at the book value. In the case of transfer of securities from HTM to AFS/HFT category, the investments held under HTM at a discount/ premium are transferred to AFS/HFT category at the book value as on the date of transfer. Depreciation, if any, on such transfer is fully recognised in the Profit and Loss Account.

(xi) Brokerage, Commission and other related expenses at the time of acquisition are charged to the Profit and Loss Account.

(xii) Cost of investments is determined on the weighted average cost basis for trading portfolio. Cost of securities managed by the Treasury (Asset Liability Management) desk for liquidity and SLR maintenance purpose is determined on a first in first out (FIFO) basis.

(xiii) The Bank does not capitalise the broken period interest paid to the seller as part of cost, but treats it as an item of expenditure under the Profit and Loss Account, as per RBI guidelines.

(xiv) The Bank undertakes short sale transactions in Central Government securities in accordance with RBI guidelines. The short position is reflected as the amount received on sale and is netted in the Investment schedule. The short position along with the other securities under that category and the resultant mark to market gains/ losses are accounted as per the relevant RBI guidelines for the valuation of investments. The Bank undertakes 'When Issued' transactions in line with RBI guidelines.

(xv) With a view to building up of adequate reserves to protect against increase in yields, RBI through circular number RBI/2017-18/147 DBR.No.BP. BC.102/21.04.048/2017-18 dated April 2, 2018, advised all banks to create an Investment Fluctuation Reserve ("IFR") at least 2 percent of HFT and AFS portfolio by 2020-21 with effect from the financial year 2018-19.

Transferred to IFR will be lower of the following (i) net profit on sale of investments during the year or (ii) net profit for the year less mandatory appropriations, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis.

(xvi) Provision for depreciation on investments in the AFS and HFT categories, if excessive is credited to the Profit and Loss account and equivalent amount (net of taxes and net of transfer to Statutory Reserve as applicable) is appropriated to an Investment Reserve account in Schedule 2 – Reserves and Surplus.

The provision required to be created on account of depreciation in the 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.

(d) Advances

(i) Advances are stated net of specific provisions, bills rediscounted and interest in suspense.

(ii) Advances are classified as per RBI guidelines into performing and non-performing assets (NPAs). Further, NPAs are classified into sub-standard, doubtful and loss assets as per Income recognition and assets classification (IRAC) guidelines.

(iii) Non-performing advances are identified based on management's periodic internal assessment or in accordance with RBI guidelines, whichever is earlier. The related income on such non performing advances is not recognised as income until received.

(iv) Specific provisions are made based on management's assessment of the degree of impairment of the advances, subject to minimum provisioning norms laid down by RBI.

(v) Recoveries from bad debts written-off are recognised in the Profit and Loss account and included under other income. Further, provisions no longer considered necessary in the context of the current status of the borrower are also recognised in the Profit and Loss Account.

(vi) Provision on assets restructured/rescheduled is made in accordance with applicable RBI guidelines on restructuring of advances by banks. In respect of non-performing loan accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e. a period of one year after the date when first payment of interest or of principal, whichever is later, subject to satisfactory performance of the account during the period.

(vii) As per the RBI guideline, a general provision is made on standard advances, including provision for borrower having unhedged foreign currency exposure and for credit exposure computed as per current MTM of interest rate and foreign exchange derivative contract. These also include provision for incremental exposure of the banking sector to a specified borrower beyond Normally Permitted Lending Limit (NPLL) in proportion to the Bank's funded exposure to specified borrower. Further, the Bank also maintains a provision for individual country exposures (other than for home country exposure) as per RBI guidelines. Such provisions are included in Schedule 5 – "Other Liabilities and Provisions".

(viii) In case of advances transferred through securitization tranches, the transferred loans are derecognized and gains/losses are accounted as per relevant RBI guidelines.

(e) Fixed Assets

(i) Fixed assets are accounted for at their historical cost less accumulated depreciation and impairment loss, if any. Cost comprises the purchase price and any cost attributable for bringing the asset to its working condition for its intended use.

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Notes to the financial statements for the year ended 31 March, 2020 *(Continued)*

(Indian Rupees '000s)

SCHEDULE 18:

1. Significant Accounting Policies and Notes to financial statements *(Continued)*

(e) Fixed Assets (Continued)

(ii) Depreciation/amortisation on fixed assets (including intangible assets) is provided on a straight-line method over the economic useful life of the asset as determined by management. Depreciation on additions to fixed assets is provided from the month in which the asset is ready for intended use. In respect of sales/disposals, no depreciation is provided in the month in which the asset is sold/disposed off. The estimates of useful lives of the assets are based on historical experience and technical evaluation, taking into account the nature of the asset, the estimated usage of the asset, and the operating conditions surrounding the use of the asset.

Asset Type	**Useful life (in years)[1]**
Leasehold Improvements	Period of lease term or 16 years, whichever is shorter
Office Equipment	1-9 years
Desktop	3-4 years
Servers	3-6 years
Vehicle	5 years
Network Equipments	3-6 years
Voice Equipments	3-6 years
Furniture and Fixtures	Period of lease term or 11 years, whichever is shorter
Software forming an integral part of hardware	3-4 years
Software which does not form an integral part of hardware	2-4 years

[1] The useful life of assets is based on historical experience and technical evaluation of the Bank, which may be different from the useful life as prescribed in Schedule II to the Companies Act, 2013.

(iii) Items individually costing less than GBP 5 ('000s) (equivalent to approximately Rs 466 ('000s)) are fully charged to the Profit and Loss Account in the year of purchase, except expenditure incurred as part of a major capital outlay and desktops, laptops.

(iv) Whenever there is a revision in the estimated useful life of the asset, the unamortised depreciable amount is charged in the revised/ remaining useful life of the asset.

(v) The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs to is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

(vi) Capital work in progress includes cost of fixed assets that are not ready for their intended use.

(f) Repurchase ('Repo') and Reverse Repurchase ('Reverse Repo')

Repo and Reverse Repo transactions including Liquidity Adjustment Facility ("LAF") with RBI and entered with Clearing Corporation of India Limited ("CCIL") and Triparty Repos ('TREPS') are considered as lending and borrowing transactions and reflected in assets and liabilities, as the case may be.

(g) Derivatives

(i) The Bank enters into derivative contracts such as interest rate swaps, cross currency swaps, options, currency futures, exchange traded currency options, foreign exchange contracts and forward rate agreements. Notional amounts of derivative transactions are disclosed as off Balance Sheet exposures.

(ii) Derivative transactions are classified as trading derivatives and are valued at the estimated realisable price (fair value). The resulting profits or losses are recognised in the Profit and Loss Account with the corresponding unrealised amounts reflected in other assets or other liabilities respectively in the Balance Sheet.

(iii) Fair value is determined with reference to bid/asks quoted market price or by using valuation models. Where the fair value is calculated using valuation models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to the present value. The valuation takes into consideration all relevant market factors (e.g. prices, interest rates, currency exchange rates, volatility, liquidity etc.). Most market parameters are either directly observable or are implied from instrument prices. The model may perform numerical procedures in the pricing such as interpolation when input values do not directly correspond to the most actively traded market trade parameters. The accuracy and integrity of the market prices are verified independently of trading personnel. The Bank uses mid-market pricing where it is a market maker and has the ability to transact at, or better than mid price. For other financial assets and liabilities, bid-offer adjustments are recorded to reflect the price for the expected close out strategy.

(iv) Provisions are made to reflect the risk tendency of the portfolio. Provisions as applicable to the loan assets in the "Standard" category are made on credit exposures computed as per the current MTM value of the contract, arising on account of the interest rate and foreign exchange derivative transactions, of the concerned counterparties. Specific provisions are made based on management's assessment of the degree of impairment with respect to derivative transactions subject to minimum provisioning norms laid down by RBI.

(v) Pursuant to RBI guidelines, any receivables under derivative contract are classified as non-performing, when unpaid for a period of 90 days or as per management's assessment, whichever is earlier. Such receivables and MTM gains on other derivative contracts with the same counterparties are reversed through the Profit and Loss Account and are held in separate suspense accounts.

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Notes to the financial statements for the year ended 31 March, 2020 *(Continued)*

(Indian Rupees '000s)

SCHEDULE 18:

1. Significant Accounting Policies and Notes to financial statements *(Continued)*

(h) Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period).

Current taxes

Provision for current income-tax is recognized in accordance with the provisions of Indian Income-tax Act, 1961/India –UK double tax avoidance agreement and is made based on the tax liability after taking credit for tax allowances and exemptions.

Deferred taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between the profits offered for income taxes and the profits as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantively enacted by the Balance Sheet date. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in the future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets supported by convincing evidences. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at the Balance Sheet date and the impact of change in deferred tax assets/liabilities is taken to the Profit and Loss Account.

(i) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, as far as it is consistent with the statutory provisions and the guidelines issued by RBI.

(i) Interest income is recognised on an accrual basis, except for interest on non performing advances which is recognised on realisation.

(ii) Amortisation of premium on "Held to Maturity" securities and accretion of discounts on discounted instruments are recognised in interest income on a straight line basis over the life of the instrument.

(iii) Premium on redemption of Pass Through Certificates (PTC) is amortised over the period of the instrument on a yield basis.

(iv) Commission on guarantees and letters of credit issued by the Bank are amortised over the period of guarantee and letters of credit respectively.

(v) Net income arising from securitisation of loan assets is amortized over the life of securities issued or to be issued by the special purpose vehicle/special purpose entity to which the assets are sold. Net income arising from sale of loan assets through direct assignment is amortised over the life of underlying assets sold. Net loss arising on account of the sell down/securitisation and direct assignment of loan assets is recognised at the time of sale.

(vi) Fees from activities such as strategic advisory, mergers and acquisition advisory, loan arrangement etc are recognised on rendering of the services and occurrence of the events or achievement of milestones as per the terms of the agreement with the respective counterparties, whichever is earlier.

(vii) Dividend is accounted when right to receive the dividend is established and reported under income from investments as per RBI guidelines.

(viii) Fees paid/received for priority sector lending certificates (PSLC) is amortised on a straight-line basis over the period of the certificate.

(ix) All other fee income not mentioned above is recognised upfront on its becoming due.

(x) In accordance with RBI guidelines on sale of non-performing advances to Securitisation Companies/Reconstruction Companies, if the sale is for a value higher than the net book value, the excess provision is reversed to the profit and loss account and gains are recognised in the year the amounts are received. In accordance with RBI circular DBR.No.BP.BC.75/21.04.048/2014-15 dated March 11, 2015, the excess provision (when the sale is for a value higher than the NBV) on sale of NPAs (sold prior to February 26, 2014 to SCs/RCs) is also reversed to the Profit and Loss account. In accordance with RBI guidelines on sale of non-performing advances to other than Securitisation Companies/Reconstruction Companies, if the sale is for a value higher than the NBV, the excess provision shall not be reversed but will be utilised to meet the shortfall/ loss on account of sale of other non performing financial assets.

(j) Employee Benefits

(i) Provident Fund (Defined Contribution Plan): Contributions for retirement benefit in the form of provident fund, a defined contribution scheme, are charged to the Profit and Loss Account of the year when the contributions to the fund are due. The Bank has no further obligation beyond making the contribution.

The Judgment of the Hon'ble Supreme Court dated February 28, 2019, in the matter of The Regional Provident Fund Commissioner (II) West Bengal vs. Vivekananda Vidyamandir and Ors sets out principles for computation of contribution towards Provident Fund where "basic wage" includes all emoluments paid to an employee as per the terms of his/ her contract of employment. The Judgment has also laid down the standards applicable to determine "basic wage" as that amount that is payable to all employees uniformly and is to be included within the definition of "basic wage'. In light of the above judgement the Bank had undertaken an assessment and all the employees were above threshold limits and there was no impact for the same in the financial statements.

(ii) Gratuity (Defined Benefit Plan): The Bank makes annual contribution to the Gratuity Fund managed by a trust and administered by the trustees. The net present value of the Bank's obligation towards the gratuity is actuarially determined by an independent actuary based on the projected unit credit method as at the Balance Sheet date. The Bank makes periodical contributions to the obligations as reduced by the fair value of the plan assets. Actuarial gains or losses are immediately recognised in the Profit and Loss Account.

(iii) Compensated Absences (Sick Leave & Casual Leave- Defined Benefit Plan): The Bank accrues the liability for compensated absences as per the valuation conducted by the Bank as at the Balance Sheet date. (Refer Note 2 (g))

(iv) Compensated Absences (Privilege Leave – Defined Benefit Plan): The Bank accrues the liability for compensated absences based on the actuarial valuation as at the Balance Sheet date conducted by an independent actuary. (Refer Note 2 (g))

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Notes to the financial statements for the year ended 31 March, 2020 *(Continued)*

(Indian Rupees '000s)

SCHEDULE 18:

1. Significant Accounting Policies and Notes to financial statements *(Continued)*

(j) Employee Benefits (Continued)

(v) Cash Value Plan (CVP): deferred cash bonuses are granted under CVP in the form of a provisional allocation or a conditional right to receive cash, and normally scheduled to vest in three tranches over a period of three years subject to discretion of Barclays Group Cash Plans Committee, continued employment with the Group. The Company records CVP on a graded vesting basis which is adjusted for any expected forfeiture in future.

(vi) Share Value Plan (SVP) and Deferred Share Value Plan (DSVP): SVP and/or DSVP awards are granted to participants in the form of a provisional allocation or a conditional right to Barclays PLC shares ("Shares") or notional shares which vest or are considered for settlement over three years. Participants do not pay to receive an award or to receive a release of Shares or notional Shares. SVP and DSVP awards are also made to eligible new joiners. All awards are subject to potential forfeiture in certain leaver scenarios. For regulatory reasons it is not possible or practical to deliver Shares in India and therefore a phantom arrangement is operated whereby an individual is awarded notional Shares.

(vii) Share Incentive Award (SIA): SIA is granted to 'Material risk Takers' in the form of a conditional right to receive the fair value of Barclays Group shares in Cash on the release date, and are subject to a 12 months holding period during which the participant is not permitted to sell, transfer, charge, pledge, mortgage or otherwise encumber the shares.

(viii) Joiner's Cash Value Plan (JCVP): deferred cash bonuses were granted under JCVP in the form of a provisional allocation or a conditional right to receive cash, and normally scheduled to vest over one to seven years subject to the Bank's discretion and continued employment with the Barclays Group.

(ix) Joiner's Share Value Plan (JSVP): deferred Share bonuses were granted under JSVP in the form of a provisional allocation or a conditional right to right of Barclays PLC shares or equivalents, and normally scheduled to vest over one to seven years subject to the Bank's discretion and continued employment with the Barclays Group

(x) National Pension Scheme (Defined Contribution Plan): The Bank has no liability for future fund benefits other than the voluntary contribution made by employees who agree to contribute to the scheme.

(k) Provision, contingent liabilities and contingent assets

To identify provision and/or contingent liability, the Bank estimates the probability of any loss that might be incurred on outcome of contingencies on the basis of information available up to the date on which the financial statements are prepared. A provision is recognised when an enterprise 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 their present value and are determined based on management estimates of amounts required to settle the obligation at the Balance Sheet date, supplemented by experience of similar transactions. These are reviewed at each Balance Sheet date and adjusted to reflect current management estimate. In case of remote possibility neither provision nor disclosure is made in the financial statements. The Bank does not recognise or disclose contingent assets. 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 recognized in the period in which the change occurs.

(l) Operating lease transactions

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

(m) Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

2. Other Notes

(a) Capital

(i) The Head Office has not infused capital during the current year (Previous year: Nil). The Bank has retained profits of Rs. 2,999,913 (000s) for in India during the year.

(ii) Capital Adequacy Ratio *Rs in '000s, except percentages*

Sl. No.	Particulars	31 March 2020	31 March 2019
i)	Common Equity Tier 1 capital ratio (%)	**14.87%**	15.59%
ii)	Tier 1 capital ratio (%)	**14.87%**	15.59%
iii)	Tier 2 capital ratio (%)	**0.80%**	0.71%
iv)	Total Capital ratio (CRAR) (%)	**15.67%**	16.30%
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	**Nil**	Nil
	Preference Debt Instruments	**Nil**	Nil
viii)	Amount of Tier 2 capital raised; of which		
	Debt capital instrument:	**Nil**	Nil
	Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares (PCPS)/Redeemable Non-Cumulative Preference Shares (RNCPS)/Redeemable Cumulative Preference Shares (RCPS)]	**Nil**	Nil

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Notes to the financial statements for the year ended 31 March, 2020 *(Continued)*

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SCHEDULE 18:

2. Other Notes *(Continued)*

(a) Capital (Continued)

The Bank is subject to the Basel III capital adequacy guidelines stipulated by RBI with effect from 01 April, 2013. As per RBI guidelines, in case a foreign bank having branch presence in India is a Global Systemically Important Bank (G-SIB), it has to maintain additional Common Equity Tier 1 (CET1) capital surcharge in India as applicable to it as G-SIB, proportionate to its Risk Weighted Assets (RWAs) in India. Additional CET1 requirement for such banks in India may be computed as additional CET1 buffer prescribed by the home regulator multiplied by (India RWA as per consolidated global Group books/Total consolidated global Group RWA).

As at March 31, 2020, as per Basel III guidelines bank is required to maintain minimum CET1 capital ratio of 8.875%, minimum Tier-1 capital ratio of 10.375% and minimum total capital ratio of 12.375%. The minimum capital requirement includes capital conservation buffer (CCB) of 1.875% and additional CET1 capital surcharge of 1.50% on account of the Bank being designated as a G-SIB. The implementation of the last tranche of 0.625% of Capital conservation buffer (CCB) have been extended by 6 months from March 31, 2020 to September 30, 2020. The capital adequacy as at 31 March, 2020 has been maintained and reported by the Bank as per Basel III guidelines.

(b) Deferred taxes

The deferred tax balances are set out below:

Rs in '000s

Particulars of Asset/(Liability)	31 March, 2020	31 March, 2019
Provision for NPA and General provisions	**2,317,722**	1,758,018
Expenditure allowed on payment basis	**204,696**	159,691
Depreciation	**139,792**	149,061
Deduction u/s. 36(1)(viii) of the Income Tax Act, 1961	**(320,477)**	(221,549)
Total	**2,341,733**	1,845,221

(c) Leases

The Bank enters into leasing arrangements for commercial properties. The lease rental of **Rs 169,335 ('000s)** (Previous year: Rs 176,036 ('000s)) has been included under Operating Expenses – Rent, Taxes and Lighting (Schedule 16 II) in the Profit and Loss Account.

The future minimum lease payments under non-cancellable operating leases are as follows.

Rs in '000s

Particulars	31 March, 2020	31 March, 2019
Not later than one year	**75,199**	96,684
Later than one year and not later than five years	–	75,198
Later than five years	–	–
Total	**75,199**	171,882

The Bank does not have any provisions relating to contingent rent. The terms of renewal/purchase options and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

(d) Provisions and Contingencies

1) Description of Contingent liabilities:

i) Claims against the Bank not acknowledged as debts

The above represents claims filed against the Bank in the normal course of business relating to various legal cases currently in progress. This also includes demand raised by the Tax authorities and disputed by the Bank.

ii) Liability on Account of Outstanding Derivative and Forward Exchange Contracts

The Bank enters into foreign exchange contracts, currency options, exchange traded options, futures and swaps on its own account and for 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 two currencies, based on ruling spot rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time. Currency Future is a standardised 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. Interest rate futures are standarised exchange traded contracts that represent a pledge to undertake a certain interest rate transactions at a specified price on a specified future date. Exchange Traded Currency Option is a standardized foreign currency derivative contract, which gives the owner the right, but not the obligation, to exchange money denominated in one currency into another currency at a specified exchange rate on a specified date on the date of expiry. With respect to the transactions entered into with its customers, the Bank generally enters into off-setting transactions in the inter-bank market. This results in generation of a higher number of outstanding transactions, and hence a large value of gross notional principal of the portfolio, while the net market risk is lower.

iii) Guarantees given on behalf of constituents

As part of its banking activities, the Bank generally issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations. Guarantee will remain outstanding until claim expiry period or where the guarantee requires written discharge from beneficiary, until written discharge is received.

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(Indian Rupees '000s)

SCHEDULE 18:

2. Other Notes *(Continued)*

(e) Provisions and Contingencies (Continued)

1) Description of Contingent liabilities: *(Continued)*

iv) Acceptances, endorsements and other obligations

These include Letter of Credits ("LCs") issued by the Bank on behalf of its customers and bills drawn by beneficiary under the LC accepted by the Bank and bills re-discounted as well as other obligations. The Bank is governed by relevant sections of UCP 600 in honoring LC liability.

v) Other items for which the Bank is contingently liable

Other items includes estimated amount of contracts remaining to be executed on a capital account and transfers made to Depositor Education and Awareness Fund (DEAF) and committed lines of credit.

2) Breakup of provisions and contingencies: -

Rs in '000s

Sl. No	Particulars	31 March, 2020	31 March, 2019
1	Provision for income tax	**3,330,000**	3,390,000
2	Deferred tax charge/(credit)	**(496,512)**	(601,491)
3	Provision/(Write back) for Non Performing Advances	**1,210,269**	1,631,154
4	Provision for Lease Dilapidation	**(14,639)**	483
5	Provision for Depreciation on Investments	**(105,528)**	(301,032)
6	Provision for Country risk	**–**	37,933
7	Others (including fraud, operational losses, write offs as well as provisions made as per management estimate for probable future losses)	**520,872**	(188)
8	Provision for incremental exposure beyond NPLL	**13,163**	19,392
9	Provision for Unhedged Foreign Currency Exposure	**57,941**	52,572
		4,515,566	**4,228,823**

(f) The additional disclosure in terms of RBI circulars

(i) Percentage of NPAs to Net Advances

Rs in '000s, except percentages

Particulars		31 March, 2020	31 March, 2019
(i)	**Net NPAs to Net Advances (%)**	**0.00%**	0.35%
(ii)	**Movement of Gross NPAs**		
(a)	Opening balance	**2,958,392**	783,520
(b)	Additions during the year	**1,214,270**	2,208,462
(c)	Reductions during the year	**(781,961)**	(33,590)
(d)	Closing balance	**3,390,701**	2,958,392
(iii)	**Movement of Net NPAs**		
(a)	Opening balance	**543,718**	–
(b)	Additions during the year	**–**	568,911
(c)	Reductions during the year	**(543,718)**	(25,193)
(d)	Closing balance	**–**	543,718
(iv)	**Movement of Provisions for NPAs (excluding provisions on standard assets)**		
(a)	Opening balance	**2,414,674**	783,520
(b)	Provisions made during the year	**1,757,988**	1,639,551
(c)	Write-off/(write-back) of excess provisions	**(781,961)**	(8,397)
(d)	Closing balance	**3,390,701**	2,414,674

Note: The information disclosed pertains to loans and advances only.

(ii) Investments:

Rs in '000s

Particulars	31 March, 2020	31 March, 2019
Gross value of investments, in India	**86,260,209**	123,095,644
Less: Provision for depreciation	**11,657**	117,185
Net value of investments, in India	**86,248,552**	122,978,459

Note: The Bank does not hold any investments outside India.

Investments also include the following:

- Securities of book value **Rs 7,976,691 ('000s)** (Previous year Rs 10,775,750 ('000s)) deposited with The Clearing Corporation of India Ltd. in Settlement Guarantee Fund (SGF).
- Securities placed with the Securities Department of Reserve Bank of India under Section 11(2)(b) of the Banking Regulation Act, 1949 of book value **Rs 8,554,713 ('000s)** (Previous year Rs 7,142,056 ('000s))
- Securities of book value **Rs 4,867,169 ('000s)** (Previous year Rs 29,378,698 ('000s)) placed under repo transactions

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SCHEDULE 18:

2. Other Notes *(Continued)*

(f) The additional disclosure in terms of RBI circulars (Continued)

(iii) Movement of provisions for depreciation held towards investments:

Rs in '000s

Particulars	**31 March, 2020**	31 March, 2019
Opening balance	**117,185**	418,217
Add: Provision for Investment	**–**	–
Less: Write-back of excess provisions during the year	**105,528**	301,032
Closing balance	**11,657**	117,185

RBI circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018 grants banks an option to spread provisioning for mark to market losses on investments held in AFS and HFT for the quarters ended December 31, 2017 and March 31, 2018. The circular states that the provisioning for each of these quarters may be spread equally over up to four quarters, commencing with the quarter in which the loss was incurred. The Bank has recognised the entire net mark to market loss on investments in the respective quarters and has not availed of the said option.

(iv) The Bank has not sold or transferred securities to or from Held to Maturity (HTM) category exceeding 5% of the opening book value of investment held in HTM category. The above threshold of 5% excludes one time transfer of securities to/from HTM with approval of the board/Executive Committee (EXCO) permitted to be undertaken by Banks at the beginning of the accounting year, sale to RBI under pre-announced Open Market Operation auctions and repurchase of Government securities by Government of India.

(v) Investments are accounted on settlement date basis. As at 31 March, 2020, the Bank has outstanding purchases of Rs 8,032,360 ('000s) (Face value) and sale of Rs 8,055,030 ('000s) (Face value), which will settle after 31 March, 2020. (Previous year: purchases of Rs 6,400,000 ('000s) (Face value) and sale of Rs 5,332,490 ('000s) (Face value)).

(vi) Ratios:

Rs in '000s except percentages

Sl. No	**Particulars**	**31 March, 2020**	31 March, 2019
1	Interest income as a percentage to working funds[2]	**5.03%**	5.28%
2	Non-interest income as a percentage to working funds[2]	**0.99%**	0.80%
3	Operating profit/(loss) as a percentage to working funds[2]	**2.23%**	2.44%
4	Return on assets (net profit/(loss) as a percentage to working funds[2])	**0.86%**	1.00%
5	Business (Average deposits less inter-bank deposits plus average advances) per employee[3] (Rs in '000s)	**1,027,988**	926,896
6	Net Profit/(Loss) per employee[3] (Rs in '000s)	**11,456**	11,480

1. Working funds represent monthly average of total assets as reported to RBI in Form X under Section 27 of the Banking Regulation Act, 1949.

2. Productivity ratios are based on average number of employees for the year.

(vii) Maturity pattern as at 31 March, 2020:

Rs in '000s

Maturity Pattern of	**Next Day**	**2-7 days**	**8-14 days**	**15-30 days**	**31 days to 2 months**	**Over 2 months to 3 months**	**Over 3 months to 6 months**	**Over 6 months to 1 year**	**Over 1 years to 3 years**	**Over 3 years to 5 years**	**Over 5 years**	**Total**
Deposits	13,869,149	28,249,904	16,798,204	13,993,410	14,158,643	13,539,483	24,716,737	7,189,681	7,014,693	4,849,437	12,838	144,392,178
Borrowings	1,084,154	5,999,725	–	–	–	1,891,625	–	983,645	1,891,625	–	–	11,850,774
Investments	39,056,253	23,092,367	9,356,416	1,873,928	1,891,649	2,058,201	3,872,885	1,604,326	2,838,722	613,830	(10,025)	86,248,552
Loans and Advances	1,321,130	8,998,968	3,604,128	7,853,325	10,896,437	9,885,311	24,372,398	19,257,089	15,790,912	837,729	19,635	102,837,063
Foreign Currency Assets*	381,080	7,054,979	1,617,252	3,355,399	1,264,938	1,495,682	3,263,836	1,829,632	1,996,255	–	–	22,259,054
Foreign Currency Liabilities*	6,364,332	6,380	6,660	21,815	37,709	1,998,531	916,402	1,984,148	2,144,239	166,300	–	13,646,515

* Foreign currency assets and liabilities exclude off-balance sheet items. The above disclosure is as per the Asset Liability Management ("ALM")/Liquidity Guidelines issued by RBI.

(vii) Maturity pattern as at 31 March, 2019:

Rs in '000s

Maturity Pattern of	**Next Day**	**2-7 days**	**8-14 days**	**15-30 days**	**31 days to 2 months**	**Over 2 months to 3 months**	**Over 3 months to 6 months**	**Over 6 months to 1 year**	**Over 1 years to 3 years**	**Over 3 years to 5 years**	**Over 5 years**	**Total**
Deposits	13,877,945	25,624,283	6,962,084	17,872,087	16,054,204	9,615,711	22,184,566	6,268,484	4,654,329	3,175,034	44,438	126,333,165
Borrowings	2,361,883	39,762,836	2,500,009	1,000,000	32,502,851	–	15,214,100	4,044,045	–	1,728,875	–	99,114,599
Investments	33,274,141	61,005,281	14,348,744	1,833,171	4,707,961	945,840	3,721,645	2,314,762	464,078	475,727	(112,891)	122,978,459
Loans and Advances	3,175,957	9,788,047	18,348,948	20,747,160	13,520,228	13,694,404	38,568,700	19,251,033	16,362,438	546,489	25,114	154,028,518
Foreign Currency Assets*	13,148,512	7,231,450	15,366,300	10,290,000	4,272,017	2,381,305	6,301,410	231,559	4,502,022	–	–	63,724,575
Foreign Currency Liabilities*	11,354,312	6,250,423	17,712	35,472	32,591,651	56,756	15,420,159	5,389,949	320,830	1,765,848	44,438	73,247,550

* Foreign currency assets and liabilities exclude off-balance sheet items. The above disclosure is as per the Asset Liability Management ("ALM")/Liquidity Guidelines issued by RBI.

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(Indian Rupees '000s)

SCHEDULE 18:

2. Other Notes ***(Continued)***

(f) The additional disclosure in terms of RBI circulars (Continued)

(viii) Lending to Sensitive Sector:

Exposure to Real Estate Sector

Rs in '000s

Category	31 March, 2020	31 March, 2019
a) Direct exposure		
(i) Residential Mortgages –	**19,636**	25,114
Of which individual housing loans eligible for inclusion in priority sector advances	**–**	–
(ii) Commercial Real Estate	**1,005,797**	2,074,280
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised 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)	**15,928,633**	30,163,426
Total Exposure to Real Estate*	**16,954,066**	32,262,820

* The above Gross exposure has been calculated in accordance with the extant RBI guidelines on exposure norms and is reported net of Credit Support Annex (CSA).

Exposure to Capital Market

Rs in '000s

Particulars	31 March, 2020	31 March, 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;	**–****	–**
(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;	**304,060**	4,555
(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;	**–**	1,225,000
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers*;	**450,000**	450,000
(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)	**–**	–
(xi) Others#	**212,500**	7,370,000
Total Exposure to Capital Market	**966,560**	9,049,555

** Includes equity shares received in process of NCLT booked at cost of Re. 1

* Includes uncommitted line of credit of Rs 450,000 ('000s) (Previous year: Rs 450,000 ('000s)) sanctioned to a stockbroker.

\# Includes investments in bonds considered as exposure to Capital market.

The above excludes any receivable/payable balances that arise due to service arrangements which are other than credit/investment exposure in nature.

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SCHEDULE 18:

2. Other Notes ***(Continued)***

(f) The additional disclosure in terms of RBI circulars (Continued)

(ix) Advances subjected to restructuring during the year ended 31 March, 2020

The Bank does not have any restructured account as on and for the year ended March 31, 2020 and as on and for the year ended March 31, 2019. This also includes restructuring under scheme for Sustainable Structuring of Stressed Assets and restructuring of Medium and small sized enterprises.

(x) There are no financial Assets sold to Securitisation Company (SC)/Reconstruction Company for Asset Reconstruction (RSC) during the year (Previous year: Nil ('000s))

(xi) **Investment in security receipts**

Rs in '000s

Particulars	Backed by NPAs sold by the bank as underlying		Backed by NPAs sold by other banks/financial institutions/ non-banking financial companies as underlying		Total	
	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19
Book value of Investments in security receipts	–	–	–	–	–	–

(xii) On account of shortage of balance in the Subsidiary General Ledger (SGL) Account on three separate instances, Reserve Bank of India has levied monetary penalties amounting to a total of **Rs 850 ('000s)** (Previous year: Rs 10,000 ('000s) for non-compliance with directions issued by RBI on time-bound implementation and strengthening of SWIFT-related operational controls).

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

(xiv) During the year ended March 31, 2020, the Bank has made an appropriation of **Rs 44,576 ('000s)** (net) (Previous year: Rs 127,156 ('000s) (net)) to Investment Reserve account.

(xv) During the year ended March 31, 2020, the Bank has made an appropriation of **Rs 329,499 ('000s)** (Previous year: Rs. 820,638) to Investment Fluctuation Reserve account.

(xvi) Statutory Reserve Account

The Bank has made an appropriation of **Rs 707,411 ('000s)** (Previous year: Rs 730,423 ('000s)) out of profits for the year ended March 31, 2020 to Statutory Reserve pursuant to the requirements of section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.

(xvii) The Bank has advances of NIL which are backed by intangible securities by way of charge over the rights, licenses, authority etc. on a pari-passu basis with other lenders (Previous year: Nil) and the estimated value of the intangible collaterals, secured through a common trust deed in favour of all eligible term lenders is NIL (Previous year: Nil). Advances secured by intangible assets exclude any advances which are backed by guarantees from their parent companies.

(xviii) Provision on Standard Assets:

Rs in '000s

Item	**31 March, 2020**	31 March, 2019
Provision towards Standard Assets (includes provision on derivatives exposures*)	**1,278,070**	1,278,070

* Computed on mark to market (asset)

(xix) Unhedged Foreign Currency Exposure (UFCE)

In accordance with RBI Circulars DBOD.No.BP.BC.85/21.06.200/2013-14 dated January 15, 2014 and DBOD.No.BP.BC.116/21.06.200/2013-14 dated June 3, 2014, the assessment of unhedged foreign currency exposure of borrowers is a part of the credit risk assessment process and is undertaken while proposing limits or at the review stage. The Bank also maintains incremental provision towards the unhedged foreign currency exposures of its borrowers in line with the extant RBI guidelines. The Bank has maintained provision of **Rs 370,571 ('000s)** (Previous year: Rs. 312,630 ('000s)) and additional capital of **Rs 1,152,802 ('000s)** (Previous year: Rs 884,037 ('000s)) on account of Unhedged Foreign Currency Exposure of its borrowers as at March 31, 2020.

(xx) Concentration of Deposits, Advances, Exposures and NPAs

Rs in '000s, except percentages

Concentration of Deposits	**31 March, 2020**	31 March, 2019
Total Deposits of twenty largest depositors	**89,703,583**	81,090,097
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	**62%**	64%

Rs in '000s, except percentages

Concentration of Advances*	**31 March, 2020**	31 March, 2019
Total Advances of twenty largest borrowers	**246,694,594**	206,068,578
Percentage of Advances of twenty largest borrowers to Total Advances of the Bank	**44%**	41%

* Represents credit exposure as per RBI guidelines on exposure norms. Exposures to Clearing Corporation of India (CCIL) on account of novation of trades are excluded.

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SCHEDULE 18:

2. Other Notes *(Continued)*

(f) The additional disclosure in terms of RBI circulars (Continued)

Rs in '000s, except percentages

Concentration of Exposures**	31 March, 2020	31 March, 2019
Total Exposures of twenty largest borrowers	**253,700,763**	225,673,250
Percentage of Exposures of twenty largest borrowers to Total Exposures of the Bank	**42%**	40%

** Represents credit and investment exposures as per RBI guidelines. Exposures to Clearing Corporation of India (CCIL) on account of novation of trades are excluded.

Rs in '000s

Concentration of NPA#	31 March, 2020	31 March, 2019
Total Exposure of top four NPA accounts	**3,390,701**	2,958,392

\# The information disclosed pertains to only loans and advances (as reported in Schedule 9 of the Balance Sheet) and is reported at Gross NPA level. The disclosure represents credit exposure as per RBI guidelines on exposure norms.

(xxi) Sector-wise Advances and NPAs

Rs in '000s, except percentages

Sr. No.	Sector	Current year			Previous year		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**						
1	Agriculture and allied activities	–	–	–	–	–	–
2	Advances to industries sector eligible as priority sector lending	402,389	–	–	649,661	–	–
3	Services	–	–	–	9,500	–	–
4	Personal loans	–	–	–	–	–	–
5	Others*	19,859,348			48,839,596		
	Of which Export Credit	19,341,982	–	–	47,799,823	–	–
	Sub-total (A)	**20,261,737**	**–**	**–**	**49,498,757**	**–**	**–**
B	**Non Priority Sector**						
1	Agriculture and allied activities	–	–	–	–	–	–
2	Industry	53,934,584	3,390,701	6%	45,148,455	2,958,392	7%
	Of which Infrastructure	36,019,073	2,174,872	6%	27,270,300	2,174,872	8%
3	Services	17,546,913	–	–	13,404,080	–	–
	Of which Commercial Real Estate	1,274,135	–	–	2,220,043	–	–
	NBFCs	8,922,569	–	–	4,873,296	–	–
	Tourism (Hotels)	795,659	–	–	1,384,731	–	–
	Computer Software	2,651,043	–	–	247,202	–	–
	Wholesale Trade	1,110,069	–	–	1,722,242	–	–
4	Personal loans	–	–	–	–	–	–
5	Others	14,484,530	–	–	48,391,900	–	–
	Of which Banks	14,463,762			48,340,278		
	Sub-total (B)	**85,966,027**	**3,390,701**	**4%**	**106,944,435**	**2,958,392**	**3%**
	Total (A+B)	**106,227,764**	**3,390,701**	**3%**	**156,443,192**	**2,958,392**	**2%**

The information disclosed pertains to only loans and advances (as reported in Schedule 9 of the Balance Sheet).

* Others include bills which have been discounted against letters of credit issued by other banks.

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(Indian Rupees '000s)

SCHEDULE 18:

2. Other Notes ***(Continued)***

(f) The additional disclosure in terms of RBI circulars (Continued)

(xxii) Movement of NPAs

Rs in '000s

Particulars	31 March, 2020	31 March, 2019
Gross NPAs as on 1 April of particular year (opening balance)	**2,958,392**	783,520
Additions (Fresh NPAs) during the year	**1,214,270**	2,208,462
Sub-total (A)	**4,172,662**	2,991,982
Less:-		
(i) Up gradations	–	–
(ii) Recoveries (excluding recoveries made from upgraded accounts)	**261,461**	33,590
(iii) Technical/Prudential write offs*	–	–
(iv) Write-offs other than those under (iii) above	**520,501**	–
Sub-total (B)	**781,962**	33,590
Gross NPAs as on 31 March of following year (closing balance) (A-B)	**3,390,701**	2,958,392

Note: The information disclosed pertains to only loans and advances (as reported in Schedule 9 of the Balance Sheet). The above excludes NPA on derivatives, which has been disclosed in Note 2 (f) (xxxii).

* The Bank does not have any technical write-off as on and for the year ended March 31, 2020 (Previous year: Nil).

(xxiii) Overseas Assets, NPAs and Revenue

As the Bank is a branch of a foreign bank, this disclosure is not considered applicable.

(xxiv) Provision Coverage Ratio

The provision coverage ratio for advances of the Bank as at March 31, 2020 computed as per the extant RBI guidelines is 100% (Previous year: 82%).

(xxv) Priority Sector Lending Certificate (PSLC)

The Bank purchased PSLCs amounting to Rs. 43,100,000 ('000s) (Previous year: Rs 25,860,000 ('000s)) and sold PSLCs amounting to NIL (Previous year: NIL) during the year ended March 31, 2020.

Particulars	31 March, 2020		31 March, 2019	
	Purchased	**Sold**	Purchased	Sold
PSLC - General Category	**30,500,000**	**–**	19,800,000	–
PSLC - Micro Enterprises	**12,600,000**	**–**	6,060,000	–
Total	**43,100,000**	**–**	25,860,000	–

(xxvi) In terms of the RBI circular no. DBR.BP.BC.No.32/21.04.018.2018-19 dated April 1, 2019 and DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017, banks are required to disclose the divergence in asset classification and provisioning consequent to RBI's annual supervisory process in their notes to accounts to the financial statements.

The following table sets forth, for the period indicated, details of divergence in the asset classification and provisioning as per RBI's supervisory process for the year ended March 31, 2019 and March 31, 2018.

Sr. No.	Particulars	31 March, 2019	31 March, 2018
1.	Gross NPAs as reported by the Bank	**2,958,392**	783,520
2.	Gross NPAs as assessed by RBI	**2,958,392**	783,520
3.	Divergence in gross NPAs (2)-(1)	**–**	–
4.	Net NPAs as reported by the Bank	**543,718**	–
5.	Net NPAs as assessed by RBI	**543,718**	–
6.	Divergence in net NPAs (5)-(4)	**–**	–
7.	Provisions for NPAs as reported by the Bank	**2,414,674**	783,520
8.	Provisions for NPAs as assessed by RBI	**2,414,674**	783,520
9.	Divergence in provisioning (8)-(7)	**–**	–
10.	Reported net profit after tax for the year ended	**2,921,691**	3,189,020
11.	Adjusted net profit after tax for the year ended after taking into account the divergence in provisioning	**2,921,691**	3,189,020

(xxvii) COVID-19:

The novel coronavirus (COVID-19) pandemic continues to spread rapidly across the globe including India. 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 other things, any new information concerning the severity of the pandemic and any action taken to contain its spread or mitigate its impact whether government mandated or elected by the Bank.

Notes to the financial statements for the year ended 31 March, 2020 ***(Continued)***

(Indian Rupees '000s)

SCHEDULE 18:

2. Other Notes ***(Continued)***

(f) The additional disclosure in terms of RBI circulars (Continued)

(xxvii) COVID-19: *(Continued)*

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated 27th March, 2020 and 17th April, 2020, and clarification issued by RBI through Indian Bankers Association, dated 6th May 2020 the Bank is granting moratorium on the payment of installments and/or interest, as applicable, falling due between 1st March, 2020 and 31st May, 2020 ('moratorium period') to eligible borrowers classified as Standard, even if overdue, as on 29th February, 2020. In accordance with RBI guidelines, the moratorium period, wherever granted, is excluded by the Bank from the number of days past-due for the purpose of asset classification under RBI's Income Recognition and Asset Classification norms. The Bank holds provisions as at 31st March 2020 against the potential impact of COVID-19 based on the information available up to a point in time.

Following are the details of such accounts and provisions made by the Bank:

Sr No	Particulars	31 March, 2020
1	Advances outstanding in SMA/overdue categories, where the moratorium/deferment was extended as per COVID-19 Regulatory Package	
	– Account Level	–
	– Customer Level	–
2	Advances outstanding where asset classification benefits is extended	–
3	Provisions made as per para 5 of the COVID-19 Regulatory Package for the financial year	–
4	Provisions adjusted during the financial year ended 31st March, 2020	–
5	Residual provisions in terms of paragraph 6 of the COVID-19 Regulatory Package	–

(xxviii) Securitisation

The Bank, as an originator, has not sold loans through securitisation to a SPV sponsored by the Bank or securitisation to SPV not sponsored by the Bank during the year ended March 31, 2020 (Previous year: Nil).

The following table sets forth, for the periods indicated, the information on the loans sold through direct assignment.

Sr. No.	Particulars	31 March, 2020 Through direct assignment	31 March, 2019 Through direct assignment
1	Total amount of assets sold during the year	**904,574**	–
2	Total amount of exposures retained by the Bank to comply with Minimum Retention Requirement (MRR)	**100,508**	–
	a) Off-balance sheet exposures	–	–
	First loss		
	Others		
	b) On-balance sheet exposures		
	First loss	–	
	Others	**100,508**	–
3	Amount of exposure to securitisation transactions other than MRR		
	a) Off-balance sheet exposures		
	i) Exposure to own securitisation	–	–
	First loss	–	–
	Others		
	ii) Exposure to third party securitisation		
	First loss	–	–
	Others		
	b) On-balance sheet exposures		
	i) Exposure to own securitisation	–	–
	First loss	–	–
	Others		
	ii) Exposure to third party securitisation		
	First loss	–	–
4	Others		
	Net gain/(loss)	**337**	–

(xxix) There are no off-Balance Sheet SPVs sponsored by the Bank for the year ended March 31, 2020 (Previous year: Nil).

(xxx) There are no floating provisions held by the Bank as at 31 March, 2020 (Previous year: Nil).

(xxxi) During the year ended 31 March, 2020, the Bank had complied with RBI guidelines on single borrower and group borrower limit. As per the exposure limits permitted under the extant RBI regulation, the Bank with the prior approval of Executive Committee (EXCO) can enhance exposure to a single borrower or borrower group by a further 5% of capital funds. In accordance with the guidelines issued by RBI, with the prior approval of the EXCO, the Bank had taken additional exposure to Bharti Airtel Limited. As on March 31, 2020, the outstanding balance of Bharti Airtel Limited was 6.82% of eligible capital base. During the year, the Bank had exceeded the Head Office (HO) limit on April 01, 2019 which was brought within limit by April 05, 2019.

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Notes to the financial statements for the year ended 31 March, 2020 *(Continued)*

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SCHEDULE 18:

2. Other Notes *(Continued)*

(f) The additional disclosure in terms of RBI circulars (Continued)

During the year ended March 31, 2019, the Bank complied with the RBI guidelines on single borrower and borrower group limit. As per the exposure limits permitted under the extant RBI regulation, the Bank with the prior approval of EXCO can enhance exposure to a single borrower or borrower group by a further 5% of capital funds. In accordance with the guidelines issued by RBI, with the prior approval of EXCO, the Bank had taken additional exposure to Yara Fertilisers India Private Limited. As on March 31, 2019, the outstanding balance of Yara Fertilisers India Private Limited was 8.21% of capital funds.

(xxxii) Country Risk Exposure:

The country exposure of the Bank is categorised into seven risk categories and provision is made where net funded exposure exceeds 1% of the total assets in accordance with RBI regulations.

Rs in '000s

Risk Category	**Exposure (net) as at 31 March, 2020**	**Provision held as at 31 March, 2020**	Exposure (net) as at 31 March, 2019	Provision held as at 31 March, 2019
Insignificant	**8,321,333**	**66,071**	37,263,238	66,071
Low	**319,843**	**–**	22,061	–
Moderate	**16**	**–**	5,529	–
High	**–**	**–**	–	–
Very High	**–**	**–**	–	–
Restricted	**–**	**–**	–	–
Off-credit	**–**	**–**	–	–
Total	**8,641,192**	**66,071**	37,290,828	66,071

* Provision held in the books is as per last year. Requirement as on 31st March, 2020 is Rs. 3,019 (000s) (Previous year Rs. 66,071 (000s)).

(xxxiii) Details of Forward Rate Agreement/Interest Rate Swap:

The outstanding contracts consist of interest rate swaps

Rs in '000s, except percentages

Sl. No.	**Particulars**	**31 March, 2020**	31 March, 2019
1	The notional principal of swap agreements	**4,550,757,285**	3,322,066,848
2	Losses (on a gross basis) which would be incurred if counterparties failed to fulfill their obligations under the agreements **	**54,700,789**	23,249,849
3	Collateral required by the Bank upon entering into swaps*	**–**	–
4	Concentration of credit risk arising from the swaps (in the banking industry)#	**91%**	93%
5	The fair value of swap book**	**(2,871,390)**	(3,444,525)

* As per prevailing market practice, collateral is not insisted upon from the counter party other than counterparties having Credit Support Agreement. The Bank has received Rs 13,877,616 ('000s) (Previous year Rs 5,728,460 ('000s)) and placed Rs 6,092,700 ('000s) (Previous year Rs 8,926,130 ('000s)) as deposits under Credit Support Arrangement (CSA).

** Positive denotes asset and negative denotes liability.

\# Represents gross positive MTM and Includes trades novated with Clearing Corporation of India Limited (CCIL).

Nature and terms of Interest Rate Swaps

Rs in '000s, except contracts

Terms	**As of March 31, 2020**		As of March 31, 2019	
	Contracts	**Notional Principal**	Contracts	Notional Principal
Receive Fixed - Pay Floating	**2,966**	**2,207,840,336**	1,884	1,544,501,470
Receive Floating - Pay Fixed	**2,924**	**2,284,941,203**	2,011	1,632,480,710
Receive Fixed- Pay Fixed	**2**	**6,120,000**	2	6,120,000
Receive Floating - Pay Floating	**21**	**51,855,747**	47	138,964,668

(xxxiv) Disclosure on Risk Exposure on Derivatives

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. Derivative instruments are fundamental to the Bank's business and constitute an important element of its operations. The Bank deals in derivatives for balance sheet management and market making purposes and offers currency as well as interest rate derivatives to its customers.

Dealing in derivatives is carried out by identified groups in the treasury and front office of the Bank based on the purpose of the transaction. Derivative transactions are entered into by the treasury front office. Confirmation, settlement and accounting, risk monitoring and reporting is undertaken by other independent teams which also ensure compliance with various internal policies and regulatory guidelines.

The accounting and the reporting of the same is in conformance with RBI guidelines as well as the accounting standards under section 133 of the Act. The accounting policy is set out in Schedule 18(1)(g).

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Notes to the financial statements for the year ended 31 March, 2020 *(Continued)*

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SCHEDULE 18:

2. Other Notes *(Continued)*

(f) The additional disclosure in terms of RBI circulars (Continued)

(xxxiv) Disclosure on Risk Exposure on Derivatives *(Continued)*

The market making/trading activities in derivatives are governed by the Trading Desk Procedure of the Bank, which lay down the position limits, value at risk limits, stop loss limits as well as other risk limits. Global Financial Risk Management (GFRM), Local ALCO, Local Market Risk group and Country Management Committee (CMC) operating within their broad policy framework; review and monitor various aspects of risk arising from the business.

The Bank measures and monitors risk of its derivatives portfolio using risk metrics such as Value at Risk (VAR), market risk limits, stop loss limits and relevant greeks for options. The Bank has an internal reporting mechanism providing regular reports to the Controls forum, ALCO, EXCO as well as management of the Company. The Bank is subject to a concurrent audit for all treasury transactions, including derivatives transactions, a monthly report of which is periodically submitted. Material findings, if any, are submitted to the EXCO. Suitability and Appropriateness assessment is performed before offering derivatives to clients. The Bank continuously invests in technology to enhance the Risk Management architecture

Derivative transactions are covered under International Swaps and Derivatives Association (ISDA) master agreements with the respective counter parties. The exposure on account of derivative transactions is computed as per RBI guidelines.

Quantitative Disclosure

As at 31 March, 2020 ***Rs in '000s***

Sl. No	**Particular**	**Currency Derivatives**	**Interest Rate Derivatives**
1	Derivatives (Notional Principal Amount)		
	a) For trading	**4,151,637,870**	4,550,757,285
	b) For hedging	**–**	–
2	Marked to Market Positions		
	a) Asset (+)	**92,404,904**	54,700,789
	b) Liability (–)	**(114,538,281)**	(57,572,179)
3	Credit Exposure	**265,182,387**	95,331,099
4	Likely impact of one percentage change in interest rate (100*PV01) as at 31 March, 2020		
	a) For trading	**975,284**	1,622,789
	b) For hedging	–	–
5	Maximum and Minimum of 100*PV01 observed during the year (Note 2 and Note 3)		
	a) For trading	**Maximum: 975,284 Minimum: 484,319**	Maximum: 1,706,348 Minimum: 247,597
	b) For hedging	**Maximum: – Minimum: –**	Maximum: – Minimum: –

As at 31 March, 2019 ***Rs in '000s***

Sl. No	Particular	Currency Derivatives	Interest Rate Derivatives
1	Derivatives (Notional Principal Amount)		
	a) For trading	3,541,386,923	3,322,066,848
	b) For hedging	–	–
2	Marked to Market Positions		
	a) Asset (+)	56,447,377	23,246,590
	b) Liability (–)	(76,978,793)	(26,694,374)
3	Credit Exposure	204,439,446	52,888,386
4	Likely impact of one percentage change in interest rate (100*PV01) as at 31 March, 2019		
	a) For trading	639,647	753,175
	b) For hedging	–	–
5	Maximum and Minimum of 100*PV01 observed during the year (Note 2 and Note 3)		
	a) For trading	Maximum: 1,043,531 Minimum: 463,456	Maximum: 1,384,845 Minimum: 5,42,835
	b) For hedging	Maximum: – Minimum: –	Maximum: – Minimum: –

ECONOMIC & POLITICAL WEEKLY

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Notes to the financial statements for the year ended 31 March, 2020 *(Continued)*
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SCHEDULE 18:

2. Other Notes *(Continued)*

(f) The additional disclosure in terms of RBI circulars (Continued)

(xxxiv) Disclosure on Risk Exposure on Derivatives *(Continued)*

1. Currency Derivatives includes foreign exchange forward exchange contracts and options outstanding at the year end.
2. The maximum and minimum PV01 is based on the position as at each month end during the year.
3. Denotes absolute value of the maximum and minimum loss which the Bank could suffer on account of a change in interest rates by 1%.
4. The outstanding notional principal amount of exchange traded currency futures as at 31 March, 2020 was Nil (Previous year: Nil).
5. The outstanding notional principal amount of exchange traded currency options as at 31 March, 2020 was Nil (Previous year: Nil).
6. The Bank's foreign currency exposures as at March 31, 2020 that are not hedged/covered by either derivative instruments or otherwise are within the Net Overnight Open Position limit (NOOP) and the Aggregate Gap limit, as approved by RBI. The foreign currency net open position in rupee equivalent is **Rs 828,975 ('000s)** and within the approved limits as at 31 March, 2020 (Previous year: Rs 4,235,619 ('000s)).
7. Credit Exposure stated above is based on the Current Exposure Method as per RBI guidelines.
8. The Bank has not entered into any credit default swaps (CDS) during the year (Previous year: Nil).
9. The notional principal amount of derivatives reflects the volume of transactions outstanding as at the balance sheet date and do not represent the amount of risk.
10. The outstanding notional principal amount of exchange traded interest rate derivatives as at 31 March, 2020 was Nil (Previous year: Nil).
11. PV01 exposures reported above may not necessarily indicate the interest rate risk the Bank is exposed to, given that PV01 exposures in Investments (which may offset the PV01 reflected above) do not form part of the above table.

(xxxv) Intra Group Exposure

Below are the details on Intra group exposure of Bank as on 31st March, 2020:

Rs in '000s, except percentages

	Particulars	**31 March, 2020**	31 March, 2019
(a)	Total amount of intra-group exposures	**5,594,604**	4,185,502
(b)	Total amount of top-20 intra-group exposures	**5,594,604**	4,185,502
(c)	Percentage of intra-group exposures to total exposure of the Bank on borrowers/customers	**0.94%**	0.75%
(d)	Details of breach of limits on intra-group exposures and regulatory action thereon, if any	**Nil**	Nil

(xxxvi) Outstanding overdue derivatives classified as Non-performing

The Bank has outstanding overdue derivative receivables which have been reversed in accordance with the extant RBI guidelines for prudential norms on off balance sheet exposures.

Rs in '000s

Particulars	**31 March, 2020**	31 March, 2019
Crystallised receivables	**–**	–
MTM in respect of future receivables	**–**	–
Total	–	**–**

The top four NPA on overdue receivables amounts to NIL (Previous year: NIL).

(l) Transfers to Depositor Education and Awareness Fund (DEAF)

Rs in '000s

Particulars	**31 March, 2020**	31 March, 2019
Opening balance of amounts transferred to DEAF	**19,784**	488
Add : Amounts transferred to DEAF during the year	**15,075**	19,348
Less : Amounts reimbursed by DEAF towards claims	**(194)**	(52)
Closing balance of amounts transferred to DEAF	**34,665**	19,784

Notes to the financial statements for the year ended 31 March, 2020 *(Continued)*

(Indian Rupees '000s)

SCHEDULE 18:

2. Other Notes *(Continued)*

(f) The additional disclosure in terms of RBI circulars (Continued)

(xxxvii) Issuer composition of non-statutory liquidity ratio (SLR) investments

Details of issuer composition of non SLR investments as at 31 March, 2020

Rs in '000s

	Issuer	Amount	Extent of private placement (a)	Extent of 'below investment grade' securities (b)	Extent of 'unrated' securities[1] (c)	Extent of 'unlisted' securities (d)
1	**Public Sector Undertakings**	**8,991,230**	**8,991,230**	–	–	–
2	**Financial Institutions**	**4,528,055**	**4,528,055**	–	–	–
3	**Banks**	**10,619,259**	**10,619,259**	–	–	–
4	**Private Corporates**	**2,358,560**	**2,358,560**	–	–	**2,250,000**
5	**Subsidiaries/Joint Ventures**	–	–	–	–	–
6	**Others**	**5,059,719**	**5,059,719**	–	–	**2,801,734#**
7	**Provision held towards depreciation**	**(11,657)**	**(11,657)**	–	–	**(11,657)**
Total		**31,545,167**	**31,545,167**	–	–	**5,040,077**

\# Exempted from applicability of RBI prudential limit for unlisted Non-SLR securities as they pertain to investment in Asset backed securities, which are rated at or above the minimum investment grade.

Details of issuer composition of non SLR investments as at 31 March, 2019.

Rs in '000s

	Issuer	Amount	Extent of private placement (a)	Extent of 'below investment grade' securities (b)	Extent of 'unrated' securities[1] (c)	Extent of 'unlisted' securities (d)
1	Public Sector Undertakings	4,148,692	4,148,692	–	–	–
2	Financial Institutions	7,466,755	7,466,755	–	–	–
3	Banks	14,685,354	14,685,354	–	–	–
4	Private Corporates	15,051,808	15,051,808	–	–	3,500,000
5	Subsidiaries/Joint Ventures	–	–	–	–	–
6	Others	14,530,357	14,530,357	–	–	1,300,000
7	Provision held towards depreciation	–	–	–	–	–
Total		55,882,966	55,882,966	–	–	4,800,000

\# Out of the total investments disclosed, Rs. Nil (Previous Year Rs. 2,104,136 ('000s)) are exempted from applicability of RBI prudential limit for unlisted Non-SLR securities

(xxxviii) Non-Performing Non-SLR investments:

Rs in '000s

Particulars	**31 March, 2020**	31 March, 2019
Opening Balance	–	–
Add: Additions during the year	–	–
Less: Reductions during the year	–	–
Closing Balance	–	–
Total Provision Held	–	–

(xxxix) During the year, the Bank has written off Yes Bank AT1 bonds.

(xl) Repos/Reverse Repos

Details of Repos/Reverse Repos (in face value terms) as at **31 March, 2020**

Rs in '000s

		Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	As on 31 March, 2020
Securities sold under Repos					
i)	**Government securities**	–	**41,310,100**	**16,607,257**	**4,717,300**
ii)	**Corporate debt securities**	–	–	–	–
Securities purchased under Reverse Repos					
i)	**Government securities**	–	**89,916,250**	**22,997,019**	**31,274,600**
ii)	**Corporate debt securities**	–	**12,084,000**	**8,290,096**	**11,208,879**

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Notes to the financial statements for the year ended 31 March, 2020 *(Continued)*

(Indian Rupees '000s)

SCHEDULE 18:

2. Other Notes *(Continued)*

(f) The additional disclosure in terms of RBI circulars (Continued)

(xl) Repos/Reverse Repos *(Continued)*

Details of Repos/Reverse Repos (in face value terms) as at **31 March, 2019**

Rs in '000s

	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	As on 31 March, 2019
Securities sold under Repos				
i) Government securities	–	38,511,100	14,121,369	28,826,120
ii) Corporate debt securities	–	–	–	–
Securities purchased under Reverse Repos				
i) Government securities	–	78,319,600	6,439,518	–
ii) Corporate debt securities	–	11,490,000	6,883,318	–

1. Daily average outstanding computed based on days when Repos/Reverse repos are outstanding and not based on the entire year.
2. The above disclosure represents book value of securities sold and purchased under repo, LAF (Liquidity Adjustment Facility) & MSF (Marginal Standing Facility) done with RBI and excludes borrowings under Collateralised Borrowing & Lending Obligation (CBLO).

There have been no cases of Fraud reported during the financial year ended 31 March 2020.

Particulars	**31 March, 2020**	31 March, 2019
Number of frauds reported	Nil	Nil
Amount involved in frauds	Nil	Nil
Provision made	Nil	Nil
Unamortised provision debited from 'other reserves' (includes provision on derivatives exposures*)	Nil	Nil

However, there is one case currently under review from Fraud reporting perspective and will be updated as and when confirmed for RBI reporting.

(xli) Bancassurance revenue

The details of fees/remuneration earned in respect of bancassurance business:

Rs in '000s

Sl. No.	**Nature of Income**	**31 March, 2020**	31 March, 2019
1	For selling life insurance policies	–	–
2	For selling non life insurance policies	–	–
3	For selling mutual fund products	–	–
4	Other (specify)	–	–

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

A. There were no non-performing financial assets purchased during the year (Previous year: Nil).

B. Details of non-performing financial assets sold:

Rs in '000s except No. of Accounts

Sl. No.	**Particular**	**31 March, 2020**	31 March, 2019
1	No. of accounts sold	**1**	–
2	Aggregate outstanding*	–	–
3	Aggregate consideration received	**234,242**	–

* Represents net book value of the financial asset sold

(xliii) Customer Complaints

1) Disclosure of Customer Complaints

Sl. No.	**Particulars**	**31 March 2020**	31 March 2019
1	No. of complaints pending at the beginning of the year	**0**	1
2	No. of complaints received during the year	**47**	73
3	No. of complaints redressed during the year	**46**	74
4	No. of complaints pending at the end of the year	**1**	0

2) Disclosure of Awards passed by the Banking Ombudsman

Sl. No.	**Particulars**	**31 March 2020**	31 March 2019
1	No. of unimplemented Awards at the beginning of the year	**Nil**	Nil
2	No. of Awards passed by the Banking Ombudsman during the year	**Nil**	Nil
3	No. of Awards implemented during the year	**Nil**	Nil
4	No. of unimplemented Awards at the end of the year	Nil	Nil

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SCHEDULE 18:

2. Other Notes *(Continued)*

(f) The additional disclosure in terms of RBI circulars (Continued)

(xliv) The outstanding receivables acquired by the Bank under Factoring business as at March 31, 2020 is Rs 7,562,599 ('000s) (Previous year: Rs 13,739,392 ('000s)).

(g) Details of Employee Benefits

Provident Fund

The contribution to the employee's provident fund amounted to Rs 60,938 ('000s) for the year ended 31 March, 2020 (Previous year: Rs 61,835 ('000s)).

Compensated Absences

Sick leave was allowed to be carried forward for employees earlier and hence was subjected to actuarial valuation. As per the revised leave policy, sick leave will not be allowed to be carried forward and lapse at every year end. Due to this change, the actuarial provision for Sick leave as on March 31, 2018 amounting to Rs 23,771 ('000s) was reversed during the previous year.

The actuarial liability for long term compensated absences of the employees of the Bank is given below:

Rs in '000s

	31 March, 2020	31 March, 2019
Total Actuarial liability	**52,984**	25,287
Assumptions		
Discount Rate	**6.56%**	6.96%
Salary Escalation Rate	**6%**	7%

Gratuity

The following table summarises the components of net benefit expenses recognised in the Profit and Loss Account and unfunded amounts recognised in the Balance Sheet for the Gratuity benefit plan.

Rs in '000s

Changes in Present value of Defined Benefit Obligations	**31 March, 2020**	31 March, 2019
Opening Balance as at 1 April	**167,705**	173,878
Current Service Cost	**22,910**	24,596
Interest Cost	**10,832**	12,008
Actuarial (Gain)/Loss	**(11,670)**	(20,875)
Benefits Paid	**(24,150)**	(21,901)
Closing Balance as at 31 March	**165,628**	167,706

Rs in '000s

Change in fair value of Plan Assets	**31 March, 2020**	31 March, 2019
Opening Balance as at 1 April	**150,789**	160,709
Contributions by Employer	–	–
Expected Return on Plan Assets	**10,555**	12,460
Actuarial (Loss)/Gain	**15,333**	(479)
Benefits Paid	**(24,150)**	(21,901)
Closing Balance as at 31 March	**152,528**	150,789

Rs in '000s

Reconciliation of Liability recognised in the Balance Sheet	**31 March, 2020**	31 March, 2019
Net Liability/(Asset) at the beginning of the year	**16,916**	13,169
Expense recognized	**(3,816)**	3,747
Employer Contributions	–	–
Net Liability (Asset) at the end of the year	**13,101**	16,916

Rs in '000s

Components of employer's expense	**31 March, 2020**	31 March, 2019
Current Service Cost	**22,910**	24,596
Interest Cost	**10,832**	12,008
Expected Return on Plan Assets	**(10,555)**	(12,460)
Net Actuarial Loss (Gains)	**(27,002)**	(20,397)
Net cost recognized in the Profit and Loss Account	**(3,816)**	3,747

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SCHEDULE 18:
2. Other Notes *(Continued)*
(g) Details of Employee Benefits (Continued)
Gratuity *(Continued)*

Rs in '000s

Experience Adjustment	**31 March, 2020**	31 March, 2019	31 March, 2018	31 March, 2017	31 March, 2016
Experience adjustment on plan assets	**13,756**	300	(171)	33,328	44,536
Experience adjustment on plan liabilities	**(7,357)**	(11,138)	(22,357)	5,212	25,141

Key Assumptions	**31 March, 2020**	31 March, 2019
Valuation Method	**Projected Unit Credit**	Projected Unit Credit
Discount Rate	**6.56%**	6.96%
Salary Rate Growth	**6%**	7%
Normal Retirement Age	**60 years**	60 years
Attrition Rate	**8% - 12%**	19% - 22%
Mortality Rate	**IALM (12-14) Ultimate**	IALM (12-14) Ultimate
Recognition of Actuarial Loss (Gain)	**Immediate**	Immediate

The estimates of future salary increases, considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors.

The expected rate of return on plan assets is based on the average long-term rate of return expected on investments of the fund during the estimated term of the obligations.

As the contribution expected to be paid to the plan during the annual period beginning after the balance sheet date is based on the various internal/external factors, a best estimate of the contribution is not determinable.

(h) Segment information

As per RBI's guidelines on Segment Reporting issued on April 18, 2007 vide RBI Circular No. DBOD.No.BP.BC. 81/21.04.018/2006-07 in terms of which the business of the Bank is recognised as per the following segments: Treasury, Commercial Banking, Retail Banking and Others. Business segments have been identified and reported taking into account the target customer profile, the nature of products and services, the organisation structure, the internal business reporting system and the guidelines prescribed by RBI. The principal activities of these segments are as under:

Segment	**Principal activities**
Treasury	Primarily includes Trading and Money Market operations, Investment Banking, Derivatives and Foreign Exchange operations, Loan syndications etc.
Commercial banking	Primarily includes corporate relationships. Under such relationships, the segment product offerings include loans, non-fund facilities, transaction services (including foreign exchange, and derivative transactions services) as well as liability products.
Others	Primarily include high net worth and affluent clients and entities associated with them. Under such relationships, the segment product offerings include funded facilities, non-fund facilities, transaction services (including foreign exchange, and derivative transactions services) as well as liability products and other items not attributable to any particular business segment.

The funds transfer pricing between the segments is based on the market rates and other factors.

Rs in '000s

BUSINESS SEGMENTS	**TREASURY**		**COMMERCIAL BANKING**		**OTHERS**		**Total**	
Particulars	**2019-20**	2018-19	**2019-20**	2018-19	**2019-20**	2018-19	**2019-20**	2018-19
Segment Revenues	**17,506,611**	15,426,551	**12,263,849**	11,758,132	**3,140,988**	2,085,239	**32,911,448**	29,269,922
Segment Results	**4,890,834**	3,797,026	**401,464**	1,516,811	**370,833**	396,363	**5,663,131**	5,710,200
Unallocated Expenses								
Operating Profit							–	–
Income Taxes							2,833,488	**2,788,509**
Extraordinary Profit/(Loss)							–	–
Net (Loss)/ Profit							**2,829,643**	2,921,691
Other Information:							–	–
Segment Assets	**306,044,002**	246,963,032	**72,701,120**	126,547,623	**18,632,204**	22,536,405	**397,377,326**	396,047,060
Unallocated Assets							**5,138,907**	4,675,760
Total Assets							**402,516,233**	400,722,820
Segment Liabilities*	**201,461,106**	210,169,780	**113,304,678**	108,956,172	**21,198,074**	15,320,880	**335,963,858**	334,446,840
Unallocated Liabilities							–	–
Total Liabilities							**335,963,858**	334,446,840
Capital & Reserves							**66,552,375**	66,275,980

* In computing the above information, certain estimates and assumptions have been made by management and relied upon by the auditors.
The Bank does not have overseas operations and is considered to operate only in the domestic segment.

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Notes to the financial statements for the year ended 31 March, 2020 ***(Continued)***

(Indian Rupees '000s)

SCHEDULE 18:

2. Other Notes ***(Continued)***

(i) Intangible Assets

As per Schedule 10 include software acquired by the Bank. The movement in software is given below:

Rs in '000s

Particulars	31 March, 2020	31 March, 2019
Gross Block		
Opening balance as at March 31 of the preceding year	**320,515**	455,387
Additions during the year	**10,111**	2,084
Deductions during the year	**–**	(136,956)
Total	**330,626**	320,515
Amortization		
Opening balance as at 31st March of the preceding year	**299,735**	408,350
Charge for the year	**18,093**	28,340
Deductions during the year	**–**	(136,956)
Amortization to date	**317,828**	299,735
Net Block	**12,798**	20,781

(j) Related party disclosures:

Related party disclosures as required by Accounting Standard 18 "Related Party Disclosures":

1) Relationship during the year.

a) Parent:

Barclays Bank PLC, London and its branches

b) Other related parties in Barclays Group where common control exists:

Barclays Bank of Botswana Limited
Barclays Bank Seychelles
Barclays Wealth (Suisse) SA Geneva
Barclays Bank of Kenya Limited
Barclays Capital Asia Limited
Barclays Services Limited
Barclays Services Limited – Singapore Branch
Barclays Investments and Loans (India) Private Limited
Barclays Merchant Bank (Singapore) Limited
Barclays Securities (India) Private Limited
Barclays Global Service Centre Private Limited
Barclays Wealth Trustees (India) Private Limited
Barclays Securities Tokyo Limited
Barclays Capital Securities Ltd
Barclays Capital Inc
Barclays Bank of Ghana Limited
Barclays Capital Securities (Thai)
Barclays Capital Markets MY Sdn Bhd
GM Barclays Bank Mexico
BC Canada INC
BC Securities Taiwan Ltd
BBPLC Stockholm
PT BC Securities
Barclays Bank Tanzania Ltd.
Barclays Bank of Zimbabwe Limited
Barclays Bank Mozambique SA
Barclays Bank Uganda Ltd.
Barclays Bank Egypt
Barclays Services Corporation, US
Barclays Merchant Bank Singapore Pte Ltd
Barclays Bank Ireland Plc

c) Key management personnel:

Ram Gopal – Chief Executive Officer

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Notes to the financial statements for the year ended 31 March, 2020 *(Continued)*

(Indian Rupees '000s)

SCHEDULE 18:

2. Other Notes *(Continued)*

(j) Related party disclosures Continued)

2) Transactions with related parties in the ordinary course of business

In relation with RBI circular DBOD.BP.BC.89/21.04.018/2002-03 dated 29 March 2003 the disclosure excludes transactions where there is only one related party (i.e. key management personnel and Head Office and its branches).

In accordance with the above circular, the Bank has not disclosed certain significant related party transactions where it exceeds 10% of related party transactions in respective category as they are in the nature of banker customer relationship.

Other related parties in Barclays Group where common control exists:

Rs in '000s

For the year ended	**31 March, 2020**	31 March, 2019
Interest expense	**318,728**	305,219
Interest income	**11,024**	10,462
Expense towards receiving of services/excess receipt	**6,649**	236
Barclays Securities Tokyo Limited	**–**	236
Barclays Capital Inc	**5,597**	–
Barclays Bank Ireland Plc	**930**	–
Others	**122**	–
Income towards rendering of services/excess pay	**336,184**	6,611
Barclays Capital Inc	**–**	5,141
Barclays Securities Tokyo Limited	**1,344**	1,470
Barclays Merchant Bank Singapore Pte Ltd	**334,840**	–
Management & Service cost including Deputation services received	**1,551,594**	834,569
Barclays Services Limited	**1,067,287**	570,454
Barclays Services Limited – Singapore Branch	**15,614**	138,359
Barclays Capital Asia Limited	**(62)**	39,159
Barclays Service Corporation US	**186,939**	43,753
Barclays Global Services Centre Private Limited	**247,265**	19,791
Barclays Wealth Trustees (India) Private Limited	**24,903**	20,102
Barclays Securities (India) Private Limited	**9,648**	2,951
Management & Service cost including Deputation services reimbursed	**48,909**	58,496
Barclays Investments and Loans (India) Private Limited	**5,299**	10,303
Barclays Securities (India) Private Limited	**24,381**	25,866
Barclays Wealth Trustees (India) Private Limited	**19,228**	22,327
Fees/Commission/Charges Received	**4,012**	2,351
Barclays Global Services Centre Private Limited	**2,320**	2,283
Barclays Bank Ireland Plc	**657**	–
Barclays Investments and Loans (India) Private Limited	**1,030**	8
Others	**5**	60
Fees/Commission/Charges Paid	**139**	72

3) Year end balances ***Rs in '000s***

	As at 31 March, 2020	**Maximum outstanding during the year ended 31 March, 2020**	As at 31 March, 2019	Maximum outstanding during the year ended 31 March, 2019
Deposits	**14,317,836**	**32,906,826**	5,317,371	13,379,438
Borrowings	**–**	**–**	–	–
Other Receivables*	**224,954**	**298,408**	1,146	12,236
Barclays Securities Tokyo Limited	**–**	**–**	–	1,522
Barclays Capital Inc.	**(4,460)**	**68,994**	–	7,737
Barclays Merchant Bank Singapore Pte Ltd	**228,072**	**228,072**	–	–
Barclays Investments and Loans (India) Limited	**–**	**–**	–	–
Others	**1,342**	**1,342**	1,146	2,977
Other Payables*	**580,978**	**798,558**	121,687	196,270
Barclays Services Limited – Singapore Branch	**738**	**11,403**	4,225	33,678
Barclays Services Limited	**423,708**	**472,029**	66,779	96,911
Barclays Services Corporation, US	**28,917**	**112,039**	43,753	43,753
Barclays Wealth Trustees India Private Limited	**–**	**–**	–	2,820
Barclays Global Services Centre Private Limited	**129,484**	**200,895**	5,159	5,159
Others	**(1,869)**	**2,192**	1,771	13,949

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Notes to the financial statements for the year ended 31 March, 2020 *(Continued)*

(Indian Rupees '000s)

SCHEDULE 18:

2. Other Notes *(Continued)*

(j) Related party disclosures Continued)

2) Transactions with related parties in the ordinary course of business *(Continued)*

Rs in '000s

	As at 31 March, 2020	**Maximum outstanding during the year ended 31 March, 2020**	As at 31 March, 2019	Maximum outstanding during the year ended 31 March, 2019
Commission received in advance	**2,554**	**2,554**	3,079	3,079
Advances[(1)]	**18,947**	**994,160**	16,193	1,035,792
Balances with Banks	**128,162**	**128,162**	–	–
Investments Sold	**33,767,645**	**33,767,645**	–	–
Investments Purchased	**26,829,976**	**26,829,976**	–	–
Guarantees	**1,115,469**	**1,165,448**	97,430	102,895
Letters of Credit [(2)]	**–**	**–**	–	7,633
Derivatives (notionals)	**30,923,944**	**30,923,944**	733,755	733,755
Derivatives (+ve/(-ve) MTM)	**(19,492)**	**(19,492)**	34,089	34,089
Non-funded commitments (including undrawn uncommitted lines of credit)	**1,677,573**	**1,677,573**	3,886,377	3,886,377

(1) Includes bills which have been discounted against letters of credit issued by related parties

(2) Includes LCs issued by related parties confirmed by Bank

(3) *Maximum outstanding has been calculated for these basis month end balances

(k) Liquidity Coverage Ratio (LCR)

Below mentioned is a position of Liquidity Coverage Ratio computed based on simple average of daily positions for the year starting 1 April 2019 to 31 March 2020.

Rs in '000s

		Quarter ended 31 March 2020		**Quarter ended 31 December 2019**		**Quarter ended 30 September 2019**		**Quarter ended 30 June 2019**	
		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)		**85,114,956**		57,715,816		39,808,698		37,281,337
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	**9,592,625**	**951,282**	9,136,577	908,116	8,642,577	858,495	8,250,582	819,179
(i)	Stable deposits	159,609	**7,980**	**110,836**	5,542	115,260	5,763	117,578	5,879
(ii)	Less stable deposits	**9,433,016**	**943,302**	9,025,741	902,574	8,527,317	852,732	8,133,003	813,300
3	Unsecured wholesale funding, of which:	**59,163,135**	**27,543,910**	52,863,670	23,421,571	51,574,084	24,751,977	69,683,931	39,911,423
(i)	Operational deposits (all counterparties)	**–**	**–**	–	–	–	–	–	–
(ii)	Non-operational deposits (all counterparties)	**59,163,135**	**27,543,910**	52,863,670	23,421,571	51,574,084	24,751,977	69,683,931	39,911,423
(iii)	Unsecured debt	**–**	**–**	–	–	–	–	–	–
4	Secured wholesale funding	**–**	**–**	–	–	–	–	–	–
5	Additional requirements, of which	**21,700,445**	**21,643,758**	18,930,636	18,335,760	28,179,746	27,887,291	22,568,586	22,368,909
(i)	Outflows related to derivative exposures and other collateral requirements	**21,637,459**	**21,637,459**	18,269,663	18,269,663	27,854,796	27,854,796	22,346,723	22,346,723
(ii)	Outflows related to loss of funding on debt products	**–**	**–**	–	–	–	–	–	–
(iii)	Credit and liquidity facilities	**62,986**	**6,299**	660,973	66,097	324,951	32,495	221,863	22,186
6	Other contractual funding obligations	**1,086,907**	**1,086,907**	852,930	852,930	1,212,974	1,212,974	1,048,563	1,048,563
7	Other contingent funding obligations	**73,626,340**	**3,051,156**	74,554,231	3,098,705	71,307,093	2,931,603	89,999,374	3,788,794
8	Total Cash Outflows[1]	–	**54,277,013**	–	46,617,082	–	57,642,340	–	67,936,868
Cash Inflows									
9	Secured lending (e.g. reverse repos)	**51,073,010**	**480,012**	24,283,621	817,624	13,581,373	1,354,377	8,771,344	582,240
10	Inflows from fully performing exposures	**28,663,479**	**22,525,512**	33,862,055	27,620,099	33,845,954	26,072,205	44,318,865	37,613,308
11	Other cash inflows	**15,555,233**	**15,319,184**	12,204,639	12,031,223	21,673,359	21,568,091	15,987,224	15,878,093
12	Total Cash Inflows	**95,291,722**	**38,324,708**	70,350,315	40,468,946	69,100,686	48,994,673	69,077,433	54,073,641
21	TOTAL HQLA		**85,114,956**		57,715,816		39,808,698		37,281,337
22	Total Net Cash Outflows		**15,952,305**		11,654,270		14,410,585		16,984,217
23	Liquidity Coverage Ratio (%)		**533.56%**		495.23%		276.25%		219.51%

Note: 1. Higher of weighted average net cash flows for 3 months of the quarter or 25% of weighted average cash outflow is considered.

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Notes to the financial statements for the year ended 31 March, 2020 *(Continued)*

(Indian Rupees '000s)

SCHEDULE 18:

2. Other Notes *(Continued)*

(k) Liquidity Coverage Ratio (LCR) (Continued)

Below mentioned is a position of Liquidity Coverage Ratio computed based on simple average of daily positions for the year starting 1 April 2018 to 31 March 2019.

Rs in '000s

		Quarter ended 31 March 20219		Quarter ended 31 December 2018		Quarter ended 30 September 2018		Quarter ended 30 June 2018	
		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)		40,628,182		41,813,898		42,099,757		37,387,525
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	6,019,209	595,942	5,465,053	537,896	5,497,052	540,515	4,517,295	444,841
(i)	Stable deposits	119,586	5,979	172,193	8,610	183,810	9,190	137,777	6,889
(ii)	Less stable deposits	5,899,623	589,963	5,292,860	529,286	5,313,242	531,325	4,379,518	437,952
3	Unsecured wholesale funding, of which:	67,846,686	42,876,182	46,074,635	25,850,878	46,803,777	25,104,340	54,161,089	34,940,034
(i)	Operational deposits (all counterparties)	–	–	–	–	–	–	–	–
(ii)	Non-operational deposits (all counterparties)	67,846,686	42,876,182	46,074,635	25,850,878	46,803,777	25,104,340	54,161,089	34,940,034
(iii)	Unsecured debt								
4	Secured wholesale funding		–		122		122		–
5	Additional requirements, of which	19,630,905	19,624,975	26,296,399	26,226,050	25,376,974	25,339,512	31,950,059	31,941,906
(i)	Outflows related to derivative exposures and other collateral requirements	19,624,317	19,624,316	26,251,450	26,221,549	25,368,565	25,338,665	31,941,000	31,941,000
(ii)	Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–
(iii)	Credit and liquidity facilities	6,588	659	44,949	4,501	8,409	847	9,059	906
6	Other contractual funding obligations	1,106,471	1,106,471	867,237	867,237	3,008,986	3,008,986	624,553	624,553
7	Other contingent funding obligations	103,720,305	4,475,743	109,764,226	4,784,344	97,264,349	4,171,648	90,241,596	3,960,158
8	Total Cash Outflows[1]		68,679,313		58,278,653		58,177,250		71,911,492
Cash Inflows									
9	Secured lending (e.g. reverse repos)	4,594,602	510,477	9,591,369	762,472	9,315,493	124,145	1,028,104	-
10	Inflows from fully performing exposures	39,673,535	32,138,196	29,154,501	22,463,016	36,301,104	29,938,121	33,824,109	27,238,028
11	Other cash inflows	13,660,768	13,130,856	21,409,165	21,017,852	20,435,301	20,328,432	27,823,627	27,750,951
12	Total Cash Inflows	57,928,905	45,779,530	60,155,035	44,243,341	66,051,898	50,390,698	62,675,840	54,988,979
21	TOTAL HQLA		40,628,182		41,813,898		42,099,757		37,387,525
22	Total Net Cash Outflows		22,899,783		14,569,663		14,544,312		17,977,873
23	Liquidity Coverage Ratio (%)		177.42%		286.99%		289.46%		207.96%

1. Note: Higher of weighted average net cash flows for 3 months of the quarter or 25% of weighted average cash outflow is considered.

RBI 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 net cash outflows over next 30 days under stress conditions.

Executive Committee of the Bank (EXCO) has empowered ALCO to monitor and strategize the Balance Sheet profile of the Bank. In line with the business strategy, ALCO forms an Interest Rate/Liquidity view for the bank and channelizes various business segments of the Bank to target good quality asset and liability profile to meet the Bank's profitability as well as Liquidity requirements with the help of robust MIS and Risk Limit architecture of the Bank.

Funding strategies are formulated by the Treasury Funding and Investments unit (TFI) in accordance with the ALCO guidance. The objective of the funding strategy is to achieve an optimal funding mix which is consistent with prudent liquidity, diversity of sources and servicing costs. Accordingly, the Bank TFI team estimates daily liquidity requirement of the various business segments and manages the same on consolidated basis. With the help of various Liquidity Statement prepared by the Bank, TFI evaluates current and future liquidity requirement and takes necessary action.

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Notes to the financial statements for the year ended 31 March, 2020 *(Continued)*

(Indian Rupees '000s)

SCHEDULE 18:

2. Other Notes *(Continued)*

(k) Liquidity Coverage Ratio (LCR) (Continued)

The Bank's HQLA comprises of Excess CRR, Excess SLR securities, Marginal Standing Facility (MSF) and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) as permitted under prudential guidance and eligible level 2 investments comprising of bonds and commercial papers.

The Bank's funding sources are driven from a diversified mix of unsecured deposits from individuals, corporate financial institutions, short term borrowing, overseas borrowing, repo transactions and CBLO borrowings. The bank's deposit base is the key driver of net cash outflows in the entity along with derivative outflows arising from foreign exchange and interest rate transactions. Other contingent funding obligations which primarily include bank guarantees (BGs) and letters of credit (LCs) issued on behalf of the Bank's clients have been considered for the purpose of LCR. All other inflows and outflows which might have a material impact under the liquidity stress scenario have also been considered for the purpose of LCR.

The Bank has entered into CSAs which would require maintenance of collateral due to valuation changes on transactions under CSA framework. Banks may also be required to post additional collaterals due to market valuation changes on derivative transactions settled through Clearing Corporation of India (CCIL). The outflow on account of such transactions has been considered based on the prescribed look back approach.

The Bank has implemented the LCR framework and has consistently maintained LCR well above the regulatory threshold of 100%. The average LCR for the quarter ended 31st March, 2020 is 533.56% (Previous year 177.42%). Average Level 1 HQLA stood at 97.45% (Rs 82,942,337 ('000s)) (Previous year 71.89% (Rs 29,206,010 ('000s)) of the average total HQLA of Rs 85,114,956 (000's) (Previous year Rs 40,628,182 (000's)) for the quarter ended 31st March, 2020. The average net cash outflow for the similar period stood at Rs 15,952,305 (000's) (Previous year Rs 22,899,783 (000's)) as detailed in the table above.

Apart from LCR, the Bank also conforms to Barclays Group control framework to manage liquidity risk within the Liquidity Risk Appetite (LRA). It is measured with reference to the liquidity pool compared to anticipated stressed net contractual and contingent outflows under specific stress scenarios.

(l) Remuneration

The Bank's compensation policies including that of Chief Executive Officer, 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 13 January 2012, the Bank has submitted a declaration vide its letter dated 14 February, 2020 to RBI confirming the above mentioned aspect.

(m) Transfer Pricing

The Bank has a comprehensive system of maintenance of information and documents required by transfer pricing legislation under section 92-92F of the Income Tax Act, 1961. Management is of the view that the Bank's transactions with its associated enterprises (AEs) including transactions covered by Barclays global transfer pricing policies meet the arm's length criteria as well as the information and documentation requirements prescribed under transfer pricing provisions of Income Tax Act, 1961.

(n) Special Purpose vehicle

The Bank has not sponsored any special purpose vehicle which is required to be consolidated in the financial statements as per the accounting norms. (Previous year: Nil).

(o) Corporate Social Responsibility

As per the provisions of the Section 135 of the Act, the Bank has spent Rs 126,872 ('000s) (Previous year: Rs. 124,351 ('000s)) towards Corporate Social Responsibility activities during the year ended March 31, 2020 against the requirement of Rs. 126,872 ('000s) (Previous year: Rs. 124,351 ('000s)). There were no provisions outstanding as at March 31, 2020 (Previous year: Nil).

(Rs in '000s)

Sr. No.	For the year ended March 31,2020	In cash	Yet to be paid in cash	Total
(i)	Construction/acquisition of any asset	–	–	–
(ii)	On purposes other than (i) above	126,872	–	126,872

Sr. No.	For the year ended March 31,2019	In cash	Yet to be paid in cash	Total
(i)	Construction/acquisition of any asset	–	–	–
(ii)	On purposes other than (i) above	124,351	–	124,351

(p) Micro, Small and Medium Enterprises Development Act, 2006 (MSMED)

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from 2 October, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. On the basis of information and records available with management and confirmation sought by 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 and small enterprises or of interest payments due to delays in such payments.

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Notes to the financial statements for the year ended 31 March, 2020 ***(Continued)***

(Indian Rupees '000s)

SCHEDULE 18:

2. Other Notes ***(Continued)***

(p) Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) (Continued)

	Particulars	31 March 2020	31 March 2019
1.	The principal amount remaining unpaid to any supplier	–	–
2.	The interest due thereon (above principal amount) remaining unpaid to any supplier	–	–
3.	The amount of interest paid by the buyer in terms of section 16, along with the amount of payment made to the supplier beyond the appointed day for the year ended	–	–
4.	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;	–	–
5.	The amount of interest accrued and remaining unpaid at the year	–	–
6.	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	–	–

(q) Provision for Long Term contracts

The Bank has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Bank has reviewed and recorded adequate provision as required under applicable RBI laws/accounting standards for material foreseeable losses on such long term contracts (including derivative contracts) in the books of account and disclosed the same under the relevant notes in the financial statements.

(r) Migration to Indian Accounting Standards (Ind AS)

Banks in India currently prepare their financial statements as per the guidelines issued by RBI, the Accounting Standards notified under section 133 of the Companies Act, 2013 and generally accepted accounting principles in India (Indian GAAP). In January 2016, the Ministry of Corporate Affairs issued the roadmap for implementation of new Indian Accounting Standards (Ind AS), converged with International Financial Reporting Standards (IFRS), for scheduled commercial banks, insurance companies and non-banking financial companies (NBFCs). The roadmap requires banks to migrate to Ind AS for accounting periods beginning from April 1, 2018 onwards, with comparatives for the periods ending March 31, 2018 or thereafter. This roadmap is applicable for the holding, subsidiary, joint venture and associate companies of banks also.

Though the implementation of Ind AS was deferred vide RBI press release dated April 05, 2018 & March 22, 2019 till further notice. The Bank has already started the process of migrating to Ind AS based financial statements. The key impact areas for the Bank include accounting of financial instruments, consolidation accounting, deferred tax and implementation of technology systems. Of these, the accounting of financial assets differs significantly from Indian GAAP in many areas, which include classification, fair valuation, expected credit losses, effective interest rate accounting and derecognition. The Bank's Ind AS implementation project also focuses on technical evaluation of GAAP differences, selection of accounting policies and choices, evaluation of system changes and data requirements, business impact analysis and skill development in the Bank through regular trainings and workshops.

(s) Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

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

Sd/-
Sameer Mota
Partner
Membership No: 109928

Mumbai
June 29, 2020

For and on behalf of
Barclays Bank PLC - Indian Branches

Sd/-
Rajeev Ghadi
Chief Financial Officer

Sd/-
Ram Gopal
Chief Executive Officer

Mumbai
June 29, 2020

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Annexure

Annual Report on Corporate Social Responsibility Activities

1. **A brief outline of the Company's CSR policy, including overview of the projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs**

   The CSR Policy of the Company lays down the principles and mechanisms for undertaking various programmes in accordance with section 135 of the Companies Act, 2013. The Company is committed to play a broader role in the communities in which it operates by way of supporting various initiatives through funding, fund raising and/or volunteering activities. As per the CSR policy of the Company, the company may support any of the following initiatives:

   a. Global Youth Employability Initiative

   b. Any other programme or project in areas enumerated in Schedule VII of Section 135 of the Companies Act, 2013

2. **The composition of the CSR Committee**

Sr. No.	Name	Role in the Committee
1	Mr. Ram Gopal	Member of the Committee

Name	Role in the Committee
Mr. Ram Gopal	Chairman of the Committee
Mr. Pramod Kumar	Member of the Committee
Mr. Ashwini Kapila	Member of the Committee

3. **Average net profit of the company for the last three financial years (computed as per section 198 of the Companies Act, 2013) –** INR 6,343,585,640

4. **Prescribed CSR Expenditure (two percent of the amount as in item 3 above)** – 12,68,72,000

5. **Details of CSR spent during the financial year**

   a. Total amount spent for the financial year – INR 12,68,72,000

   b. Amount unspent, if any – NIL

   c. Manner in which the amount spent during the financial year is detailed below.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	**CSR Project or activity identified**	**Sector in which the project is covered**	**Project or programs (1) Local area or other (2) Specify state and district where project or program was undertaken**	**Amount outlay (budget) project or program wise**	**Amount spent on the projects or programs Sub-heads (1) Direct expenditure on project or program (2) Overheads**	**Cumulative expenditure up to the reporting period**	**Amount spent : Direct or through implementing agency**
1	Youth Employability Initiative (Connect with Work)	Employment	Delhi NCR, Mumbai, Chennai & Pune	5,09,87,900	5,09,87,900	5,09,87,900	Implementing Agency – International Association for Human Values
2	Youth Employability Initiative (Connect with Work)	Employment	Delhi NCR, Mumbai, Chennai & Pune	4,00,00,000	4,00,00,000	4,00,00,000	Implementing Agency – Tomorrow's Foundation
3	Youth Employability Initiative (Connect with Work)	Employment	Delhi NCR, Mumbai, Chennai & Pune	3,00,00,000	3,00,00,000	3,00,00,000	Implementing Agency – Hope Foundation
4	Youth Employability Initiative (Connect with Work)	Employment	Delhi NCR Mumbai, Chennai & Pune	50,00,000	50,00,000	50,00,000	Implementing, Agency – Cuddles Foundation
5	Youth Employability Initiative (Connect with Work)	Employment	Delhi NCR Mumbai, Chennai & Pune	8,84,100	8,84,100	8,84,100	Implementing Agency – NASSCOM Foundation

6. **In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide reasons for not spending the amount in its Board Report**
   Not Applicable

7. **Responsibility statement of the CSR Committee:**
   The CSR Committee confirms that the implementation and monitoring of the CSR policy, is in compliance with CSR objectives and Policy of the Company

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BACKGROUND

The BASEL III – Pillar 3 disclosures contained herein relate to Barclays Bank Plc, India Branches (herein also referred to as the 'Bank') for the year ended March 31, 2020. Barclays Bank Plc – Indian Branches (the "Bank") is a branch of Barclays Bank Plc, which is incorporated in the United Kingdom with limited liability. Barclays Bank Plc. (UK) (the "Group") is regulated by its home regulator, viz. Prudential Regulatory Authority (PRA), in the United Kingdom (UK). The Bank has been operating in India with 6 branches (excluding 1 service branch). The Bank operations are conducted in accordance with the banking license granted by the Reserve Bank of India (RBI) under the Banking Regulation Act 1949.

These disclosures are compiled in accordance with Reserve Bank of India (the 'RBI') regulations on Pillar 3 as given in 'Master Circular – Basel III Capital Regulations dated July 1, 2015'.

The Basel III framework implemented in the Bank is made up of three pillars.

- Pillar 1: Minimum Capital Requirements - This Pillar includes the calculation of RWAs for credit risk, counterparty credit risk, market risk and operational risk.
- Pillar 2: Supervisory Review and Evaluation Process (SREP) – This Pillar requires banks to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks where other suitable mitigants are not available.
- Pillar 3: Market Discipline – This Pillar covers external communication of risk and capital information by banks as specified in the Basel rules to promote transparency and good risk management.

1. SCOPE OF APPLICATION FOR CONSOLIDATION (Table DF-1)

No entities are required to be consolidated with Barclays Bank Plc, India Branches for the purpose of accounting requirements.

However, consolidation for regulatory purposes as per the Pillar 3 guidelines is as below

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 if consolidated under only one of the scopes of consolidation
Barclays Investments and Loans (India) Limited	No	NA	Yes	The RBI guidelines on Financial Regulation of Systemically Important NBFCs and Banks' Relationship vide circular ref. DBOD. No. FSD. BC.46/24.01.028/2006-07 December 12, 2006 read with 'Guidelines for consolidated accounting and other quantitative methods to facilitate consolidated supervision' vide circular ref. DBOD.No.BP.BC.72/21.04.018/2001-02 dated February 25, 2003 mandate coverage of the 'Consolidated Bank' (herein also referred to as 'Barclays Bank').	The bank has adopted consolidation approach for limited regulatory reporting i.e. only for Consolidated Prudential Return (CPR-2) and Liquidity Return (LR).

Note: The bank does not hold any stake in the total equity of the above entity

B - List of group entities not considered for consolidation both under the accounting and regulatory scope of consolidation

Amt in Rs. '000

Name of the entity/ country of incorporation	Principle activity of the entity	Total balance sheet equity*	% 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 *
Barclays Securities (India) Private Limited	Registered as Stock Broker & Underwriter	2,310,040	–	NA	8,342,011
Barclays Wealth Trustees (India) Private Limited	Trust Advisory	2,12,309	–	NA	362,240

* as stated in the audited balance sheet of the legal entity as on March 31, 2019

C - List of group entities considered for consolidation

Amt in Rs. '000

Name of the entity/country of incorporation	Principle activity of the entity	Total balance sheet equity *	Total balance sheet assets *
Barclays Investments and Loans (India) Limited	NBFC	8,736,742	21,152,998

* as stated in the audited balance sheet of the legal entity as on March 31, 2020 as per IND AS Regulation

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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

Amt in Rs. '000

Name of the subsidiaries/ country of incorporation	Principle activity of the entity	Total balance sheet equity *	% of bank's holding in the total equity	Capital deficiencies
N.A.	N.A.	N.A.	N.A.	N.A.

* as stated in the audited balance sheet of the legal entity

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 *	% 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
N.A.	N.A.	N.A.	N.A.	N.A.

* as stated in the audited balance sheet of the legal entity

F - Restrictions or impediments on transfer of funds or regulatory capital within the banking group :

Transfer of funds and regulatory capital are subject to local laws and applicable regulations.

2. CAPITAL ADEQUACY (Table DF-2)

2.1 Capital Management

Objective

The Bank's objectives are to:

- Meet minimum regulatory requirements in jurisdictions. The Bank's authority to operate as a bank is dependent on the maintenance of adequate capital resources at each level where prudential capital requirements are applied.
- Supports its growth and strategic options maintain adequate capital to cover the Group's current and forecast business needs and associated risks in order to provide a viable and sustainable business offering.
- Support its credit rating by maintaining capital ratios aligned with rating agency expectations.

Governance structure

The management of capital risk is integral to the Group's approach to financial stability and sustainability management, and is embedded in the way businesses and legal entities operate.

Capital risk management is underpinned by a control framework and policy. The capital management strategy, is driven by the strategic aims and risk appetite of the Group. The capital plan is managed on a top-down and bottom-up basis through both short-term and medium-term financial planning cycles, and is developed with the objective that Barclays Group maintains an adequate level of capital to support its capital requirements.

Responsibility for risk management resides at all levels within the Group, from the Board and the Executive Committee down through the organisation to each business manager and risk specialist. Barclays distributes these responsibilities so that risk/return decisions are taken at the most appropriate level; as close as possible to the business, and subject to robust and effective review and challenge. The responsibilities for effective review and challenges reside with senior managers, risk oversight committees, Barclays Internal Audit, the Independent Group Risk function, the Board Risk Committee and, ultimately, the Board. Treasury has the primary responsibility for managing and monitoring capital. The Treasury and Capital Risk function provides oversight of capital risk and is an independent risk function that reports to the Group CRO.

In addition, each business unit has an embedded risk management function, headed by a business risk director. Business risk directors and their teams are responsible for assisting business heads in the identification and management of their business risk profiles and for implementing appropriate controls. These teams also assist Group Risk in the formulation of Group policies and their implementation across the businesses.

Enterprise Risk Management Framework (ERMF) operating within the broad policy framework reviews and monitors various aspects of risk arising from the business. The ERMF sets the strategic direction for risk management by defining standards, objectives and responsibilities for all areas of Barclays Independent Committee(s) like Executive Committee (ExCO), Operations Committee (OPCO), Internal Controls Forum (ICF), Assets and Liabilities Management Committee (ALCO) have been constituted across the Bank to facilitate independent evaluation, monitoring and reporting of various risks. Treasury is responsible for complying with these limits as the first line of defense for the management of capital risk. Limits are monitored through appropriately governed forums in the first and second line of defense.

Local management assures compliance with an entity's minimum regulatory capital requirements by reporting to local Asset and Liability Committees with oversight by the Group's Treasury Committee, as required.

Regulatory capital

Reserve Bank of India (RBI) issued Basel III guidelines applicable with effect from April 1, 2013.

As at March 31, 2020, as per Basel III guidelines bank is required to maintain minimum CET1 capital ratio of 8.875%, minimum Tier-1 capital ratio of 10.375% and minimum total capital ratio of 12.375%. The minimum capital requirement includes capital conservation buffer (CCB) of 1.875% and additional CET1 capital surcharge of 1.50% on account of the Bank being designated as a G-SIB. The implementation of the last tranche of 0.625% of Capital conservation buffer (CCB) has been extended by 6 months from March 31, 2020 to September 30, 2020.

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Internal assessment of capital

The Bank has a process for assessing its overall capital adequacy in relation to the Bank's risk profile and a strategy for maintaining its capital levels. Capital planning is set in consideration of minimum regulatory requirements. Capital held to support the level of risk identified is set in consideration of minimum ratio requirements and internal buffers. The process provides an assurance that the Bank has adequate capital to support all risks in its business and an appropriate capital buffer based on its business profile.

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, current and future business needs, including those under stress scenarios. The ICAAP encompasses capital planning for a three year time horizon, identification and measurement of material risks and the relationship between risk and capital. These plans are reviewed to assess any capital requirements.

Capital

Bank does not have any subsidiaries in India. Any entity required to be consolidated as per RBI requirements individually assesses the adequate level of capital required to meet its respective regulatory requirements and business needs. The Board of each entity maintains oversight over the capital adequacy framework either directly or through separately constituted committees.

Capital monitoring

The Bank monitors its capital adequacy ratio on a regular basis. The Bank has a process of submitting a Capital Monitoring dashboard where the regulatory CRAR is put up to Treasury. Local management ensures compliance with an entity's minimum regulatory capital requirements by reporting to local Asset and Liability Committees (ALCO) with oversight by Group Treasury as required.

2.2 Capital Requirement for Pillar 1 Risks (March 31, 2020)

Capital required for credit, market and operational risks given below is arrived at after multiplying the risk weighted assets by 12.375%.

(Rs. in '000s)

No	Description	March 31, 2020
A	**Capital Requirement for Credit Risk (Standardised Approach)**	**37,077,651**
	– On-balance sheet exposures excluding securitisation exposures	11,624,550
	– Off-balance sheet exposures excluding securitisation exposures	25,425,619
	a) Non-market related	1,593,749
	b) Market-related	23,831,870
	– On-balance sheet-securitisation exposures	–
	– Counterparty Risk as Borrower of funds	27,482
B	**Capital Requirement for Market Risk (Standardised Duration Approach)**	**12,163,310**
	– Interest rate related instruments	10,367,534
	– Equity	1,401
	– Foreign Exchange and Gold	1,794,375
C	**Operational-risk-weighted exposures (Basic Indicator Approach)**	**2,727,028**
D	**Capital Adequacy Ratio of the Bank**	**15.67%**

2.3 Capital Structure/Instruments of the Bank

Tier 1 capital comprises of:

- Capital funds (Interest free funds) injected by Head Office for capital adequacy
- Statutory reserves percentage of net profits retained (currently 25%)
- Remittable surplus in India specifically for capital adequacy purposes
- Capital reserves not eligible for repatriation so long the Bank operates in India.

Tier 2 capital comprises of:

- General provisions created in line with RBI regulations like provision on standard assets, provision on unhedged foreign currency exposure, etc.

As on March 31, 2020 total capital base (Tier 1 + Tier 2) of the Bank stood at Rs. 65,815,382 ('000s)

(Rs. in '000s)

No	Description	March 31, 2020	March 31, 2019
A	Tier 1 Capital	62,440,946	59,257,501
B	Tier 2 Capital	3,374,436	2,708,179
C	**Total Eligible Capital (A+B)**	**65,815,382**	**61,965,680**

The capital ratios of the Bank are as follows:

Capital ratios	March 31, 2020	March 31, 2019
CET 1 capital ratio	14.87%	15.59%
Tier 1 capital ratio	14.87%	15.59%
Total capital ratio	**15.67%**	**16.30%**

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3. RISK EXPOSURE AND ASSESSMENT

Introduction

Barclays engages in activities which entail risk taking, every day, throughout its business. This section introduces these risks, and outlines key governance arrangements for managing them. These include roles and responsibilities, frameworks, policies and standards.

Enterprise Risk Management Framework (ERMF)

Barclays has an extensive and comprehensive Enterprise Risk Management Framework (ERMF) which sets out the activities, tools, approach and organisational arrangements to ensure that all material risks facing the Group are identified, understood, and appropriately responded to, enabling the Group to meet its goals.

3.1 The purpose of the ERMF is to:

a. Set out clear standards of risk management to protect Barclays, and our clients, customers and markets.

b. Support the Group Chief Executive Officer in embedding a strong risk culture within the firm by setting out clear risk management practices and requirements.

c. Identify the principal Risks faced by the firm.

d. Describe the way in which the firm establishes a Risk Appetite, in aggregate and for each Principal Risk (as appropriate) and operates within it. The Risk Appetite is the level of risk that Barclays is prepared to accept in pursuit of its business strategy.

e. Delineate the key responsibilities of different groups of employees in enabling the firm to operate within its Risk Appetite. (The Lines of Defense).

f. Specify risk management accountabilities and responsibilities for key roles.

g. Explain the role of frameworks, policies and standards within risk management in implementing this framework.

h. Describe the governance of risk within the firm.

3.2 Principal Risks

Under ERMF Bank has created a Principal Risk Framework. The Principal Risks Framework creates clear ownership and accountability; ensures the Group's most significant risk-exposures are understood and managed in accordance with agreed risk appetite and risks tolerances; and also ensures regular reporting of both risks exposures and the operating effectiveness of controls. These principal risks are:

Financial Principal Risks:

a. Credit Risk: The risk of loss to the firm from the failure of clients, customers or counterparties, including Sovereigns, to fully honor their obligations to the firm, including the whole and timely payment of principal, interest, collateral and other receivables.

b. Market Risk: The risk of loss arising from potential adverse changes in the value of the firm's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.

c. Treasury and Capital Risk: This comprises of:

1. Liquidity Risk: The risk that the firm is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.
2. Capital Risk: The risk that the firm has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This also includes the risk from the firm's pension plans.
3. Interest Rate Risk in the Banking Book: The risk that the firm is exposed to capital or income
   Volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities.

Non-Financial Principal Risks:

d. Operational risk: The risk of loss to the firm from inadequate or failed processes or systems, human factors or due to external events (for example fraud) where the root cause is not due to credit or market risks.

e. Model risk: The risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.

f. Reputation risk: The risk that an action, transaction, investment, event, decision, or business relationship will reduce trust in the firm's integrity and/or competence.

g. Conduct risk: The risk of detriment to customers, clients, market integrity, competition or Barclays from the inappropriate supply of financial services, including instances of willful or negligent misconduct.

h. Legal risk: The risk of loss or imposition of penalties, damages or fines from the failure of the firm to meet its legal obligations including regulatory or contractual requirements.

Risk Appetite for the Principal Risks

Risk Appetite is defined as the level of risk which the firm is prepared to accept in the conduct of its activities. The Risk Appetite for Barclays follows below principals:

- specifies the level of risk we are willing to take and why, to enable specific risk taking activities
- considers all Principal Risks individually and, where appropriate, in aggregate
- communicates the acceptable level of risk for different risk types; this may be expressed in financial or non-financial terms, and is measured and effectively monitored
- describes agreed parameters for the firm's performance under varying levels of financial stress with respect to profitability is considered in key decision-making processes, including business planning, mergers and acquisitions, new product approvals and business change initiatives.

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Risk Appetite is approved and disseminated across legal entities and businesses, including by use of Mandate and Scale limits to enable and control specific activities that have material concentration risk implications for the firm. These limits also help reduce the likelihood and size of one-off losses. The Risk Appetite must be formally reviewed on at least an annual frequency in conjunction with the Medium Term planning (MTP) process and approved by the Board.

Roles and responsibilities in the management of risk – The Three Lines of Defense

All colleagues have a responsibility to contribute to the risk management of the Group. These responsibilities are set out in the "Three Lines of Defense".

First Line of Defense:

The first line comprises all employees engaged in the revenue generating and client facing areas of the firm and all associated support functions, including finance, Treasury, Technology and Operations, human Resources, Administration etc. Employees in the first line have primary responsibility for their risks, including:

1. Identifying and managing all the risks in the activities in which they are engaged, and developing appropriate policies, standards and controls to govern their activities.
2. Operating within any and all limits which the Risk and Compliance functions establish in connection with the Risk Appetite of the firm.
3. Escalating risk events to senior managers and to Risk and Compliance.

The first line must establish their own policies and controls, particularly with respect to operational activities, and require their colleagues to manage all controls to specified tolerances. These control-related activities are also considered first line and are permitted so long as they are within any applicable limits established by Risk or Compliance. All activities in the first line are subject to oversight from the relevant parts of the second and third lines.

Second Line of Defense:

Employees of Risk and Compliance comprise the second line of defense. The role of the second line is to establish the limits, rules and constraints under which first line activities shall be performed, consistent with the Risk Appetite of the firm, and to monitor the performance of the first line against these limits and constraints. The second line has the authority and responsibility to perform independent challenge of all risks in the first line at any time.

It is important to note that the second line will not customarily establish limits for all first line activities, especially those related to Operational Risk. The controls for these will ordinarily be established by Controls Officers operating within the Controls framework of the firm. The second line is responsible for defining the policies which detail its own responsibilities and activities and governing them, establishing controls to manage its performance, and assessing its conformance to these policies and controls.

The second line can also undertake certain additional activity if, in the judgment of the group CRO, this will reduce the firm's exposure to risk.

Third Line of Defense:

Employees of Internal Audit comprise the Third Line of Defense. They provide independent assurance to the Board and Executive Management over the effectiveness of governance, risk management and control over current, systemic and evolving risks.

The Legal department does not sit in any of the three lines, but supports them all. The Legal department is, however, subject to oversight from Risk and Compliance, with respect to Operational and Conduct risks.

Measurement of risks for capital adequacy purposes

Material risks are identified, measured, monitored and reported to the Barclays Independent Primary Committee(s) like Executive Committee (ExCO), India Controls Forum (ICF), Assets and Liabilities Management Committee (ALCO) and India Outsourcing Governance Forum.

Under Pillar 1 of the extant RBI guidelines on Basel III, the Bank currently follows the standardised approach for credit risk, standardised measurement method for market risk and the Basic Indicator Approach for operational risk.

4. CREDIT RISK: (Table DF- 3)

Credit risk is the risk of suffering financial loss should any of the customers, clients or market counterparties fail to fulfill their contractual obligations. The credit risk that the Group faces arises mainly from wholesale loans and advances together with the counterparty credit risk arising from derivative contracts with clients. Other sources of credit risk arise from trading activities, including: debt securities, settlement balances with market counterparties, available for sale assets and reverse repurchase loans.

4.1 Credit Risk Management Objectives and Policies:

A key element in the setting of clear management objectives is the Enterprise Risk Management Framework (ERMF) which sets out key activities, tools, techniques and organizational arrangements so that material risks facing the Group are identified and understood, and that appropriate responses are in place to protect the Bank and prevent detriment to its customers, employees or community.

The aim of the risk management process is to provide a structured, practical and easily understood set of three steps, Evaluate, Respond and Monitor (the E-R-M process), that enables management to identify and assess risks, determine the appropriate risk response and then monitor the effectiveness of the risk response and changes to the risk profile.

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The granting of credit is one the Bank's major sources of income and, as a Principal Risk, considerable resources are dedicated to its control. The credit risk that the Bank faces arises mainly from wholesale and other small-ticket loans together with the counterparty credit risk arising from derivative contracts with clients. Other sources of credit risk arise from trading activities, including debt securities; settlement balances with market counterparties, available for sale assets and reverse repurchase loans.

Credit risk management objectives are to:

- To establish a framework of controls to ensure credit risk-taking is based on sound credit risk management principles
- To identify, assess and measure credit risk clearly and accurately across the Group and within each separate business from the level of individual facilities, up to the total portfolio
- To control and plan credit risk-taking in line with external stakeholder expectations and avoiding undesirable concentrations
- To monitor credit risk and adherence to agreed controls
- To ensure that the risk reward benefits are met

4.2 Structure and Organization

The Group has structured the responsibilities of credit risk management so that decisions are taken as close as possible to the business, whilst ensuring robust review and challenge of performance, risk infrastructure and strategic plans. The credit risk management teams in each business are accountable to the relevant Business Chief Risk Officer who in turn reports to the Group CRO.

Credit risk approval is undertaken by experienced credit risk professionals operating within a clearly defined delegated authority framework, with only the most senior credit officers entrusted with the higher levels of delegated authority. The largest credit exposures which are outside of individual delegated authorities or relevant credit approval committees require the support of the Group Senior Credit Officer (GSCO), the Group's most senior credit risk sanctioner. For exposure in excess of the GSCO authority, approval by Group CRO is required. Credit risk managers are generally organized in sanctioning team by geography, industry and/or product.

The role of the Central Risk function is to provide Group-wide direction, oversight and challenge of credit-risk taking. Central Risk sets the Credit Risk Control Framework, which provides the structure within which credit risk is managed, together with supporting credit risk policies.

4.3 Credit risk monitoring

For effective monitoring of credit facilities, the relevant Risk Control Unit/Transaction Management Group verifies adherence to the terms of approval prior to commitment and disbursement of credit facilities.

4.4 Reporting, assessment and measurement

Risk management policies and processes are designed to identify and analyze risk, to set appropriate risk appetite, limits and controls, and to monitor the risks and adherence to limits by means of reliable and timely data. This process can be summarised in five broad stages:

- Measuring exposures and concentrations
- Monitoring performance and asset quality
- Monitoring weaknesses in portfolios
- Raising allowances for impairment and other credit provisions; and
- Returning assets to a performing status or writing off assets when the whole or part of a debt is considered irrecoverable.

The principal objective of credit risk measurement is to produce the most accurate possible quantitative assessment of the credit risk to which the Bank is exposed, from the level of individual facilities up to the total portfolio. Integral to this is the assignment of obligor ratings, which are used in numerous aspects of credit risk management and in the calculation of regulatory and economic capital.

The key building blocks in this quantitative assessment are:

- Probability of default (PD)
- Exposure at default (EAD)
- Loss given default (LGD)

4.5 Credit Concentration Risk

A risk concentration is any single exposure or a group of exposures with the potential to produce losses large enough (relative to a bank's capital, total assets, or overall risk level) to threaten a bank's health or ability to maintain its core operations.

The Bank monitors the Exposure norms as prescribed by Reserve Bank of India vide its circular on Large Exposure Framework DBR. No.BP.BC.43/21.01.003/2018-19 on a periodic basis. The exposure ceiling limits is 20 percent of bank's available capital base in case of a single borrower and 25 percent of capital funds in the case of group of connected counterparties. In addition to the exposure permitted above, bank may, in exceptional circumstances, with the approval of its India Executive Committee, consider enhancement of the single borrower exposure to a borrower up to a further 5 percent of available capital base.

Interbank Limits: The exposure ceiling limits for Indian banks and Indian Branch of foreign Bank is 25 percent of bank's eligible capital base. Limit on exposure to GSIB – Foreign Branch is 20 percent of banks eligible capital base.

In addition to the above, the Bank controls and limits concentration of risk via the application of sectoral caps and identifying high-risk sectors.

For Exposures mentioned above based on the RBI clarification derivative exposure are outside the purview of exposure till April 01, 2021.

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4.6 COVID-19 Regulatory Package

In order to mitigate the burden of debt servicing brought about by disruptions on account of Covid-19 on borrowers who otherwise have been servicing their accounts regularly, but would have defaulted on account of the temporary stress due to Covid-19, RBI had announced guidelines under the COVID-19 Regulatory Package, that, inter-alia, relate to rescheduling of payments for Term Loans and Working Capital Facilities falling due between 1st March 2020 and 31st August 2020.

Accordingly, the Bank has established a Policy to provide the said reliefs (discussed later) to all eligible borrowers and also laid out the objective criteria to be considered while considering the borrower eligible for the relief. All eligible borrowers do not have blanket approval to avail relief and it will be subject to Bank's satisfaction and approval and for which Banks can request for additional information for it to assess the financial stress the borrower is exposed to.

<u>Some of the reliefs announced by RBI include:</u>

Rescheduling of Payments under Term Loans – All term loans, irrespective of the amortization schedule, the Bank is permitted to grant moratorium on payment of all installments falling due between the dates mentioned above. Thus, if moratorium granted, the repayment schedule inclusive of interest gets shifted further by the period of moratorium or six months, whichever is lower. However, the interest will continue to accrue over the loan during the moratorium period and the same will get capitalized.

Rescheduling of Payments under Working Capital facilities – in case of working capital facilities in the nature of cash credit/D, if moratorium granted, the interest on the said facilities shall be deferred till the end of the moratorium to be paid either at the end of the moratorium period or converted into Funded Interest Term Loan, at the discretion of the Bank, to be paid before 31st March, 2021.

RBI has also announced certain steps in easing the calculation of Drawing Power, for borrowers who are facing stress on account of the economic fallout of the pandemic.

<u>Impact of the Relief Package on Special Mention Account (SMA) and Non Performing Account (NPA) classification.</u>

As the moratorium/deferment/recalculation of the 'drawing power' as described above is specifically to enable borrowers to tide over economic fallout from COVID-19, the benefit where granted will not be treated as (i) concession, or (ii) change in terms and conditions of loan/facility agreements due to financial difficulty of the borrower. Consequently, such a measure, by itself, shall not result in asset classification downgrade.

The rescheduling of payments, including interest, will not qualify as a default for the purposes of supervisory reporting and reporting to Credit Information Companies (CICs).

The asset classification of facilities, including SMA classification, shall be determined on the basis of revised due date and revised repayment schedule.

4.7 Definition of Non-Performing Assets

Assets (Loans and credit substitutes in the nature of advances) are identified as performing or non-performing assets (NPAs) based on the management's periodic internal assessment or in accordance with RBI guidelines, whichever is earlier. An asset becomes non-performing when it ceases to generate income for the bank. A payment obligation (principal/interest) which remains unpaid for more than 90 days past due is classified as NPA. A non performing asset (NPA) is a loan or an advance where;

- interest and/or instalment of principal remain overdue for a period of more than 90 days in respect of a term loan,
- the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
- the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of guidelines on securitisation dated February 1, 2006.
- in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.
- an account where the regular/ad hoc credit limits have not been reviewed/renewed within 180 days from the due date/date of ad hoc sanction will be treated as NPA.
- The account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC). An account is treated as '**out of order**' if -
  - the outstanding balance remains continuously in excess of the sanctioned limit/drawing power for a period of 90 days
  - In cases where the outstanding balance in the principal operating account (CC/OD) is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period

A performing asset facing financial difficulties is classified as NPA pursuant to restructuring.

NPAs are further classified into sub-standard, doubtful and loss assets based on the days past due criteria stipulated by RBI.

4.8 Definition of Impairment

An asset is considered credit impaired when one or more events occur that have a detrimental impact on the estimated future cash flows of the financial asset.

At periodic intervals, the Bank ascertains if there is any impairment in its assets. If such an indication is detected, the Bank estimates the recoverable amount of the asset. If the recoverable amount of the asset or the cash generating unit, which the asset belongs to, is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account.

Provisions are made to reflect the risk tendency of the portfolio. Specific provisions are made based on management's assessment of the degree of impairment of the advances/derivative transactions subject to minimum prevailing provisioning norms laid down by RBI.

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4.9 Restructured Assets

As per RBI guidelines, a viable account facing financial difficulty due to economic/legal reasons can be restructured by grant of concessions including rescheduling (including rollover of term loans) and/or resetting principal repayments and/or the interest element, etc. Such restructuring must be separately disclosed as a restructured loan in the year of restructuring and the restructured asset would be subject to the applicable asset classification and provisioning criteria as prescribed by RBI from time to time. A restructured non performing asset will become eligible for upgrading to standard category only after all the outstanding loan/ facilities in the account demonstrate satisfactory performance during the specified period, i.e. higher of either - a. period from the date of implementation of restructuring upto the date by which atleast 10% of the sum of the outstanding principal debt as per the restructuring (including capitalized interest, if any) is repaid or b. minimum 1 year from the commencement of the first payment of interest or principal installment (whichever is later).

4.10 Credit Risk exposures

Total gross credit risk exposure including geographic distribution of exposure

(Rs. in 000's)

	March 31, 2020		
	Domestic	**Overseas[2]**	**Total**
A) Fund based exposure	106,227,764	–	106,227,764
B) Non-fund based exposure[1]	30,127,933		30,127,933
Total[3]	**136,355,697**	**–**	**136,355,697**

1. Non-fund based exposures are guarantees given on behalf of constituents, letters of credit and acceptances and endorsements without giving the effect of Credit Conversion Factor (CCF) and does not include exposures arising on the derivative contracts.
2. Advances/bills discounted in India against letters of credit issued by banks outside India are considered under domestic exposure. Bank does not have any overseas branches.
3. Exposures mentioned above are outstanding as on date and does not include undrawn limits.
4. Excluding specific risk on available for sale (AFS) portfolio.

Industry classification of gross credit exposure

Industry classification	**March 31, 2020 (Rs. in 000's)** Fund based	Non fund based (Non derivatives)
Cement	79,400	–
Mining	3,502,500	413,585
Other Metal and Metal products	672,947	–
All Engineering	5,442,011	558,798
Other Textiles	132,143	4,663
Tea	512,084	–
Food Processing	721	–
Paper and Paper Products	390,000	–
Rubber and Rubber Products	40,305	–
Chemicals, Dyes, Paints etc.	5,796,812	2,056,543
Gems and Jewellery	4,349,420	378,325
Sugar	235,000	–
Petroleum	951,622	–
Automobiles including trucks	2,977,079	625
Computer Software	2,651,044	198,728
Infrastructure	36,219,773	10,250,046
NBFCs & Trading	11,311,651	468
Other Industries	1,882,488	–
Banking Sector	25,924,001	14,693,036
Residual exposures	3,156,7652	1,573,116
Total	**106,227,764**	**30,127,933**

Exposure to industries in excess of 5% of the total exposure

Industry Classification	**March 31, 2020 (Rs. in 000's)** Fund Based	Non Fund Based (Non Derivatives)
Banking Sector	25,924,001	14,693,036
Chemicals, Dyes, Paints etc.	5,796,812	2,056,543
NBFCs & Trading	11,311,651	468
Infrastructure	36,219,773	10,250,046

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Residual contractual maturity breakdown of assets as at March 31, 2020

(Rs. in 000's)

Maturity buckets	Cash and Balances with Reserve Bank of India	Balances with Banks and Money at Call and Short Notice	Investments	Advances	Fixed Assets	Other Assets	Total
1 day	679,611	501,492	39,056,253	1,321,130	–	34,991,079	76,549,565
2 to 7 days	–	6,082,600	23,092,367	8,998,968	–	43,437	38,217,372
8 to 14 days	–	–	9,356,416	3,604,128	–	44,163	13,004,707
15 to 30 days	549,985	–	1,873,928	7,853,325	–	–	10,277,238
31 days to 2 months	555,894	–	1,891,649	10,896,437	–	190,886	13,534,866
2 to 3 months	606,538	–	2,058,201	9,885,311		10,551,530	23,101,580
3 to 6 months	1,108,657	–	3,872,885	24,372,398	–	14,909	29,368,849
6 to 12 months	322,070	–	1,604,326	19,257,089	–	60,979	21,244,464
1 to 3 years	351,336	100	2,838,722	15,790,912	–	3,574,033	22,555,103
3 to 5 years	189,188	–	613,830	837,728	–	663,317	2,304,063
Over 5 years	503	–	(10,025)	19,637	124,192	152,224,119	152,358,426
Total	**4,363,782**	**6,584,192**	**86,248,552**	**102,837,063**	**124,192**	**202,358,452**	**402,516,233**

The above disclosure is as per the Asset Liability Management ("ALM")/Liquidity Guidelines issued by RBI.

Movement of NPAs and provision for NPA (loans and advances portfolio)

(Rs. in 000's)

Particulars	March 31, 2020
Amount of NPAs (Gross)	**3,390,701**
– Substandard	–
– Doubtful	**3,389,142**
– Doubtful 1	3,389,142
– Doubtful 2	–
– Doubtful 3	–
– Loss	1,559
Net NPAs	–
NPA Ratios	
– Gross NPAs to gross advances	3.19%
– Net NPAs to Net advances	0.00%
Movement of NPAs (Gross)	
– Opening balance	2,958,392
– Additions	1,214,270
– Reductions	(781,961)
– Closing balance	3,390,701
Movement of provision for NPAs	
– Opening balance	**2,414,674**
– Provision made during the year	1,757,988
– Write-offs/write back of excess provisions	(781,961)
– Closing balance	**3,390,701**

Movement in provision as of March 31, 2020:

(Rs. in 000's)

	General Provision*	Specific Provision
– Opening balance	1,610,092	2,414,674
– Provision made during the period	71,104	1,757,988
– Write -offs/write back of excess provisions	–	(781,961)
– Any other adjustments, including transfers between provisions	–	–
– Closing balance	1,681,196	3,390,701

* *General Provision includes provision on standard assets, unhedged foreign currency exposure and NPLL*

Details of write-offs and recoveries as of March 31, 2020:

(Rs. in 000's)

Write-off that have been booked directly to the income statement	–
Recoveries that have been booked directly to the income statement	89,773

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Major Industry-wise NPAs, provisions and write-off as of March 31, 2020

(Rs. in 000's)

Industry Classification	Gross NPA	Specific Provisions[1]	General Provision	Specific Provision during the Year	Write-Off during the year
Paper & Paper Products	–	–	–	–	781,961
All Engineering	1,214,270	1,214,270	–	1,214,270	
Infrastructure	2,174,872	2,174,872	–	543,718	–
Chemicals Dyes & Paints	1,559	1,559	–	–	
TOTAL	**3,390,701**	**3,390,701**	**–**	**1,757,988**	**781,961**

1. Specific provision relating to NPAs

Geography-wise breakup of gross NPAs, specific provisions and general provision as of March 31, 2020

(Rs. in 000's)

Category	Gross NPA	Specific Provisions[1]	General Provision
Domestic	**3,390,701**	**3,390,701**	**–**
Overseas[2]	**–**	**–**	**–**
TOTAL	**3,390,701**	**3,390,701**	**–**

1. Specific provision relating to NPAs
2. Bank does not have any overseas branches.

NPIs and movement of provision for depreciation on investments

(Rs. in 000's)

	March 31, 2020
Amount of non-performing investments	–
Amount of provision held for non – performing investments	–
Movement of provisions for depreciation on investments	
– Opening balance	117,185
– Provision made from during the year	–
– Write-offs	–
– Write back of excess provisions	(105,528)
– Closing balance	**11,657**

5. CREDIT RISK: Disclosure of portfolio subject to standardised approach (Table DF-4)

The Bank is using issuer ratings and short-term and long-term instrument ratings which are assigned by the accredited rating agencies viz. assigned by CRISIL, CARE, ICRA, Fitch, Brickworks and SMERA and published in the public domain to assign risk-weights in terms of RBI guidelines. In respect of claims on non-resident corporate and foreign bank, ratings assigned by international rating agencies i.e. S&P, Moody's and Fitch are used for assigning the risk weights.

- With respect to short term exposures, short term ratings are assigned wherever available for the facilities extended by the Bank.
- In case, ratings are not available for the facilities extended, ratings as applicable for the other facilities of the counterparty are assigned. The applicable risk weight would be one notch higher. However, mingling of fund based and non-fund based facilities is not permitted.
- Similarly for short term derivative trades where issue-specific short term rating is not available, the applicable risk weight would be one notch higher as would be applicable for issue-specific short term rated facility. In the case of long term derivative exposures, the rating assigned to any Debt Capital Market instrument issued by the Obligor, whose maturity is within the maturity profile of the outstanding trades is considered, however the Risk weight would be one notch higher than what is applicable to the assigned long term rating. In absence of any Debt Capital Market rating, the exposure is treated as unrated and accordingly risk weights are assigned.
- In case of long term exposures, rating of any long term bank loan rating assigned to the counterparty is assigned. However, long term fund based rating cannot be applied to a long term non-fund based exposure and vice versa.
- Cash Credit/Overdraft/Short Term Loan exposures shall be considered as long term exposures and treatment applicable to long term exposures shall be applied. Since short term loans typically get rolled over on a conservative basis the same would be assigned long term ratings even though their original maturity is less than one year.
- The claims on banks incorporated in India and foreign bank branches in India is risk weighted based on the Common Equity Tier 1 capital of that bank, as per the RBI guidelines. In respect of claims on non-resident corporate and foreign bank, ratings assigned by international rating agencies i.e. S&P, Moody's and Fitch are used for assigning the risk weights.

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Details of credit risk exposure based on risk-weight

(Rs in 000's)

Description	March 31, 2020
Fund Based Exposure *	**102,837,063**
Less : Credit Risk Mitigant	2,787,037
Net Exposure	**100,050,026**
– Below 100% risk weight	44,846,576
– 100% risk weight	10,152,924
– More than 100% risk weight	45,050,526

* The above comprises of Net loans and advances as reported to RBI in regulatory filings

Description	March 31, 2020
Non Fund Based Exposure *	**30,127,933**
Less : Credit Risk Mitigant	3,913
Net Exposure	**30,124,020**
– Below 100% risk weight	17,414,516
– 100% risk weight	4,501,596
– More than 100% risk weight	8,207,908

* The above comprises of Non fund based Exposure excluding derivatives

6. CREDIT RISK MITIGATION: Disclosure for standardised approach (Table DF-5)

The Bank's credit risk mitigation techniques, apart from traditional practices of taking security of cash/other physical collaterals, include taking guarantees of high credit quality parties, avoidance of credit concentration in a single industry/counterparty, perfection of legal documentation and master netting agreements.

Bank's Credit Risk Mitigation policy has been drafted taking into consideration RBI guidelines on the same. As per the policy, the following credit risk mitigants to be recognised for regulatory capital purposes under the comprehensive approach:

- **Eligible financial collateral** which include cash (deposited with the Bank, fixed deposits, others), securities issued by Central and State Governments, certain debt securities rated by a recognised credit rating agency, mutual fund units where daily net asset value is available in public domain and the mutual fund is limited to investing in the instruments listed above.
- **On-balance sheet netting** which is confined to loans/advances and deposits, where banks have legally enforceable netting arrangements, involving specific lien with proof of documentation.

There are well laid down policies and processes for valuation/revaluation of collaterals covering source of valuation, haircuts/margins on collateral market values, re-margining requirements and reassessment of credit limits. The frequency of collateral valuation is driven by the volatility in each class of collateral.

Details of gross credit risk exposure

(Rs in 000's)

Particulars	March 31, 2020
Total exposure covered by eligible financial collateral	2,790,949
Total exposure covered by credit support agreement *	8,759,716
Total exposure covered by guarantees/credit derivatives	–

The bank does not have any concentration risk within credit risk mitigation.

* The Bank has entered into the Credit Support Agreement (CSA) agreements for exposure arising out of derivative contracts with some of the major counterparties. The Bank has received INR 13,877,616 (000's) (Previous year INR 5,762,200 (000's)) and placed INR 6,092,700 (000's) (Previous year INR 5,113,770 (000's)) as deposits under Credit Support Arrangement (CSA).

7. SECURITISATION EXPOSURES : Disclosure for Standardised approach (Table DF-6)

Securitisation objectives and policies:

a. Securitisation of assets is undertaken with the following objectives:

Maximising return on capital employed, managing liquidity, maximizing yield on asset opportunities and meeting priority sector lending requirements. Also, securitization also helps us in meeting credit needs of our borrowers. Due to various constraints such as single party and group exposure norms, paucity of capital, internal sectoral exposure norms, etc., at times the Group is unable to meet the entire credit requirements of the borrowers. Securitisation helps overcoming such constraints and meet customer's credit needs.

The Bank also invests in third party originated securitization transactions in accordance with the investment policy of Bank

The Bank participates in Securitisation transaction in the following roles:

Originator/Seller:

The Bank originates assets in the books and subsequently down-sells them through the securitization or assignment route

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Servicing and Collection agent:

For sold assets, the Bank undertakes the activity of collecting and other servicing activities

Investor:

The Bank invests in Pass Through Certificates (‘PTC’) backed by financial assets originated by third parties for the purpose of holding or trading and meeting priority sector lending requirements.

The Bank has not provided any credit support facility/credit enhancement, where we are acting as the Sellers/Originator of the assets.

b. The major risks inherent in securitisation/loan assignment transactions are given below:

- Credit Risk - Risk arising on account of payment delinquencies from underlying obligors/borrowers in the assigned pool.
- Market Risk
  - o Liquidity Risk - This is the risk arising on account of absence of a secondary market for asset backed securities, which provides exit options to the investor/participant.
  - o Interest Rate Risk - Fluctuation in interest rates impact the valuation of securitisation and may lead to mark to market losses.
  - o Prepayment Risk - Prepayments in the securitised /assigned pool result in early amortization and loss of future interest (reinvestment risk) to the investor.
- Operational Risk
  - o Co-mingling risk - Risk arising on account of co-mingling of funds belonging to the investor with that of originators and/or collection agent.
  - o Performance risk - Risk arising on account of inability of the servicing/collection agent to recover the monies from the underlying obligors as well as operational difficulties in processing of the payments
- Reputation risk:
  - o Risk arising on account of rating downgrade of a securitised instrument due to unsatisfactory performance of the underlying asset pool; and
  - o inappropriate practices followed by the collection and processing agent.

c. Summary of Group’s accounting policies for securitisation activities:

- In terms of RBI guidelines the Group sells assets to SPV only on cash basis and the sale consideration is received not later than the transfer of the asset to the SPV. Any loss arising on account of the sale is accounted immediately and reflected in the profit and loss account for the period during which the sale is affected and any profit/premium arising on account of sale is amortized over the life of the securities issued or to be issued by the SPV.
- In case the securitised assets qualify for derecognition from the books of the Group, the entire expenses incurred on the transaction e.g. legal fees, etc., is expensed at the time of the transaction and is not deferred. Where the securitised assets do not qualify for derecognition the sale consideration received is treated as a secured borrowing.

d. Rating of the securitisation transactions:

- The Bank uses the ratings provided by external credit rating agencies viz. CRISIL, India Ratings (erstwhile FITCH India), ICRA and CARE for computing capital requirements for securitized exposures.

e. Monitoring credit risk of securitization exposures:

The Bank monitors the performance of the pool purchased under securitization route basis information received from the servicing agent/trustee. The performance of the pool is measured by analyzing parameters such as collection ratios, overdue trends, credit enhancement utilization and level of available credit enhancement (where applicable). This analysis is shared with the sanctioner as well as the relationship, in case the performance of pools shows concerning trends. The above process holds true for sold pools – where securitization is carried out through a route other than Direct Assignment.

f. Monitoring market risk of securitization exposures:

The bank ascertains market value of the securitization exposures based on extant norms, which is compared with their book value to assess the marked to market impact of these exposures monthly

g. Breakup of the exposure securitised by the Bank during the year and subject to securitization framework:

- **Trading Book** - Breakup of the exposure securitised by the bank during the year and subject to securitization framework:

i. Total outstanding exposures securitised by the Bank and the related unrecognised gains/(losses) (March 31, 2020):

in INR million

Exposure type	Outstanding	Unrecognised gains/(losses)
Corporate loans	–	–
Total	–	–

ii. Break-up of securitisation gains/(losses) (net)

in INR million

Exposure type	March 31, 2020
Corporate loans	–
Total	–

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iii. Assets to be securitised within a year at March 31, 2020

in INR million

	Amount
Amount of assets intended to be securitised within a year	–
Of which amount of assets originated within a year before securitisation	–

iv. Securitisation exposures retained or purchased (March 31, 2020)

in INR million

Exposure type*	On-balance sheet	Off-balance sheet	Total
Vehicle/equipment loans	–	–	–
Mixed asset pool	2,801.73		2,801.73
Total	2,801.73		2,801.73

* Securitization exposure includes PTCs purchased in case of third party originated securitization transaction

v. Risk weight bands break-up of securitisation exposures retained or purchased (March 31, 2020)

in INR million

Exposure type*	<100% risk weight	100% risk weight	>100% risk weight	Total
Vehicle/equipment loans	–			–
Mixed asset pool	2,801.73		–	2,801.73
Total	2,801.73		–	2,801.73

* Securitization exposure PTCs purchased in case of third party originated securitization transaction

vi. Securitisation exposures deducted from capital (March 31, 2020)

in INR million

Exposure type	Exposures deducted entirely from Tier-1 capital#	Credit enhancing interest-only strips deducted from total capital	Other exposures deducted from total capital
Vehicle/equipment loans	–	–	–
Corporate loans	–	–	–
Mixed asset pool	–	–	–
Total	–	–	–

\# Excludes illiquidity premium deducted from capital on account of Securitization Exposure.

- **Banking Book** – There was no outstanding under the securitization exposure as at 31st March 2020.

8. MARKET RISK (Table DF-7)

Market risk is the risk that bank earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates.

Market risk management objective and policies:

Barclays market risk objectives are to:

- Understand and control market risk by robust measurement, limit setting, reporting and oversight
- Facilitate business growth within a controlled and transparent risk management framework
- Ensure that traded market risk in the businesses resides primarily in the trading book; and

The bank identifies 2 principal markets risks under Enterprise Risk Management Framework which sets the strategic direction for Risk Management. These risks are:

- Traded Market Risk: The risk of loss arising from potential adverse changes in the mark-to-market value of the bank's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.
- Non-Traded Market Risk (Interest Rate Risk in the Banking Book "IRRBB"): the risk that the firm is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities.

8.1 TRADED MARKET RISK

The bank manages the market risk of underlying positions as part of its day-to-day trading operations within the VaR and position limits set by Risk. The limit structure is guided by the governance framework detailed under Market Risk Procedures

Market Risk monitoring

The market risk is monitored through a granular risk limit structure using above risk indicators and reported to the relevant stakeholders on daily basis.

STANDALONE RISK MEASURES

- **Interest Rate Risk:** It is measured through DV01 which determines the change in value of underlying portfolio for 1 basis point change in the interest rate.
- **Credit Spread Risk:** It is measured through CS01 which determines the change in value of underlying portfolio for 1 basis point change in the credit spread of underlying issuers.

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Foreign Exchange Risk: For linear portfolio, the Forex Risk is monitored through measures such as: FX Delta, which indicates change in the value of portfolio with respect to the change in the value of FX Spot. For non linear portfolio, the bank uses other Greeks such as: FX Vega, which determines the change in value of option portfolio for 1% increase in the FX Volatility, FX Gamma, which indicates the change in FX Delta for 1 point change in FX Spot.

AGGREGATE RISK MEASURES

- **DvaR:** The aggregated risk is monitored through daily management Var, which is an estimate of the potential loss arising from unfavorable market movements, if the current positions were to be held unchanged for one business day. The bank uses the historical simulation methodology with a two-year equally weighted historical period, at the 95% confidence level. DVaR model is regularly assessed and reviewed using back-testing which counts the number of days when trading losses exceed the corresponding DVaR estimate and subject to independent model validation at least annually.
- **Stress Test:** On periodic basis, the bank performs stress testing which provides an estimate of potential significant future losses that might arise from extreme market moves. Stress tests apply stress moves to key liquid risk factors for each of the major trading asset classes including interest rate, credit, commodity, equity and foreign exchange.

Market Risk in Trading Book

(Rs. in 000's)

Capital required	March 31, 2020
– Interest rate risk	10,367,534
– Equity position risk	1,401
– Foreign exchange risk	1,794,375

9. OPERATIONAL RISK (Table DF-8)

Under ERMF, Operational Risk (OR) is defined as a Principal Risk. The Group Head of OR is the Principal Risk Accountable Officer for the management of OR.

Operational Risk is defined as - The risk of loss to the firm from inadequate or failed processes or systems, human factors or due to external events (for example fraud) where the root cause is not due to credit or market risks.

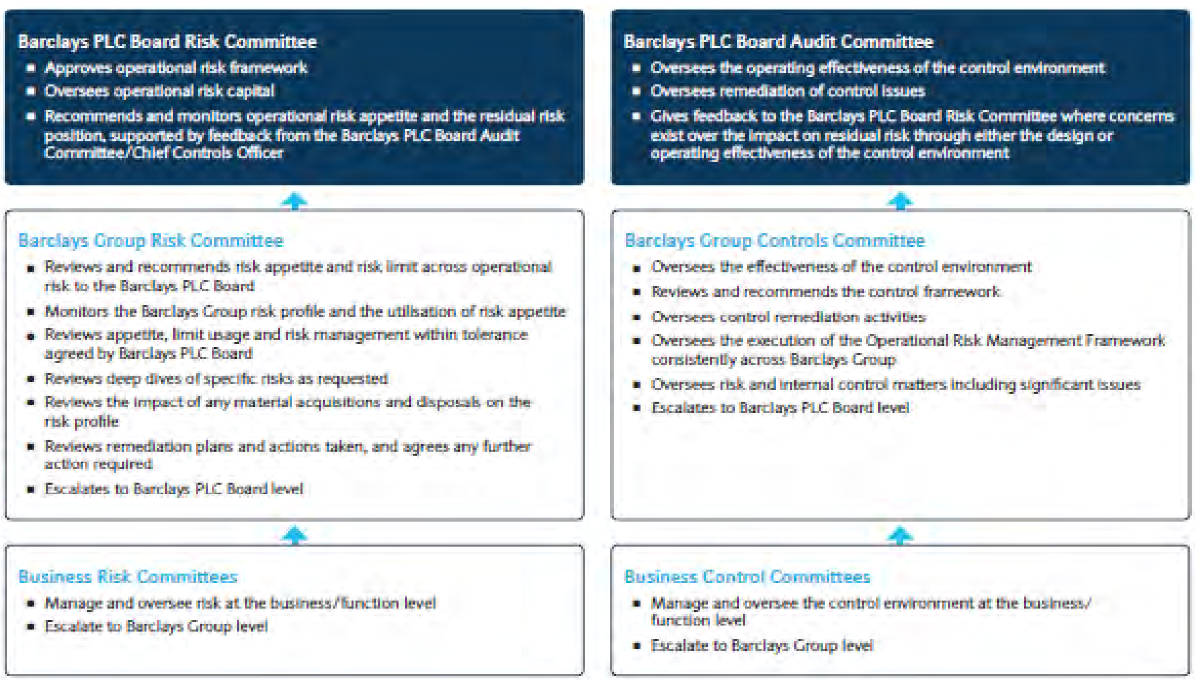
Overview

The management of operational risk has three key objectives:

- Deliver an operational risk capability owned and used by business leaders.
- Provide the frameworks, policies and standards to enable management to meet their risk management responsibilities while the second line of defence provides robust, independent, and effective oversight and challenge.
- Deliver a consistent and aggregated measurement of operational risk that will provide clear and relevant insights, so that the right management actions can be taken to keep the operational risk profile consistent with the Group's strategy, the stated risk appetite and stakeholder needs.

The Group operates within a strong system of internal controls that enables business to be transacted and risk taken without exposing the Group to unacceptable potential losses or reputational damages.

Organisation and Structure



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Operational risk categories:

Operational risks are grouped into risk categories to support effective risk management, measurement and reporting.

These are defined as follows:

1. Data Management and Information Risk - The risk that the Group information is not captured, retained, used or protected in accordance with its value and legal and regulatory requirements.
2. Financial Reporting Risk - The risk of a material misstatement or omission within the Group's external financial reporting, regulatory reporting or internal financial management reporting.
3. Fraud Risk - The risk of financial loss when an internal or external party acts dishonestly with the intent to obtain an undue benefit, cause a loss to, or to expose either the Group or its customers and clients to a risk of loss.
4. Payments Process Risk - The risk of payments being processed inaccurately, with delays or without appropriate authentication and authorisation. It includes payments processes from initiation through to external settlement, including any repairs or amendments.
5. People Risk - The set of risks associated with employing and managing people, including compliance with regulations, appropriate resourcing for requirements, recruitment and development risks (excluding health and safety related risk).
6. Physical Security Risk - The risk of business detriment, financial loss or harm to people as a result of any physical security incident impacting the Group or a Group employee – relating to harm to people, unauthorized access, intentional damage to premises or theft or intentional damage to moveable assets.
7. Premises Risk - The risk of business detriment or harm to people due to premises and infrastructure issues.
8. Supplier Risk - The risk that is introduced to the Group or a Group's entity as a consequence of obtaining services or goods from another legal entity, or entities, whether external or internal as a result of inadequate selection, inadequate management or inadequate exit management.
9. Tax Risk - The risk of unexpected tax cost in relation to any tax for which the Group is liable, or of reputational damage on tax matters with key stakeholders such as tax authorities, regulators, shareholders or the public. Tax cost includes tax, interest or penalties levied by a taxing authority.
10. Technology Risk - The risk of dependency on technological solutions and failure to develop, deploy and maintain technology solutions that are stable, reliable and deliver business need.
11. Transaction Operations Risk - The risk of customer/client or the Group detriment due to unintentional error and/or failure in the end-to-end process of initiation, processing and fulfilment of an interaction between a customer/client and the Group with an underlying financial instrument (e.g. mortgage, derivative product, trade product etc.) in consideration.

In addition to the above, operational risk encompasses risks associated with prudential regulation. This includes the risk of failing to: adhere to prudential regulatory requirements; provide regulatory submissions; or monitor and manage adherence to new prudential regulatory requirements.

These risks may result in financial and/or non-financial impacts including legal/regulatory breaches or reputational damage.

The Group also recognises that there are certain threats/risk drivers that are more thematic and have the potential to impact the Group's strategic objectives. These are enterprise risk themes which require an overarching and integrated risk management approach. Including:

1. Cyber - The potential loss or detriment to Barclays caused by individuals or groups (threat actors) with the capabilities and intention to cause harm or to profit from attacks committed via network information systems against us, our suppliers, or customers/clients.
2. Data - Aligned to the data strategy of the Group and encompassing data risks to the Group from multiple risk categories, including data management, data architecture, data security & protection, data resilience, data retention and data privacy.
3. Resilience - The risk of the organisation's ability to survive and prosper in its commercial endeavors in the presence of adverse events, shocks and chronic or incremental changes.

Operational risk framework

The Operational Risk Framework comprises a number of elements which allow Barclays Group to manage and measure its operational risk profile and to calculate the amount of operational risk capital that Barclays Group needs to hold to absorb potential losses. The minimum, mandatory requirements for each of these elements are set out in the Operational Risk Framework and supporting policies. This framework is implemented across Barclays Group with all legal entities, businesses and functions required to implement and operate an Operational Risk Framework that meets, as a minimum, the requirements detailed in the operational risk policies. The Operational Risk Framework includes the following elements:

- Risk and Control Self-Assessment ("RCSA"): Risk and control self-assessments (RCSAs) are the way in which Barclays Group identifies and assesses the risks which are inherent in the material processes operated by Barclays Group. Managers in the business use the RCSA approach to evaluate the controls in place to mitigate those risks and assess the residual risk exposure to Barclays Group. The businesses/functions are then able to make decisions on what action, if any, is required to reduce the level of residual risk to Barclays Group. These risk assessments are monitored on a regular basis to maintain that each business understands the risks it faces.
- Internal Risk Events: where, through the lack or failure of a control, Barclays Group has actually, or could have, made a loss. The definition includes situations in which Barclays Group could have made a loss, but in fact made a gain, as well as incidents resulting in reputational damage or regulatory impact only. A standard threshold is used across Barclays Group for reporting risk events and part of the analysis includes the identification of improvements to processes or controls, to reduce the recurrence and/or magnitude of risk events. For significant events, both financial and non-financial, this analysis includes the completion of a formal lessons learnt report.

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- External Risk Events: Barclays Group also maintains a record of external risk events which are publicly available and is a member of the Operational Riskdata eXchange (ORX), a not-for-profit association of international banks formed to share anonymous loss data information. This external loss information is used to support and inform risk identification, assessment and measurement.
- Operational Risk Appetite: The Board approves an Operational Risk Appetite Statement on an annual basis, establishing the level of operational risk that is acceptable in pursuit of Barclays Group's strategic objectives. Operational risks are assessed and monitored against the Board approved Operational Risk Appetite, with Risk Reduction Plans established for any risks that are above the acceptable level. The Operational Risk Profile is monitored through Risk Committees at legal entity, Barclays Group and Board level in the context of Operational Risk Appetite.
- Key Indicators: Key indicators (KIs) are metrics which allow the Operational Risk Profile to be measured and monitored against Management's Risk Appetite. KIs include defined thresholds and performance is reported regularly to Management to drive action.
- Risk Scenarios: Risk scenarios are a summary of the extreme potential risk exposures for Barclays Group covering the complete range of risks. These are done at global level and include an assessment of the key drivers for the exposure, occurrence and impact of the scenario and a review of the corresponding control environment. The assessment considers analysis of internal and external loss experience, Key Risk Indicators, Risk and Control Self-Assessments and other relevant information.

Process at Barclays Bank PLC India branch

- India branch follows the same rigor and process mandated by Barclays Group for treatment and reporting of internal risk events. Relevant external events are also reviewed by management to understand potential exposure to losses.
- Risk Events data for India is considered under the Group Medium Term Plan (MTP), Internal Stress Test (IST) and Economic Capital/ Pillar 2 purposes at global level. This ensures that operational risk loss projections and Economic Capital assessments include additional impact informed by historical operational risk events in India.
- The operational risks (listed above) are assessed and reported in "India Control Forum" a local operational risk forum. Risks which are not within tolerance are monitored and tracked along with remedial actions and timelines.

Capital requirement for operational risk (March 31, 2020)

As per the RBI guidelines on Basel III, the Bank has adopted Basic Indicator approach for computing capital charge for operational risk. The capital required for operational risk at March 31, 2020 was INR 2,727.03 Million.

10. INTEREST RATE RISK IN THE BANKING BOOK (IRRBB) (Table DF-9)

IRRBB refers to the potential adverse financial impact on the bank's earnings and capital due to the changes in interest rates. Such risk arises from maturity mismatches in assets and liabilities from both cash items and from off-balance-sheet instruments held in the banking book and are driven by repricing mismatches, yield curve/benchmark differences and unanticipated change in asset-liability gaps due to change in customer behavior, which result into income and capital volatility through changes in Net Interest Income and changes to the economic value of banking book assets and liabilities.

Market Risk assessment accounts for both earnings perspective and economic value perspective of IRRBB.

The Earnings Perspective focuses on the impact of changes in interest rates on accruals or reported earnings or Net Interest Income. This perspective focuses on risk to earnings in the near term, typically the next one year. Fluctuations in interest rates generally affect reported earnings through changes in a bank's net interest income. The branch uses following risk measurements to assess this risk:

A. Interest Rate Sensitivity Report (Traditional Gap analysis) - This analysis measures the net mismatch between rate sensitive assets (RSA) and rate sensitive liabilities (RSL) including off balance sheet positions into each time buckets.

B. Earnings at Risk (EaR) - The bank estimates the impact on net interest income over one year horizon due to changes in interest rates.

C. Basis Risk Analysis - Under basis risk analysis, the bank assesses the impact of steepening/flattening of various benchmark interest rate curves.

The Economic Value perspective identifies risk arising from long-term interest rate gaps. Since the economic value perspective considers the potential impact of interest rate changes on the present value of all future cash flows, it provides a more comprehensive view of the potential long-term effects of changes in interest rates than is offered by the earnings perspective. The branch uses following risk measurements to assess this risk:

A. Duration Gap Analysis - It measures the mismatch in duration of assets & liabilities and the resultant impact on market value of equity on account of changes in interest rates.

B. Modified Duration Gap - It measures the repricing duration mismatch between time weighted assets and time weighted liabilities.

C. Change in Economic Value of Equity - The Bank monitors the erosion on the economic value of equity for parallel interest rate shocks.

Further, the bank also performs stress testing to assess the earnings impact and economic value impact for extreme moves in interest rates.

Risk assessment technique:

- The assessment should take into account both the earnings perspective (Traditional Gap Analysis) and economic value perspective (Duration Gap Analysis) of interest rate risk.
- The impact on the market value of equity should be calculated by applying an interest rate shock defined on time to time basis.
- Interest rate risk shall be measured with respect to Earnings & economic value perspective

Methods for measurement of the IRRBB:

- The Bank measures the level of its exposures of the present value of all assets and liabilities in the banking book to interest rate risk in terms of sensitivity of Market Value of its Equity (MVE) to interest rate movements as stipulated in the relevant RBI guidelines.
- The Bank measures Earning at Risk (EaR) to assess the sensitivity of its net interest income to parallel movement in interest rates over the one year horizon.
- The Bank performs gap analysis with the assumed change in yield over one year

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Economic value perspective

The Bank uses Duration gap analysis (DGA), as prescribed by RBI in its circular on interest rate risk, methodology to measure the interest rate risk on the banking book. Duration gap approach measures the impact of interest rate shocks on bank's economic value of capital from long term perspective. The bank measures, monitors and reports the DGaP to the local regulator as part of the monthly return.

Change in market value of equity (MVE) with 100 bps change in yield (value in absolute terms)

(Rs. in 000's)

Currency	March 31, 2020
Rupees	467,038.97
US Dollar	24,764.16
Other Currency	4,747.21

Earnings perspective

Earnings Perspective measures the sensitivity of net interest income to changes in interest rate over the next 12 months. It involves bucketing of rate sensitive assets, liabilities and off-balance sheet items as per residual maturity/re-pricing date in various time bands and computing change of income under 100 basis points upward and downward rate shocks over a one year horizon.

Change in Earnings at Risk with 100 bps change in yield (value in absolute terms)

(Rs. in 000's)

Details	March 31, 2020
Earnings at Risk	107,490.70

11. COUNTERPARTY CREDIT RISK: General disclosure for Exposure Related to Counterparty Credit Risk (Table DF-10)

Barclays participates in derivative transactions, and is therefore exposed to counterparty credit risk (or 'counterparty risk') Counterparty credit exposure arises from the risk that parties are unable to meet their payment obligations under certain financial contracts such as derivatives or securities financing transactions. Credit limits for CCR are assessed and allocated using the PFE measure. A number of factors are taken into account when settling credit limits for individual counterparties, including but not limited to the credit quality and nature of the counterparty the rationale for the trading activity entered into and any wrong-way risk considerations. The expected exposures generated through internal systems are also used as an input into both internal and regulatory calculations covering CCR. The counterparty risk arising under derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the value is known as Credit Value Adjustment (CVA). It is the difference between the value of a derivative contract with a risk free counterparty and that of a contract with the actual counterparty.

Also, the Bank has entered into the Credit Support Annex (CSA) agreements with some of the counterparties. CSA defines the terms or rules under which collateral is posted or transferred between derivative counterparties to mitigate the credit risk arising from the derivative contracts.

Further, the Bank participates in the guaranteed settled mechanism with the central clearing counterparty (offered by CCIL), which attracts risk weights which are comparatively lower than other counterparties

The derivative exposure is calculated using Current Exposure Method (CEM). The balance outstanding as on March 31, 2020 is given below.

(Rs. in 000's)

Description	March 31, 2020
Gross positive fair value of contracts	147,105,693
Netting benefits	49,659,351
Netted current credit exposure	97,446,342
Collateral held (including type, e.g. cash, government securities, etc.)	8,759,716
Net derivative credit exposure	88,686,626
Measures for Exposure At Default (EAD)	
Exposure amount, under CEM	310,854,135
Notional value of credit derivative hedges	–
Distribution of current credit exposure by types of credit exposure	
– Current credit exposure - Interest rate	81,994,868
– Current credit exposure – Currency Derivatives	228,859,267
Description	**March 31, 2020**
Credit derivative transactions that create exposures to CCR (notional value)	–
of which : -	
– use for the institution's own credit portfolio	–
– intermediation activities, including the distribution of the credit derivatives products	–
a) Protection bought	–
b) Protection sold	–

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12. Treasury and Capital Risk

The risk that the Bank may not achieve its business plans because of the availability of planned liquidity or a shortfall in capital. This includes the following risks:

- Capital Risk
- Liquidity Risk

Treasury manages TFI and Capital Risk on a day to day basis with the ALCO acting as the principal management body.

12.1 Capital Risk

Capital risk is the risk that the Group has insufficient level or composition of capital:

- To support its normal business activities
- Meet regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes
- Support its credit ratings. A weaker credit rating would increase the Bank's cost of funds

Capital Risk is managed through ongoing monitoring and management of the capital position, regular stress resting and a robust capital governance framework. This is illustrated through the below schematic of primary objectives and core practices:

The management of Capital risk is integral to the Bank's approach to financial stability and sustainability management and is embedded in the way businesses operate. Capital Risk management is underpinned by a control framework and policy. Local management ensures compliance with an entity's minimum regulatory capital requirements by reporting to the local ALCO with oversight by Treasury as required.

The capital management strategy is driven by the strategic aims of the Bank and risk appetite as defined by the Executive Committee ("ExCo"). These objectives are achieved through well embedded capital management practices.

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Capital Planning

The Bank assesses its capital requirements on multiple bases, with the Capital plan set in consideration of the risk profile and appetite, strategic and performance objectives, regulatory requirements, market and internal factors, Capital forecasts are managed on a top-down and bottom-up analysis through both short term and medium term financial planning cycles. The Group capital plan is developed with the objective of maintaining capital that is adequate in quantity and quality to support our risk profile and business needs. The Capital Plan ensures that Barclays continues to support is capital requirements and meet its capital ratio targets.

Local management ensures compliance with an entity's minimum regulatory capital requirements by reporting to India Executive Committee (ExCo) with oversight by the Treasury, as required.

Economic Capital

Economic capital is an internal measure of the risk profile of the bank expressed as the estimated stress loss at a given confidence level. Barclays assesses capital requirements by measuring the Group's risk profile using both internally and externally developed models. The Group assigns economic capital primarily within the following risk categories: credit risk, market risk, operational risk, fixed asset risk (property and equipment) and pension risk.

Capital risk management framework

The Bank's capital management framework includes a comprehensive internal capital adequacy assessment process (ICAAP) and recommendation of the minimum level of capital which needs to be held conducted annually. The ICAAP assesses the capital adequacy of Barclays Bank PLC India given the current financial projections, the material risks to which it is exposed to and the strategy that the Bank employs for managing its risk profile and takes into account all relevant regulations and capital forecasts. The capital assessment in the ICAAP uses the assessments based on the Group's Economic Capital (EC) modeling and stress testing as well as regulatory requirements which are combined to give an overall assessment of the Bank's capital adequacy.

12.2 Liquidity Risk

Liquidity risk is the risk that the bank, is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.

Liquidity risk management framework

The efficient management of liquidity is essential to the Bank in retaining the confidence of financial markets and ensuring that business is sustainable. The liquidity risk control framework is used to manage all liquidity risk exposures under both BAU and stressed conditions. The framework is designed to maintain liquidity resources that are sufficient in amount, quality and funding tenor profile to support the liquidity risk appetite as expressed by the Barclays PLC Board. The liquidity risk appetite is monitored against both internal and regulatory liquidity metrics.

Treasury has the primary responsibility for managing liquidity risk within the set risk appetite. Both Risk and Treasury contribute to the production of the Internal Liquidity Adequacy Assessment Process (ILAAP). The Treasury and Capital Risk function is responsible for the management and governance of the liquidity risk mandate, as defined by the Board. The liquidity risk control framework is designed to deliver the appropriate term and structure of funding, consistent with the liquidity risk appetite set by the Board. The control framework incorporates a range of ongoing business management tools to monitor, limit and stress test the Group's balance sheet, contingent liabilities and the recovery plan. Limit setting and transfer pricing are tools that are designed to control the level of liquidity risk taken and drive the appropriate mix of funds. Together, these tools reduce the likelihood that a liquidity stress event could lead to an inability to meet Group's obligations as they fall due.

Risk Appetite and planning

Barclays has established a Group LRA stress test to represent the level of liquidity risk the Group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations. The key expression of the liquidity risk is through stress tests. It is measured with reference to the liquidity pool compared to anticipated net stressed outflows for each of the stress scenarios.

The Group LRA stress test is approved by the Board. The LRA is reviewed on a continuous basis and is subject to formal review at least annually as part of the Individual Liquidity Adequacy Assessment Process (ILAAP). The Group LRA stress outflows are used to determine the minimum size of the Group Liquidity Pool. The Liquidity Pool represents those resources immediately available to meet outflows in a liquidity stress. In addition to the liquidity pool, the control framework and policy details available management actions that could be used to raise additional liquidity. Available management actions are assessed to determine their suitability, effectiveness and time to delivery

Liquidity limits

Barclays manages limits on a variety of on and off-balance sheet exposures. These limits serve to control the overall extent and composition of liquidity risk taken by managing exposure to each risk driver. The firm's ability to meet its obligations and fund itself under a stress is critical and a buffer of liquid assets should be maintained in order to meet outflows as defined under both the Liquidity Coverage Ratio (LCR) and the LRA stress scenarios. The bank has implemented the LCR in accordance with the requirements set out by the Reserve Bank of India (RBI) to measure the level stock of High Quality Liquid Assets (HQLA) held against outflows in a prescribed stress scenario lasting for a period of 30 days.

Early warning indicators

Barclays Treasury FLM monitor a range of market indicators for early signs of liquidity risk. Both market indicators and Barclays specific indicators are tracked, a sample of which is shown in the table below. These are designed to immediately identify the emergence of increased liquidity risk in order to maximise the time available to execute appropriate mitigating management actions. Early warning indicators are used as part of the assessment of whether to invoke the Contingency Plan, which provides a framework for how a liquidity stress would be managed.

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13. CONDUCT AND REPUTATIONAL RISK

Conduct Risk

Conduct Risk is the risk of detriment to customers, clients, market integrity, effective competition or Barclays from the inappropriate supply of financial services, including instances of wilful or negligent misconduct.

The Group defines, manages and mitigates conduct risk with the objective of providing good customer and client outcomes, protecting market integrity and promoting effective competition.

This includes taking reasonable steps to assure that (i) the Group's culture and strategy are appropriately aligned to these goals; (ii) its products and services are reasonably designed and delivered to meet the needs of customers and clients; (iii) the fair and orderly operation of the markets in which the Group does business is promoted; and (iv) the Group does not commit or facilitate money laundering, terrorist financing, bribery and corruption or breaches of economic sanctions.

Product Lifecycle, Culture and Strategy and Financial Crime are the risk categories within the Group definition of conduct risk.

The Compliance function sets the minimum standards required, and provides oversight to monitor that these risks are effectively managed and escalated where appropriate.

Conduct risk management

The governance of conduct risk within the Bank is fulfilled through management committees and forums operated by the first and second lines of defence with clear escalation and reporting lines to the Executive Committee. The Conduct Risk Management Framework (CRMF) outlines how the Bank manages and measures its conduct risk profile. The Chief Compliance Officer is responsible for oversight of the implementation of controls to manage and escalate the risk.

Reputational Risk

Reputation risk is the risk that an action, transaction, investment, event, decision, or business relationship will reduce trust in the firm's integrity and/or competence.

Reputation risk is managed by embedding our purpose and values and maintaining a controlled culture within the Group, with the objective of acting with integrity, enabling strong and trusted relationships with customers and clients, colleagues and broader society.

Any material lapse in standards of integrity, compliance, customer service or operating efficiency may represent a potential reputation risk. Stakeholder expectations constantly evolve, and so reputation risk is dynamic and varies between geographical regions, groups and individuals. A risk arising in one business area can have an adverse effect upon the Group's overall reputation and any one transaction, investment or event (in the perception of key stakeholders) can reduce trust in the Group's integrity and competence. The Group's association with sensitive topics and sectors has been, and in some instances continues to be, an area of concern for stakeholders, including (i) the financing of, and investments in, businesses which operate in sectors that are sensitive because of their relative carbon intensity or local environmental impact; (ii) potential association with human rights violations (including combating modern slavery) in the Group's operations or supply chain and by clients and customers; and (iii) the financing of businesses which manufacture and export military and riot control goods and services.

Reputation risk could also arise from negative public opinion about the actual, or perceived, manner in which the Group conducts its business activities, or the Group's financial performance, as well as actual or perceived practices in banking and the financial services industry generally. Modern technologies, in particular online social media channels and other broadcast tools that facilitate communication with large audiences in short time frames and with minimal costs, may significantly enhance and accelerate the distribution and effect of damaging information and allegations. Negative public opinion may adversely affect the Group's ability to retain and attract customers, in particular, corporate and retail depositors, and to retain and motivate staff, and could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. In addition to the above, reputation risk has the potential to arise from operational issues or conduct matters which cause detriment to customers, clients, market integrity, effective competition.

Reputational risk management framework

The Group Chief Compliance Officer is accountable for developing a Reputation Risk Management Framework (RRMF), and the Head of Corporate Relations is responsible for developing a reputation risk policy and associated standards, including tolerances against which data is monitored, reported on and escalated, as required. The RRMF sets out what is required to manage reputation risk across the Group. The primary responsibility for identifying and managing reputation risk and adherence to the control requirements sits with the business and support functions where the risk arises.

Handling reputation Risk in India:

The above guidelines are followed group wide (globally) across Barclays in terms of reputation risk management. In particular in India, the following additional steps are taken:

– Proactive daily and weekly monitoring of media (press) for any potential mis-representation/reportage that may impact the firm's reputation and raise risk events
– Periodic refreshers and communication to employees about their responsibilities towards the firm in terms of handling/managing reputation risk

Model Risk:

Model risk is the risk of the incorrect valuation numbers due to the Weakness in the Model or uncertainty in the Model used for the Valuation. On certain occasions the books and records valuation method may use market data or a model that contains an approximation for a particular product.

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This may be due to the following reasons:

- Variation in a particular trade or position from standard market product characteristics
- Market data shows characteristics or richness that cannot be wholly incorporated within the model

These issues are addressed by techniques such as using a different or modified model, using modified market data or using another technique to quantify the impact of any implication. Such adjustments must be made to books and records to ensure that assets are held at fair value. These provisions pertaining to the market data weakness/Model uncertainty (risk) are calculated as per the group policy by the Product control group and are charged to the profit and loss account of the local entity.

Legal Risk:

The Legal Risk Management Framework supports the Enterprise Risk Management Framework and prescribes Group-wide requirements for the identification, measurement and management of legal risk in the firm globally., The legal risk policies and practices are designed to ensure that Barclays personnel identify issues that have potential risk implications and bring them to the attention of Legal function. The Group General Counsel (GCC) is the Legal Principal Risk Officer and owns the Legal Risk Framework and the associated legal policies. . Legal risk is defined under seven areas of identified risk and includes control requirements, processes and delegated authorities to support the management of legal risks.

The Legal risk policies are aligned to the following legal risks:

- **Contractual Arrangements** – The Groups' rights and remedies in its relationships with other parties not being enforceable as intended due to the absence of appropriate contractual documentation or defects therein. Litigation Management – failure to adequately manage litigation involving the Group
- **Intellectual Property (IP)** – failure to protect the Group's IP assets or the Group infringing valid IP rights of third parties.
- **Competition/Antitrust law** – failure to adequately manage competition/antitrust issues or failure to manage relationships with competition and antitrust authorities.
- **Use of Law Firms** – failure to control instruction of an external law firm.
- **Contact with Regulators** – Failure to adequately manage interaction with regulators or failure to manage receipt and handling of regulatory information from a regulatory or government agency appropriately.
- **Legal Engagement** – Stakeholders to engage Legal Function ahead of making any key business decisions, which could have potential, significant, financial, operational, customer, regulatory or reputational implications

14. COMPOSITION OF CAPITAL (Table DF-11)

Composition of capital (Barclays Bank PLC, India branch)

(Rs. in million)

	Particulars	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)	52,495	A
2	Retained earnings	12,619	B+C+D
3	Accumulated other comprehensive income (and other reserves) *	0	
4	Directly issue 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	65,114	
	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)	13	K
10	Deferred tax assets	2,342	L
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)		–

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(Rs. in million)

Particulars			Amounts Subject to Pre-Basel III Treatment	Ref No.
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 common stock of banking, financial and insurance entities that are outside the scope of regulatory consideration, net of eligible short positions (amount above 10% threshold[3])		–	
20	Mortgage servicing rights[4] (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)		–	
	a	of which : Investments in the equity capital of the unconsolidated insurance subsidiaries	–	
	b	of which : Investments in the equity capital of unconsolidated non-financial subsidiaries[8]	–	
	c	of which : Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	–	
	d	of which : Unamortised pension funds expenditures	–	
	Regulatory Adjustments Applied to Common Equity Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment		318	
	of which : [INSERT TYPE OF ADJUSTMENT]			
	For example : filtering out of unrealised losses on AFS debt securities (not relevant in Indian context)		–	
	of which : [INSERT TYPE OF ADJUSTMENT]			
	of which : [INSERT TYPE OF ADJUSTMENT]		–	
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		2,673	
29	Common Equity Tier 1 capital (CET1)		62,441	
	Additional Tier 1 capital : instruments			
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**		**–**	
	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)		–	

BARCLAYS BANK PLC

INDIAN BRANCHES

(Incorporated in the United Kingdom with Limited Liability)

Basel III - Pillar 3 disclosures of Barclays Bank Plc - Indian Branches for the period ended 31 March 2020

(Rs. in million)

		Particulars	**Amounts Subject to Pre-Basel III Treatment**	**Ref No.**
40		Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation(net of eligible short position)[10]	–	
41		National specific regulatory adjustments (41a+41b)		
	a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	–	
	b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	–	
		Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	–	
		of which : [INSERT TYPE OF ADJUSTMENT e.g. DTAs]	–	
		of which : [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 1 at 50%]	–	
		of which : [INSERT TYPE OF ADJUSTMENT]	–	
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)	–	
	a	Additional Tier 1 capital reckoned for capital adequacy[11]	–	
45		**Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)**	62,441	
		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	3,374	E+F+I+J+M
51		**Tier 2 capital before regulatory adjustments**	3,374	
		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 investments[13] 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)		
	a	of which : Investments in the Tier 2 capital of unconsolidated subsidiaries	–	
	b	of which : Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	–	
		Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment	–	
		of which : [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]	–	
		of which : [INSERT TYPE OF ADJUSTMENT	–	
57		Total regulatory adjustments to Tier 2 capital		
58		**Tier 2 capital (T2)**		
	a	**Tier 2 capital reckoned for capital adequacy[14]**	3,374	
	b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**	–	
	c	**Total Tier 2 capital admissible for capital adequacy (58a + 58b)**	3,374	

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(Rs. in million)

	Particulars		Amounts Subject to Pre-Basel III Treatment	Ref No.
59	**Total capital (TC = T1 + T2) (45 + 58c)**		**65,815**	
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment			
	of which : [INSERT TYPE OF ADJUSTMENT]			
	of which : …		–	
	of which : …		–	
60	**Total risk weighted assets (60a + 60b + 60c)**		**419,943**	
	a	of which: total credit risk weighted assets	299,617	
	b	of which: total market risk weighted assets	98,289	
	c	of which: total operational risk weighted assets	22,037	
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)		14.87%	
62	Tier 1 (as a percentage of risk weighted assets)		14.87%	
63	Total capital (as a percentage of risk weighted assets)		15.67%	
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		–	
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)		–	
70	National Tier 1 minimum ratio (if different from Basel III minimum)		–	
71	National total capital minimum ratio (if different from Basel III minimum)		–	
	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)		3,374	
77	Cap on inclusion of provisions in Tier 2 under standardised approach		3,745	
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)		–	

* Includes Accumulated losses of previous years and Current year profits (to the extant of amount meeting the criteria laid down in the Basel III Capital guidelines).

BARCLAYS BANK PLC

INDIAN BRANCHES

(Incorporated in the United Kingdom with Limited Liability)

Basel III - Pillar 3 disclosures of Barclays Bank Plc - Indian Branches for the period ended 31 March 2020

Notes to the composition of capital disclosure

Row No	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	2,342
	Total as indicated in row 10	2,342
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	–
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	–
	of which : Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	–
50	Eligible Provisions included in Tier 2 capital	3,374
	Eligible Revaluation Reserves included in Tier 2 capital	–
	Total of row 50	3,374
58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	–

15. COMPOSITION OF CAPITAL - RECONCILIATION REQUIREMENT (Table DF-12)

Three -step approach to reconciliation requirements

Step 1 - @ - Balance sheet of Barclays Bank PLC, India branch + Barclays Investments and Loans (India) Limited

(Rs. in million)

		Description	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	52,495	63,399
		Reserves & Surplus	14,057	15,004
		Minority Interest	–	–
		Total Capital	66,552	78,403
	ii	Deposits	144,392	144,392
		of which : Deposits from banks	13,263	13,263
		of which : Customer deposits	131,129	131,129
		of which : Other deposits (pl. specify)	–	–
	iii	Borrowings	11,851	24,186
		of which : From RBI	–	–
		of which : From banks	1,000	1,500
		of which : From other institutions & agencies	10,851	22,686
		of which : Others (pl. specify)	–	–
		of which : Capital instruments	–	–
	iv	Other liabilities & provisions #$	179,721	179,904
		Total	402,516	426,884

BARCLAYS BANK PLC

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Basel III - Pillar 3 disclosures of Barclays Bank Plc - Indian Branches for the period ended 31 March 2020

(Rs. in million)

Description			Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation @
			As on reporting date	As on reporting date
B		**Assets**		
	i	Cash and balances with Reserve Bank of India	4,364	4,364
		Balance with banks and money at call and short notice	6,584	10,412
	ii	Investments :	86,249	86,695
		of which : Government securities	54,692	54,692
		of which : Other approved securities	–	–
		of which : Shares	–	446
		of which : Debentures & Bonds	7,536	7,536
		of which : Subsidiaries/Joint Ventures/Associates	–	–
		of which : Others (Commercial Papers, Mutual Funds etc.)	24,021	24,021
	iii	Loans and advances	102,837	117,759
		of which : Loans and advances to banks	–	–
		of which : Loans and advances to customers	102,837	117,759
	iv	Fixed assets	124	140
	v	Other assets #	202,358	204,400
		of which : Goodwill and intangible assets	13	13
		of which : Deferred tax assets	2,342	2,342
	vi	Goodwill on consolidation	–	–
	vii	Debit balance in Profit & Loss account	–	3,113
		Total Assets	**402,516**	**426,884**

\# Includes MTM on derivative trades grossed up at trade level and reported accordingly in Other Assets or Other Liabilities as the case may be.

$ includes provision for depreciation on investments

Step 2

(Rs. in million)

			Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation @	Ref No.
			As on reporting date	As on reporting date	
A	**Capital & Liabilities**				
	i	Paid-up Capital	52,495	63,399	A
		of which : Amount eligible for CET1	52,495	63,399	
		of which : Amount eligible for AT1	–	–	
		Reserves & Surplus	14,057	15.004	
		of which : Capital Reserves	19	19	B
		of which : Statutory Reserve Fund	8,563	8,563	C
		of which : Remittable Surplus retained for CRAR requirements	4,037	4,036	D
		of which : Investment Reserve Account	275	275	E
		of which : Investment Fluctuation Reserve	1,150	1,150	F
		of which : General Reserve	13	13	G
		of which : Balance in the Profit and Loss Account	0	0	H
		Others	–	947	
		Total Capital	**66,552**	**78,403**	
	ii	Deposits	144,392	144,392	
		of which : Deposits from banks	13,263	13,263	
		of which : Customer deposits	131,129	131,129	
		of which : Other deposits (pl. specify)	–	–	

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(Incorporated in the United Kingdom with Limited Liability)

Basel III - Pillar 3 disclosures of Barclays Bank Plc - Indian Branches for the period ended 31 March 2020

(Rs. in million)

			Balance sheet as in financial statements consolidation @	Balance sheet under regulatory scope of	Ref No.
			As on reporting date	As on reporting date	
	iii	Borrowings	11,851	24,186	
		of which : From RBI	–	–	
		of which : From banks	1,000	1,500	
		of which : From other institutions & agencies	10,851	22,686	
		of which : Others (pl. specify)	–	–	
		of which : Capital instruments	–	–	
	iv	Other liabilities & provisions #	179,721	179,904	
		of which : DTLs related to goodwill	–	–	
		of which : DTLs related to intangible assets	–	–	
		of which : Provision on Standard Assets	1,649	1,649	I
		of which : Provision on Country Risk	66	66	J
		of which : Provision for other impaired assets	234	234	M
		Total	**402,516**	**426,884**	
B					
	i	Cash and balances with Reserve Bank of India	4,364	4,364	
		Balance with banks and money at call and short notice	6,584	10,412	
	ii	Investments	86,249	86,695	
		of which : Government securities	54,692	54,692	
		of which : Other approved securities	–	–	
		of which : Shares	–	446	
		of which : Debentures & Bonds	7,536	7,536	
		of which : Subsidiaries/Joint Ventures/Associates	–	–	
		of which : Others (Commercial Papers, Mutual Funds etc.)	24,021	24,021	
	iii	Loans and advances	102,837	117,759	
		of which : Loans and advances to banks	–	–	
		of which : Loans and advances to customers	102,837	117,759	
	iv	Fixed assets	124	140	
	v	Other assets #	202,358	204,400	
		of which : Goodwill and intangible assets Out of which :	2,355	2,355	
		Goodwill	–	–	
		Other intangibles (excluding MSRs)	13	13	K
		Deferred tax assets	2,342	2,342	L
	vi	Goodwill on consolidation	–	–	
	vii	Debit balance in Profit & Loss account	–	3,113	
	Total Assets		**402,516**	**426,884**	

Includes MTM on Derivative Trades grossed up at trade level and reported accordingly in Other Assets or Other Liabilities as the case may be.

16. REGULATORY CAPITAL INSTRUMENTS (Table DF-13 and DF-14)

The Bank has not issued any Regulatory Capital Instruments during the period.

17. COMPENSATION: Disclosure requirements for remuneration (Table DF-15)

The Bank's compensation policies including that of Chief Executive Officer, is in conformity with the Financial Stability Board principles and standards.

In accordance with the requirements of RBI Circular No. DOR.Appt.BC.No.23/29.67.001/2019-20 dated 4 Nov 2019, the Head Office of the Bank has submitted a declaration vide its letter dated 14 February, 2020 to RBI confirming the above mentioned aspect.

18. EQUITIES: Disclosure for Banking Book Positions (Table DF-16)

The Bank does not have any equity under the Banking Book.

BARCLAYS BANK PLC
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Basel III - Pillar 3 disclosures of Barclays Bank Plc - Indian Branches for the period ended 31 March 2020

19. LEVERAGE RATIO: (Table DF-17 and DF - 18)

The leverage ratio act as a credible supplementary measure to the risk based capital requirement. The Basel III leverage ratio is the capital measure (Tier-1 capital) divided by the exposure measure, with this ratio expressed as a percentage. The Bank's leverage ratio, calculated in accordance with the RBI guidelines is as follows:

Sl. No	Leverage ratio framework	(Rs. in million)
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	212,527
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(2,354)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	210,173
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	147,106
5	Add-on amounts for PFE associated with all derivatives transactions	213,407
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)	360,513
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	37,883
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)	37,883
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	112,011
18	(Adjustments for conversion to credit equivalent amounts)	(86,218)
19	Off-balance sheet items (sum of lines 17 and 18)	25,793
	Capital and total exposures	
20	Tier 1 capital	62,441
21	Total exposures (sum of lines 3, 11, 16 and 19)	634,362
	Leverage ratio	
22	**Basel III leverage ratio**	**9.84%**

Summary of comparison of accounting assets and leverage ratio exposure

Sl. No	Particulars	(Rs. in million)
1	Total consolidated assets as per published financial statements	402,516
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	213,407
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	(5,000)
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	25,793
7	Other adjustments	(2,354)
8	Leverage ratio exposure	634,362

Reconciliation of total published balance sheet size and on balance sheet exposure

Sl. No	Leverage ratio framework	(Rs. in million)
1	Total consolidated assets as per published financial statements	402,516
2	Replacement cost associated with all derivatives transactions, i.e. net of eligible cash variation margin	147,106
3	Gross SFT Assets	42,883
4	On-balance sheet exposure under leverage ratio (excluding derivatives and SFTs)	212,527

J.P.Morgan

JPMORGAN CHASE BANK, N.A., INDIA

(Incorporated in the United States of America with limited liability)

Independent auditor's report

To the Chief Executive Officer of the JPMorgan Chase Bank N.A., India

Report on the audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of JPMorgan Chase Bank N.A., India ("the Bank"), which comprise the balance sheet as at March 31, 2020, the Profit and Loss Account and Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements together with notes thereon give the information required by provision of section 29 of the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ("the Act") and Circulars and Guidelines issued by Reserve Bank of India ("RBI"), 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 March 31, 2020, its profit and its cash flows for the year then ended.

Basis for opinion

3. 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.

Emphasis of Matter

4. We draw your attention to Note 21 to the financial statements, which explains the uncertainties and the management's assessment of the financial impact, due to the COVID-19 pandemic, for which a definitive assessment of the impact in the subsequent period is highly dependent upon circumstances as they evolve. Our opinion is not modified in respect of this matter.

Other Information

5. The Management is not required to prepare an annual report. Accordingly, the requirement for our reporting on such other information does not arise.

Responsibilities of management and those charged with governance for the financial statements

6. 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 financial position, financial performance and cash flows of the Bank in accordance with section 29 of the Banking Regulation Act, 1949, the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act in the manner so required for banking companies and circulars and guidelines issued by the RBI from time to time as applicable to banks. 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.
7. 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 Management is also responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

8. 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.
9. 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 Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls with reference to 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.

10. 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.
11. 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

12. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report have been drawn up in accordance with the provisions of section 29 of the Banking Regulation Act, 1949 read with applicable provisions of section 133 of the Act.
13. 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 during the course of our audit, have been within the powers of the Bank; and
    (c) During the course of our audit we have visited 4 branches to examine the books of accounts and other records maintained at the branch and performed other relevant audit procedures. Since the key operations of the Bank are automated with the key applications integrated to the core banking system, the audit is carried out centrally at Mumbai branch as all the necessary records and data required for the purposes of our audit are available therein.
14. 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 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 to the Bank considering it is a branch of JPMorgan Chase Bank N.A., India which is incorporated and registered in the United State of America with limited liability.
    (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 – Refer Schedule 12;
        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 of Schedule 17;
        iii. There were no amounts, which were required to be transferred to the Investor Education, and Protection Fund by the Bank during the year ended March 31, 2020;
        iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Bank for the year ended March 31, 2020; and
15. The provisions of Section 197 read with Schedule V to the Act are applicable only to public companies. Accordingly, reporting under Section 197(16) of the Act is not applicable to the Bank considering it is a branch of JPMorgan Chase Bank N.A., India which is incorporated and registered in the United State of America with limited liability.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012745N/N500016

Vivek Prasad
Partner
Membership Number: 104941

UDIN: 20104941AAAADQ9575

Mumbai
June 29, 2020

J.P.Morgan

JPMORGAN CHASE BANK, N.A., INDIA

(Incorporated in the United States of America with limited liability)

Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls with reference to financial statements of JPMorgan Chase Bank N.A., India ("the Bank") as of 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

2. 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 Act.

Auditors' Responsibility

3. 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 deemed to be prescribed under section 143(10) of the Act 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 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.
4. 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.
5. 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

6. A Bank's internal financial controls 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. A Bank's internal financial controls 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 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 with reference to financial statements

7. 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 controls 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

8. In our opinion, the Bank has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 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. Also refer paragraph 4 of the main audit report.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012745N/N500016

Vivek Prasad
Partner
Membership Number: 104941

UDIN: 20104941AAAADQ9575

Mumbai
June 29, 2020

J.P.Morgan

JPMORGAN CHASE BANK, N.A., INDIA

(Incorporated in the United States of America with limited liability)

BALANCE SHEET AS AT MARCH 31, 2020

(Amounts in thousands of Indian Rupees)

	Schedule	As at March 31, 2020	As at March 31, 2019
CAPITAL AND LIABILITIES			
Capital	1	65,703,410	53,512,013
Reserves and surplus	2	79,822,358	66,970,540
Deposits	3	283,864,592	237,384,485
Borrowings	4	168,369,640	63,907,282
Other liabilities and provisions	5	327,279,237	115,945,958
		925,039,237	**537,720,278**
ASSETS			
Cash and balances with Reserve Bank of India	6	48,139,963	19,320,356
Balances with banks and money at call and short notice	7	50,114,252	118,378,445
Investments	8	344,605,233	144,722,368
Advances	9	146,830,206	138,001,585
Fixed assets	10	62,252	90,149
Other assets	11	335,287,331	117,207,375
		925,039,237	**537,720,278**
Contingent liabilities	12	13,835,998,092	9,895,154,677
Bills for collection		274,811,116	264,516,224
Significant accounting policies and notes forming part of the financial statements	17		

Schedules referred to herein form an integral part of this Balance Sheet.

As per our Report of even date

For Price Waterhouse Chartered Accountants LLP
Firm Registration number : 012754N/N500016

Sd/-
Vivek Prasad
Partner
Membership number : 104941

Place : Mumbai
Date : June 29, 2020

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

(Amounts in thousands of Indian Rupees)

	Schedule	Year ended March 31, 2020	Year ended March 31, 2019
I. INCOME			
Interest earned	13	26,588,885	23,700,925
Other income	14	9,374,200	11,303,139
		35,963,085	**35,004,064**
II. EXPENDITURE			
Interest expended	15	6,974,236	7,655,561
Operating expenses	16	4,858,089	3,966,768
Provisions and contingencies	17-5(a)	11,278,942	10,206,636
		23,111,267	**21,828,965**
III. PROFIT/LOSS			
Net profit for the year		12,851,818	13,175,099
Balance in Profit and Loss account brought forward		8,749,729	7,876,647
		21,601,547	**21,051,746**
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		3,212,954	3,293,775
Transfer to/(from) Investment Reserves		–	131,595
Transfer to/(from) Investment Fluctuation Reserves		3,500,000	1,000,000
Transfer of remittable surplus retained for Capital to Risk-weighted Assets Ratio (CRAR)		8,749,729	7,876,647
Balance carried over to Balance Sheet		6,138,864	8,749,729
		21,601,547	**21,051,746**

Schedules referred to herein form an integral part of this Profit and Loss Account.

As per our Report of even date

For JPMorgan Chase Bank, N.A., India

Sd/-
Madhav Kalyan
Chief Executive Officer

Sd/-
Rammohan Devarajan
Senior Financial Officer

J.P.Morgan

JPMORGAN CHASE BANK, N.A., INDIA

(Incorporated in the United States of America with limited liability)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020

(Amounts in thousands of Indian Rupees)

	Year ended March 31, 2020	Year ended March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before Taxes	22,939,544	23,608,095
Adjustments for:		
Depreciation on Fixed Assets	34,185	31,172
Loss/(Profit) on sale of Fixed Assets (net)	–	22
Provision for/(Write back of) Gratuity and Leave Encashment	12,309	(31,843)
Provision for/(Write back of) Diminution in the value of Investments	–	(311,541)
Charge for/(Reversal of) Other Provisions	1,191,215	85,181
Operating Profit before Working Capital Changes	**24,177,253**	**23,381,086**
Adjustments for:		
(Decrease)/Increase in other liabilities	210,129,754	12,862,230
(Decrease)/Increase in deposits	46,480,107	82,400,007
(Increase)/Decrease in investments	(199,882,865)	16,262,140
(Increase)/Decrease in advances	(8,828,621)	(12,887,289)
Decrease/(Increase) in other assets	(216,275,921)	(22,972,943)
	(144,200,293)	**99,045,231**
Income Tax paid (net)	(11,891,760)	(10,002,000)
Net cash (used) in/generated from operating activities	**(156,092,053)**	**89,043,231**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	(6,288)	(31,326)
Net cash used in investing activities	**(6,288)**	**(31,326)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from capital infusion	12,191,397	9,459,423
Increase/(Decrease) in borrowings	104,462,358	(31,753,939)
Net cash generated/(used) in financing activities	**116,653,755**	**(22,294,516)**
Net (Decrease)/Increase in cash and cash equivalents	**(39,444,586)**	**66,717,389**
Opening cash and cash equivalents (see note below)	137,698,801	70,981,412
Closing cash and cash equivalents (see note below)	98,254,215	137,698,801
	(39,444,586)	**66,717,389**
Note to the cash flow statement:		
Cash and cash equivalents include the following:		
Cash and balances with Reserve Bank of India as per Schedule 6	48,139,963	19,320,356
Balances with banks and money at call and short notice as per Schedule 7	50,114,252	118,378,445
	98,254,215	137,698,801

Note to the cash flow statement: The above cash flow statement has been prepared under the indirect method set out in Accounting Standard -3 on Cash Flow Statement.

As per our Report of even date

For Price Waterhouse Chartered Accountants LLP
Firm Registration number : 012754N/N500016

Sd/-
Vivek Prasad
Partner
Membership number : 104941

For JPMorgan Chase Bank, N.A., India

Sd/-
Madhav Kalyan
Chief Executive Officer

Sd/-
Rammohan Devarajan
Senior Financial Officer

Place : Mumbai
Date : June 29, 2020

J.P.Morgan

JPMORGAN CHASE BANK, N.A., INDIA

(Incorporated in the United States of America with limited liability)

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2020

(Amounts in thousands of Indian Rupees)

	As at March 31, 2020	As at March 31, 2019
1 – CAPITAL		
I. Head Office Account		
Opening balance	53,512,013	44,052,590
Additions during the year	12,191,397	9,459,423
	65,703,410	**53,512,013**
II. Amount of deposits placed with RBI at face value under section 11 (2) (b) of the Banking Regulation Act, 1949	21,500,000	18,000,000
2 – RESERVES AND SURPLUS		
I. Statutory Reserves		
Opening balance	21,065,765	17,771,990
Additions during the year	3,212,954	3,293,775
	24,278,719	**21,065,765**
II. Capital Reserves	–	–
III. Remittable surplus retained in India for Capital to Risk-weighted Assets Ratio (CRAR) requirements		
Opening balance	35,933,097	28,056,450
Transfer from Profit and Loss Account	8,749,729	7,876,647
	44,682,826	**35,933,097**
IV. Share Premium	–	–
V. Investment Reserves		
Opening balance	221,949	90,354
Additions during the year	–	131,595
Deductions during the year	–	–
	221,949	**221,949**
VI. Investment Fluctuation Reserves		
Opening balance	1,000,000	–
Additions during the year	3,500,000	1,000,000
Deductions during the year	–	–
	4,500,000	**1,000,000**
VII. Balance in Profit and Loss Account	6,138,864	8,749,729
	79,822,358	**66,970,540**
3 – DEPOSITS		
A. I. Demand Deposits		
(i) From banks	446,943	35,130
(ii) From others	163,499,693	126,184,473
II. Savings Bank Deposits	–	–
III. Term Deposits		
(i) From banks	24,446,723	40,059,895
(ii) From others	95,471,233	71,104,987
	283,864,592	**237,384,485**
B. (i) Deposits of branches in India	283,864,592	237,384,485
(ii) Deposits of branches outside India	–	–
	283,864,592	**237,384,485**

(Amounts in thousands of Indian Rupees)

	As at March 31, 2020	As at March 31, 2019
4 – BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	13,600,000	13,400,000
(ii) Other banks	–	–
(iii) Other institutions and agencies	114,660,199	26,049,663
	128,260,199	**39,449,663**
II. Borrowings outside India	40,109,441	24,457,619
	168,369,640	**63,907,282**
Secured borrowing included in I and II above	128,260,199	39,449,663
5 – OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	248,202	66,801
II. Inter-office adjustments (net)	-	-
III. Interest accrued	574,983	785,548
IV. Provisions against standard assets (Refer schedule 17-5(ac))	2,465,411	1,590,599
V. Others (including provisions)	323,990,641	113,503,010
	327,279,237	**115,945,958**
6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	–	–
II. Balances with Reserve Bank of India		
(i) in current account	17,139,963	12,320,356
(ii) in other accounts*	31,000,000	7,000,000
	48,139,963	**19,320,356**
* Represents secured lending to Reserve Bank of India under Liquidity Adjustment Facility (LAF).		
7 – BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
(i) Balances with banks		
(a) in current accounts	326,088	2,907,037
(b) in deposit accounts	26,482,750	39,764,125
(ii) Money at call and short notice		
(a) with banks	–	–
(b) with other institutions*	19,972,207	74,184,857
	46,781,045	**116,856,019**
II. Outside India		
(i) in current accounts	3,333,207	1,522,426
(ii) in deposit accounts	–	–
(iii) in money at call and short notice	–	–
	3,333,207	**1,522,426**
	50,114,252	**118,378,445**

* Represents secured lending to Clearing Corporation of India Limited under Reverse Repo and Triparty Repo / Collateralised Borrowing and Lending Obligation Facility.

J.P.Morgan

JPMORGAN CHASE BANK, N.A., INDIA

(Incorporated in the United States of America with limited liability)

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2020

(Amounts in thousands of Indian Rupees)

	As at March 31, 2020	As at March 31, 2019
8 – INVESTMENTS		
I. Investments in India in		
(i) Government securities*	343,501,233	143,618,368
(ii) Other approved securities	–	–
(iii) Shares	1,104,000	1,104,000
(iv) Debentures and bonds	–	–
(v) Subsidiaries and/or joint ventures	–	–
(vi) Others	–	–
Gross Investments in India	344,605,233	144,722,368
Less: Diminution in value of investments	–	–
Net Investments	**344,605,233**	**144,722,368**
II. Investments outside India	–	–
	344,605,233	**144,722,368**

* Includes securities placed with the Reserve Bank of India (RBI) of face value Rs.21,500,000 ('000) (previous year Rs.18,000,000 ('000)) as per requirement of section 11(2)(b) of the Banking Regulation Act,1949 and securities of face value Rs.12,813,780 ('000) (previous year Rs.13,287,340 ('000)) for availment of LAF.

Also includes securities placed with Clearing Corporation of India Limited of face value Rs.51,642,200 ('000) (previous year Rs.24,501,400 ('000)) for availment of Market Repo, securities of face value Rs.80,230,000 ('000) (previous year Rs.31,250,000 ('000)) for availing clearing and funding facilities and securities of face value Rs.32,980 ('000) (previous year Rs.NIL) held on account of inadequate balance in Subsidiary General Ledger (SGL).

	As at March 31, 2020	As at March 31, 2019
9 – ADVANCES		
A. (i) Bills purchased and discounted	31,640,934	40,024,893
(ii) Cash credits, overdrafts and loans repayable on demand	73,291,107	64,430,062
(iii) Term loans	41,898,165	33,546,630
	146,830,206	**138,001,585**
B. (i) Secured by tangible assets*	18,646,116	14,963,584
(ii) Covered by bank/ government gurantees	15,691,991	18,714,526
(iii) Unsecured	112,492,099	104,323,475
	146,830,206	**138,001,585**
C.I. Advances in India		
(i) Priority sectors	39,348,084	30,207,199
(ii) Public sector	–	2,258,455
(iii) Banks	2,980,899	6,283,587
(iv) Others	104,501,223	99,252,344
	146,830,206	**138,001,585**
C.II. Advances outside India		
(i) Due from banks	–	–
(ii) Due from others	–	–
	–	–
	146,830,206	**138,001,585**

* Also includes advances against book debts.

(Amounts in thousands of Indian Rupees)

	As at March 31, 2020	As at March 31, 2019
10 – FIXED ASSETS		
I. Premises	–	–
II. Other fixed assets (including furniture and fixtures)		
Gross Block		
At cost at the beginning of the year	222,240	195,487
Additions during the year	6,288	31,326
Deductions during the year	(3,482)	(4,573)
	225,046	**222,240**
Depreciation		
At the beginning of the year	132,091	105,471
Charge for the year	34,185	31,172
On deductions during the year	(3,482)	(4,552)
	162,794	**132,091**
III. Capital work in Progress	–	–
	62,252	**90,149**
11 – OTHER ASSETS		
I. Inter-office adjustment (net)	–	–
II. Interest accrued	6,769,333	3,837,289
III. Advance tax and tax deducted at source (net of provision for taxation)	2,469,919	1,185,339
IV. Stationery and stamps	–	–
V. Non-banking assets acquired in satisfaction of claims	–	–
VI. Deferred tax asset (net) (Refer schedule 17-9)	578,910	59,456
VII. Others	325,469,169	112,125,291
	335,287,331	**117,207,375**
12 – CONTINGENT LIABILITIES		
I. Claims against the bank not acknowledged as debts	564,140	526,250
II. Liability for partly paid investments	–	–
III. Liability on account of outstanding :		
a) Forward exchange contracts	6,561,211,196	2,764,515,260
b) Currency option contracts	564,795,870	509,420,876
c) Swap contracts	6,653,329,085	6,578,015,748
IV. Guarantees given on behalf of constituents:		
a) In India	8,478,593	13,004,017
b) Outside India	4,061,191	7,837,206
V. Acceptances, endorsements and other obligations	17,347,003	19,276,859
VI. Other items for which the bank is contingently liable	26,211,014	2,558,461
	13,835,998,092	**9,895,154,677**

J.P.Morgan

JPMORGAN CHASE BANK, N.A., INDIA

(Incorporated in the United States of America with limited liability)

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2020

(Amounts in thousands of Indian Rupees)

	Year ended March 31, 2020	Year ended March 31, 2019
13 – INTEREST EARNED		
I. Interest/ discount on advances/bills	8,559,901	8,218,009
II. Income on investments	13,681,928	10,977,456
III. Interest on balances with Reserve Bank of India and other inter-bank funds (including other money market participants)	3,672,560	4,301,866
IV. Others	674,496	203,594
	26,588,885	**23,700,925**
14 – OTHER INCOME		
I. Commission, exchange and brokerage (net)	2,437,257	2,145,603
II. Net profit/(loss) on investment (net)	1,192,307	427,815
III. Net profit/(loss) on revaluation of investments (net)	–	–
IV. Net profit/(loss) on sale of land, buildings and other assets (net)	–	(22)
V. Net profit/(loss) on exchange/ derivatives transactions (net)	5,428,455	8,722,082
VI. Miscellaneous income (refer Schedule 17-13)	316,181	7,661
	9,374,200	**11,303,139**

(Amounts in thousands of Indian Rupees)

	Year ended March 31, 2020	Year ended March 31, 2019
15 – INTEREST EXPENDED		
I. Interest on deposits	4,804,811	4,708,643
II. Interest on Reserve Bank of India/ inter-bank borrowings (including from other money market participants)	1,685,920	2,235,070
III. Others	483,505	711,848
	6,974,236	**7,655,561**
16 – OPERATING EXPENSES		
I. Payments to and provisions for employees	2,303,819	1,798,804
II. Rent, taxes and lighting	219,735	206,855
III. Printing and stationery	19,232	17,236
IV. Advertisement and publicity	1,492	930
V. Depreciation on bank's property	34,185	31,172
VI. Auditors' fees and expenses	10,592	6,083
VII. Law charges	11,178	8,495
VIII. Postage, telegrams, telephones, etc.	65,669	79,153
IX. Repairs and maintenance	109,076	149,776
X. Insurance	225,736	177,286
XI. Other expenditure (refer Schedule 17-5(b))*	1,857,375	1,490,978
	4,858,089	**3,966,768**

* Net of recovery from affiliate entities

SCHEDULE 17

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

(Amounts in thousands of Indian Rupees)

1. Background

The accompanying financial statements for the year ended March 31, 2020 comprise the Balance sheet, Profit and Loss account and Cash flow statement of JPMorgan Chase Bank, N.A., India ('the Bank'), a banking company under the Banking Regulation Act, 1949, operating through four branches in India. JPMorgan Chase Bank, N.A., is incorporated in the United States of America with limited liability.

2. Basis of preparation

The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of the Financial Statements conform to the Generally Accepted Accounting Principles in India (Indian GAAP) under historical cost convention, on the accrual basis of accounting, to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 ("the 2013 Act"), read with Rule 7 of the Companies (Accounts) Rules, 2014, Companies (Accounting Standards) Amendment Rules, 2016 and the relevant provisions of the 2013 Act as applicable and the applicable guidelines issued by the Reserve Bank of India (RBI), from time to time.

3. Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires Management to make estimates and assumptions considered in the reported amounts of assets, liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported income and expenses during the reporting period. The 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 recognised prospectively in the periods in which the results are known/materialised.

4. Significant accounting policies

(a) Transactions involving foreign exchange

(i) Monetary assets and liabilities denominated in foreign currency are translated into Indian Rupees at the rates of exchange prescribed by The Foreign Exchange Dealers' Association of India (FEDAI) as at the Balance Sheet date. The resultant gains/losses on such revaluation is recognised in the Profit and Loss Account.

(ii) Income and expenditure in foreign currency are translated at the exchange rates prevailing on the date of the transactions.

(iii) Outstanding foreign exchange contracts as at the Balance Sheet date are revalued at the rates of exchange prescribed by FEDAI as at the Balance Sheet date for specified maturities and at interpolated rates for contracts of intervening maturities. The foreign exchange contracts of longer maturities where exchange rates are not prescribed by FEDAI are revalued at the exchange rates implied by the swap curves in respective currencies. The resultant gains/losses on account of revaluation are recognised in the Profit and Loss Account.

(iv) Contingent liabilities on account of foreign exchange and derivative contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are re-valued at the rates of exchange prescribed by FEDAI as at the Balance Sheet date.

SCHEDULE 17 – (Notes to the accounts continued...)

(Amounts in thousands of Indian Rupees)

4. Significant accounting policies *(Continued)*

(b) Investments

Investments are accounted for in accordance with the extant RBI guidelines on Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks, based on the intention at the time of acquisition. Investments are classified into the following ("categories")

(i) Held to Maturity ('HTM');
(ii) Available for Sale ('AFS'); and
(iii) Held for Trading ('HFT')

Under each of these categories, the investments are further classified as (a) Government securities, (b) Other approved securities, (c) Shares (d) Debentures and bonds (e) Subsidiaries and/ or Joint Ventures and (f) Others, for the purpose of disclosure in the Balance Sheet.

The Bank follows settlement date method of accounting for purchase and sale of investments.

Acquisition cost/carrying cost

Cost of investment represents the acquisition cost and in case of discounted instruments, the carrying cost includes the pro rata discount accreted for the holding period.

Brokerage, commission, broken period interest on debt instruments, paid at the time of acquisition, are charged to the Profit and Loss Account.

Transfer between categories

Transfer of securities between categories of investments, if any, is carried out in accordance with the RBI guidelines.

Valuation/Income recognition

Investments classified under the HTM category are carried at their acquisition cost or at amortised cost, if acquired at a premium over the face value. Any premium paid on acquisition in excess of face value is amortised over the period remaining to maturity on a straight-line basis. A provision is made for other than temporary diminution in the value of the HTM security.

Realised gains on sale of investments under HTM category are recognised in the Profit and Loss Account and the profit is thereafter appropriated (net of taxes, if any and net of transfer to Statutory Reserve as applicable) to Capital Reserve Account in accordance with the RBI guidelines. Loss on sale of such investments is recognised in the Profit and Loss Account.

Investments under AFS and HFT are marked-to-market on a monthly basis and the net depreciation, if any, in each category as mentioned in Schedule 8 – 'Investments' is recognised in the Profit and Loss Account. The net appreciation, if any, is ignored except to the extent of depreciation previously provided. The book value of the individual securities is not changed consequent to the periodical valuation of investments.

In the event, provisions created on account of depreciation in the HFT or AFS categories are found to be in excess of the required amount in any year, the excess is credited to the Profit and Loss Account and the excess is thereafter appropriated (net of taxes, if any and net of transfer to Statutory Reserve as applicable) to Investment Reserve Account.

Profit or loss on sale of securities is computed on the basis of the first in first out (FIFO) method and is recognised in the Profit and Loss Account for HFT and AFS categories.

Market price of securities is sourced from the prices (yields) published by the Financial Benchmarks India Private Limited ('FBIL').

Unquoted equity shares are valued at breakup value or at Re.1 as per the RBI guidelines.

Treasury Bills, Commercial Paper and Certificates of Deposit, being discounted instruments, are valued at carrying cost.

Short Sale

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. Such short positions are categorised under HFT category. These positions are marked-to-market along with the other securities under HFT portfolio and the resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines as stated above.

Accounting for repurchase/reverse repurchase transactions

Repurchase and reverse repurchase transactions including transactions under the Liquidity Adjustment Facility (LAF) with the RBI are accounted as secured borrowing and lending transactions in accordance with the extant RBI guidelines.

Investment Fluctuation reserve (IFR)

With a view to building up of adequate reserves to protect against increase in yields, RBI through circular number RBI/2017-18/147 DBR. No.BP. BC.102/21.04.048/2017-18 dated April 2, 2018 and RBI/2019-20/175 DOR.BP.BC.No.42/ 21.04.141/2019-20 dated March 17, 2020, advised all banks to create an IFR with effect from the FY 2018-19.

Transfer requirements as per the circular is to be lower of the following:

i. Net profit on sale of investments during the year or
ii. Net profit for the year less mandatory appropriations, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis, as per the relevant RBI guidelines.

The Bank is creating adequate reserves to create the 2 percent requirement on a continuing basis.

(c) Fixed assets and depreciation

(i) Fixed assets are stated at historical cost less accumulated depreciation and impairment loss, if any. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

(ii) The estimated useful lives of the assets are as follows:

Asset Type	Estimated asset useful life
Leasehold improvements	Lower of lease term or 10 years
Furniture and Fixtures	10 years
Computers	
– Network Equipment*	5 years
– Servers*	3 years
– Others (including desktops & laptops)	3 years
Office Equipment	5 years

Lease term includes the primary period of the lease and the first renewable option period.

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SCHEDULE 17 – (Notes to the accounts continued...)

(Amounts in thousands of Indian Rupees)

4. Significant accounting policies *(Continued)*

c) Fixed assets and depreciation *(Continued)*

Depreciation is provided from the month in which the asset is capitalised using straight-line method over the useful life of the asset as estimated by the Management. In respect of sale/disposal, no depreciation is provided in the month in which the asset is sold/disposed off. Fixed assets individually costing below Indian Rupee equivalent of USD 1 (‘000) are not capitalised on materiality basis unless they form part of a major capital outlay.

* For these classes of assets, based on internal assessment and technical evaluation, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence the useful lives for these assets are different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

(iii) Fixed assets purchased from group entities are depreciated over the remaining estimated useful life of the assets as indicated above.

Intangible Assets:

Software costs are charged to the Profit and Loss Account, unless it is an integral part of major capital outlay.

(d) Derivative transactions

Derivatives comprise of interest rate swaps, cross currency swaps, exchange trades derivatives, Forward rate agreements and options.

Derivatives are categorised as Trading or Hedging transactions. Trading derivatives are marked to market and resultant unrealised gains or losses are recognised in the Profit and Loss Account. Option premia paid/received is accounted for in the Profit and Loss Account on expiry or exercise of the Option whichever is earlier.

The swap contracts entered to hedge on-balance sheet assets and liabilities, if any, are structured such that they bear an opposite and offsetting impact with the underlying on-balance sheet items. The impact of such derivative instruments is correlated with the movement of underlying assets and liabilities and accounted pursuant to the principles of hedge accounting. Hedged swaps, if any, are accounted for on an accrual basis.

As per the RBI guidelines, a general provision is required to be made on the unrealised mark to market gains of the contracts including incremental provision in respect of unrealised mark to market gains of contracts with stressed sectors identified as such by the Bank. These provisions are made in line with the said guidelines and are disclosed under Schedule 5 - ‘Provisions against Standard Assets’.

The Bank also maintains incremental provision on positive mark to market gains on derivatives transactions pertaining to borrowers with unhedged foreign currency exposure (UFCE) in accordance with RBI guidelines.

Pursuant to the RBI guidelines, any receivables from clients under derivatives contracts which remain overdue for more than 90 days, the corresponding unrealised mark to market gains on all derivative contracts with the same counterparties are reversed through the Profit and Loss Account.

(e) Advances

(i) Advances are classified into standard and non-performing advances (NPAs) in accordance with RBI prudential norms on classification, income recognition, asset classification and provisioning (IRACP). Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. Advances are stated net of specific provisions.

(ii) Specific loan loss provisions in respect of non-performing advances are made based on the Management’s assessment of the degree of impairment of the advances after considering the prudential norms on provisioning as prescribed by RBI.

(iii) As per the RBI guidelines, a general provision is required to be made on all standard advances including incremental provision in respect of advances to stressed sectors identified as such by the Bank. These provisions are made in line with the said guidelines and are disclosed under Schedule 5 - ‘Provisions against Standard Assets’.

(iv) The Bank maintains incremental provision on standard assets pertaining to borrowers with unhedged foreign currency exposure (UFCE) in accordance with RBI guidelines.

(v) The Bank also maintains provision for incremental exposure of the banking system to a specified borrower beyond Normally Permitted Lending Limit (NPLL) in proportion to bank’s funded exposure to specified borrower.

(vi) Provision for restructured assets is made in accordance with the applicable guidelines prescribed by RBI on restructuring of advances by banks.

(vii) Provision for individual country exposures (other than India) is maintained as per RBI guidelines.

(viii) Amounts recovered against debts written-off in prior years and provisions no longer considered necessary are recognised in the Profit and Loss Account.

(f) Revenue recognition

(i) Income is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the income can be reliably measured.

(ii) Interest income is recognised in the Profit and Loss Account on an accrual basis except in the case of non performing assets where it is recognised on receipt basis as per the prudential norms on income recognition and asset classification prescribed by the RBI and as per the Accounting Standards issued by The Institute of Chartered Accountants of India ("ICAI").

(iii) Accretion of discounts is recognised as interest income over the tenure of the discounted instrument on a constant yield basis.

(iv) Fees charged from activities such as loan arrangement, corporate advisory services are recognised at the time the services are rendered and a binding obligation to receive the fees has arisen. Commitment, facility or loan management fees are amortized over the life of the loan.

(v) Commission on guarantees and letters of credit are recognised over the tenor of the facility.

(g) Employee benefits

(i) Provident fund

The Bank contributes for provident fund to a trust set up by the Bank and administered by its trustees. The Bank’s contribution to the trust is charged to the Profit and Loss Account. The contributions are accounted as defined contribution with the interest guarantee as defined benefits plans and the liability has been determined by an independent actuary. The interest rate payable to the members of the trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees’ Provident Fund and Miscellaneous Provisions Act, 1952. The shortfall, if any, is provided for in the Profit and Loss Account. (Refer Schedule 17-10).

The provident fund liability has been determined by an independent actuary as per the projected accrued benefit method.

SCHEDULE 17 – (Notes to the accounts continued...)

(Amounts in thousands of Indian Rupees)

4. Significant accounting policies *(Continued)*

(g) Employee benefits *(Continued)*

(ii) Gratuity

The Bank has a defined benefit plan for post-employment benefits in the form of Gratuity. The Bank has formed a Gratuity Trust and has taken group gratuity policy with insurance companies which are funded. Provision for gratuity is made on the basis of an independent actuarial valuation as at the date of Financial Statements as per the Projected Unit Credit Method. The fair value of assets available with the Gratuity Trust is compared with the gratuity liability as per an independent actuarial valuation and shortfall/gains, if any, is adjusted in the Profit and Loss Account.

Actuarial gains and losses which comprise experience adjustments and the effects of changes in actuarial assumptions are recognised in the Profit and Loss Account in the year in which they arise.

(iii) Compensated absences

Unutilised short term leave balances that accrue to employees are provided for on an undiscounted basis.

There are no long term compensated absences.

(iv) Special awards and incentive compensation

Special awards and incentive compensation payable to employees as per the Bank's policy within twelve months from the date of balance sheet is charged to the Profit and Loss account on an undiscounted basis.

(h) Employee Share based Payments

The ultimate holding company, JPMorgan Chase & Co. grants long-term share - based awards to certain employees under its Long-Term Incentive ("LTI") Plan to the employees of Bank.

Under the LTI Plans, RSUs are awarded at no cost to the recipient upon their grant. Generally, RSUs are granted annually and vest at rate of 50% after two years and 50% after three years and are converted into shares of common stock as of the vesting date. All RSU awards are subject to forfeiture until vested and contain clawback provisions that may result in cancellation under certain specified circumstances

The Firm separately recognizes compensation expense for each tranche of each award, net of estimated forfeitures, as if it were a separate award with its own vesting date. Generally, for each tranche granted, compensation expense is recognized on a straight-line basis from the grant date until the vesting date of the respective tranche.

Compensation expense for RSUs is measured based on the number of units granted multiplied by the stock price at the grant date,

(i) Operating Leases

Leases of assets under which all the risks and benefits of ownership over the lease term are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Profit and Loss Account on a straight-line basis over the lease term.

(j) Income Taxes

Income Tax expense comprises current tax and deferred tax. The current tax is determined in accordance with the provisions of Income-tax Act, 1961 and applicable laws and rules.

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised as per Accounting Standard 22 – Accounting for Taxes on Income issued by the ICAI and are measured using the tax rates that have been enacted or substantively enacted at the Balance Sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the Profit and Loss Account in the period of change.

Deferred tax assets and liabilities for the year, arising on account of timing differences, are recognised in the Profit and Loss Account and the cumulative effect thereof is reflected in the Balance Sheet.

Deferred tax asset is recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised. In situations where the Bank has unabsorbed depreciation or carried forward losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that the same can be realised against future taxable income. Deferred tax assets are reviewed at each reporting date, based upon the Management judgement as to certainty of realisation.

(k) Provisions for liabilities, contingent liabilities and contingent assets

Provisions are created when there is a present obligation arising from past events which is expected to result in an outflow of economic resources to settle the obligation and where the amount of the obligation can be reliably estimated. Provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. 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 or disclosed in the financial statements. Such assets are recognised in the period in which it is virtually certain that the inflow of economic benefits will arise.

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

(m) Priority Sector Lending Certificates (PSLC)

The Bank vide RBI circular FIDD.CO.Plan.BC.23/ 04.09.01/2015-16 dated April 7, 2016 purchases PSLC to meet the priority sector lending obligation. There is no transfer of risks or loan assets in respect of these transactions to the Bank. The fee paid for purchase of the PSLC is treated as an expense.

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SCHEDULE 17 – (Notes to the accounts continued...)
(Amounts in thousands of Indian Rupees)

5. Statutory disclosures as per RBI guidelines

(a) Provisions and Contingencies

Details of the provisions and contingencies charged to the Profit and Loss Account comprise of

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Provision for income tax*	10,607,180	10,401,000
Deferred tax (credit)/charged	(519,454)	31,996
(Write back of)/Provision for diminution in value of investments	–	(311,541)
Provision for standard assets#	874,812	37,823
(Write back of)/Provision for country risk exposure	(12,208)	5,526
Provision for exposure to large borrowers^	328,612	41,832
Total	**11,278,942**	**10,206,636**

* Income Tax charge for the year ended March 31, 2020 includes reversal for the prior year's amounting to Rs. 170,000 ('000) (Previous Year Rs. 140,000 ('000)).

Includes (write back of)/provision for Unhedged Foreign Currency Exposure of the client.

^ Provision for exposure to large borrowers is created according to RBI guidelines on "Enhancing Credit supply for Large Borrowers through Market Mechanism" RBI/2016-17/50 DBR.BP.BC.No.8/21.01.003/2016-17 and subsequent clarifications.

(b) Other expenses

During the current year, Head Office overhead expense amounting to Rs. 435,822 ('000) shown separately and included in other expenditure under Schedule 16, exceeds one percentage of the total income. During the previous year, Goods & Service Tax expense amounting to Rs. 486,603 ('000) shown separately and included in other expenditure under Schedule 16, exceeds one percentage of the total income.

(c) Capital adequacy ratio

The capital adequacy ratio calculated as per the RBI Basel III guidelines, is set out below:

Particulars	As at March 31, 2020	As at March 31, 2019
Common Equity Tier 1 capital ratio (%)	14.14%	19.89%
Tier 1 Capital ratio (%)	14.14%	19.89%
Tier 2 Capital ratio (%)	0.79%	0.53%
Total Capital ratio (CRAR) (%)	14.93%	20.42%
Percentage of the shareholding of the Government of India in public sector banks	Nil	Nil
Amount of Additional Tier 1 capital raised from Head Office*	12,191,397	9,459,423
Amount of Additional Tier 1 capital raised; *of which*		
PNCPS:		
PDI:	Nil	Nil
Amount of Tier 2 capital raised;		
of which		
Debt capital instrument:		
Preference Share Capital Instruments: [Perpetual Preference Shares (PCPS)/ Redeemable Non-Cumulative Preference Shares (RNCPS)/Redeemable Cumulative Preference Shares (RCPS)]	Nil	Nil

* Excludes transfer from Profit and Loss account to Remittable Surplus retained in India for Capital to Risk-weighted Assets Ratio (CRAR) requirements

(d) Business information/ratios

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
(i) Interest income as a percentage to working funds	4.48%	4.70%
(ii) Non-interest income as a percentage to working funds	1.58%	2.24%
(iii) Operating profit as a percentage to working funds	4.07%	4.64%
(iv) Return on assets (net profit as a percentage to total assets)	2.17%	2.61%
(v) Net non-performing assets to net advances	–	–
(vi) Business (average deposits plus average advances) per employee (Rs. in thousand)	1,151,527	1,128,030
(vii) Net profit per employee (Rs. in thousand)	38,827	44,661

1) For computation of ratios in (i), (ii), (iii) and (iv), working funds represent monthly average of total assets as reported to the RBI in Form X under Section 27 of the Banking Regulation Act, 1949 during the year.
2) For computation of ratio in (iv), Return on assets is computed with reference to average working funds.
3) For computation of ratio in (iii), operating profit is calculated by deducting the Interest expense and operating expense (Schedule 15 plus Schedule 16) from Interest income and Other Income (Schedule 13 plus Schedule 14).
4) For computation of ratios in (vi) and (vii), number of employees as at the year-end have been considered.

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SCHEDULE 17 – (Notes to the accounts continued...)
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5. Statutory disclosures as per RBI guidelines *(Continued)*

(e) Investments

Particulars	As at March 31, 2020	As at March 31, 2019
1. Value of Investments		
Gross Value of Investments	**344,605,233**	**144,722,368**
In India	344,605,233	144,722,368
Outside India	–	–
Provisions for diminution in the value of Investments	–	–
In India	–	–
Outside India	–	–
Net Value of Investments	**344,605,233**	**144,722,368**
In India	344,605,233	144,722,368
Outside India	–	–
2. Movement of Provisions held towards diminution in the value of Investments		
Balance at the beginning of the year	–	311,541
Add : Provision made during the year	–	–
Less: Write back of excess provision during the year	–	(311,541)
Balance at the end of the year	–	–

(f) Issuer composition of Non-SLR Investments

As at March 31, 2020

Issuer	Amount	Extent of private placement$	Extent of below Investment grade securities	Extent of Unrated securities	Extent of Unlisted securities
PSUs	–	–	–	–	–
Financial Institutions	–	–	–	–	–
Banks	–	–	–	–	–
Private Corporate	–	–	–	–	–
Others#	1,104,000	1,104,000	–	1,104,000	1,104,000
Provision held towards diminution in value of investments	–	–	–	–	–
Total	**1,104,000**	**1,104,000**	**–**	**1,104,000**	**1,104,000**

As at March 31, 2019

Issuer	Amount	Extent of private placement$	Extent of below Investment grade securities	Extent of Unrated securities	Extent of Unlisted securities
PSUs	–	–	–	–	–
Financial Institutions	–	–	–	–	–
Banks	–	–	–	–	–
Private Corporate	–	–	–	–	–
Others#	1,104,000	1,104,000	–	1,104,000	1,104,000
Provision held towards diminution in value of investments	–	–	–	–	–
Total	**1,104,000**	**1,104,000**	**–**	**1,104,000**	**1,104,000**

$ includes purchases in secondary market.
# Represents investment in equity shares.

(g) Non-performing Non-SLR investments

There are no non-performing non-SLR investments in the current year and previous year.

(h) Disclosures in respect of Repo transactions

Year ended March 31, 2020

	Minimum outstanding during the year*	Maximum outstanding during the year	Daily average outstanding during the year	As at March 31, 2020
Securities sold under repos				
i. Government Securities	203,000	124,545,980	20,683,355	124,545,980
ii. Corporate Debt Securities	–	–	–	–
Securities purchased under reverse repos				
i. Government Securities	9,690,570	112,882,620	53,071,752	47,978,040
ii. Corporate Debt Securities	–	–	–	–

SCHEDULE 17 – (Notes to the accounts continued...)
(Amounts in thousands of Indian Rupees)

5. Statutory disclosures as per RBI guidelines *(Continued)*

(h) Disclosures in respect of Repo transactions *(Continued)*

Year ended March 31, 2019

	Minimum outstanding during the year*	Maximum outstanding during the year	Daily average outstanding during the year	As at March 31, 2019
Securities sold under repos				
iii. Government Securities	1,500,000	97,229,440	24,641,488	37,788,740
iv. Corporate Debt Securities	–	–	–	–
Securities purchased under reverse repos				
iii. Government Securities	740,510	101,432,050	39,864,249	79,983,310
iv. Corporate Debt Securities	–	–	–	–

* Minimum outstanding during the year excludes days with Nil outstanding.

Amounts reported are based on face value of securities under Repo, Reverse Repo, Tri Party Repo (TREPS) and Liquidity Adjustment Facility.

(i) Exposure to sensitive sectors

Exposure to Real Estate

Category	As at March 31, 2020	As at March 31, 2019
a) Direct exposure		
(i) Residential Mortgages	–	–
(ii) Commercial Real Estate	4,083,268	1,576,000
(iii) Investments in Mortgage Backed Securities and other securitised exposures	–	–
b) Indirect exposure		
Fund based and non-fund based exposures to National Housing Bank (NHB) and Housing Finance Companies (HFCs)	12,774,370	8,439,698

Exposure to Capital Market

Category	As at March 31, 2020	As at March 31, 2019
Total Exposure to Capital Market*	–	905,030

* Includes Irrevocable Payment Commitment (IPC) to clearing corporations/stock exchanges on behalf of clients as Custodian Bank and excludes investments in Capital Market which are exempted from the regulatory ceiling.

(j) Sector-wise Advances and NPA

Sr. No.	Sector	As at March 31, 2020		
		Outstanding Total Advances[1]	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**			
1	Agriculture and allied activities	–	–	–
2	Advances to industries sector eligible as priority sector lending	23,072,003	–	–
	Of which : Chemicals and Chemical Products (Dyes, Paints, etc.)	*12,748,864*		
	: All Engineering	*5,283,250*		
	: Vehicles, Vehicle Parts and Transport Equipment	*3,958,422*		
3	Services	16,276,081	–	–
	Of which : Computer software	*12,484,725*		
	: Non-Banking Finance Companies	*1,862,404*		
	: Other Services	*1,827,612*		
4	Personal loans	–	–	–
	Sub-total (A)	**39,348,084**	**–**	**–**
B	**Non Priority Sector**			
1	Agriculture and allied activities	–	–	–
2	Industry	56,193,385	–	–
	Of which : Infrastructure	*22,833,202*		
	: All Engineering	*9,116,523*		
	: Basic Metal and Metal Products	*7,428,358*		
3	Services	51,288,737	–	–
	Of which : Non-Banking Financial Companies	*22,560,402*		
	: Other Services	*18,220,168*		
	: Trade	*5,262,269*		
4	Personal loans	–	–	–
	Sub-total (B)	**107,482,122**	**–**	**–**
	Total (A+B)	**146,830,206**	**–**	**–**

Note: 1. "Outstanding Total Advances" represents Gross Advances

2. Sub-sectors have been disclosed where advances in that sector exceed 10% of total advances at reporting date.

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SCHEDULE 17 – (Notes to the accounts continued...)
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5. Statutory disclosures as per RBI guidelines *(Continued)*

(j) Sector-wise Advances and NPA *(Continued)*

Sr. No.	Sector	As at March 31, 2019		
		Outstanding Total Advances[1]	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**			
1	Agriculture and allied activities	–	–	–
2	Advances to industries sector eligible as priority sector lending	21,804,048	–	–
	Of which : Chemicals and Chemical Products (Dyes, Paints, etc.)	*14,297,418*		
3	Services	8,403,151	–	–
	Of which : Computer software	*6,915,500*		
	: Other Services	*1,487,651*		
4	Personal loans	–	–	–
	Sub-total (A)	**30,207,199**	**–**	**–**
B	**Non Priority Sector**			
1	Agriculture and allied activities	–	–	–
2	Industry	60,686,384	–	–
	Of which : Infrastructure	*31,124,836*		
	: All Engineering	*12,207,150*		
3	Services	47,108,002	–	–
	Of which : Non-Banking Financial Companies	*21,418,969*		
	: Other Services	*20,465,615*		
4	Personal loans	–	–	–
	Sub-total (B)	**107,794,386**	**–**	**–**
	Total (A+B)	**138,001,585**	**–**	**–**

Note: 1. "Outstanding Total Advances" represents Gross Advances

2. Sub-sectors have been disclosed where advances in that sector exceed 10% of total advances at reporting date

(k) Movement in NPAs

Particulars	As at March 31, 2020	As at March 31, 2019
Movement of Gross NPAs		
(a) Opening balance	–	–
(b) Additions during the year	–	–
(c) Reductions during the year	–	–
(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	–	–
(b) Provisions made during the year	–	–
(c) (Reversal due to Write-off)/(Write back of excess provisions)	–	–
(d) Closing balance	–	–

The above disclosure comprises NPAs in Loans and Advances and does not include the overdue derivatives receivables disclosed separately (refer Schedule 17-5(l)).

(l) Overdue derivative receivables

The Bank does not have any outstanding overdue derivative receivables in the current year and previous year which have been reversed in accordance with the guidelines issued by the RBI in respect of prudential norms on off balance sheet exposures.

(m) Concentration of NPAs

Particulars	As at March 31, 2020	As at March 31, 2019
Total exposure to top four NPA accounts	–	–

SCHEDULE 17 – (Notes to the accounts continued...)

(Amounts in thousands of Indian Rupees)

5. Statutory disclosures as per RBI guidelines *(Continued)*

(n) Movement in NPAs

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Gross NPAs at the beginning of the year	–	–
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 at the end of the year (A-B)	–	–

(o) Divergence in the Asset Classification and Provisioning

There has been no divergence assessed by the RBI in the Banks' asset classification and provisioning from the RBI norms on income recognition, asset classification and provisioning (IRACP) as part of its supervisory processes for the year ended 31 March 2019. (March 31, 2018 Rs. Nil).

(p) Overseas Assets, NPAs and Revenue

Particulars	As at March 31, 2020	As at March 31, 2019
Total		
Assets	Nil	Nil
Total NPAs	Nil	Nil
Total Revenue	Nil	Nil

(q) Off-balance sheet special purpose vehicle (SPVs) sponsored

There are no Off-balance sheet Domestic or Overseas SPVs sponsored by the Bank which are required to be consolidated as per the accounting norms.

(r) Concentration of Deposits, Advances and Exposures

i) Concentration of Deposits

Particulars	As at March 31, 2020	As at March 31, 2019
Total Deposits of twenty largest depositors	183,317,661	174,894,401
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	65%	74%

ii) Concentration of Advances*

Particulars	As at March 31, 2020	As at March 31, 2019
Total Advances to twenty largest borrowers	613,158,350	407,006,686
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	58%	56%

* Advances represent credit exposure (funded and non-funded) including derivative exposure as per RBI guidelines.

iii) Concentration of Exposures**

Particulars	As at March 31, 2020	As at March 31, 2019
Total Exposure to twenty largest borrowers/customers	614,262,350	408,110,686
Percentage of Exposure to twenty largest borrowers to Total Exposure of the bank	58%	56%

** Exposure includes credit exposure (funded and non-funded) including derivative exposure and investment exposure as per RBI guidelines on exposure norms.

(s) Intangible Security

There are no advances for which intangible securities has been taken as collateral as at March 31, 2020 and March 31, 2019.

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JPMORGAN CHASE BANK, N.A., INDIA

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SCHEDULE 17 – (Notes to the accounts continued...)
(Amounts in thousands of Indian Rupees)
5. Statutory disclosures as per RBI guidelines *(Continued)*
(t) (i) Details of Accounts Restructured
As at 31st March, 2020

Sr. No.	Type of Restructuring / Asset Classification → / Details ↓		Standard	Sub-Standard	Others Doubtful	Loss	Total
1	Restructured Accounts as on April 1, 2019	No. of borrowers	–	–	–	–	–
		Amount outstanding	–	–	–	–	–
		Provision thereon	–	–	–	–	–
2	Fresh Restructuring during the year	No. of borrowers	–	–	–	–	–
		Amount outstanding	–	–	–	–	–
		Provision thereon	–	–	–	–	–
3	Upgradations to restructured standard category during the year	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 the next year	No. of borrowers	–	–	–	–	–
		Amount outstanding	–	–	–	–	–
		Provision thereon	–	–	–	–	–
5	Downgradations of restructured accounts during the year	No. of borrowers	–	–	–	–	–
		Amount outstanding	–	–	–	–	–
		Provision thereon	–	–	–	–	–
6	Write-offs of restructured accounts during the year	No. of borrowers	–	–	–	–	–
		Amount outstanding	–	–	–	–	–
		Provision thereon	–	–	–	–	–
7	Restructured Accounts as on March 31, 2020	No. of borrowers	–	–	–	–	–
		Amount outstanding	–	–	–	–	–
		Provision thereon	–	–	–	–	–

As at 31st March, 2019

Sr. No.	Type of Restructuring / Asset Classification → / Details ↓		Standard	Sub-Standard	Others Doubtful	Loss	Total
1	Restructured Accounts as on April 1, 2018	No. of borrowers	–	–	–	–	–
		Amount outstanding	–	–	–	–	–
		Provision thereon	–	–	–	–	–
2	Fresh Restructuring during the year	No. of borrowers	–	–	–	–	–
		Amount outstanding	–	–	–	–	–
		Provision thereon	–	–	–	–	–
3	Upgradations to restructured standard category during the year	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 the next year	No. of borrowers	–	–	–	–	–
		Amount outstanding	–	–	–	–	–
		Provision thereon	–	–	–	–	–
5	Downgradations of restructured accounts during the year	No. of borrowers	–	–	–	–	–
		Amount outstanding	–	–	–	–	–
		Provision thereon	–	–	–	–	–
6	Write-offs of restructured accounts during the year	No. of borrowers	–	–	–	–	–
		Amount outstanding	–	–	–	–	–
		Provision thereon	–	–	–	–	–
7	Restructured Accounts as on March 31, 2019	No. of borrowers	–	–	–	–	–
		Amount outstanding	–	–	–	–	–
		Provision thereon	–	–	–	–	–

SCHEDULE 17 – (Notes to the accounts continued...)

(Amounts in thousands of Indian Rupees)

5. Statutory disclosures as per RBI guidelines *(Continued)*

(t) (ii) Disclosures on Flexible Structuring of Existing Loans

There are no accounts taken up for flexible structuring by the Bank during the year ended March 31, 2020 and March 31, 2019.

(iii) Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period)

There are no accounts restructured under strategic debt restructuring scheme by the Bank during the year ended March 31, 2020 and March 31, 2019.

(iv) Disclosures on Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period)

There are no accounts where the Bank has decided to effect change in ownership outside SDR Scheme during the year ended March 31, 2020 and March 31, 2019.

(v) Disclosures on Change in Ownership of Projects Under Implementation (accounts which are currently under the stand-still period)

There are no accounts where the bank has decided to effect change in ownership during the year ended March 31, 2020 and March 31, 2019.

(u) Details of Financial assets (including written off accounts) sold to Securitisation/Reconstruction Company for Asset Reconstruction

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
No of accounts	1	Nil
Aggregate value (net of provisions) of accounts sold to SC/RC.	Nil	Nil
Aggregate consideration	194,000	Nil
Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
Aggregate gain/loss over net book value	194,000	Nil

(v) Securitisation

There are no Securitisation transactions entered by the Bank during the year ended March 31, 2020 and March 31, 2019.

(w) Details of non-performing financial assets purchased from/sold to other banks

There are no non-performing financial assets purchased/sold to other banks during the year ended March 31, 2020 and March 31, 2019.

(x) Single and Group Borrower Exposures

(i) During the year ended March 31, 2020, the Bank has not increased single borrower exposure limit for any counterparty. During the previous year ended March 31, 2019, the Bank had increased the single borrower exposure limit for Larsen and Turbo Limited (L&T) to 20% of capital funds.

(ii) During the year ended March 31, 2020 and March 31, 2019, the Bank has not increased group borrower exposure limit for any counterparty.

(iii) During the year ended March 31, 2020 and March 31, 2019, the Bank has not exceeded single borrower or group borrower exposure limit.

Refer schedule 17-5(ad) for Intra-Group Exposures.

(y) Country Risk

As per the extant RBI guidelines, the country exposure of the Bank is categorised into various risk categories listed in the following table.

Risk category	As at March 31, 2020		As at March 31, 2019	
	Risk category exposure	Aggregate Provision required/held	Risk category exposure	Aggregate Provision required/held
Insignificant	252,288,693	82,544	165,686,926	94,752
Low Risk	5,778,110	–	11,212,812	–
Moderately Low Risk	1,499	–	80,524	–
Moderate Risk	143,260	–	8,890	–
Moderately High Risk	33,313	–	291,785	–
High Risk	–	–	–	–
Very High Risk	–	–	–	–

(z) Maturity pattern

As at March 31, 2020

Maturity pattern of	1 day	2-7 days	8-14 days	15-30 days	1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	**Total**
Deposits	138,498,857	40,827,037	9,718,609	21,636,088	3,573,980	8,701,479	6,063,902	14,375,410	40,467,105	2,125	–	**283,864,592**
Borrowings	1,898,489	117,580,351	–	1,241,550	–	–	–	1,120,000	12,480,000	22,699,500	11,349,750	**168,369,640**
Investments	189,342,037	119,509,848	2,176,141	2,249,621	395,662	938,284	1,198,290	4,093,555	20,178,145	3,391,388	1,132,262	**344,605,233**
Advances	2,595,050	13,374,809	6,644,375	17,955,525	11,121,881	11,368,030	26,393,467	29,239,701	25,720,000	631,118	1,786,250	**146,830,206**
Foreign Currency Liabilities	16,727,631	2,920,741	–	4,557,089	–	17,670	–	–	–	22,699,500	11,354,762	**58,277,393**
Foreign Currency Assets	3,333,241	1,033,512	86,915	2,950,358	2,284,277	2,105,808	24,592,264	18,969,114	12,735,669	1,448,342	453,990	**69,993,490**

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SCHEDULE 17 – (Notes to the accounts continued...)
(Amounts in thousands of Indian Rupees)

5. Statutory disclosures as per RBI guidelines *(Continued)*

(z) Maturity pattern *(Continued)*

As at March 31, 2019

Maturity pattern of	1 day	2-7 days	8-14 days	15-30 days	1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	**Total**
Deposits	103,951,604	37,381,837	2,251,724	29,655,054	720,234	7,449,467	7,710,110	1,551,530	46,712,925	–	–	**237,384,485**
Borrowings	1,345,206	40,883,506	–	77,672	–	427,199	427,199	–	–	20,746,500	–	**63,907,282**
Investments	74,981,495	42,812,768	759,734	1,531,526	3,242,721	76,375	1,294,361	3,209,707	12,103,961	3,585,621	1,124,099	**144,722,368**
Advances	3,769,809	28,342,217	3,627,083	14,346,933	13,302,089	6,874,887	19,767,912	18,174,025	23,896,630	4,500,000	1,400,000	**138,001,585**
Foreign Currency Liabilities	9,785,800	1,435,735	–	333,836	82,745	660,134	427,182	–	50,363	20,746,500	–	**33,522,295**
Foreign Currency Assets	1,547,766	11,208,155	131,592	693,619	3,339,776	9,118,191	17,036,492	7,186,947	24,254,612	–	414,930	**74,932,080**

Notes:

1. Assets and liabilities in foreign currency exclude off-balance sheet assets and liabilities and are classified as per the guidelines issued by the RBI.
2. In accordance with the ALM guideline issued by RBI, Management has made certain assumptions in respect of behavioural maturities of certain assets and liabilities while compiling their maturity profiles.

(aa) Letters of Comfort

The Bank has not issued any Letters of Comfort (LOC) during the current year and previous year and there are no LOCs outstanding as at the end of current year and previous year.

(ab) Floating Provisions

The Bank has not created any floating provisions during the current year and previous year and there are no floating provisions outstanding as at the end of current year and previous year.

(ac) Unhedged Foreign Currency Exposure

The Bank has a framework to monitor unhedged FX exposure impacting clients in line with the guidelines issued by the RBI. The impact of the unhedged FX positions of clients is taken into consideration as part of the credit risk assessment of clients. The Bank maintains incremental provisions and capital risk weighted asset for the unhedged FX exposure of clients in line with the RBI guidelines.

As on March 31, 2020 the provision against standard assets disclosed under Schedule – 5 (IV) includes provision on unhedged foreign currency exposure of borrowers Rs. 574,275 ('000) (previous year Rs. 242,121 ('000)).

There is an addition in provision of Rs. 332,154 ('000) on standard assets due to unhedged foreign currency exposure during the current year (previous year: reversal of provision of Rs. 55,458 ('000)).

Incremental risk weighted assets value considered for the purpose of Total Capital Ratio calculation in respect of unhedged foreign currency exposure is Rs. 23,983,883 ('000) (previous year Rs. 12,619,990 ('000)).

(ad) Intra-Group Exposure

	Particulars	As at March 31, 2020	As at March 31, 2019
A	Total amount of intra-group exposures	10,063,517	7,037,276
B	Total amount of top-20 intra-group exposures	10,063,517	7,037,276
C	Percentage of intra-group exposures to total exposure of the bank on borrowers/customers	0.95%	0.96%

D. Details of breach of limits on intra-group exposures and regulatory action thereon, if any.

During current year and previous year, single intra group entity exposure and aggregate intra group exposure were within prescribed limits as per guidelines issued by the RBI.

(ae) Corporate Social Responsibility

(i) The Bank fulfils the eligibility criteria stipulated under Section 135 of the Companies Act, 2013 ("Act") read with the Companies Corporate Social Responsibility Rules, 2014 ("Rules") in respect of corporate social responsibility ("CSR") and accordingly was required to contribute Rs. 387,625 ('000) (Previous year Rs. 319,541 ('000)) as calculated basis 2% of its average net profits of previous three financial years.

The details of the CSR expenditure are as below:

Particular	Year Ended March 31, 2020	Year Ended March 31, 2019
1. Gross amount required to be spent by the Bank during the year	**387,625**	**319,541**
2. Amount spent during the year on:		
i) Construction/acquisition of any asset		
– In cash paid by the Bank	–	–
– Yet to be paid in cash	–	–
ii) Any other purpose		
– In cash paid by the Bank	297,661	–
– Yet to be paid in cash	–	–
iii) Administration expenses	10,597	6,948
Total	**308,258**	**6,948**

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SCHEDULE 17 – (Notes to the accounts continued...)

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5. Statutory disclosures as per RBI guidelines *(Continued)*

(ae) Corporate Social Responsibility *(Continued)*

(ii) Given the stringent due-diligence requirements of the Bank, identifying suitable partners to implement CSR projects in line with the stated objectives of its global philanthropic foundation, i.e. focus on jobs and skills (vocational education), small businesses (livelihoods and women's empowerment) and financial health for low-income and underserved communities (contributions provided to technology incubators located within academic institutions which are approved by the Central Government), requires considerable time and resources. In addition to the amounts mentioned above, JPMorgan Chase Bank, N.A., head office and foreign bank of which the Bank is a branch, has directly contributed on behalf of the Bank a total amount of Rs. 76,800 ('000) (Previous Year Rs. 138,961 ('000)) towards eligible projects as mentioned in Schedule VII of the Companies Act, 2013. Nevertheless, the Bank has significantly increased its CSR spend in this financial year and will look to meet its CSR obligation in full in the coming years.

(af) Disclosure on Liquidity Coverage Ratio

Qualitative disclosure

Liquidity Management

The Firm's Treasury and Chief Investment Office (CIO) is responsible for liquidity management. The primary objectives of effective liquidity management are to:

- Ensure that the Firm's core businesses are able to operate in support of client needs and meet contractual and contingent financial obligations through normal economic cycles as well as during stress events, and
- Manage an optimal funding mix and availability of liquidity sources.

As part of the Firm's overall liquidity management strategy, the Firm manages liquidity and funding using a centralized, global approach in order to:

- Optimize liquidity sources and uses;
- Monitor exposures;
- Identify constraints on the transfer of liquidity between the Firm's legal entities; and
- Maintain the appropriate amount of surplus liquidity at a firmwide and legal entity level, where relevant

In the context of the Bank's liquidity management, Treasury and CIO is responsible for:

i. Analyzing and understanding the liquidity characteristics of the assets and liabilities of the Bank and lines of business, taking into account legal, regulatory, and operational restrictions;

ii. Defining and monitoring the Bank's liquidity strategies, policies, reporting and country addendum to Firmwide Contingency Funding Plan;

iii. Managing compliance with regulatory requirements related to funding and liquidity risk; and

iv. Setting transfer pricing in accordance with underlying liquidity characteristics of balance sheet assets and liabilities.

At the firm level, liquidity management is governed by Firmwide Asset and Liability Committee and the Treasurer Committee. The APAC Management Committee is the regional governing committee for liquidity management. The APAC Management Committee delegates more detailed review of liquidity management to the APAC Capital & Liquidity Committee. The APAC Capital & Liquidity Committee and the Bank's Management Committee delegate review of the Bank's liquidity management to the India Asset Liability Management Committee.

LCR

The Bank's average LCR was driven by:

- HQLA primarily consists of Level 1 unencumbered securities and cash at central bank,
- Net cash outflows predominantly related to the Bank's deposits, to a lesser extent, derivatives.

For the three months ended March 31, 2020, the Bank's average LCR was 248%, compared with an average of 268% for the three months ended December 31, 2019. The decrease in the ratio was largely attributable to increase in average net cash outflows, driven primarily by an increase in outflows related to unsecured wholesale funding during the quarter ending March 2020.

High quality liquid assets

HQLA is the amount of liquid assets that qualify for inclusion in the LCR. HQLA primarily consist of unencumbered cash and certain high quality liquid securities as defined in the LCR rule issued by RBI. For the three months ended March 31, 2020, the Bank's average HQLA was INR 242,248,095 ('000) compared with average HQLA of INR 194,415,727 ('000) for the three months ended December 31, 2019.

Funding sources

The Bank funds its balance sheet through diverse sources of funding including a stable deposit franchise as well as secured funding, capital funds and borrowing from its Head office. Deposit in excess of the amount utilized to fund loans are primarily invested in the Bank's investment securities portfolio or deployed in cash or other short-term liquid investments based on their interest rate and liquidity risk characteristics.

Deposits

A key strength of the Bank is its diversified deposit franchise, through each of its lines of business, which provides a stable source of funding. Wholesale operating deposits are considered to be stable sources of liquidity because they are generated from customers that maintain operating service relationships with the Bank. For the three months ended March 31, 2020, the Bank had total average unweighted operating deposit balances of INR 193,716,155 ('000) and average weighted cash outflows of INR 48,420,080 ('000), which resulted in an implied LCR cash outflow rate of 25%, and a 75% liquidity value.

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SCHEDULE 17 – (Notes to the accounts continued...)
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5. Statutory disclosures as per RBI guidelines *(Continued)*

(af) Disclosure on Liquidity Coverage Ratio *(Continued)*

Quantitative disclosure

Sr. No.	Particulars	Quarter ended March 31, 2020*		Quarter ended December 31, 2019*		Quarter ended September 30, 2019*		Quarter ended June 30, 2019*	
		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 (HQLAs)	242,248,095	242,248,095	194,415,727	194,415,727	178,372,697	178,372,697	177,952,479	177,952,479
	Cash Outflows								
2	Retail Deposits and deposits from small business customers, of which:								
	(i) Stable Deposits	–	–	–	–	–	–	–	–
	(ii) Less Stable Deposits	–	–	–	–	–	–	–	–
3	Unsecured wholesale funding, of which :	260,841,637	91,745,984	226,562,860	73,004,160	210,603,970	69,052,778	203,755,515	66,524,832
	(i) Operational deposits (all counterparties)	193,716,155	48,420,080	179,602,383	44,892,601	162,474,564	40,611,370	157,562,490	39,383,483
	(ii) Non-operational deposits (all counterparties)	67,125,482	43,325,904	46,960,477	28,111,559	48,129,406	28,441,408	46,193,025	27,141,349
	(iii) Unsecured debt	–	–	–	–	–	–	–	–
4	Secured wholesale funding	16,935,722	–	16,570,533	–	19,384,326	–	25,978,677	–
5	Additional requirements, of which	46,599,213	46,121,963	36,700,489	36,139,022	36,318,440	35,868,440	32,819,850	32,369,850
	(i) Outflows related to derivative exposures and other collateral requirements	46,065,046	46,065,046	36,076,637	36,076,637	35,818,440	35,818,440	32,319,850	32,319,850
	(ii) Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–
	(iii) Credit and liquidity facilities	534,167	56,917	623,852	62,385	500,000	50,000	500,000	50,000
6	Other contractual funding obligations	270,565	270,565	239,742	239,742	250,552	250,552	5,597	5,597
7	Other contingent funding obligations	199,263,976	9,396,906	175,106,730	8,202,551	161,195,959	7,408,731	157,594,180	7,171,888
8	**TOTAL CASH OUTFLOWS**	**523,911,113**	**147,535,418**	**455,180,354**	**117,585,475**	**427,753,247**	**112,580,501**	**420,153,819**	**106,072,167**
	Cash Inflows								
9	Secured lending (eg. reverse repo)	46,840,403	–	54,423,225	–	41,871,149	–	61,755,868	–
10	Inflows from fully performing exposures	71,488,872	49,607,005	67,489,166	45,034,018	36,474,606	28,488,308	31,743,549	25,870,415
11	Other cash inflows	174,229	87,115	184,189	92,094	176,365	88,183	78,024	39,012
12	**TOTAL CASH INFLOWS**	**118,503,504**	**49,694,120**	**122,096,580**	**45,126,112**	**78,522,120**	**28,576,491**	**93,577,441**	**25,909,427**
			Total adjusted Value		Total adjusted Value		Total adjusted Value		Total adjusted Value
13	TOTAL HQLA		242,248,095		194,415,727		178,372,697		177,952,479
14	TOTAL NET CASH OUTFLOWS[#]		97,841,298		72,459,363		84,004,010		80,162,740
15	**LIQUIDITY COVERAGE RATIO %**		**248%**		**268%**		**212%**		**222%**

Quantitative disclosure

Sr. No.	Particulars	Quarter ended March 31, 2019*		Quarter ended December 31, 2018*		Quarter ended September 30, 2018*		Quarter ended June 30, 2018*	
		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 (HQLAs)	163,318,928	163,318,928	180,381,829	180,381,829	145,464,117	145,464,117	99,663,735	99,663,735
	Cash Outflows								
2	Retail Deposits and deposits from small business customers, of which:								
	(i) Stable Deposits	–	–	–	–	–	–	–	–
	(ii) Less Stable Deposits	–	–	–	–	–	–	–	–
3	Unsecured wholesale funding, of which :								
	(i) Operational deposits (all counterparties)	153,062,788	38,258,895	155,414,172	38,846,892	110,388,901	27,590,966	92,347,860	23,080,982
	(ii) Non-operational deposits (all counterparties)	52,960,720	28,636,380	47,897,872	26,741,926	43,922,912	25,724,570	36,420,286	21,756,973
	(iii) Unsecured debt	–	–	–	–	–	–	–	–
4	Secured wholesale funding	13,947,010	–	5,475,109	–	17,015,927	–	65,810,437	–
5	Additional requirements, of which								
	(i) Outflows related to derivative exposures and other collateral requirements	33,711,026	33,711,026	43,137,015	43,137,015	39,907,763	39,907,763	31,463,285	31,463,285
	(ii) Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–
	(iii) Credit and liquidity facilities	614,764	95,903	3,919,776	674,181	2,540,627	269,063	2,401,226	240,123

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SCHEDULE 17 – (Notes to the accounts continued...)

(Amounts in thousands of Indian Rupees)

5. Statutory disclosures as per RBI guidelines *(Continued)*

(af) Disclosure on Liquidity Coverage Ratio *(Continued)*

Quantitative disclosure *(Continued)*

Sr. No.	Particulars	Quarter ended March 31, 2019*		Quarter ended December 31, 2018*		Quarter ended September 30, 2018*		Quarter ended June 30, 2018*	
		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)
6	Other contractual funding obligations	–	–	–	–	–	–	–	–
7	Other contingent funding obligations	129,283,639	5,875,073	111,162,068	5,104,081	111,462,304	5,169,870	104,384,612	4,812,560
8	**TOTAL CASH OUTFLOWS**	**383,579,947**	**106,577,277**	**367,006,012**	**114,504,095**	**325,238,434**	**98,662,232**	**332,827,706**	**81,353,923**
	Cash Inflows								
9	Secured lending (eg. reverse repo)	51,046,256	–	46,370,712	–	24,144,975	–	26,899,960	–
10	Inflows from fully performing exposures	69,303,900	58,186,598	64,695,685	55,195,563	60,536,063	51,639,351	46,473,219	39,861,478
11	Other cash inflows	100,735	50,368	95,962	47,981	52,487	26,243	76,515	38,257
12	**TOTAL CASH INFLOWS**	**120,450,891**	**58,236,966**	**111,162,359**	**55,243,544**	**84,733,525**	**51,665,594**	**73,449,694**	**39,899,735**
		Total adjusted Value		Total adjusted Value		Total adjusted Value		Total adjusted Value	
13	TOTAL HQLA	163,318,928		180,381,829		145,464,117		99,663,735	
14	TOTAL NET CASH OUTFLOWS#	48,340,311		59,260,551		46,996,638		41,454,188	
15	**LIQUIDITY COVERAGE RATIO %**	**338%**		**304%**		**310%**		**240%**	

Notes: # Net cash outflow is floored at 25% of Cash Outflow

* Data represents simple average of day end observations

(ag) Transfers to Depositor Education and Awareness Fund (DEAF)

During the year ended March 31, 2020 and March 31, 2019, the following amounts were transferred to the Depositor Education and Awareness Fund (DEAF)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Opening balance of amounts transferred to DEAF	423	423
Add : Amounts transferred to DEAF during the year	1,107	–
Less : Amounts reimbursed by DEAF towards claims	–	–
Closing balance of amounts transferred to DEAF	**1,530**	**423**

(ah) Provision Coverage Ratio

There are no NPAs as at March 31, 2020 and March 31, 2019.

(ai) Penalties

In the current year, a penalty of Rs 500 (‘000) was levied on the Bank by RBI in terms of the RBI Circular IDMD.DOD.17/11.01.01 (B) 2010-11 dated July 14, 2010 on account of shortfall in SGL account . The same was duly paid by the Bank on 6 May, 2020.

In the previous year ended March 31, 2019, penalty of Rs 10,000 (‘000) were imposed on the Bank by RBI as penal charges for non-compliance with directions issued by RBI on time bound implementation and strengthening of SWIFT related operational controls dated February 20, 2018. The RBI observed that “no reconciliation for financial and non-financial messages independently by either the internal audit team of the bank or concurrent auditors on daily basis” was being undertaken by the bank for the period between 20 February 2018 to 31 May 2018. Since June 2018, the Bank had “implemented a manual reconciliation process of SWIFT logs to the transactions in its core processing systems, through concurrent audit”.

(aj) Details of Customer Complaints/Unimplemented awards of Banking Ombudsman:

A. Customer Complaints

		Year ended March 31, 2020	Year ended March 31, 2019
(a)	No. of complaints pending at the beginning of the year	–	1
(b)	No. of complaints received during the year	10	3
(c)	No. of complaints redressed during the year	10	4
(d)	No. of complaints pending at the end of the year	–	–

Note:

The Bank has not issued any Automated Teller Machine (ATM) cards and accordingly not received any customer complaints in this regard.

B. Awards passed by Banking Ombudsman

During the current year and previous year, no award has been passed by the Banking Ombudsman. Further there were no unimplemented awards outstanding as at the beginning and end of the current year and previous year.

Note:

The above information regarding customer complaints and awards passed by banking ombudsman have been identified on the basis of the information available with the Bank.

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5. Statutory disclosures as per RBI guidelines *(Continued)*

(ak) Sale and Transfers to/from HTM category:

There was no sale or transfer to/from HTM category during the current year and previous year.

(al) Derivatives

Qualitative Disclosure:

Risk Management of Derivatives

At a Global level, Risk Management is headed by the JPMorgan Chase & Co. ("JPMC") Chief Risk Officer ("CRO"). The JPMC CRO is responsible for the overall direction of the firm's risk management functions and is head of the Risk Management organization. The JPMC CRO reports to the JPMC CEO and the Directors' Risk Policy Committee (DRPC). The India CRO oversees the Risk Management function in India. Risk Management is responsible for providing a firm wide function of risk management and controls. Within Risk Management there are units responsible for credit risk, market risk, country risk and operational risk as well as risk reporting, risk policy and risk technology and operations. Risk technology and operations is responsible for building the information technology infrastructure to monitor and manage risk.

Credit Risk

The credit risk management is overseen by the JPMC CRO. Credit Risk works in partnership with the business segments in identifying and aggregating exposures across all Lines of Business. Credit risk measurement is based on the amount of exposure should the obligor or the counterparty default, the probability of default and the loss severity given a default event. These finally result in a facility grade for each facility sanctioned by JPMC to a customer. To enable monitoring of credit risk and decision-making, aggregate credit exposure, credit quality forecasts, concentrations levels and risk profile changes are reported regularly to senior credit risk management. Through the risk reporting and governance structure, credit risk trends and limit exceptions are provided regularly to, and discussed with, senior management. Derivative exposure is measured as the sum of the potential future changes in value and the replacement cost, which is the positive mark-to-market value of the contract. The Bank has in place a Credit policy, which includes details on credit risk mitigation. The credit risk mitigation considers the eligibility requirements for credit risk mitigants for capital computation as per Basel III guidelines.

Market risk

Market risk is the exposure to an adverse change in the market value of financial instruments caused by a change in market parameters. The Bank's Management Committee has delegated the responsibility of governing the market risk management structure to the India Risk Committee ("IRC"). The Bank's CRO is responsible for the local risk agenda and governance, including establishing effective market risk governance. Market risk limits are employed as the primary second line of defence control tool to align the bank's market risk activities with the risk appetite as referenced in the firm wide Market Risk Management policy.

All Market Risk Management activities are closely supervised with regular reporting to the appropriate senior management of the Bank. The IRC is provided a profile of the Bank's market risk on a daily and monthly basis, including the utilization of market risk limits and significant trends. Information provided includes, but is not limited to, reports that allow senior management to:

- Evaluate market risk related activities as measured by VaR and non-statistical measures over the preceding year against market risk limits
- Understand the effectiveness of VaR assumptions through observation of back-testing results
- Understand the Bank's stress testing results for market risk activities

There exist policies for recording derivative transactions, recognition of income, valuation of outstanding contracts and provisioning. 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.

Quantitative Disclosure

Year ended March 31, 2020

Sr. No	Particular	Currency. derivatives*	Interest rate derivatives**
1	Derivatives (notional principal amount)		
	a) For hedging	–	–
	b) For trading	7,714,396,710	6,064,939,440
2	Market to market positions (gross)		
	a) Asset (+)	164,097,251	121,860,022
	b) Liability (–)	(182,850,782)	(120,645,879)
3	Credit exposure	402,530,426	190,236,132
4	Likely impact of one percentage change in interest rate (100*PV01) #		
	a) on hedging derivatives	–	–
	b) on trading derivatives	279,064	11,978,691
5	Maximum and minimum of 100*PV01 observed during the year #		
	a) on hedging		
	– maximum	–	–
	– minimum	–	–
	b) on trading		
	– maximum	1,401,751	12,165,646
	– minimum	90,203	1,731,822

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5. Statutory disclosures as per RBI guidelines *(Continued)*

Quantitative Disclosure *(Continued)*

Year ended March 31, 2019

Sr. No	Particular	Currency derivatives*	Interest rate derivatives**
1	Derivatives (notional principal amount)		
	a) For hedging	–	–
	b) For trading	3,767,683,617	6,084,268,267
2	Market to market positions (gross)		
	a) Asset (+)	53,850,308	45,388,946
	b) Liability (–)	(57,609,488)	(44,687,875)
3	Credit exposure	202,017,463	110,621,256
4	Likely impact of one percentage change in interest rate (100*PV01) #		
	a) on hedging derivatives	–	–
	b) on trading derivatives	1,365,969	4,895,037
5	Maximum and minimum of 100*PV01 observed during the year #		
	a) on hedging		
	– maximum	–	–
	– minimum	–	–
	b) on trading		
	– maximum	2,368,351	6,512,022
	– minimum	641,657	2,227,178

* Includes Forward Exchange Contracts

** Includes Forward Rate Agreements

\# As per assumptions and estimations made by the Management

The Bank will incur a loss of Rs. 285,957,273 (‘000) (Previous year Rs. 99,239,254 (‘000)) in case the counterparties fail to fulfil the obligation under the derivatives contracts including Forward contracts.

Derivative contracts, to the extent of 56% (Previous year 76%) have been contracted with banks.

The net overnight open position as at March 31, 2020 is Rs. 2,358,413 (‘000) (Previous year Rs. 3,607,396 (‘000)).

The Bank has not entered into any exchange traded interest rate derivatives during the current year and previous year.

The Bank has not transacted in credit default swaps during the current year and previous year.

Forward Rate Agreements/Interest Rate Swaps:

Particulars		As at March 31, 2020	As at March 31, 2019
i)	The notional principal of swap agreements	6,064,939,440	6,084,268,267
ii)	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	121,860,022	45,388,946
iii)	Collateral required by the bank upon entering into swaps*	–	–
iv)	Concentration of credit risk arising from the swaps (in the banking industry)	97%	99%
v)	The fair value of the swap book – Gains/(losses)	1,214,143	701,071

* As at March 31, 2020 the Bank has accepted Rs. 13,333,024 (‘000) (Previous year Rs. 6,703,579 (‘000)) and placed Rs. 26,016,254 (‘000) (Previous year Rs. 5,745,689 (‘000)) as cash collateral under credit support agreement from counterparties and is taken on a consolidated basis for all the products together including currency and other interest rate derivatives. However, the Bank has not reckoned the same as a credit risk mitigant for capital adequacy as well as for exposure monitoring purposes.

(am) Priority Sector Lending Certificate

During the year ended 31 March, 2020, the Bank purchased Priority Sector Lending Certificates (PSLC) amounting to Rs. 16,750,000 (‘000) (Previous year – Rs. 4,750,000 (‘000)), the details of which are set out below:

Category	Year ended March 31, 2020	Year ended March 31, 2019
PSLC – Micro Enterprises	8,500,000	4,750,000
PSLC – General	8,250,000	–
Total	**16,750,000**	**4,750,000**

During the year ended 31 March, 2020 and 31 March, 2019, the Bank has not sold any category of PSLC.

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6. Operating Leases

(a) Lease rental expense recognised in the Profit and Loss Account for the year is Rs.29,058 ('000) (Previous year Rs. 26,426 ('000))

(b) The future minimum lease payments under non-cancellable operating lease are as follows:

		Year ended March 31, 2020*	Year ended March 31, 2019*
(a)	Not later than one year	23,682	4,673
(b)	Later than one year and not later than five years	9,363	–
(c)	Later than five years	–	–

* The above amounts does not include taxes

(c) The Bank has not sub-leased any of the leased assets

(d) The Bank does not have any provisions relating to contingent rent

(e) The terms of renewal, termination and escalation are as per those prevalent in the similar lease agreements

(f) The above disclosure pertains to property lease only

7. Related party disclosures

The Bank has transactions with its below mentioned related parties comprising Parent, Subsidiaries of Head Office and Fellow Subsidiaries:

Nature of Relationship	Name of Related Party
Parent	JPMorgan Chase Bank, N.A. and branches
Subsidiaries of Head Office (Subsidiaries with which the Bank transacted during the year)	J P Morgan Securities India Private Limited J P Morgan India Private Limited J P Morgan Securities (Asia Pacific) Limited Bluebay Mauritius Investment Limited Copthall Mauritius Investment Limited Dauphine Mauritius investment Limited J P Morgan Europe Limited J P Morgan Securities Asia Private Limited J.P. Morgan Bank (Ireland) PLC J.P. Morgan AG JPMorgan Securities Japan Co., Ltd. J.P. Morgan (S.E.A.) Limited J.P. Morgan (Suisse) SA J P Morgan Australia Ltd. J.P. Morgan Overseas Capital LLC J.P. Morgan Bank Luxembourg SA J.P. Morgan India Securities Holdings Ltd. J.P. Morgan International Finance Ltd. J.P. Morgan Securities Plc. J.P. Morgan Securities Australia Limited
Fellow Subsidiaries (Fellow subsidiaries with which the Bank has had transactions during the year)	J P Morgan Services India Private Limited J P Morgan Advisors India Private Limited J P Morgan Asset Management India Private Limited J P Morgan Mutual Fund India Private Limited J P Morgan Life Limited J P Morgan Chase Holdings LLC BAFM CAFM J.P. Morgan Special Situations Mauritius Limited J.P. Morgan Chase Funding Inc.
Key management personnel	Madhav Kalyan (Chief Executive Officer)

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SCHEDULE 17 – (Notes to the accounts continued...)
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7. Related party disclosures *(Continued)*

The following transactions were carried out with the related parties in the ordinary course of business:

Year ended March 31, 2020

Items/related Party	Parent (*)	Subsidiaries of Head Office	Fellow Subsidiaries	Key management personnel (*)	Total
Borrowings					
– Maximum amount during the year	–	1,894,726	–	–	**1,894,726**
– Outstanding	–	1,894,726	–	–	**1,894,726**
Deposits					
– Maximum amount during the year	–	65,162,339	94,196,516	–	**159,358,855**
– Outstanding	–	18,805,434	80,265,100	–	**99,070,534**
Placement of Deposits					
– Maximum amount during the year	–	474,461	–	–	**474,461**
– Outstanding	–	–	–	–	**–**
Mark-to-Market	–	(1,015,562)	–	–	**(1,015,562)**
Derivatives Notional Value	–	57,822,273	–	–	**57,822,273**
Purchase of fixed assets	–	–	–	–	**–**
Sale of fixed assets	–	–	–	–	**–**
Interest expense	–	–	1,055,239	–	**1,055,239**
Interest income	–	–	–	–	**–**
Rendering of services	–	1,304,144	18,036	–	**1,322,180**
Receiving of services	–	181,961	340,482	–	**522,443**
Non funded commitments	–	8,599	–	–	**8,599**
Salaries to Key management personnel	–	–	–	–	**–**
Other Assets	–	107,688	1,117	–	**108,805**
Other Liabilities	–	160,610	179,575	–	**340,185**

(*) As per the guidelines on compliance with the accounting standards by banks issued by the RBI on March 29, 2003, the Bank has not disclosed the details pertaining to the related party where there is only one entity/person in any category of related party.

Year ended March 31, 2019

Items/related Party	Parent (*)	Subsidiaries of Head Office	Fellow Subsidiaries	Key management personnel (*)	**Total**
Borrowings					
– Maximum amount during the year	–	69,795	–	–	**69,795**
– Outstanding	–	69,795	–	–	**69,795**
Deposits					
– Maximum amount during the year	–	96,766,970	151,161,203	–	**247,928,173**
– Outstanding	–	17,480,819	70,895,462	–	**88,376,281**
Placement of Deposits					
– Maximum amount during the year	–	–	–	–	**–**
– Outstanding	–	–	–	–	**–**
Mark-to-Market	–	301,860	–	–	**301,860**
Derivatives Notional Value	–	94,886,184	–	–	**94,886,184**
Purchase of fixed assets	–	–	–	–	**–**
Sale of fixed assets	–	–	–	–	**–**
Interest expense	–	–	223,534	–	**223,534**
Interest income	–	–	–	–	**–**
Rendering of services	–	121,114	15,730	–	**136,844**
Receiving of services	–	76,100	226,099	–	**302,199**
Non funded commitments	–	2,136,817	–	–	**2,136,817**
Salaries to Key management personnel	–	–	–	–	**–**
Other Assets	–	37,303	1,195	–	**38,498**
Other Liabilities	–	2,363,015	139,612	–	**2,502,627**

(*) As per the guidelines on compliance with the accounting standards by banks issued by the RBI on March 29, 2003, the Bank has not disclosed the details pertaining to the related party where there is only one entity/person in any category of related party.

Material related party transactions

A related party transaction is disclosed as a material related party transaction wherever it exceeds 10% of all related party transactions in that category. Following are such related party transactions. All amounts are Indian Rupees in thousands.

Borrowings:

J.P. Morgan AG Rs. 1,894,726 (previous year – Rs. 69,795)

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7. Related party disclosures *(Continued)*

Deposits:

J.P. Morgan India Private Ltd. Rs. 14,159,688 (previous year – Rs. 9,497,517), J.P. Morgan Services India Private Limited Rs. 74,428,079 (previous year – Rs. 64,551,113), J.P. Morgan Advisors India Private Limited Rs. 5,563,785 (previous year – Rs. 6,037,809)

Non Funded Commitment:

J.P. Morgan AG Rs. 2,038 (previous year – Nil), J.P. Morgan Europe Limited Rs. 6,561 (previous year – Rs. 2,945), Copthall Mauritius Investment Limited Rs. Nil (previous year – Rs. 2,133,872)

Mark to Market (Net):

Copthall Mauritius Investment Limited Rs. (557,984) (previous year – Rs. (5,805)), J.P. Morgan Securities Asia Private Limited Rs. (457,577) (previous year – Rs. 307,665)

Notional Value:

J.P. Morgan Securities Asia Private Limited Rs. 31,396,110 (previous year – Rs. 23,470,928), Copthall Mauritius Investment Limited Rs. 26,426,163 (previous year – Rs. 71,415,255)

Interest Expense paid:

J.P. Morgan Services India Private Limited Rs. 829,470 (previous year – Rs. 31,817), J.P. Morgan Advisors India Private Limited Rs. 225,769 (previous year – Rs. 191,717)

Rendering of services:

J.P. Morgan Securities (Asia Pacific) Limited Rs. 311,568 (previous year – Rs. 47,088), J.P. Morgan Bank Luxembourg SA Rs. 903,306 (previous year – Nil), Copthall Mauritius Investment Limited Rs. 31,347 (previous year – Rs. 37,195)

Receiving of services:

J.P. Morgan (S.E.A.) Limited Rs. 145,853 (previous year – Rs. 69,132), J.P. Morgan Services India Private Limited Rs. 229,581 (previous year – Rs. 224,371), J.P. Morgan Chase Holdings LLC Rs. 110,901 (previous year - Nil)

Other Assets:

J.P. Morgan Securities (Asia Pacific) Limited Rs. 46,262 (previous year – Rs. 29,692), J.P. Morgan Bank Luxembourg SA Rs. 45,761 (previous year – Nil), J.P. Morgan Overseas Capital LLC Rs. 11,637 (previous year – Nil)

Other Liabilities:

J.P. Morgan (S.E.A.) Limited Rs. 133,840 (previous year – Rs. 68,467), J.P. Morgan Services India Private Limited Rs. 46,069 (previous year – Rs. 103,044), J.P. Morgan Chase Holdings LLC Rs. 110,901 (previous year – Nil), Copthall Mauritius Investment Limited – Nil (previous year – Rs. (2,245,855))

8. Segment reporting

In terms of the RBI guidelines on Segment Reporting, the business of the Bank is divided into three segments:

- Treasury
- Wholesale Banking
- Other Banking Operations

Treasury activities encompass dealing in foreign exchange and interest rate products including derivatives, credit market products and also include offering such products to the Bank's corporate and institutional clients and primary dealing operations.

Wholesale Banking encompasses transaction banking and trade services and catering to working capital requirements of corporates and custodial services. Principal products offered include loans, deposits, custodial services, trade services and cash management services.

Other Banking Operations includes items not allocated to any other segment as specified in the RBI guidelines.

Revenues and expenses directly attributable to each segment are included in determining the segments' results. Assets employed by a segment or assets that are directly attributable to that segment are included in segment assets. Liabilities that result from operations of a segment, Head office account and Reserves and surplus are included in segment liabilities.

Funds are transferred between segments at negotiated rates, which are broadly market rates.

The Bank renders its services within one geographical segment and has no offices or significant assets outside India.

Segmental results for the year ended March 31, 2020

Particulars	Treasury	Wholesale Banking	Other Banking Operations	Total
Revenue	20,892,695	15,070,390	–	**35,963,085**
Result/Operating profit before tax	14,554,940	8,372,396	12,208	**22,939,544**
Taxes	–	–	10,087,726	**10,087,726**
Extraordinary profit/(loss)	–	–	–	**–**
Net profit				**12,851,818**
Other information				
Segment assets	806,535,563	114,808,959	3,694,715	**925,039,237**
Segment liabilities	674,210,265	250,397,905	431,067	**925,039,237**
Capital expenditure for the year	1,520	4,768	–	**6,288**
Depreciation on fixed assets for the year	1,524	32,659	–	**34,185**

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8. Segment reporting *(Continued)*

Segmental results for the year ended March 31, 2019

Particulars	Treasury	Wholesale Banking	Other Banking Operations	**Total**
Revenue	22,879,807	12,124,257	–	**35,004,064**
Result/Operating profit before tax	15,903,672	7,709,949	(5,526)	**23,608,095**
Taxes	–	–	10,432,996	**10,432,996**
Extraordinary profit/(loss)	–	–	–	
Net profit				**13,175,099**
Other information				
Segment assets	428,019,256	107,995,807	1,705,215	**537,720,278**
Segment liabilities	345,397,455	191,957,101	365,722	**537,720,278**
Capital expenditure for the year	838	30,488	–	**31,326**
Depreciation on fixed assets for the year	2,333	28,839	–	**31,172**

Note: In computing the above information, certain estimates and assumptions have been made by the Management which have been relied upon by the Auditors. Segment liabilities include Capital from Head Office and Reserves and Surplus.

9. Deferred taxation

The Bank follows the accounting policy for taxes on income in line with the Accounting Standard 22 (AS-22) on 'Accounting for Taxes on Income' issued by ICAI.

The primary components that give rise to deferred tax assets and liabilities included in Schedule 11 'Other Assets' are as follows

	As at March 31, 2020	As at March 31, 2019
Deferred tax assets		
Provisions for Employee benefits	136,308	70,447
Depreciation on Fixed Assets	25,615	16,282
Provision for exposure to large borrowers and other General provisions	448,708	–
Total	**610,631**	**86,729**
Deferred tax liabilities		
Goods and Service Tax Expenses	(31,721)	(27,273)
Total	**(31,721)**	**(27,273)**
Net Deferred Tax Asset	**578,910**	**59,456**

10. Employee benefits

Provident Fund

The Bank's contribution paid/payable to a trust set up by the Bank and administered by the trustees on behalf of employees is charged to the Profit and Loss Account.

As per the Employees' Provident Fund and Miscellaneous Provisions Act, 1952, the interest rate payable to the members of the trust shall not be lower than the statutory rate of interest declared by the Central Government. The shortfall, if any, is provided for by doing an independent actuarial valuation.

The Bank has contributed Rs. 89,653 ('000) to Provident Fund for the year ended March 31, 2020 (previous year Rs. 52,599 ('000)) which includes compulsory contribution made towards employee pension scheme under Employees Provident Fund and Miscellaneous Provisions Act, 1952.

The following tables summarise the principal assumptions, components of amount recognised in the Profit and Loss Account, the funded status recognised in the Balance Sheet for Provident Fund.

Change in defined benefit obligations

	As at March 31, 2020	As at March 31, 2019
Opening defined benefit obligation	1,658,730	1,388,078
Current service cost	69,183	52,159
Interest cost	152,414	125,642
Actuarial (gain)/loss due to change in assumptions	3,754	14,924
Other Adjustments*	(53,053)	(1,645)
Employees contribution	144,695	119,986
Liabilities assumed on acquisition/(settled on divestiture)	35,117	(18,455)
Benefits paid	(129,286)	(21,959)
Closing defined benefit obligation	1,881,554	1,658,730

* *Other adjustments represent cumulative surplus of Fair Value of Assets (FVA) over Defined Benefit Obligations (DBO)*

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10. Employee benefits *(Continued)*

Change in fair value of plan assets

	As at March 31, 2020	As at March 31, 2019
Opening fair value of assets	1,666,777	1,411,998
Interest income on plan assets	153,324	127,808
Return on plan assets lesser than expected return on assets	(17,562)	(2,897)
Contribution by employer	67,377	51,941
Contribution by employee	144,695	119,986
Assets acquired on acquisition/(distributed on divestiture)	35,117	(18,455)
Other Adjustments*	(53,053)	(1,645)
Benefits paid	(129,286)	(21,959)
Closing fair value of plan assets	1,867,389	1,666,777

* *Other adjustments represent cumulative surplus of Fair Value of Assets (FVA) over Defined Benefit Obligations (DBO).*

Amount recognised in the Balance Sheet

	As at March 31, 2020	As at March 31, 2019
Present value of obligation as at year end	1,881,554	1,658,730
Fair value of plan assets as at year end	(1,867,389)	(1,666,777)
Net liability/(asset) recognized in the Balance Sheet	14,165	(8,047)

Expenses recognized in the Statement of Profit and Loss

	For the year ended March 31, 2020	For the year ended March 31, 2019
Current service cost	69,183	52,159
Interest on defined benefit obligation	(910)	(2,166)
Net actuarial loss recognised in the current year	21,316	17,821
Other Adjustments	(8,047)	(15,873)
Total expense recognized in the Statement of Profit and Loss	81,542	51,941

Asset information

	As at March 31, 2020 (%)	As at March 31, 2019 (%)
Government of India securities (Central and State)	53.0%	49.0%
High quality corporate bonds (including Public Sector Bonds)	37.0%	39.0%
Cash (including Special deposit scheme)	2.0%	4.0%
Equity Shares of Listed Companies	4.0%	3.0%
Others	4.0%	5.0%

Experience adjustments

	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017	As at March 31, 2016
Defined Benefit Obligation	1,881,554	1,658,730	1,388,078	1,176,453	1,011,697
Plan Assets	1,867,389	1,666,777	1,411,998	1,202,116	1,011,697
Funded status	(14,165)	8,047	23,920	25,663	–
Experience Gain/(Loss) adjustments on plan liabilities	918	(4,293)	–	(10,788)	(9,329)
Experience Gain/(Loss) adjustments on plan assets	(17,562)	(2,897)	(2,317)	(1,616)	(2,039)
Actuarial Gain/(Loss) due to change on assumptions	(4,672)	(10,631)	(1,761)	–	–

Principal actuarial assumptions

Particulars	As at March 31, 2020	As at March 31, 2019
Discount rate for the term of the obligation	6.50%	7.20%
Expected investment return	8.50%	8.70%
Guaranteed rate of return	8.50%	8.65% p.a. for first year and 8.60% p.a. thereafter

SCHEDULE 17 – (Notes to the accounts continued...)

(Amounts in thousands of Indian Rupees)

10. Employee benefits *(Continued)*

Gratuity

The Bank has a defined benefit scheme for Gratuity as per The Payment of Gratuity Act 1972.

The following tables summarise the principal assumptions, components of amount recognised in the Profit and Loss Account, the funded status and net asset/liability recognised in the Balance Sheet for the Gratuity.

Change in the present value of the defined benefit obligations (DBO) during the year

Particulars	As at March 31, 2020	As at March 31, 2019
Opening defined benefit obligation	131,191	119,602
Current service cost	9,889	9,446
Interest cost	9,003	8,416
Actuarial losses/(gains)	9,196	5,478
Liabilities credit assumed on acquisition/(settled on divestiture)	2,856	3,023
Benefits paid	(12,313)	(14,774)
Closing defined benefit obligation	149,822	131,191

Change in fair value of plan assets during the year

Particulars	As at March 31, 2020	As at March 31, 2019
Opening fair value of assets	113,835	70,473
Expected return on plan assets	8,834	6,687
Actuarial (losses)/gains	(2,382)	(703)
Contributions by employer	17,356	49,129
Acquisition Cost/(Credit)	2,856	3,023
Benefits paid	(12,313)	(14,774)
Closing fair value of plan assets	128,186	113,835

Net Liability/(Asset) recognised in the Balance Sheet

Particulars	As at March 31, 2020	As at March 31, 2019
Present value of obligation as at year end	149,822	131,191
Fair value of plan assets as at year end	(128,186)	(113,835)
Liability/(Asset) recognised in the Balance Sheet	21,636	17,356

Amount recognised in the Profit and Loss Account for the year

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Current service cost	9,889	9,446
Interest cost on defined benefit obligations	9,002	8,416
Expected return on plan assets	(8,834)	(6,687)
Actuarial losses/(gains) recognised in the year	11,579	6,181
Total expense/(gains) recognised in the Profit and Loss Account	21,636	17,356

Actual Return on Plan Assets

Particulars	As at March 31, 2020	As at March 31, 2019
Expected return on plan assets	8,834	6,687
Actuarial gains/(losses) on plan assets	(2,382)	(703)
Actual return on plan assets	6,452	5,984

Asset information

	As at March 31, 2020 (%)	As at March 31, 2019 (%)
Government of India Securities (Central and State)	0%	0%
High quality corporate bonds (including Public Sector Bonds)	0%	0%
Equity shares of listed companies	0%	0%
Property	0%	0%
Cash	0%	0%
Others (including Fixed Deposits and Special Deposits)	100%	100%

SCHEDULE 17 – (Notes to the accounts continued...)
(Amounts in thousands of Indian Rupees)

10. Employee benefits *(Continued)*

Principal actuarial assumptions

Particulars	As at March 31, 2020	As at March 31, 2019
Discount rate (per annum)	6.50%	7.20%
Expected rate of return on assets (per annum)	7.50%	7.50%
Salary escalation rate	8%	8%

Experience adjustments

Particulars	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017	As at March 31, 2016
Defined benefit obligation	149,822	131,191	119,602	76,918	73,708
Plan assets	128,186	113,835	70,473	78,047	65,125
Surplus/(Deficit)	(21,636)	(17,356)	(49,129)	1,129	(8,583)
Experience Gain/(Loss) adjustments on plan liabilities/Actuarial Gain/(Loss) due to change in assumptions	(9,197)	(5,478)	(5,496)	6,186	(817)
Experience Gain/(Loss) adjustments on plan assets	(2,382)	(703)	(947)	1,563	1,973

The estimates of future salary increases, considered in the actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Employee Share Based Payments

Restricted stock units of the JPMorgan Chase & Co. are granted to the eligible employees of the Bank in terms of its long-term incentive compensation plans. These restricted stock units vest at a rate of 50% after two years and 50% after three years from the grant date. Payments to and provisions for employees for the year includes Rs. 110,901 (‘000) (Previous year - Rs. Nil) towards these awards. The liability towards restricted stock units recognized as at March 31, 2020 is Rs. 110,901 (‘000) (Previous year - Rs. Nil).

11. Provisions, contingent liabilities and contingent assets

Description of Contingent Liabilities

Contingent Liability	Brief Description
Claims against the Bank not acknowledged as debts	Includes various legal proceedings in the normal course of business, which are disputed by the Bank. The Bank has preferred appeals and other counter proceedings with the appellate and other appropriate authorities for such matters. The management believes it is likely that the ultimate outcome of the proceedings may not have a materially adverse impact on the Bank's financial position.
Liability on account of forward exchange and derivative contracts	The Bank enters into foreign exchange contracts, currency options, currency swaps, forward rate agreement and interest rate swaps with inter-bank and market participants. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at a 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 amount that are recorded, as contingent liabilities are typically amounts used as a benchmark for the calculation of the interest component of the contracts.
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. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfil its financial or performance obligations.
Other items for which the bank is contingently liable	Includes capital commitments, commitments for settlement date accounting and contribution to Depositor’s Education Awareness Fund. Further it also includes outstanding tax matters in the normal course of business, which are disputed by the Bank. The Bank has preferred appeals and other counter proceedings with the appellate and other appropriate authorities for such matters. The management believes it is likely that the ultimate outcome of the proceedings may not have a materially adverse impact on the Bank's financial position

SCHEDULE 17 – (Notes to the accounts continued...)
(Amounts in thousands of Indian Rupees)

12. Dues to Micro, Small and Medium Enterprises

To the extent of the information received by the Bank from its vendors, the below are the transactions with "suppliers" as defined under the Micro, Small and Medium Enterprises Development Act, 2006 during the financial year.

Particulars	As at March 31, 2020	As at March 31, 2019
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of the accounting year.	1,016	–
The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during the accounting year.	1,607	2,065
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 Micro, Small and Medium Enterprise Development Act, 2006.	–	–
The amount of interest accrued and remaining unpaid at the end of the accounting year.	243	58
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 of the Micro, Small and Medium Enterprise Act, 2006.	–	–

Note- The above information regarding Micro and Small enterprises has been determined to the extent such parties have been identified on the basis of information available with the Bank.

13. Miscellaneous income

Miscellaneous income of current year includes dividend income of Rs. 7,200 ('000) (Previous year Rs. 7,200 ('000)).

14. Bancassurance business

The Bank has not undertaken any bancassurance business during the current year and previous year.

15. In accordance with the requirements of the RBI circular DBOD No BC. 72/29.67.001/2011-12 dated January 13, 2012 the Bank has obtained a letter from its Head Office and furnished to RBI which states that the compensation policies in India including that for the CEO are in line with the Financial Stability Board (FSB) requirements in the home country.

16. During the current year and previous year there was no draw down from any of the reserves other than those disclosed in financial statements.

17. Factoring

As at 31 March, 2020, outstanding receivables acquired by the Bank under factoring stood at Rs. 10,444,368 ('000) (Previous year Rs. 12,266,259 ('000)) which is reported under 'Bills Purchased and Discounted' in Schedule 9 of the Balance Sheet.

18. Provision for Long Term contracts

The Bank has assessed all long term contracts (including derivative contracts) for material foreseeable losses. At the year end, the Bank has reviewed and recorded adequate provision as required under any law/accounting standards for material foreseeable losses on such long term contracts (including derivative contracts) in the books of account and disclosed the same under the relevant notes in the financial statements.

19. Disclosure on Specified Bank Notes (SBNs)

As advised by RBI, the disclosure on SBNs as required in accordance with notification G.S.R. 308(E) of Ministry of Corporate Affairs dated March 30, 2017 is not applicable to banking companies. Accordingly, the disclosures prescribed under the said notification are not required to be made by the Bank.

20. Provisioning Pertaining to Fraud Accounts

The Bank has one case of reported third party fraud during the financial year ended March 31, 2020 and also in the previous year ended 31 March 2019. The same is reported under the Fraud Monitoring Return (FMR) to Reserve Bank of India (RBI). There was no case of commercial loss to the Bank in both current and previous year and hence no provision is made in the books of accounts.

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JPMORGAN CHASE BANK, N.A., INDIA

(Incorporated in the United States of America with limited liability)

SCHEDULE 17 – (Notes to the accounts continued...)
(Amounts in thousands of Indian Rupees)

21. COVID-19

The novel coronavirus (COVID-19) pandemic continues to spread rapidly across the globe including India. On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. The Bank has made an assessment of the ongoing situation on its business activity, its liquidity position, carrying value of its assets including advances, investments and derivatives as at March 31, 2020 and believes that it has taken into account all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements as at March 31, 2020. However, given the dynamic and evolving nature of COVID-19, changes in the Bank's assumptions and estimates regarding economic conditions could significantly affect some of these estimates made at the end of the reporting period or lead to significant changes in the estimate from one reporting period to the next and the Bank will continue to monitor any material changes to future economic conditions.

22. Moratorium

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated 27th March, 2020 and 17th April, 2020, and clarification issued by RBI through Indian Bankers Association, dated 6th May 2020 the Bank is granting moratorium on the payment of installments and/or interest, as applicable, falling due between 1st March, 2020 and 31st May, 2020 ('moratorium period') to eligible borrowers classified as Standard, even if overdue, as on 29th February, 2020. In accordance with RBI guidelines, the moratorium period, wherever granted, is excluded by the Bank from the number of day's past-due for the purpose of asset classification under RBI's Income Recognition and Asset Classification norms. Following are the details of such accounts.

Particulars	As at March 31, 2020
Advances outstanding in SMA/overdue categories, where the moratorium/deferment was extended as per COVID-19 Regulatory Package	Nil
Amounts where asset classification benefits is extended up to March 31, 2020*	64,167
Provisions made as per para 5 of the COVID-19 Regulatory Package for the financial year ended 31st March, 2020	Nil
Provisions adjusted during the financial year ended 31st March, 2020	Nil
Residual provisions in terms of paragraph 6 of the COVID-19 Regulatory Package as at 31st March, 2020	Nil

* Pertains to moratorium on the payment of interest to eligible borrowers classified as Standard, and not overdue, as on 29th February, 2020. Further, the Bank has granted moratorium to eligible borrowers as per the RBI circular RBI/2019-20/244,DOR.No.BP.BC.71/21.04.048/2019-20 dated May 23, 2020.

23. Investment Fluctuation Reserve (IFR)

During the year ended March 31, 2020, the Bank has transferred Rs. 3,500,000 ('000) in IFR (previous year Rs. 1,000,000 ('000)).

24. Previous year's amounts have been regrouped/reclassified, wherever necessary, to conform with the current year's classification and presentation.

Signatures to Schedules 1 to 17 forming an integral part of the accounts.

For Price Waterhouse Chartered Accountants LLP
Firm Registration number : 012754N/N500016

Sd/-
Vivek Prasad
Partner
Membership number : 104941

For JPMorgan Chase Bank, N.A., India

Sd/-
Madhav Kalyan
Chief Executive Officer

Sd/-
Rammohan Devarajan
Senior Financial Officer

Place : Mumbai
Date : June 29, 2020

J.P.Morgan

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Basel III - Pillar III disclosures for the year ended March 31, 2020

I. Scope of application

The Pillar III disclosures under Basel III Capital Regulation included herein are made solely to meet the requirements in India, and relate solely to the activities of JPMorgan Chase Bank, N.A., India ("the Bank") and its associate Non Banking Financial Company which is J.P. Morgan Securities India Private Limited ("JPMSI"). The Bank and JPMSI are wholly-owned subsidiaries of JPMorgan Chase & Co., U.S.A ("the Firm") and together constitute "the Consolidated Bank" in line with the Reserve Bank of India ("RBI") guidelines on the preparation of consolidated prudential returns.

For the purpose of financial reporting, the Bank is not required to consolidate its associate in accordance with Accounting Standard ('AS') 21, Consolidated Financial Statements.

For the purpose of consolidated prudential regulatory reporting, the consolidated Bank includes JPMSI as required by RBI in its circular on "Financial Regulation of Systemically Important NBFC's and Bank's relationship with them" vide circular ref. DBOD.No.FSD. BC.46/24.01.028/2006-07 dated December 12, 2006 read with "Guidelines for consolidated accounting and other quantitative methods to facilitate consolidated supervision" vide circular ref. DBOD.No. BP.BC. 72 /21.04.018/2001-02 dated February 25, 2003.

The Bank does not have any subsidiaries nor does it hold any major stake in any company.

For a comprehensive discussion of risk management of the Firm, including its consolidated subsidiaries, please refer to Firm's Annual Report for the year ended December 31, 2019, which is available in the Investor Relations section of www.jpmorganchase.com.

Details of associates of the Bank along with the consolidation status for accounting and regulatory purposes are given below:

a. Accounting and regulatory consolidation

Name of the entity/ Country of incorporation	Included under accounting scope of consolidation (yes/no)	Method of consolidation	Included under regulatory scope of consolidation (yes/no)	Method of consolidation	Reasons if consolidated under only one of the scopes of consolidation
J.P. Morgan Securities India Private Limited/ (India)	No	NA	Yes	Line by line consolidation method adopted as per AS-21 The financial statements are prepared under Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time)	As per the RBI circular number DBOD. No.FSD. BC.46/24.01.028/2006-07 December 12, 2006 the dated Bank is not required to publish consolidated financial statements as per AS-21

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

(Rs. in million)

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	Regulator 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)
J.P. Morgan Services India Private Limited*@	The Company is registered with the Software Technology Parks of India (STPI) and is engaged in providing software services and information technology enabled services.	314	NIL	Not Applicable	118,108
J.P. Morgan India Private Limited*	The principal activity of the Company is Merchant banking, Underwriting, Stock broking and investment advisory.	759	NIL	Not Applicable	32,764
JPMorgan Asset Management India Private Limited	The principal activity of the Company is to act as financial advisors, investment managers and investment advisors, and to render financial management, financial consultancy and advisory services.	2,701	NIL	Not Applicable	1,317

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Basel III - Pillar III disclosures for the year ended March 31, 2020 *(Continued)*

b. List of group entities not considered for consolidation both under the accounting and regulatory scope of consolidatios *(Continued)*

(Rs. in million)

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	Regulator 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)
	The Board of Directors on March 22, 2016 passed a resolution to transfer the right to manage the schemes of JPMorgan Mutual Fund to another third party investment manager registered with SEBI. The transfer was effective November 26, 2016. Consequently, the Company is no longer the investment manager of the chemes of the JPMorgan Mutual Fund and business has discontinued. Further on company's request, SEBI vide its letter dated 13th June 2018, has cancelled the certificate of registration of JP Morgan Mutual Funds and has withdrawn the approval granted to JPMorgan Asset Management India Private Limited, to act as the Asset Management Company to the Mutual Fund				
JPMorgan Mutual Fund India Private Limited	The principal activity of the Company was to act as trustees, administrators, representatives or nominees of or for any mutual or other funds. The Board of Directors on March 22, 2016 passed a resolution to transfer the trusteeship of the schemes of JPMorgan Mutual Fund to another third party trustee company registered with SEBI. The transfer was effective November 26, 2016. Consequently, the Company is no longer the trustee of the schemes of the JPMorgan Mutual Fund and business has discontinued. Further on company's request, SEBI vide its letter dated 13th June 2018, has cancelled the certificate of registration of JPMorgan Mutual Funds and JPMorgan Mutual Fund India Private Limited can no longer carry out activity as a Trustee Company	1	Nil	Not Applicable	20

Notes: 1. The above numbers represents balances as at 31st March, 2019.
2. # Represents Equity Share Capital
3. @ The above numbers represents balances as at 31st March, 2020
4. * Prepared as per Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time)].

c. List of group entities considered for consolidation

(Rs. in million)

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)*
J.P. Morgan Securities India Private Limited (India)*	NBFC	4,330	45,439

* Amounts represent balances as at 31st March, 2020 and prepared as per Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time)].

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Basel III - Pillar III disclosures for the year ended March 31, 2020 *(Continued)*

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

As of March 31, 2020, the Bank does not have any subsidiaries; hence it is not required to make any deductions for capital deficiencies.

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

As of March 31, 2020, the Bank does not have investment in any insurance entity.

f. Restrictions or impediments on transfer of funds or regulatory capital within the banking group

There are no restrictions or impediments on transfer of funds within the Group.

II. Capital Adequacy

The Firm's capital management framework is intended to ensure that there is sufficient capital to support the underlying risks of the Firm's business activities and to maintain "well-capitalized" status under US regulatory requirements. In addition, the Firm holds capital above these requirements as deemed appropriate to achieve management's regulatory and debt rating objectives. The Firm assesses its capital adequacy relative to the risks underlying the Firm's business activities, utilizing internal risk-assessment methodologies.

At local level, the Bank leverages to the extent possible the group-wide capital management framework and risk assessment methodologies. These considerations are formalized as part of a local Internal Capital Adequacy Assessment Process (ICAAP), as required by local regulation.

The Capital Management process at bank level is coordinated by the Finance organization with inputs from appropriate local and firm wide risk specialists, and is reviewed by the Bank Management Committee. It is the responsibility of local management to determine the appropriate level of capitalization for the Bank and to ensure the businesses are managed within those capital limits or to request for additional capital in accordance with the Firm's Major Capital Infusion policy. In the normal course of events, management reviews the adequacy of capital periodically.

A summary of the Consolidated Bank capital requirement under Basel III guidelines for credit risk, market risk and operational risk and the capital adequacy ratio as on March 31, 2020 is presented below.

Capital requirements for credit risk

(Rs. in million)

Particulars	**Amount[1]**
– Portfolios subject to standardized approach	97,999
– Securitization exposure	–
Total	**97,999**

Capital requirements for market risk

Standardized duration method	**Amount[1]**
– Interest rate risk	27,861
– Foreign exchange risk (including gold)	2,021
– Equity risk	509
Total	**30,391**

Capital requirements for operational risk

Particulars	**Amount[1]**
– Basic indicator approach	7,396

Particulars	**Standalone[2]**	**Consolidated[1]**
CRAR	14.93%	18.25%
Tier I CRAR	14.14%	17.31%
Tier II CRAR	0.79%	0.94%

Notes:–

1. Includes entity considered under regulatory scope of consolidation.
2. Standalone represents JPMorgan Chase Bank, N.A., India.

III. Credit Risk

Credit Risk Management Policy

Credit risk is the risk of loss arising from the default of a customer, client or counterparty. The Firm provides credit to a variety of customers, ranging from large corporate and institutional clients to the individual consumers and small businesses. The Firm manages the risk/reward relationship of each credit and discourages the retention of assets that do not generate a positive return above the cost of risk-adjusted capital.

The Directors' Risk Policy Committee (DRPC) and the Firm's CEO mandate the existence of an Independent Risk Management (IRM) function. The CEO appoints Firm's Chief Risk Officer (CRO) to create the Risk Management Framework subject to approval by the DRPC in the form of Primary Risk Policies, and to manage the IRM function on a day to day basis.

Basel III - Pillar III disclosures for the year ended March 31, 2020 *(Continued)*

Credit Risk management is an independent risk management function that monitors and measures credit risk throughout the Firm and defines credit risk policies and procedures. The Firm's credit risk management governance consists of the following primary functions:

- o Establishing a comprehensive credit risk policy framework.
- o Monitoring and managing credit risk across all portfolio segments, including transaction and exposure approval.
- o Setting industry concentration limits and establishing underwriting guidelines.
- o Assigning and managing credit authorities in connection with the approval of all credit exposure.
- o Managing criticized exposures and delinquent loans.
- o Establishing credit losses and ensuring appropriate credit risk-based capital management.

In India, the Bank also appoints a CRO, based on recommendation received from the global risk organisation of the firm, as further approved by the MANCOM. The CRO is responsible for enterprise wide risk management covering credit, market, liquidity, interest rate, reputation and operational risk. The CRO will oversee the risk management department in India and will not perform any other roles like CEO, CFO, COO, Audit or such other functions, and will only be involved in risk management functions.

Risk identification

The Firm is exposed to credit risk through its underwriting, lending, market-making and hedging activities with and for clients and counterparties, as well as through its operating services activities (such as cash management and clearing activities), securities financing activities, investment securities portfolio and cash placed with banks. Credit risk management works in partnership with the business segments in identifying and aggregating exposures across all lines of business.

Risk measurement

To measure credit risk, the Firm employs several methodologies for estimating the likelihood of obligor or counterparty default. Credit risk measurement is based upon the amount of exposure should the obligor or the counterparty default, the probability of default and the loss severity given a default event. These finally result in a facility grade for each facility sanctioned by the Firm to a customer. Based on these factors and related market-based inputs, the Firm estimates credit losses for its exposures. Probable credit losses inherent in the consumer and wholesale held for investment loan portfolios are reflected in the allowance for loan losses, and probable credit losses inherent in lending-related commitments are reflected in the allowance for lending related commitments. These losses are estimated using statistical analysis and other factors. In addition, potential and unexpected credit losses are reflected in the allocation of credit risk capital and represent the potential volatility of actual losses relative to the established allowances for loan losses and lending related commitments. Risk measurement for the wholesale portfolio is assessed primarily on a risk rated basis.

Credit loss estimates are based on estimates of the probability of default ("PD") and loss severity given a default. The estimation process includes assigning risk-ratings to each borrower and credit facility to differentiate risk within the portfolio. These risk-ratings are reviewed regularly by Credit Risk Management and revised as needed to reflect the borrower's current financial position, risk profile and related collateral. The probability of default is estimated for each borrower, and a loss given default is estimated considering the collateral and structural support for each credit facility. The calculations and assumptions are based on historic experience and management judgment and are reviewed regularly.

Risk monitoring

The Firm has developed policies and practices that are designed to preserve the independence and integrity of the approval and decision-making process of extending credit to ensure credit risks are assessed accurately, approved properly, monitored regularly and managed actively at both the transaction and portfolio levels. The Firm's policy framework establishes credit approval authorities, concentration limits, risk-taking methodologies, portfolio review parameters and guidelines for management of distressed exposures. Wholesale credit risk is monitored regularly at an aggregate portfolio, industry and an individual client and counterparty level. In order to meet credit risk management objectives, the Firm seeks to maintain a risk profile that is diverse in terms of borrower, product type, industry and geographic concentration. Management of the Firm's wholesale exposure is accomplished through loan underwriting and credit approval process, loan syndication and participations, loan sales and securitisations, credit derivatives, use of master netting agreements and collateral and other risk-reduction techniques.

At a local level, the consolidated bank monitors large exposures in accordance with RBI regulations on single/group obligor limits. This ensures that large single obligor/group exposures are managed within appropriate limits set in relation to our capital resources. For the Bank, Single and Group Obligor exposure limits are set as per the Large Exposures Framework (LEF) guidelines of the RBI. The exposure for each client is monitored on a daily basis by the local operations team. Any breaches in the limits are highlighted to senior management immediately along with the reasons for the breach. Management then takes a decision on the future course of action on exposures to that particular client. These breaches, if any are also reported to RBI. The exposure monitoring is reviewed by the external concurrent auditors on a monthly basis. In addition, industry concentrations and risk mitigation through collateral are also addressed in the local credit policies for all credit exposures. The local policy for the Bank also specifically addresses exposure to sectors like Real Estate, and NBFC's, and policies governing purchase of distressed debt. Further, in line with RBI regulation on Exposure to Intra group entities (ITEs), the bank has implemented daily exposure monitoring process for single entity and intra group entity exposure.

Risk reporting

At a firm level, to enable monitoring of credit risk and effective decision making, aggregate credit exposure, credit quality forecasts, concentration levels and risk profile changes are reported regularly to senior members of credit risk management. Detailed portfolio reporting of industry, customer, product and geographic concentrations occurs monthly, and the appropriateness of the allowance for credit losses is reviewed by senior management at least on a quarterly basis. Through the risk reporting and governance structure, credit risk trends and limit exceptions are provided regularly to and discussed with Senior Management and the Board of Directors as appropriate.

At a local level, the Credit Risk function is overseen by the India CRO of the Bank. The CRO works closely with the regional as well as global Credit Risk Management (CRM) teams to ensure that the credit exposure taken at the Bank is in line with the Bank's risk management policy framework. There is a comprehensive credit authority framework in place which enables decision making to be escalated in response to the size and risk intensity of the request. There is adequate credit authority delegated to the CRO for smooth functioning of the overall portfolio and business needs.

Basel III - Pillar III disclosures for the year ended March 31, 2020 *(Continued)*

The India Credit Committee (ICC) approves the credit exposure that is to be booked in the Bank in accordance with the loan policy.

The ICC meets on a periodic basis and accords its decision on credit requests from the various business units at the Bank. Similarly for JPMSI the Credit and Investment Committee reviews and approves proposals to book any credit exposures in these entities. Twice a quarter, the India Risk Committee (IRC) reviews the Bank's portfolio and break-down of the portfolio by sector, security, products, rating etc and updates on the sensitive sectors, unhedged foreign currency exposure, etc are reviewed on a quarterly basis by the IRC. JPMSI Risk Management Committee (RMC) reviews the loan portfolio on a quarterly basis.

Definition of past due and impaired

Any amount due to the consolidated bank under any credit facility is 'overdue' if it is not paid on the due date fixed (i.e. is not paid as per the date the obligor is obligated to pay). In case of the Bank an NPA shall be a loan or an advance or a derivative contract where any amount to be received (as per the contractual terms) remains overdue for a period of more than 90 days or in respect of an Overdraft/Cash Credit the account remains 'out of order' for a period of more than 90 days, in line with RBI directives. Likewise, in case of JPMSI, an NPA shall be a loan or an advance where any amount to be received (as per the contractual terms) remains overdue for a period of 3 months or more.

Quantitative Disclosure (Rs. in million)

Gross credit exposures	**Amount[1]**
Fund based	428,450
Non fund based	641,806
Total	**1,070,256**

(Rs. in million)

Geographic distribution of exposures	**Amount[1]**
Fund based - domestic	428,450
Non fund based - domestic	641,806
Fund based - overseas	–
Non fund based - overseas	–
Total	**1,070,256**

Note :- 1. Includes entity considered under regulatory scope of consolidation and excludes investments covered under specific market risk and other assets.

Industry type disclosure of exposures[1] (Rs. in million)

Industry	**Fund Based**	**Non Fund Based**	**Total Exposure**
Services	133,909	552,349	686,258
NBFC	47,467	13,518	60,985
Chemical Dyes Paints - Drugs and Pharma	37,611	1,822	39,433
All Engineering - Others	30,502	5,854	36,356
Computer Software	21,326	12,913	34,239
Vehicles, Vehicle Parts and Transport Equipments	26,096	2,166	28,262
Infrastructure - Telecommunication	14,633	6,769	21,402
Trading	18,196	2,666	20,862
Chemical Dyes Paints - Others	11,077	7,061	18,138
Other Industries	14,290	3,094	17,384
Petroleum, Coal Products and Nuclear Fuels - Petroleum	5,602	7,217	12,819
Infrastructure - Social and Commercial	12,072	–	12,072
Basic Metal and Metal Products - Iron and Steel	11,843	–	11,843
Cement and Cement Products - Cement	6,300	5,393	11,693
Infrastructure- Electricity Generation/Transmission	5,565	5,469	11,034
Infrastructure- Ports	5,522	5,510	11,032
Beverages - Others	6,129	210	6,339
All Engineering - Electronic	2,858	2,406	5,264
Food Processing - Vegetable Oils and Vanaspati	2,554	2,675	5,229
Infrastructure - Airport	2,938	2,131	5,069
Commercial Real Estate	3,887	196	4,083
Food Processing - Others	1,765	620	2,385
Basic Metal and Metal Products - Other	1,850	158	2,008
Textiles	1,892	36	1,928
Infrastructure - Water Sanitation	320	1,320	1,640
Chemical Dyes Paints - Petro Chemicals	1,513	–	1,513
Construction	702	–	702
Rubber, Plastic & Products	31	253	284
Total	**428,450**	**641,806**	**1,070,256**

Note :- 1. Includes entity considered under regulatory scope of consolidation and excludes investments covered under specific market risk and other assets.

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Residual contractual maturity breakdown of assets[1] (Rs in million)

Maturity Bucket	Cash and Balances with RBI	Balances with Banks[2]	Investments	Advances	Fixed Assets	Other Assets	Grand Total
1 day	12,054	6,661	348,848	5,605	–	546	373,714
2-7 days	1,050	–	5,336	8,905	–	2	15,293
8-14 days	428	–	5,676	6,640	–	38	12,782
15 - 30 days	443	–	3,388	17,955	–	305	22,091
31 Days to 2 months	78	–	707	14,159	–	422	15,366
>2 months to 3 months	185	–	11,509	11,468	–	74	23,236
>3 months to 6 months	236	1,892	1,198	26,542	–	10,888	40,756
>6 months to 1 year	590	13,241	7,724	33,121	–	26,581	81,257
>1 year to 3 years	1,518	11,350	33,583	27,824	–	4,021	78,296
>3 years to 5 years	667	–	3,391	813	–	1,416	6,287
>5 years	6	–	11,729	1,628	63	3,907	17,333
Total	**17,255**	**33,144**	**433,089**	**154,660**	**63**	**48,200**	**686,411**

Note :-1. Includes entity considered under regulatory scope of consolidation
2. Including Money at call and short notice.

(Rs. in million)

Amount of NPAs (Gross)	Amount[1]
Substandard	–
Doubtful 1	–
Doubtful 2	–
Doubtful 3	–
Loss	–
Gross NPAs	**–**
Net NPAs	**–**
NPA Ratios	**–**
Gross NPAs to gross advances	0.00%
Net NPAs to net advances	–
Movement of NPAs (Gross)	
Opening balance	–
Additions	–
Reductions	–
Closing balance	–
Movement of provisions for NPAs	
Opening balance	–
Provision made during the year	–
Write-off/ Write- back of excess provisions	-
Closing balance	–
Amount of non-performing investments[3]	632
Amount of provisions held for non-performing investments[3]	–
Movement of provisions for depreciation/appreciation on investments	
Opening balance[2]	304
Depreciation/(Appreciation) booked during the year[4]	(135)
Write-off	–
Write-back of excess provisions	(18)
Closing balance	151

Notes :- 1. Includes entity considered under regulatory scope of consolidation.
2. Represents balance as of 1st April 2019.
3. Since the investments is measured at fair value through profit and loss, no additional provision is required to be made on the non-performing investments.
4. Appreciation is recognised only in case of financial statement prepared under IND AS.

Movement of Specific & General Provisions[1]

(Rs. in million)

Movement of Provisions	Specific Provisions	General Provisions
Opening balance[2]	–	1,697
Provisions made during the year	–	875
Write-off	–	–
Write-back of excess provisions	–	(105)
Adjustments/Transfers between provisions	–	–
Closing balance	**–**	**2,467**

Notes: - 1. Includes entity considered under regulatory scope of consolidation.
2. Represents balance as of 1st April 2019.
3. The above provision does not includes Enhanced provision on Large borrowers.

Basel III - Pillar III disclosures for the year ended March 31, 2020 *(Continued)*

(Rs. in million)

Write offs that have been booked directly to the income statement[1]	–
Recoveries that have been booked directly to the income statement	300

Note :- 1. Includes entity considered under regulatory scope of consolidation.

Major Industry's breakup of NPA, Specific & general provisions & write offs during the period[1]:

Industry	Gross NPAs	Specific Provision	General Provision [2]	Specific provision	Write off
Services	–	–	1,332	–	–
NBFC	–	–	180	–	–
Infrastructure - Telecommunication	–	–	158	–	–
Basic Metal and Metal Products - Iron and Steel	–	–	91	–	–
Computer Software	–	–	91	–	–
Chemical Dyes Paints - Drugs and Pharma	–	–	84	–	–
All Engineering - Others	–	–	76	–	–
Vehicles, Vehicle Parts and Transport Equipments	–	–	75	–	–
Commercial Real Estate	–	–	70	–	–
Trading	–	–	64	–	–
Infrastructure - Social and Commercial	–	–	64	–	–
Chemical Dyes Paints - Others	–	–	52	–	–
Other Industries	–	–	28	–	–
Basic Metal and Metal Products - Other	–	–	23	–	–
Beverages - Others	–	–	21	–	–
All Engineering - Electronic	–	–	18	–	–
Petroleum, Coal Products and Nuclear Fuels - Petroleum	–	–	9	–	–
Infrastructure- Electricity Generation/Transmission	–	–	8	–	–
Food Processing - Vegetable Oils and Vanaspati	–	–	7	–	–
Food Processing - Others	–	–	6	–	–
Construction	–	–	6	–	–
Chemical Dyes Paints - Petro Chemicals	–	–	2	–	–
Infrastructure- Water and Sanitation	–	–	1	–	–
Cement and Cement Products	–	–	1	–	–
Total	**–**	**–**	**2,467**	**–**	**–**

Notes: 1. Includes entity considered under regulatory scope of consolidation.
2. General provision includes standard asset provision on loans and derivatives including provision on unhedged foreign currency exposure.
3. The above provision does not includes Enhanced provision on Large borrowers.

IV. Credit Risk: Standardised approach

The consolidated bank is using issue ratings which are assigned by the accredited rating agencies viz. CRISIL, ICRA, Fitch, Brickwork, India Rating, SMERA and CARE and published in the public domain to assign risk-weights in terms of RBI guidelines for certain exposures. In respect of claims on non-resident corporate/ foreign banks, ratings assigned by international rating agencies i.e. Standard & Poor's, Moody's and Fitch are used. Final ratings applied are in line with the regulatory requirements.

Details of Credit Risk Exposure (fund based and non-fund based) based on Risk - Weight:

(Rs. in million)

Particulars	Amount[1]
Below 100% risk weight	581,929
100% risk weight	51,271
More than 100% risk weight	164,146
Deducted	–
Total	**797,346**

Note:-1. Includes entity considered under regulatory scope of consolidation.

V. Credit Risk Mitigation

The Bank has identified Credit Risk Mitigation techniques in its Loan policy which underlines the eligibility requirements for credit risk mitigants for capital computation as per Basel III guidelines. The Bank reduces its credit exposure to counterparty with the value of eligible financial collateral to take account of the risk mitigating effect of the collateral.

To account for the volatility in the value of collateral, haircut is applied based on the type, issuer, maturity, rating and remargining/ revaluation frequency of the collateral.

During year ended March 31, 2020 the Bank has accepted fixed deposits/Standby Letters of Credit (SBLC)/Guarantees as collateral and has considered them for capital benefits in capital adequacy calculations as per the RBI guidelines. These are considered at net realisable value. The Bank has also accepted current assets/movable fixed assets/bonds as collateral during the current year but the same is not considered for capital benefits as per the RBI guidelines. The Bank does not perceive any market, liquidity or concentration risk arising out of such collaterals.

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Details of Credit Exposure

(Rs. in million)

Covered by:	**Amount[1]**
– Eligible Financial collaterals after application of haircuts	136,338
– Guarantees	19,860
Total	**156,198**

Note:- 1. Includes entity considered under regulatory scope of consolidation.

VI. Securitisation

The Firm has a framework for identification and treatment of traditional and synthetic securitisations; which may reside on balance sheet in the form of a financing, or off balance sheet in the form of a special purpose vehicle (SPV). Consistent with treatment of the underlying assets, the Firm would apply the advanced approaches for non-trading book related securitisations for its corporate reporting and the standardised approach for its local capital reporting.

Locally, the credit policy of the bank, which has been approved by the Management Committee permits securitisation of existing loan portfolio. As per the policy, the bank can sell its existing loans for freeing capital and overall portfolio management, in accordance with the RBI guidelines on Securitisation of Standard Assets.

As on March 31, 2020 there were no securitized papers in the books of the Consolidated Bank. The Consolidated Bank does participate in securitization of portfolios by NBFCs on a selective basis. All decisions to participate in a securitization undergo the same level of credit and other risk due diligence as any other similar exposure would be subject to.

Details of securitisation exposures in the Banking and Trading Book:

Banking Book	Nil
Trading Book	Nil

Securitisation exposures retained/purchased

(Rs. in million)

Nature	**Exposure Type**	**Exposure[1]**
On Balance Sheet		–
Off Balance Sheet		–

Risk weight bands breakup of securitisation exposures retained or purchased and the related capital charge

Risk Bands	**Exposure[1]**	**Capital Charge[1]**	**RWA[1]**
<100% risk weight	–	–	–
=100% risk weight	–	–	–
>100% risk weight	–	–	–
Total	**–**	**–**	**–**

Note :- 1. Includes entity considered under regulatory scope of consolidation.

VII. Market risk

Market risk management

Market risk is the exposure to an adverse change in the market value of financial instruments caused by a change in market parameters. The Bank's Management Committee has delegated the responsibility of governing the market risk management structure to the India Risk Committee ("IRC"). The Bank's CRO is responsible for the local risk agenda and governance, including establishing effective market risk governance. Market risk limits are employed as the primary second line of defence control tool to align the bank's market risk activities with the risk appetite as referenced in the firm wide Market Risk Management policy.

All Market Risk Management activities are closely supervised with regular reporting to the appropriate senior management of the Bank. The IRC is provided a profile of the Bank's market risk on a daily and monthly basis, including the utilization of market risk limits and significant trends. Information provided includes, but is not limited to, reports that allow senior management to:

- Evaluate market risk related activities as measured by VaR and non-statistical measures over the preceding year against market risk limits
- Understand the effectiveness of VaR assumptions through observation of back-testing results
- Understand the Bank's stress testing results for market risk activities

(Rs. in million)

Quantitative Disclosure	**Amount[1]**
Capital requirements for	
Interest rate risk	27,861
Equity position risk	509
Foreign exchange risk	2,021
Total	**30,391**

Note :- 1. Includes entity considered under regulatory scope of consolidation.

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VIII. Operational risk

Operational Risk

Operational risk is the risk associated with inadequate or failed internal processes, people and systems, or from external events and includes compliance risk, conduct risk, legal risk, and estimations and model risk. Operational risk is inherent in the Firm's activities and can manifest itself in various ways, including fraudulent acts, business interruptions, cybersecurity attacks, inappropriate employee behavior, failure to comply with applicable laws, and regulations or failure of vendors to perform in accordance with their arrangements. These events could result in financial losses, litigation and regulatory fines, as well as other damages to the Firm. The goal is to keep operational risk at appropriate levels in light of the Firm's financial position, the characteristics of its businesses, and the markets and regulatory environments in which it operates.

To monitor and control operational risk, the Firm has an Operational Risk Management Framework ("ORMF") which is designed to enable the Firm to maintain a sound and well-controlled operational environment. The ORMF has four main components: Governance, Operational Risk Identification and Assessment, Operational Risk Measurement, and Operational Risk Monitoring and Reporting.

Operational Risk Governance

The lines of business and Corporate are responsible for applying the ORMF in order to manage the operational risk that arises from their activities. The Control Management organization, which consists of control managers within each line of business and Corporate, is responsible for the day-to-day execution of the ORMF. Line of business and Corporate control committees are responsible for reviewing data that indicates the quality and stability of processes, addressing key operational risk issues, focusing on processes with control concerns, and overseeing control remediation. These committees escalate operational risk issues to the Firmwide Control Committee ("FCC"), as appropriate. The Firmwide Risk Executive for Operational Risk Management ("ORM"), a direct report to the Chief Risk Officer ("CRO"), is responsible for defining the ORMF and establishing minimum standards for its execution. Operational Risk Officers report to both the line of business CROs and to the Firmwide Risk Executive for ORM, and are independent of the respective businesses or corporate functions they oversee. The Firm's Operational Risk Management Policy is approved by the Firm's Board Risk Committee. This policy establishes the Operational Risk Management Framework for the Firm.

Operational Risk identification and assessment

The Firm utilizes a structured risk and control self-assessment process which is executed by the lines of business and Corporate in accordance with the minimum standards established by ORM, to identify, assess, mitigate and manage its operational risk. As part of this process, lines of business and Corporate identify key operational risks inherent in their activities, address gaps or deficiencies identified, and define actions to reduce residual risk. Action plans are developed for identified control issues and lines of businesses and Corporate are held accountable for tracking and resolving issues in a timely manner. Operational Risk Officers independently challenge the execution of the self-assessment and evaluate the appropriateness of the residual risk results. In addition to the self-assessment process, the Firm tracks and monitors events that have led to or could lead to actual operational risk losses, including litigation-related events. Responsible lines of businesses and Corporate analyze their losses to evaluate the effectiveness of their control environment to assess where controls have failed, and to determine where targeted remediation efforts may be required. ORM provides oversight of these activities and may also perform independent assessments of significant operational risk events and areas of concentrated or emerging risk.

Operational Risk Monitoring and reporting

ORM has established standards for consistent operational risk monitoring and reporting. The standards also reinforce escalation protocols to senior management and to the Board of Directors. Operational risk reports are produced on a firmwide basis as well as by line of business and corporate function.

Operational Risk Measurement

As required by the Reserve Bank of India, the Bank (India Branch) follows the Basic Indicator Approach to compute capital requirements for operational risk. The Bank conducts operational risk scenario analysis to assess whether capital is sufficient and the results are documented in the annual Internal Capital Adequacy Assessment Process (ICAAP). These calculations are reviewed and approved by the IRC on an annual basis

Cybersecurity risk

Cybersecurity risk is an important, continuous and evolving focus for the Firm. The Firm devotes significant resources to protecting and continuing to improve the security of the Firm's computer systems, software, networks and other technology assets. The Firm's security efforts are designed to protect against, among other things, cybersecurity attacks by unauthorized parties attempting to obtain access to confidential information, destroy data, disrupt or degrade service, sabotage systems or cause other damage. The Firm continues to make significant investments in enhancing its cyber-defence capabilities and to strengthen its partnerships with the appropriate government and law enforcement agencies and other businesses in order to understand the full spectrum of cybersecurity risks in the operating environment, enhance defences and improve resiliency against cybersecurity threats. The Firm actively participates in discussions of cybersecurity risks with law enforcement, government officials, peer and industry groups, and has significantly increased efforts to educate employees and certain clients on the topic. Third parties with which the Firm does business or that facilitate the Firm's business activities (e.g., vendors, exchanges, clearing houses, central depositories, and financial intermediaries) could also be sources of cybersecurity risk to the Firm. Third party cybersecurity incidents such as system breakdowns or failures, misconduct by the employees of such parties, or cyberattacks could affect their ability to deliver a product or service to the Firm or result in lost or compromised information of the Firm or its clients. Clients can also be sources of cybersecurity risk to the Firm, particularly when their activities and systems are beyond the Firm's own security and control systems. As a result, the Firm engages in regular and ongoing discussions with certain vendors and clients regarding cybersecurity risks and opportunities to improve security. However, where cybersecurity incidents are due to client failure to maintain the security of their own systems and processes, clients will generally be responsible for losses incurred.

Basel III - Pillar III disclosures for the year ended March 31, 2020 *(Continued)*

To protect the confidentiality, integrity and availability of the Firm's infrastructure, resources and information, the Firm maintains a cybersecurity program to prevent, detect, and respond to cyberattacks. The Global Chief Information Officer, Chief Technology Control Officer, and Chief Information Security Officer ("CISO") update the Audit Committee of the Board of Directors at least annually on the Firm's Information Security Program, recommended changes, cybersecurity policies and practices, ongoing efforts to improve security, as well as its efforts regarding significant cybersecurity events. In addition, the Firm has a detailed cybersecurity incident response plan ("IRP") designed to enable the Firm to respond to attempted cybersecurity incidents, coordinate such responses with law enforcement and other government agencies, and notify clients and customers. Among other key focus areas, the IRP is designed to mitigate the risk of insider trading connected to a cybersecurity incident, and includes various escalation points in this regard including Compliance and the Legal Department.

The Cybersecurity and Technology Control functions are responsible for governance and oversight of the Firm's Information Security Program. In partnership with the Firm's lines of business, the Cybersecurity and Technology Control organization identifies information security risk issues and champions programs for the technological protection of the Firm's information resources including applications, infrastructure as well as confidential and personal information related to the Firm's customers. The Cybersecurity and Technology Control organization comprises Governance and Control, Assessments, Assurance and Training, Cybersecurity Operations, business aligned control officers, Identity and Access Management, and resiliency functions that execute the Information Security Program.

The Global Cybersecurity and Technology Control governance structure is designed to identify, escalate, and mitigate information security risks. This structure uses key governance forums to disseminate information and monitor technology efforts. These forums are established at multiple levels throughout the Firm and include representatives from each line of business and Corporate.

Reports containing overviews of key technology risks and efforts to enhance related controls are produced for these forums, and are reviewed by management at multiple levels including technology management, Firmwide management and the Operating Committee. The forums are used to escalate information security risks or other matters as appropriate to the FCC.

IRM provides oversight of the activities which identify, assess, manage and mitigate cybersecurity risk. As integral participants in cybersecurity governance forums, the IRM organization actively monitors and oversees the Cybersecurity and Technology Control functions.

The Firm's Security Awareness Program includes training that reinforces the Firm's Information Technology Risk and Security Management policies, standards and practices, as well as the expectation that employees comply with these policies. The Security Awareness Program engages personnel through training on how to identify potential cybersecurity risks and protect the Firm's resources and information. This training is mandatory for all employees globally on an annual basis, and it is supplemented by firmwide testing initiatives, including quarterly phishing tests. Finally, the Firm's Global Privacy Program requires all employees to take annual awareness training on data privacy. This privacy-focused training includes information about confidentiality and security, as well as responding to unauthorized access to or use of information.

Business and technology resiliency risk

Business disruptions can occur due to forces beyond the Firm's control such as severe weather, power or telecommunications loss, flooding, transit strikes, terrorist threats or infectious disease. The safety of the Firm's employees and customers is of the highest priority. The Firm's global resiliency program is intended to enable the Firm to recover its critical business functions and supporting assets (i.e., staff, technology and facilities) in the event of a business interruption. The program includes corporate governance, awareness training, and testing of recovery strategies, as well as strategic and tactical initiatives to identify, assess, and manage business interruption and public safety risks. The strength and proficiency of the Firm's global resiliency program has played an integral role in maintaining the Firm's business operations during and after various events.

Information Security, Electronic Banking, Technology Risk Management and Cyber Frauds

The Bank has analyzed the Information Security guidelines as prescribed by RBI's Working Group and completed gap analysis with respect to its current practices

The organizational framework required for implementation of these guidelines is in place within the Bank. The Bank also has a comprehensive Technology Control Policy framework supplemented by standards and procedures that are implemented across the Bank. In addition the bank has been certified ISO 27001:2013 compliant.

The Management Committee ("ManCo"), India Risk Committee ("IRC") and Location Operating Committee ("LOC") are comprised of members of senior management team, and consider all developments/ impacts related to entities comprised in the Consolidated Bank in discharging their responsibilities effectively. The Committee members represent the various lines of business and the relevant functional units supporting the business.

The 'ManCo' review business, operational and financial matters, as well as risk management. The 'IRC' is responsible for the overall risk management. The committee meets on a regular basis to discuss risk related topics including operational risk metrics and thematic issues. The issues discussed, in the IRC are subsequently presented to the ManCo based on significance. The India Location Operating Committee (LOC) is chaired by the Senior Country Business Manager ("SCBM") of the Consolidated Bank and is responsible for the oversight and control of operational risk. LOC meetings are held monthly and include a review of various aspects of operational risk, relevant changes in regulatory framework and general ledger controls. Volume trends and capacity issues are closely monitored and discussed at the meeting. Key issues pertaining to regulatory, processing and technology control, AML, compliance and on-going governance of outsourced activities are discussed in the LOC meeting

The Consolidated Bank closely monitors capacity limit for handling transaction in each operations area. The respective unit's Operation Managers are responsible for escalating to their line regional managers and CFO if there is any capacity constraint. Material changes in the Operational Risk profile are assessed through a due diligence review and/or are subject to the New Business Initiative Approval process. Staff knowledge of internal policies, systems and procedures, and the regulations is maintained through regular training. Business Continuity Plans are documented to reflect the current production environment and tested annually.

Any operational Loss events are recorded in the Firm's Operational Risk Event database.Event summaries are reported to the LOC for review on a regular basis and material events are presented to ManCo and IRC.

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IX. Interest rate risk in the Bank

Interest rate risk is the risk to earnings or economic value arising from movement of interest rates. It arises from:

- Differences between the timing of rate changes and the timing of cash flows (repricing risk);
- Changing rate relationships among yield curves that affect bank activities (basis risk);
- Changing rate relationships across the spectrum of maturities (yield curve risk); and
- Interest-rate-related options embedded in banking products (option risk).

For JPMCB India, we have considered that interest rate risk in the banking book could arise from lending and deposit taking activities of the Bank, as well as from interbank money market takings and placings and repo positions managed by TCIO and for the purposes of managing the funding and/or structural interest rate risk positions of the Bank. Banking book interest rate risk is transferred from the operating businesses to TCIO.

The India Risk Committee has approved the JPMCB SIRR Framework as the governance document for Structural Interest Rate Risk in the Banking Book.

The primary metrics used to measure Bank's IRR exposure are:

- **Economic Value Sensitivity (EVS)**, which determines changes in Economic Value of Equity (EVE) due to changes in interest rates. MVE sums the present value of expected future cash flows across JPMCB India's balance sheet and is measured by the following metrics.

  1. Market Value of Equity (MVE)

  The Bank carries out Duration Gap Analysis (DGA) to measure the level of a bank's exposure to interest rate risk in terms of sensitivity of Market Value of its Equity (MVE) to interest rate movements (Parallel Interest rate shocks of 100bp, 200bp, and 300bp). The Bank has also set an appropriate internal limit on MVE based on Parallel rate shock of 100bp, which is approved by the India Risk Committee.

  2. Quarterly Stress testing

  The Bank also conducts quarterly stress testing on Interest Rate Risk in the Banking book as laid down in the RBI guidelines on stress testing issued vide RBI/2013-14/390 DBOD.BP.BC.No. 75 /21.04.103/2013-14, dated December 2, 2013. The results of the stress test are monitored in the India Risk Committee and submitted as part of the Risk Based Supervision (RBS) Tranche 1 data. The India Risk Committee has also set up appropriate limits to monitor the worst stress loss in the Baseline scenario.

- **Earnings at Risk (EaR)**, which measures the extent to which changes in interest rates will affect JPMCB India's net interest income (NII) over the following 12 months period and is measured by the following metrics.

  1. Traditional Gap Analysis (TGA)

  The focus of the TGA is to measure the level of a bank's exposure to interest rate risk in terms of sensitivity of its NII to interest rate movements over the horizon of analysis which is usually one year. The bank has also set internal thresholds (cumulative gap) on the first four time buckets for the TGA gaps (1-28 days, 29 days-3 months, 3 months-6 months, 6 months-1 year) as outlined in the circular, approved by the India Risk Committee.

  2. Earnings at Risk (EAR)

  Earnings at Risk (EaR) is the sensitivity of NII to changes in interest rates over the next 12 months compared to a base scenario. EaR scenarios consider changes in interest rates from baseline rates and certain assumptions including the pricing sensitivities of deposits and changes in product mix.

  a. <u>Internal EAR Model:</u>

  The bank's internal model on EAR computation models expected cash flows (including commercial margins and other spread components) arising from all interest rate-sensitive assets, liabilities and off-balance sheet items in the banking book. The Base NII is computed based on the runoff profiles of the current balances assuming a constant balance sheet projection. The EAR (Change in NII) is estimated as the difference in future interest income over a rolling 12-month period in response to change in market interest rates.

  The interest rate scenarios used to calculate EAR for JPMCB India are parallel up and down shocks of +/- 200 bps; and the BCBS parallel up and down shocks (Parallel up and down shocks of +/- 400bps). The Bank has set an Internal limit to monitor the impact of parallel shocks (+/-200 bps) on the Earnings at Risk, which is approved by the India Risk Committee.

  b. <u>RBI EAR Model (Based on TGA):</u>

  In addition, the Bank also computes EAR based on the TGA report. For the purpose of such computation, the bank considers all cash-flows bucketed in the first four buckets, upto a 12 month period. A parallel shock of 200 bps is applied to the cash-flows for the remainder of the 12-month period.

- **Basis Risk**, which arises from changing rate relationships among yield curves that affect bank activities. It attempts to measure the impact of an interest rate shock on balance sheet assets and liabilities which are priced off different interest rate indices. The contribution of various interest rate curves to the underlying RBI prescribed EAR measure will be measured by grouping assets & liabilities into their respective Interest rate index category and subjecting each category to a 200bp rate shock separately.

X. Liquidity Risk

The Firmwide Liquidity Risk Oversight Policy, Local Policy and the Firmwide Liquidity Risk Limits & Indicators Policy are in place.

The Bank's internal stress coverage ratio and regulatory required Liquidity Coverage Ratio (LCR) and RBI prescribed stress tests are healthy. The Firmwide Liquidity Risk Oversight Policy is well-defined with clear roles and responsibilities. There are regular and frequent communication flows between local Treasurers, Liquidity Management and Liquidity Risk Oversight.

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Firmwide Liquidity Risk Oversight Policy is in place and is subject to annual review to ensure any changes in governance, framework and/or in business practices are properly reflected in the policy. As part of the contingency funding planning process, continuous assessment of a range of funding stress scenarios are done to ensure liquidity sources available to the Bank are sufficient to take care of its cash flow requirements. These stress tests are reviewed by ALCO and IRC on a regular basis and provide a gauge of potential liquidity risks under the assumption of restricted access to liquidity. The details of Contingency Funding Plan (CFP) are periodically reviewed by the local Treasury/CIO and local ALCO and APAC Treasurer.

XI. General Disclosures for Exposures Related to Counterparty Credit Risk

Counterparty Credit Risk (CCR) Limits for the banking counterparties are assessed based on an internal methodology. In all cases, CCR limit is approved based on credit assessment process followed by the Bank as per the Credit Policy and Credit Guidelines Document. CCR limits are set on the amount and tenor while fixing the limits to respective counterparties with distinct limits for each type of exposure. Capital for CCR exposure is assessed based on Standardised Approach.

The Bank uses Credit Support Agreement (CSA) as a credit risk mitigant while dealing with select counterparties. CSA defines the terms or rules under which collateral is posted or transferred between derivative counterparties to mitigate the credit risk arising from "in the money" derivative positions on OTC Derivative contracts.The same is however is not used in capital adequacy computation.

The derivative exposure is calculated using Current Exposure Method (CEM) and the balance outstanding as on March 31, 2020 is given below.

(Rs. in million)

Particulars		**Amount[1]**
	Notionals	**Current Exposure**
Forward Contracts	6,561,211	306,316
Currency Options	564,796	12,576
Interest Rate Swaps	5,959,431	188,345
Currency Swaps	588,390	83,639
Forward Rate Agreements	105,509	1,891
Total	**13,779,337**	**592,767**

Notes :- 1. Includes entity considered under regulatory scope of consolidation.

XII. Composition of Capital

(Rs. in million)

				Ref No.
Common Equity Tier 1 capital: instruments and reserves				
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	90,188		a1+a2+b2
2	Retained earnings	50,718		c1+d1
3	Accumulated other comprehensive income (and other reserves)	26,257		b4+c3
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**	**167,163**		
Common Equity Tier 1 capital : regulatory adjustments				
7	Prudential valuation adjustments	3,651		
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)	–		

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Basel III - Pillar III disclosures for the year ended March 31, 2020 *(Continued)*

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 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**	**3,651**		
29	**Common Equity Tier 1 capital (CET1)**	**163,512**		
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)**	–		

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Basel III - Pillar III disclosures for the year ended March 31, 2020 *(Continued)*

45	**Tier 1 capital (T1 = CET1 + Admissible AT1) (29 + 44)**	**163,512**		
Tier 2 capital : instruments and provisions				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus*	1,600		
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 & Reserves	7,270		c2+c4
51	**Tier 2 capital before regulatory adjustments**	**8,870**		
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 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 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)**	**8,870**		
59	**Total capital (TC = T1 + T2) (45 + 58)**	**172,382**		
60	**Total risk weighted assets (60a + 60b + 60c)**	**944,606**		
60a	of which : total credit risk weighted assets	681,734		
60b	of which : total market risk weighted assets	211,419		
60c	of which : total operational risk weighted assets	51,453		
	Capital ratios and Buffers			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	17.31%		
62	Tier 1 (as a percentage of risk weighted assets)	17.31%		
63	Total capital (as a percentage of risk weighted assets)	18.25%		
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets) and G SIB buffer requirement	10.875%		
65	of which : capital conservation buffer requirement	1.875%		
66	of which : bank specific countercyclical buffer requirement	–		
67	of which : G-SIB buffer requirement	3.5%		
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) Includes Capital Conservation Buffer and G SIB buffer requirement	14.375%		

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Amounts below the thresholds for deduction (before risk weighting)				
72	Non-significant investments in the capital of other financial entities	Nil		
73	Significant investments in the common stock of financial entities	Nil		
74	Mortgage servicing rights (net of related tax liability)	Nil		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	Nil		
	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)	7,270		c2+c4
77	Cap on inclusion of provisions in Tier 2 under standardised approach^	8,522		60a*1.25%
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	Nil		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	Nil		
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	Nil		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Nil		
82	Current cap on AT1 instruments subject to phase out arrangements	Nil		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	Nil		
84	Current cap on T2 instruments subject to phase out arrangements	Nil		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	Nil		

* This pertains to cumulative convertible Preference Share for JPMSI as per the extent RBI guidelines. This has been accounted as 'compounded financial insrument' as per IND AS.

^ The cap is not applicable to Investment Fluctuation Reserve as per the RBI guidelines.

Notes to the template

(Rs. in million)

Row No. of the template	Particular	Amount
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	–
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	–
	of which : Excess Additional Tier 1 capital which is considered as	–
	Tier 2 capital under row 58b	–
50	Eligible Provisions included in Tier 2 capital	7,270
	Eligible Revaluation Reserves included in Tier 2 capital	–
	Total of row 50	7,270
58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	–

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Basel III - Pillar III disclosures for the year ended March 31, 2020 *(Continued)*

XIII. Composition of Capital- Reconciliation Requirements

(Rs. in million)

Step 1		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	65,703	70,033
	Reserves & Surplus	79,823	109,128
	Minority Interest	–	–
	Total Capital	**145,526**	**179,161**
ii.	Deposits	**283,865**	**283,681**
	of which : Deposits from banks	24,894	24,894
	of which : Customer deposits	258,971	258,787
	of which : Other deposits (pl. specify)	–	–
iii.	Borrowings	168,370	180,006
	of which : From RBI	13,600	13,600
	of which : From banks	40,110	40,110
	of which : From other institutions & agencies& Corporates	114,660	126,296
iv.	Other liabilities & provisions	327,278	327,445
	Total	**925,039**	**970,293**
B			
i.	Cash and balances with Reserve Bank of India	**48,140**	**48,140**
	Balance with banks and money at call and short notice	**50,114**	**50,130**
ii.	Investments :	**344,605**	**378,210**
	of which : Government securities	343,501	353,311
	of which : Other approved securities	–	–
	of which : Shares	1,104	1,104
	of which : Debentures & Bonds	–	23,795
	of which : Subsidiaries/Joint Ventures/Associates	–	–
	of which : Others (Commercial Papers, Mutual Funds etc.)	–	–
iii.	Loans and advances	**146,830**	**157,421**
	of which : Loans and advances to banks	2,981	2,981
	of which : Loans and advances to customers	143,849	154,440
iv.	Fixed assets	**62**	**63**
v.	Other assets	**335,288**	**336,329**
	of which : Goodwill and intangible assets	–	–
	of which : Deferred tax assets	579	880
vi.	Goodwill on consolidation	–	–
vii.	Debit balance in Profit & Loss account	–	–
	Total Assets	**925,039**	**970,293**

(Rs. in million)

Step 2		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Reference No.
		As on 31-Mar-2020	As on 31-Mar-2020	
A	**Capital & Liabilities**			
i.	**Paid-up Capital**	**65,703**	**70,033**	
	of which:			
	Funds from HO	65,703	65,703	a1
	Equity Share Capital	–	4,330	a2
	Preference Share capital	–	–	a3

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Basel III - Pillar III disclosures for the year ended March 31, 2020 *(Continued)*

(Rs. in million)

Step 2		**Balance sheet as in financial statements**	**Balance sheet under regulatory scope of consolidation**	**Reference No.**
		As on 31-Mar-2020	**As on 31-Mar-2020**	
A	**Reserves & Surplus**	**79,823**	**109,128**	
	of which :			
	Share Premium	–	20,155	b1
	Equity Share Premium	–	20,155	b2
	Preference Share Premium	–	–	b3
	Statutory Reserves	24,279	26,233	b4
	Other Revenue Reserves	49,405	49,429	
	of which:			
	Retention of Rem. Sur	44,683	44,683	c1
	Investment Reserve Account/Investment Fluctuation Reserve	4,722	4,722	c2
	General Reserve	–	24	c3
	Surplus- Unallocated & Carried Over	–	–	
	Operating Surplus (in current year)	6,139	6,139	
	Operating Surplus (JPMSI)	–	6,035	d1
	Minority Interest	–	–	
	Other Reseves	–	1,137	
	Total Capital	**145,526**	**179,161**	
ii.	**Deposits**	**283,865**	**283,681**	
	of which : Deposits from banks	24,894	24,894	
	of which : Customer deposits	258,971	258,787	
	of which : Other deposits (pl. specify)	–	–	
iii.	**Borrowings**	**168,370**	**180,006**	
	of which : From RBI	13,600	13,600	
	of which : From banks	40,110	40,110	
	of which : From other institutions & agencies, corporates	114,660	126,296	
iv.	**Other liabilities & provisions**	**327,278**	**327,445**	
	of which:			
	General Provisions and loss Reserves	2,548	2,548	c4
	Total	**925,039**	**970,293**	
B	**Assets**			
i.	Cash and balances with Reserve Bank of India	48,140	48,140	
	Balance with banks and money at call and short notice	50,114	50,130	
ii.	**Investments :**	**344,605**	**378,210**	
	of which : Government securities	343,501	353,311	
	of which : Other approved securities	–	–	
	of which : Shares	1,104	1,104	
	of which : Debentures & Bonds	–	23,795	
	of which : Subsidiaries/Joint Ventures/Associates	–	–	
	of which : Others (Commercial Papers, Mutual Funds etc.)	–	–	
iii.	Loans and advances (Net)	**146,830**	**157,421**	
	of which : Loans and advances to banks (Gross)	2,981	2,981	
	of which : Loans and advances to customers (Gross)	143,849	154,442	
	Less : Provision on Loans	–	2	
	Loans and advances to customers (Net)	146,830	157,421	
iv.	Fixed assets	**62**	**63**	
v.	Other assets	**335,288**	**336,329**	
	of which : Goodwill and intangible assets	–	–	
	of which : Deferred tax assets	579	880	
vi.	Goodwill on consolidation	–	–	
vii.	Debit balance in Profit & Loss account	–		
	Total Assets	**925,039**	**970,293**	

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Basel III - Pillar III disclosures for the year ended March 31, 2020 *(Continued)*

XIV. Main Features of Regulatory Capital Instruments

A. The Main Features of Equity Capital (Common Equity Tier 1) are given below*:

S No.	Particulars	Equity	
1	Issuer	J.P. Morgan Securities India Private Limited	
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N.A. (As securities are not marketable)	
3	Governing law(s) of the instrument	Indian Laws	
	Regulatory treatment		
4	Transitional Basel III rules	Common Equity Tier 1	
5	Post-transitional Basel III rules	Common Equity Tier 1	
6	Eligible at solo/group/group & solo	Solo and Group	
7	Instrument type	Common Shares	
8	Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date)	4,330	
9	Par value of instrument	Rs 10/-	
10	Accounting classification	Shareholders' equity	
11	Original date of issuance	Date of Issuance	Number of Shares issued
		15-Oct-1998	85,000,000 shares
		28-Dec-2004	400 shares
		22-Jun-2007	90,000,000 shares
		18-Mar-2010	10,000 shares
		13-Mar-2019	279,228,887 shares
		Total	432,989,287 shares*
		* 21,250,000 equity shares were reduced and cancelled.	
12	Perpetual or dated	Perpetual	
13	Original maturity date	no maturity	
14	Issuer call subject to prior supervisory approval	No	
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	Floating	
18	Coupon rate and any related index	NA	
19	Existence of a dividend stopper	No	
20	Fully discretionary, partially discretionary or mandatory	fully discretionary	
21	Existence of step up or other incentive to redeem	No	
22	Noncumulative or cumulative	noncumulative	
23	Convertible or non-convertible	nonconvertible	
24	If convertible, conversion trigger(s)	NA	
25	If convertible, fully or partially	NA	
26	If convertible, conversion rate	NA	
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	No	
31	If write-down, write-down trigger(s)	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)	NA	
36	Non-compliant transitioned features	No	
37	If yes, specify non-compliant features	NA	

* The Bank does not have equity share capital.

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Basel III - Pillar III disclosures for the year ended March 31, 2020 *(Continued)*

B. The Main Features of Preference Share Capital (Tier 2) are given below:

S No.	Particulars	Preference Share Capital
1	Issuer	J.P. Morgan Securities India Private Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N.A. (As securities are not marketable)
3	Governing law(s) of the instrument	Indian Laws
	Regulatory treatment	
4	Transitional Basel III rules	Tier 2
5	Post-transitional Basel III rules	Tier 2
6	Eligible at solo/group/group & solo	Solo and Group
7	Instrument type	Others - Cumulative convertible redeemable preference shares
8	Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date)	160
9	Par value of instrument	Rs 10
10	Accounting classification	Shareholders' equity
11	Original date of issuance	23-Mar-04
12	Perpetual or dated	Dated
13	Original maturity date	23-Mar-24
14	Issuer call subject to prior supervisory approval	No
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	Fixed
18	Coupon rate and any related index	5%
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Convertible
24	If convertible, conversion trigger(s)	5% cumulative convertible redeemable preference shares of Rs 10 each are redeemable at a premium of Rs 90 per share at the end of twenty years (March 23, 2024) from the date of allotment (March 23, 2004) or earlier, at the discretion of the Board of Directors of the Company, or are convertible into equity shares at any time and on such terms, as may be determined by the Board of Directors of the Company.
25	If convertible, fully or partially	Fully
26	If convertible, conversion rate	Not specified
27	If convertible, mandatory or optional conversion	Optional
28	If convertible, specify instrument type convertible into	Equity Shares
29	If convertible, specify issuer of instrument it converts into	J.P. Morgan Securities India Private Limited
30	Write-down feature	No
31	If write-down, write-down trigger(s)	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)	In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

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Basel III - Pillar III disclosures for the year ended March 31, 2020 *(Continued)*

XV. Main Features of Regulatory Capital Instruments

Table DF-14 : Full Terms and Conditions of Regulatory Capital Instruments

Instruments	Full Terms and Conditions
J.P. Morgan Securities India Private Limited	
Equity Share Capital	The Company has one class of equity shares having par value of Rs 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.
Preference Share Capital	
Name of the Company	J.P. Morgan Securities India Private Limited ('JPMSI' or 'the Company')
Type Of Shares	Preference
Description	5% Cumulative Convertible Redeemable Preference Shares (CCRP)
No. Of Shares Offered	16,000,000
Face Value	Rs. 10/- per share
Premium	Rs. 90/- per share
Issue Price	Rs. 100/- per share
Nature Of Issue	On rights basis to existing equity Shareholders in the ratio of their existing shareholding in the proportion as nearly as circumstances admit, to the capital paid-up on the equity shares as on February 5, 2004, subject to the condition that where in respect of any shareholder, the entitlement in terms of this offer is less than one 5% CCRP share, the entitlement shall be rounded off to a minimum of one 5% CCRP share.
Tenure/ Conversion Into Equity	The preference shares are redeemable at a premium of Rs. 90/- per share at the end of twenty years (March 23, 2024) from the date of allotment (March 24, 2004) or earlier at the discretion of the Board of Directors of the Company or are convertible to equity shares at any time and on such terms as may be determined by the Board of Directors of the Company.
Ranking Of Shares & Dividend	JPMSI, subject to the provisions of the Act, is entitled to issue further Preference shares ranking in all respects pari passu with but not in priority to the existing Preference shares. The redeemable preference shares shall carry the right to a fixed cumulative preferential dividend at the rate of 5% per annum (subject to deduction of income tax) on the capital for the time being paid-up thereon. The holders of redeemable preference shares shall have the right in winding up to payment of capital and arrears of dividend, if declared, upto the commencement of the winding up in priority to the other capital of the company but shall not confer any further right to participate in the profits or assets of the Company.

XVI. Disclosure Requirement for Remuneration

In accordance with the requirements of the RBI circular DBOD No BC. 72/29.67.001/2011-12 Dated 13 January 2012 the Bank has obtained a letter from its Head Office which states that the Compensation policies in India including that for the CEO are in line with the FSB requirements of the home country.

XVII. Equities – Disclosure for Banking Book Positions

The Bank does not hold any equity position in the Banking book.

XVIII. Leverage Ratio

The Basel III leverage ratio is defined as the capital measure (Tier-1 capital of the risk based capital framework) divided by the exposure measure. The Bank is required to maintain a minimum leverage ratio of 3.5%. As per RBI guidelines, disclosures required for leverage ratio for the Bank at the consolidated level at March 31, 2020 is as follows:

(Rs. in million)

Particulars	
Tier 1 Capital	163,512
Exposure Measure	1,221,108
Leverage Ratio	**13.39%**

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Basel III - Pillar III disclosures for the year ended March 31, 2020 *(Continued)*

1. Leverage ratio common disclosure template

(Rs. in million)

	Particulars	Amount[1]
	On-balance sheet exposures	
1.	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	630,604
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)	630,604
	Derivative exposures	
4.	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	188,650
5.	Add-on amounts for PFE associated with all derivatives transactions	297,572
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)	486,222
	Securities financing transaction exposures	
12.	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	53,745
13.	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–
14.	CCR exposure for SFT assets	7,124
15.	Agent transaction exposures	–
16.	Total securities financing transaction exposures (sum of lines 12 to 15)	60,869
	Other off-balance sheet exposures	
17.	Off-balance sheet exposure at gross notional amount	234,256
18.	(Adjustments for conversion to credit equivalent amounts)	(190,843)
19.	Off-balance sheet items (sum of lines 17 and 18)	43,413
	Capital and total exposures	
20.	Tier 1 capital	163,512
21.	Total exposures (sum of lines 3, 11, 16 and 19)	1,221,108
	Leverage ratio	
22.	**Basel III leverage ratio (per cent)**	**13.39**

Note :- 1. Includes entity considered under regulatory scope of consolidation.

2. Summary comparison of accounting assets vs. leverage ratio exposure measure

(Rs. in million)

	Particulars	Amount[1]
1.	Total consolidated assets as per published financial statements	970,293
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 recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	–
4.	Adjustments for derivative financial instruments	200,265
5.	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	7,124
6.	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	43,413
7.	Other adjustments	13
8.	**Leverage ratio exposure**	**1,221,108**

Note :- 1. Includes entity considered under regulatory scope of consolidation.

3. Reconciliation of total published balance sheet size and on balance sheet exposures under common disclosure

(Rs. in million)

	Particulars	Amount[1]
1.	**Total consolidated assets as per published financial statements**	**970,293**
2.	Replacement cost associates with all derivative transactions	(285,957)
3.	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	(53,745)
4.	Other adjustments	13
5.	**On Balance sheet exposure under Leverage ratio (excluding derivative and SFTs)**	**630,604**

Note :- 1. Includes entity considered under regulatory scope of consolidation.

SUMITOMO MITSUI BANKING CORPORATION
INDIA BRANCHES

INDEPENDENT AUDITOR'S REPORT

To General Manager and Country Head of India
Sumitomo Mitsui Banking Corporation, India Branches

Report on the Audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of Sumitomo Mitsui Banking Corporation, India Branches ('the Bank'), which comprise the Balance Sheet as at March 31, 2020 and the Profit and Loss Account and the Cash Flow statement for the year then ended, and 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 together with notes thereon give full 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 true and fair view in conformity with the accounting principles generally accepted in India:

   a. in the case of the Balance Sheet, of the state of affairs of the Bank as at March 31, 2020;
   b. in the case of the Profit and Loss Account, of the profit of the Bank for the year ended on that date;
   c. in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

Basis for Opinion

2. 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 ('ICAI') 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

3. We draw attention to note no. 43 of schedule 18 of the financial statements, which describes that the extent to which the COVID-19 pandemic will impact the Bank's results will depend on future developments, which are highly uncertain.

   Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditor's Report Thereon

4. The Bank's management is responsible for the other information. The other information comprises the information included in the Bank's Basel III – Pillar 3 disclosures and annual report, but does not include the financial statements and our auditors' report thereon. The other information is expected to be made available to us after the date of this auditor's report. 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

   When we read the other Information and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charges with governance as required under SA 720 'The Auditor's responsibilities Relating to other Information'.

Responsibility of Management for Financial Statements

5. 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 financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under prescribed Section 133 of the Act, provision 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; 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

6. 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 our 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, to 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.

SUMITOMO MITSUI BANKING CORPORATION
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- 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 system with reference to financial statements and on 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.
- 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

7. The Balance Sheet and Profit and Loss Account and the Cash Flow Statement have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014.
8. As required by Section 30(3) of the Banking Regulation Act, 1949, 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; and
   c. the financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches.
9. 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; except that the backup of the books of accounts and other books and papers maintained in electronic mode has been maintained on servers physically located outside of India, Refer note I(a) of Schedule 18 of the financial statements;
   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, read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank;
   e. there are no material observations or comments on the financial transactions or matters which have any adverse effect on the functioning of the Bank;
   f. reporting requirement pursuant to provision of Section 164 (2) of the Companies Act, 2013 are not applicable considering the Bank is a branch Sumitomo Mitsui Banking Corporation incorporated in Tokyo with limited liability;;
   g. 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 1 to this report;
   h. reporting requirement pursuant to section 197 of the Act related to managerial remuneration is not applicable considering the Bank is a branch Sumitomo Mitsui Banking Corporation incorporated in Tokyo with limited liability;
   i. 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, we report as under:
      i the Bank does not have any pending litigations which would impact its financial positions;
      ii the Bank has made adequate 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 27 of schedule 18 to the financial statements;
      iii the Bank is currently not liable to transfer any amount to the Investor Education and Protection Fund.

For **Khimji Kunverji & Co LLP**
Chartered Accountants
FRN: 105146W/ W100621

sd/-
Vinit K Jain
Partner (F- 145911)
UDIN-20145911AAAAAX9052

Place: Mumbai
Date: 29 June 2020

SUMITOMO MITSUI BANKING CORPORATION
INDIA BRANCHES

Annexure 1 to the Independent Auditors' Report

[referred to in paragraph 9(g) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report]

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

We have audited the internal financial controls with reference to financial statements of Sumitomo Mitsui Banking Corporation, India Branches ('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 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 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 Act.

Auditors' 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, issued by 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 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 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 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. A Bank's internal financial control with reference to financial statements includes those policies and procedures that:

(a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank;

(b) 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

(c) 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 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, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 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 ICAI except that the backup of the books of accounts and other books and papers maintained in electronic mode has been maintained on servers physically located outside of India, Refer note I (a) of Schedule 18 of the financial statements.

For **Khimji Kunverji & Co LLP**
Chartered Accountants
FRN: 105146W/ W100621

sd/-
Vinit K Jain
Partner (F- 145911)
UDIN-20145911AAAAAX9052

Place: Mumbai
Date: 29 June 2020

SUMITOMO MITSUI BANKING CORPORATION
INDIA BRANCHES

(Rupees in 000's)

BALANCE SHEET AS AT 31 MARCH 2020

	Schedule	As at 31-Mar-2020	As at 31-Mar-2019
CAPITAL & LIABILITIES			
Capital	1	79,475,325	34,889,825
Reserves & Surplus	2	9,414,632	6,998,032
Deposits	3	144,796,588	92,724,118
Borrowings	4	2,572,610	2,290,917
Other Liabilities and Provisions	5	12,939,428	7,265,094
TOTAL		**249,198,583**	**144,167,986**
ASSETS			
Cash and Balances with R B I	6	54,141,355	11,683,353
Balances with banks and Money at Call and Short Notice	7	2,315,978	11,299,540
Investments	8	69,254,667	43,814,870
Advances	9	109,197,386	69,199,514
Fixed Assets	10	105,266	105,272
Other Assets	11	14,183,931	8,065,437
TOTAL		**249,198,583**	**144,167,986**
Contingent Liabilities	12	457,024,789	341,060,211
Bills for Collection		75,015	45,876
Accounting Policies & Notes to Accounts	18		

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2020

		Schedule	Year Ended 31-Mar-2020	Year Ended 31-Mar-2019
I.	**INCOME**			
	Interest earned	13	12,469,488	10,471,598
	Other income	14	1,453,899	747,696
	TOTAL		**13,923,387**	**11,219,294**
II.	**EXPENDITURE**			
	Interest expended	15	7,682,205	6,702,172
	Operating expenses	16	1,715,618	1,457,746
	Provisions & contingencies	17	2,108,964	1,353,565
	TOTAL		**11,506,787**	**9,513,483**
III.	**PROFIT/LOSS**			
	Net profit /loss (-) for the year		2,416,600	1,705,811
	Profit/Loss brought forward		-	2,080,832
	TOTAL		**2,416,600**	**3,786,643**
IV.	**APPROPRIATIONS**			
	Transfer to Statutory Reserves		604,150	426,453
	Transferred to Profit Retained in India for CRAR Purpose		-	3,068,091
	Transfer to/(from) Investment Fluctuation Reserve		631,297	292,099
	Balance carried over to Balance Sheet		1,181,153	-
	TOTAL		**2,416,600**	**3,786,643**

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

As per our attached Report of even date.

For Khimji Kunverji & Co LLP
(formerly Khimji Kunverji & Co)
Chartered Accountants
Firm Registration No. 105146W/W100621

Sd/-
Vinit K Jain
Partner (F- 145911)

Place: Mumbai
Date: 29 June 2020

The Schedules referred to above form an integral part of the Profit & Loss.

As per our attached Report of even date.

For and on behalf of
Sumitomo Mitsui Banking Corporation
India Branches

Sd/-
Bijender Pal Singh
Deputy General Manager

Place: New Delhi
Date: 29 June 2020

SUMITOMO MITSUI BANKING CORPORATION
INDIA BRANCHES

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

(Rupees in 000's)

		Year Ended 31 March 2020	Year Ended 31 March 2019
Adjustments			
Cash flow from operating activities			
Net Profit before taxes and extraordinary items		4,276,479	2,918,535
Add / (Less) Depreciation on Fixed Assets		54,387	66,425
Add / (Less) Depreciation on Investments		-	(2,401)
Add / (Less) Provision for Non Performing Assets (including Bad debts)		-	-
Add / (Less) Provision on Standard Assets		249,085	144,831
Add / (Less) Provision for Wealth Tax		-	-
Add / (Less) Provision for Country risk		-	(1,589)
Add / (Less) Rent straight lining reserve		4,234	2,296
Add / (Less) Loss on disposal of fixed assets		8,078	(994)
Operating Profit before working capital changes		**4,592,263**	**3,127,103**
Adjustment for:			
Increase / (Decrease) in Deposits		52,072,470	12,018,050
(Increase) / Decrease in Investments		(25,439,798)	(1,381,185)
(Increase) / Decrease in Advances		(39,997,873)	(7,885,104)
Increase / (Decrease) in Other Liabilities		5,421,016	1,915,244
(Increase) / Decrease in Other Assets		(5,992,938)	(1,305,014)
Direct taxes paid		(1,985,435)	(1,315,295)
Net Cash Flow from operating activities	**(A)**	**(11,330,295)**	**5,173,798**
Cash flows from investing activities			
Purchase of Fixed Assets		(62,491)	(30,099)
Disposal of fixed assets		33	1,497
Net cash from / (used in) investing activities	**(B)**	**(62,458)**	**(28,602)**
Cash flows from financing activities			
Inflow of Capital from Head Office		44,585,500	-
Increase / (Decrease) in Borrowings		281,693	(5,119,481)
Net cash from financing activities	**(C)**	**44,867,193**	**(5,119,481)**
Net increase / (decrease) in cash and cash equivalents	**(A + B + C)**	**33,474,440**	**25,716**
Cash and Cash equivalents at the beginning of the year		**22,982,893**	**22,957,177**
Cash and Cash equivalents at the end of the year		**56,457,333**	**22,982,893**
Notes to the Cash Flow Statement			
Cash and Cash equivalents consist of			
Cash and balances with Reserve Bank of India		**54,141,355**	**11,683,353**
Balances with banks and Money at Call and Short Notice		**2,315,978**	**11,299,540**
Cash and Cash equivalents at the end of the year		**56,457,333**	**22,982,893**

As per our attached Report of even date.

For Khimji Kunverji & Co LLP
(formerly Khimji Kunverji & Co)
Chartered Accountants
Firm Registration No. 105146W/W100621

Sd/-
Vinit K Jain
Partner (F- 145911)

Place: Mumbai
Date: 29 June 2020

For and on behalf of
Sumitomo Mitsui Banking Corporation
India Branches

Sd/-
Bijender Pal Singh
Deputy General Manager

Place: New Delhi
Date: 29 June 2020

SUMITOMO MITSUI BANKING CORPORATION
INDIA BRANCHES

Schedules Forming Part of the Balance Sheet as at 31 March 2020

(Rupees in 000's)

	As at 31-Mar-2020	As at 31-Mar-2019
SCHEDULE 1 : CAPITAL		
At the beginning of the year	34,889,825	34,889,825
Additions during the year	44,585,500	–
TOTAL	**79,475,325**	**34,889,825**
Notes: Amount of deposit kept with RBI for March 2020 in the form of Cash under section 11 2(b) of the Banking Regulation Act, 1949 INR 2,000 thousand and INR 1,790,293 thousand (P.Y : INR 1,363,840 thousand) in the form of T-Bills of face value of INR 2,000,000 thousand (P.Y : INR 1,440,000 thousand)		
SCHEDULE 2 : RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	1,790,293	1,363,840
Additions during the year	604,150	426,453
Deductions during the year	–	–
TOTAL	**2,394,443**	**1,790,293**
II. Revenue and Other Reserves		
Opening Balance –	–	
Additions during the year	–	–
Deductions during the year	–	–
TOTAL	**–**	**–**
III. Investment Fluctuation Reserve		
Opening Balance	292,099	–
Additions during the year	631,297	292,099
Deductions during the year	–	–
TOTAL	**923,396**	**292,099**
IV. Remittable surplus retained in India for CRAR		
Opening Balance	4,915,640	1,847,549
Additions during the year	–	3,068,091
Deductions during the year	–	–
TOTAL	**4,915,640**	**4,915,640**
V. Balance in Profit and Loss Account	1,181,153	–
TOTAL (I + II + III + IV)	**9,414,632**	**6,998,032**
SCHEDULE 3 : DEPOSITS		
A.I. Demand Deposits		
(i) From Banks	110,495	81,904
(ii) From Others	11,997,271	8,567,138
A.II. Savings Bank Deposits	2,754	3,281
A.III. Certificate of Deposits	–	–
A.IV. Term Deposits		
(i) From Banks	50,000	–
(ii) From Others	132,636,068	84,071,795
TOTAL	**144,796,588**	**92,724,118**
B.I. Deposits of branches in India	144,796,588	92,724,118
B.II. Deposits of branches outside India	–	–
TOTAL	**144,796,588**	**92,724,118**

	As at 31-Mar-2020	As at 31-Mar-2019
SCHEDULE 4 : BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	–	–
(ii) Other Banks	–	–
(iii) Other Institutions and Agencies	–	–
II. Borrowings outside India	2,572,610	2,290,917
TOTAL	**2,572,610**	**2,290,917**
Secured Borrowings included in I & II above	–	–
SCHEDULE 5 : OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	–	–
II Interest Accrued	619,939	499,781
III. Deferred Tax Liability (Net)	–	–
IV. Others (including provision towards Standard Assets and Unhedged Foreign Currency Exposure- INR 730,886 thousand (P.Y: INR 481,801 thousand))	12,319,489	6,765,313
TOTAL	**12,939,428**	**7,265,094**
SCHEDULE 6 : CASH AND BALANCES WITH RBI		
I. Cash in Hand (including Foreign Currency Notes - Nil (P.Y. Nil)	713	660
II. Balances with Reserve Bank of India		
in Current Account	5,140,642	6,682,693
Others (represents LAF with RBI)	49,000,000	5,000,000
TOTAL	**54,141,355**	**11,683,353**
SCHEDULE 7 : BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE		
I. In India		
i) **Balances with banks in**		
(a) Current Accounts	112,092	229,071
(b) Other Deposit Accounts	–	–
ii) **Money at call and short notice**		
(a) with Banks	–	5,500,000
(b) with Other Institutions	–	4,996,441
TOTAL	**112,092**	**10,725,512**
II. Outside India		
i) in Current Accounts	2,203,886	574,028
ii) in Other Deposit Accounts	–	–
iii) in Money at Call and Short Notice	–	–
TOTAL	**2,203,886**	**574,028**
GRAND TOTAL (I & II)	**2,315,978**	**11,299,540**

SUMITOMO MITSUI BANKING CORPORATION
INDIA BRANCHES

Schedules Forming Part of the Balance Sheet as at 31 March 2020

(Rupees in 000's)

	As at 31-Mar-2020	As at 31-Mar-2019
SCHEDULE 8 : INVESTMENTS		
I. Investments in India in		
i) Government Securities	37,639,854	23,324,054
ii) Other Approved Securities	–	–
iii) Shares	–	–
iv) Debentures and Bonds	–	–
v) Subsidiaries and /or JV	–	–
vi) Others (including certificate of deposits and Pass Thru Certificate)	31,614,813	20,490,816
TOTAL	**69,254,667**	**43,814,870**
Less : Provision for Depreciation	–	–
TOTAL	**69,254,667**	**43,814,870**
II. Investments outside India	–	–
GRAND TOTAL (I & II)	**69,254,667**	**43,814,870**
SCHEDULE 9 : ADVANCES		
A i) Bills Purchased and Discounted	10,714,949	13,438,779
ii) Cash Credits, Overdrafts and Loans repayable on Demand	30,856,107	28,248,293
iii) Term loans	67,626,330	27,512,442
TOTAL	**109,197,386**	**69,199,514**
B i) Secured by Tangible Assets (includes advances against Book debts)	12,231,481	6,339,348
ii) Covered by Bank / Government Guarantees (includes advance to banks)	10,179,994	9,343,851
iii) Unsecured	86,785,911	53,516,315
TOTAL	**109,197,386**	**69,199,514**
C. I Advances in India		
i) Priority Sectors	13,740,859	13,311,313
ii) Public Sector	11,187,153	9,178,652
iii) Banks	–	–
iv) Others	84,269,374	46,709,549
TOTAL	**109,197,386**	**69,199,514**
C. II Advances outside India	–	–
TOTAL (CI & CII)	**109,197,386**	**69,199,514**
SCHEDULE 10 : FIXED ASSETS		
I. Premises		
At Cost at beginning of year	286,318	285,872
Additions during the year	6,855	445
Deductions during the year	–	–
Depreciation to date	(270,133)	(259,034)
TOTAL	**23,040**	**27,283**

	As at 31-Mar-2020	As at 31-Mar-2019
II. Other Fixed Assets (including Furniture & Fixtures)		
At Cost at beginning of year	326,097	298,430
Additions during the year	55,098	35,114
Deductions during the year	(21,748)	(7,448)
Depreciation to date	(278,304)	(256,390)
TOTAL	**81,143**	**69,706**
Capital Work in Progress	1,083	8,283
TOTAL (I, II & III)	**105,266**	**105,272**
SCHEDULE 11 : OTHER ASSETS		
I. Inter-Office Adjustment (Net)	–	–
II. Interest Accrued	1,532,355	886,219
III. Tax paid in Advance / TDS (Net of Provisions)	141,102	133,285
IV. Stationery and Stamps	–	–
V. Deferred Tax Assets (Net)	439,189	321,450
VI. Others (includes margin money with CCIL- INR 610,855 thousand (P.Y : INR 545,785 thousand))	12,071,285	6,724,483
TOTAL	**14,183,931**	**8,065,437**
SCHEDULE 12 : CONTINGENT LIABILITIES		
I. Claims against the bank not acknowledged as debts	–	–
II. Liability for partly paid investments	–	–
III. Liability on account of CCS/IRS including options	232,351,536	170,710,751
IV. Liability on account of outstanding Forward Purchase contracts	135,256,746	96,886,242
V. Liability on account of outstanding Forward Sell contracts	60,447,269	49,004,044
VI. Guarantees given on behalf of constituents	–	–
a) In India	10,460,987	8,890,787
b) Outside India	13,362,206	10,761,242
VII. Acceptances, endorsements and other obligation	5,146,045	4,807,145
VIII. Other items for which the Bank is contingently liable	–	–
TOTAL	**457,024,789**	**341,060,211**

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Schedules forming part of the Profit and Loss Account for the year ended 31 March 2020

(Rupees in 000's)

	Year ended 31-Mar-2020	Year ended 31-Mar-2019
SCHEDULE 13 : INTEREST EARNED		
I. Interest / Discount on Advances / Bills	8,198,331	7,026,796
II. Income on Investments	2,980,891	2,575,746
III. Interest on Balances with RBI and Other Inter-Bank Funds	1,274,970	861,095
IV. Others	15,296	7,961
TOTAL	**12,469,488**	**10,471,598**
SCHEDULE 14 : OTHER INCOME		
I. Commission, Exchange and Brokerage	713,745	321,741
II. Profit/(Loss) on Investments	10,644	(2,748)
III. Profit/(Loss) on revaluation of Investments	–	–
IV. Profit/(Loss) on sale of land, building & other assets	(8,078)	994
V. Profit/(Loss) on Exchange Transactions	511,659	347,978
VI. Income earned by way of dividends etc. from Co. and/or JV in India/Aboard	–	–
VII. Realised gain/ (loss) and Unrealised Revaluation of CCS/IRS	169,352	75,031
VIII. Miscellaneous Income	56,577	4,700
TOTAL	**1,453,899**	**747,696**
SCHEDULE 15 : INTEREST EXPENDED		
I. Interest on Deposits	7,501,522	6,323,520
II. Interest on Reserve Bank of India / Inter Bank Borrowings	180,683	378,652
III. Others	–	–
TOTAL	**7,682,205**	**6,702,172**

	Year ended 31-Mar-2020	Year ended 31-Mar-2019
SCHEDULE 16 : OPERATING EXPENSES		
I. Payments to and provision for employees	871,161	709,134
II. Rent, taxes and lighting	107,661	83,153
III. Printing and stationery	3,829	4,164
IV. Advertisement and publicity	3,278	2,034
V. Depreciation on Bank's property	54,387	66,425
VI. Directors fees, allowances and expenses	–	–
VII. Auditors' fees and expenses (refer note 33)	3,770	2,412
VIII. Law charges (incl. Professional Fees)	18,841	14,080
IX. Postages, telegrams, telephones etc.	10,331	12,857
X. Repairs and maintenance	152,834	152,963
XI. Insurance	129,819	100,670
XII. Other Expenditure	359,707	309,854
TOTAL	**1,715,618**	**1,457,746**
SCHEDULE 17 : PROVISIONS & CONTINGENCIES		
I. Provision for Non-Performing Advances	–	–
II. Provision for depreciation on Investments	–	(2,401)
III. Provision for Income Tax	1,977,618	1,288,689
IV. Provision for Deferred Tax	(117,739)	(75,965)
V. Provision on Standard Advances	249,085	144,831
VI. Charge for Country Risk Provision	–	(1,589)
TOTAL	**2,108,964**	**1,353,565**

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

1. SIGNIFICANT ACCOUNTING POLICIES

a) Background

The financial statements for the year ended 31 March 2020 comprise the Balance Sheet as on 31 March 2020, Profit and Loss Account for the period 01 April 2019 to 31 March 2020 and the Cash Flow Statement for the period 01 April 2019 to 31 March 2020 of India Branches of Sumitomo Mitsui Banking Corporation, ('the Bank') which is incorporated in Japan. The Bank is engaged in providing banking and financial services and is a banking company governed by the Banking Regulation Act, 1949. Bank has in total two Branches – New Delhi and Mumbai. During the year Bank has received in principal approval for opening a branch in Chennai which is yet to be operationalized. The Bank has maintained the books of accounts and other books and papers in the electronic mode, periodic backup of which have been maintained on servers physically located outside of India.

b) Basis of preparation

The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements confirm 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 (AS) notified under Section 133 of the Companies Act,2013, read together with paragraph 7 of the Companies (Accounts) rules 2014 to the extent applicable and practices generally prevalent in the banking industry in India. The Bank follows the accrual method of accounting (except where otherwise stated), 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 assets which are recognized on receipt basis. Interest income on discounted instruments is recognized over the tenor of the instrument on a straight line basis. Commission on letters of credit and commission on bank guarantees issued are recognized over the period of letters of credit/ bank guarantees. Other fees are recognized on accrual basis.

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

For all securities other than discounted instruments, weighted average cost is used to compute profit/loss on sale. In case of discounted instruments, the FIFO method is used for computing profit/loss on sale.

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.

Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined. 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, notional on forward contracts and other obligations are stated at the year-end closing rate.

f) Derivatives

Derivatives are financial instruments including forward exchange contracts, options, Cross Currency Swaps and interest rate swaps undertaken for either trading or hedging purposes.

Hedging derivatives are accounted for on accrual basis while 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 which have remained unpaid over 90 days are classified as non-performing assets and provision is made as prescribed by RBI.

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. The Bank follows the settlement date method of accounting. Cost of investments is determined on the FIFO cost basis.

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 category and HFT category is marked to market as per the RBI guidelines. Treasury bills and Certificate of deposits being discounted instruments are valued at carrying cost. Investments in Pass through certificates (PTCs) are valued on quarterly intervals by adopting base yield curve and corporate bond spread relative to weighted average maturity of the security followed by FIMMDA guidelines.

Non performing investments are identified and provision is made as per RBI guidelines.

In accordance with the RBI Regulation, repurchase and reverse repurchase transactions including LAF are accounted for as secured borrowing and lending transaction respectively. The expenditure / income in respect of such transactions are treated as interest expense / income.

Others

Brokerage, fees, commission and broken period interest incurred at the time of acquisition of securities, including money market instruments, are recognized as expense in profit and loss account.

h) Property Plant and Equipments

Property Plant and Equipments (PPE) are stated at cost less accumulated depreciation / amortization and impairment, if any.

Depreciation on PPE is charged on straight-line method on a pro-rata basis.

Type of Assets	Rates *(in %)*
General Plant and equipment (including air conditioner)	20.00
EDP Equipments, Computers	33.33
Software	33.33
Furniture & Fixtures	10.00
Motor vehicles*	20.00

Improvements on Leased premises are depreciated over the lease period. Depreciation on purchase / sale of fixed assets during the year is charged on a pro-rata basis.

The useful life of fixed assets marked with * are different than those specified under Schedule II of Companies Act 2013. The Management believes that useful life of fixed assets currently considered for the purpose of depreciation fairly reflect its estimate of the useful lives and residual values of Fixed Assets.

Impairment of assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value in use). The carrying amount is reduced to the recoverable amount and the reduction is recognized as an impairment loss 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.

b) Provision for advances classified as Sub-Standard, Doubtful & Loss assets are made based on management's assessment as per Bank's credit policy, subject to minimum provisions as per RBI guidelines. The related interest on such non performing advances is not recognized as income until received.

c) In addition to the specific provision on Non Performing Advances, the Bank maintains a general provision on standard assets as per RBI guidelines.

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j) Employee Benefits

a) Provident fund

Retirement benefit in the form of provident fund is a defined contribution scheme and the contributions are charged to profit and loss account of the year when the contributions to the fund are due. There are no other obligations other than the contribution payable to the fund.

b) Gratuity

The Bank accounts for the liability for future gratuity benefits using the projected cost unit method based on independent external actuarial valuation at the Balance Sheet date.

c) Compensated Absences

Liability for compensated absences for employees is provided on the basis of an independent external actuarial valuation carried out at the Balance sheet date.

d) Actuarial gains/losses

Actuarial gains/losses are immediately recognized in the Profit & Loss Account.

k) Net Profit / Loss

Profit/Loss for the year 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

Income tax comprises the current tax (i.e. amount of tax for the period, determined in accordance with the Income tax Act, 1961 and the rules framed there under) and deferred tax (reflecting the tax effects of timing differences between accounting income and taxable income for the year).

Provision for current tax is recognized in accordance with the provisions of Indian Income tax Act, 1961 and is made based on the tax liability after taking credit for tax allowances and exemptions.

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted at the Balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. The Bank assesses / re-assesses the unrecognized deferred tax assets at each balance sheet date.

m) Accounting for leases

Lease where the lessor effectively retains substantially all the risk and benefits of ownership of the leased assets 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 in accordance with AS 19- Leases.

n) Accounting for provisions, contingent liabilities and contingent Assets

A provision is recognized when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. 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.

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 liabilities are recognized only when there is a possible obligation arising from past events due to occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Bank, or where there is a present obligation arising from a past event which is not recognized 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 recognized in the financial statements since these may result in the recognition of an income which may never be realized.

o) 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 (including effect of changes in exchange rates on cash and cash equivalents in foreign currency).

2. Capital **(Rs. in crores)**

S. No.	Particulars (Basel III)	As at 31 March 2020	As at 31 March 2019
(i)	Common Equity Tier1 capital ratio (%)	40.10	29.78
(ii)	Tier 1 capital ratio (%)	40.10	29.78
(iii)	Tier 2 capital ratio (%)	0.76	0.55
(iv)	Total Capital ratio (CRAR) (%)	40.86	30.33
(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)	4,458.55	–
(vii)	Amount of Additional Tier 1 capital raised: of which PNCPS : PDI :	–	–
(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)]*	–	–

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3. Investments

(Rs. in crores)

Particulars	As at 31 March 2020	As at 31 March 2019
1. Value of Investments:		
(i) Gross Value of Investments		
a. In India	6,925.47	4,381.49
b. Outside India	–	–
(ii) Provisions for Depreciation		
a. In India	–	–
b. Outside India	–	–
(iii) Net Value of Investments		
a. In India	6,925.47	4,381.49
b. Outside India		
2. Movement of provision held towards depreciation on investments:	–	–
(i) Opening balance	–	–
(ii) Less: Write-off/ write-back of excess provision during the year	–	–
(iii) Less: Transfer, if any, to Investment Fluctuation Reserve Account		
(iv) Closing balance	–	–

3.1 Repo transactions (in face value terms)

(Rs. in crores)

	Minimum Outstanding during the Year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31 March 2020
Securities sold under repo				
i. Government Securities	–	–	–	–
ii. Corporate debt securities				
Securities purchased under reverse repo				
i. Government Securities	–	–	–	–
ii. Corporate debt securities				

This disclosure does not include Borrowing and lending under Liquidity Adjustment Facility (LAF) undertaken with RBI or under TREPS segment with CCIL.

(Rs. in crores)

	Minimum Outstanding during the Year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31 March 2019
Securities sold under repo				
i. Government Securities	–	–	–	–
ii. Corporate debt securities				
Securities purchased under reverse repo				
i. Government Securities	99.99	799.98	167.33	–
ii. Corporate debt securities				

This disclosure does not include Borrowing and lending under Liquidity Adjustment Facility (LAF) undertaken with RBI or under CBLO segment with CCIL.

3.2 Non-SLR Investments Portfolio

i) Issuer Composition of Non-SLR Investments

As on 31st March 2020

(Rs. in crores)

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	–	–	–	–	–
ii.	FIs	–	–	–	–	–
iii.	Banks	2,552.01	–	–	–	–
iv.	Private Corporates	–	–	–	–	–
v.	Subsidiaries/joint Ventures	–	–	–	–	–
vi.	Others (including PTCs)	609.47	609.47	–	–	–
vii.	Provision held towards depreciation	–	–	–	–	–
Total		**3,161.48**	**609.47**	**–**	**–**	**–**

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

As on 31st March 2019

(Rs. in crores)

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	–	–	–	–	–
ii.	FIs	–	–	–	–	–
iii.	Banks	1,536.38	–	–	–	–
iv.	Private Corporates	–	–	–	–	–
v.	Subsidiaries/joint Ventures	–	–	–	–	–
vi.	Others (including PTCs)	512.70	512.70	–	–	–
vii.	Provision held towards depreciation	–	–	–	–	–
Total		**2,049.08**	**512.70**	**–**	**–**	**–**

ii) Non-Performing Non-SLR investments

(Rs. in crores)

Particulars	As at 31 March 2020	As at 31 March 2019
Opening Balance	–	–
Additions during the Year since 1st April	–	–
Reductions during the above period	–	–
Closing balance	–	–
Total provision held	–	–

4. **Sale and Transfers to /from HTM Category- NIL** as on 31st March 2020 (31st March 2019: NIL)

5. **Derivatives**

5.1 Forward rate agreement / Interest rate swap **(Rs. in crores)**

Particulars		As at 31 March 2020	As at 31 March 2019
(i)	The Notional principal of interest rate swaps	3,505.96	3,280.52
(ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	56.46	31.96
(iii)	Collateral required by the AIFI upon entering into swaps	–	–
(iv)	Concentration of credit risk arising from the swaps (exposure to Financial Institutions)	55.18%	70.01%
(v)	The fair value of swap book [asset/(liability)]	1.87	2.26

The above disclosure includes Interest rate swaps and Overnight Index Swaps only

In terms of the guidelines issued by RBI, the following additional information is disclosed in respect of outstanding Interest rate swaps/ Forward rate agreements as at year end:

(Rs. in crores)

Nature	Benchmark	Terms	As at 31 March 2020		As at 31 March 2019	
			Nos.	Notional Principal	Nos.	Notional Principal
Trading	LIBOR	Receivable Fixed / Payable Floating	16	1,752.98	16	1,640.26
Trading	LIBOR	Receivable Floating / Payable Fixed	15	1,752.98	15	1,640.26
Total			**31**	**3,505.96**	**31**	**3,280.52**

5.2. Exchange Traded Interest Rate Derivatives

The Bank has no Exchange traded interest rate derivative transactions to report during the period ended 31 March 2020 (Previous year: Nil)

5.3. Disclosures on risk exposure in derivatives:

Qualitative Disclosure

a) Bank has laid out limits and controls in derivative trading. Outstanding derivative portfolio consists of hedging solutions offered to customers to manage their Foreign Exchange, Interest rate risk along with the cover trades by the Bank. Treasury Front Office deals with the customer and inter-bank for derivative deals. Treasury Middle Office monitors the risk and reports to the Management along with the risk limits. Treasury Back Office processes all these deals including confirmation, settlement etc. All these departments functions under the principles of Segregation of duties

b) The Bank has risk management department responsible for the risk monitoring associated with the derivative transactions and reporting is done to ALCO/ Management Committee, RBI and Head Office.

c) The derivative contracts comprise of forward exchange contracts, options, currency swaps, interest rate swaps, and overnight indexed swap.

d) The market risk arising out of derivatives exposure is monitored through various market risk limits. The Bank manages market risk using management systems for monitoring limits on daily basis.

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e) The derivatives in trading portfolio consist of transactions that are marked to market and changes in market value are considered in the statement of profit and loss in the relevant period. Position and profit and loss data are reviewed by management periodically as per the Management Information System in place.

   a. The Bank also maintains a general provision on Positive Mark to market value of outstanding derivatives contracts in accordance with the RBI guidelines.

f) The notional principal of outstanding derivatives contracts is reported at closing rates of exchange notified by FEDAI as at the balance-sheet date and is disclosed in Schedule 12-Contingent liabilities.

g) For qualification of hedges, Bank has set a hedge accounting policy in line with the market practice and regulations of home and host countries. For derivative contracts in the banking book designated as hedge, the Bank documents at the inception of the relationship between the hedging instrument and the hedged item, the risk management objective for undertaking the hedge and monitors all outstanding hedges on a periodical basis. Further the Bank's 'Hedging Policy' has stipulated conditions to ensure that the Hedges entered into are effective.

Quantitative Disclosure

(Rs. in crores)

S.I No.	Particular	FY 2019-20			FY 2018-19		
		Currency Derivatives (including options)	Interest Rate Derivatives	Forward exchange contracts	Currency Derivatives (including options)	Interest Rate Derivatives	Forward exchange contracts
(i)	Derivatives (Notional Principal Amount)	19,729.19	3,505.96	19,570.40	13,790.55	3,280.52	14,589.03
	a) For Hedging	–	–	–	–	–	–
	b) For trading	19,729.19	3,505.96	19,570.40	13,790.55	3,280.52	14,589.03
(ii)	Marked to Market Positions [1]	22.90	1.87	(16.36)	12.05	2.26	(2.21)
	a) Asset (+)	761.53	56.46	300.02	409.73	31.96	152.50
	b) Liability (-)	738.63	54.59	316.38	397.68	29.70	154.71
(iii)	Credit Exposure [2]	2,434.69	87.25	948.70	1,817.45	66.76	523.54
(iv)	Likely Impact of one percentage change in interest rate (100*PV01)						
	a) On hedging derivatives	–	–	–	–	–	–
	b) On trading derivatives	0.46	0.03	0.11	0.74	0.05	0.61
(v)	Maximum and Minimum of 100*PV01 observed during the year						
	a) On hedging	–	–	–	–	–	–
	b) On trading	Max–0.71 Min–0.36	Max–0.17 Min–0.03	Max–0.02 Min–0.00	Max–0.74 Min–0.21	Max–0.13 Min–0.02	Max–0.03 Min–0.88

6. Asset Quality

A. Non-Performing Assets and its movement

There are no non-performing assets during the year ended 31 March 2020. (31 March 2019: Nil)

B. Accounts restructured

During the year, the Bank has not restructured advances given to any customer. Disclosures pertaining to Strategic Debt Restructuring Scheme, Scheme of Sustainable Structuring of Stressed Assets (S4A) and Resolution of Stressed Assets are not applicable (FY 2018-19 – Nil).

C. Financial Assets sold to Securitization/Reconstruction Company for Asset Reconstruction

No financial assets have been sold to Securitization/ Reconstruction company for Asset Reconstruction (31 March 2019: Nil)

D. Non-Performing Financial Assets Purchased/Sold

The Bank has not purchased or sold any Non-performing financial assets during the year (31 March 2019: Nil)

E. Provisions on Standard Assets

(Rs. in crores)

Particulars	As at 31 March 2020	As at 31 March 2019
Provision on Standard Assets	54.32	30.85
Provision for Unhedged Foreign Currency exposure	18.76	17.33

7. Business Ratios

S.I No.	Particulars	As at 31 March 2020	As at 31 March 2019
1	Interest Income as a percentage to working funds	6.31%	6.87%
2	Non-Interest Income as a percentage to working funds	0.74%	0.45%
3	Operating Profit as a percentage to working funds	2.29%	2.01%
4	Return on assets	1.22%	1.12%
5	Business per employee (Rs. in crores)	133.73	90.50
6	Net Profit/(loss) per employee (Rs. in crores)	1.27	0.95

Note:

1. Working funds calculated as an average of total assets (excluding accumulated losses, if any) as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the 12 months of the financial year.
2. Return on assets would be with reference to average working funds.
3. Deposits (excluding interbank) and Advances outstanding as of balance sheet date are taken for calculating ratios in (5) above
4. Weighted Average number of employees during the year are considered for computation of ratios.

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8. Asset Liability Management

Maturity pattern of certain assets and liabilities as of 31 March 2020

(Rs. in crores)

Particulars	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	More than 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months upto 1 year	Over 1 year upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	311.55	1,420.56	751.18	3,682.01	1,478.88	1,912.94	2,342.41	1,826.92	751.95	0.56	–	14,479.66
Advances	14.77	663.39	901.43	2,288.42	1,425.84	2,150.78	765.90	1,342.85	985.50	253.56	127.30	10,919.74
Investments	–	499.94	3.41	219.55	221.67	814.51	2,248.71	2,558.61	308.74	50.33	–	6,925.47
Borrowings	–	–	–	105.93	–	–	–	151.33	–	–	–	257.26
Foreign Currency Assets	221.02	17.39	8.69	128.59	36.60	188.22	83.23	–	–	–	52.96	736.70
Foreign Currency Liabilities	52.09	–	–	105.93	–	–	–	151.33	–	–	–	309.35

Maturity pattern of certain assets and liabilities as of 31 March 2019

(Rs. in crores)

Particulars	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	More than 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months upto 1 year	Over 1 year upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	191.21	572.47	764.59	1,476.01	1,701.83	2,102.82	850.38	1,041.04	571.47	0.60	–	9,272.42
Advances	3.87	1,592.58	1,616.10	582.96	528.83	506.38	551.02	333.83	1,157.65	45.46	1.26	6,919.94
Investments	–	–	103.83	114.14	1,009.34	723.28	606.06	1,531.48	260.37	32.99	–	4,381.49
Borrowings	–	–	–	33.00	23.30	80.33	92.46	–	–	–	–	229.09
Foreign Currency Assets	57.56	–	3.18	39.33	44.56	89.61	109.39	–	–	–	48.41	392.04
Foreign Currency Liabilities	12.90	–	–	33.00	23.30	80.33	92.46	–	–	–	–	241.99

9. Exposures

9.1 Exposure to Real Estate sector

(Rs. in crores)

Category	As at 31 March 2020	As at 31 March 2019
a) Direct Exposures		
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 fully secured by mortgages on Commercial Real estates. Exposure would also include non-fund based (NFB Limits)		
iii) Investments in Mortgage Backed Securities and Other Securitized Exposures-	–	–
a. Residential		
b. Commercial real Estate		
iv) Others	70.00	–
b) Indirect Exposure		
Fund Based and Non-Fund Based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFC's)	2,294.87	1,915.97
Total	**2,364.87**	**1,915.97**

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9.2 Exposure to Capital Market

(Rs. in crores)

SI. No.	Category	As at 31 March 2020	As at 31 March 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;	–	–
(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 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;	–	–
(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)	–	–
(xi)	Others	230.00	40.00
	Total Exposure to Capital Market	**230.00**	**40.00**

9.3 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 June 17, 2004 is as follows:

(Rs. in crores)

Risk Category	Exposure (net) as at 31 March 2020	Provision as at 31 March 2020	Exposure (net) as at 31 March 2019	Provision as at 31 March 2019
Insignificant	215.10	–	57.21	–
Low	5.29	–	0.19	–
Moderate	–	–	–	–
High	–	–	–	–
Very High	–	–	–	–
Restricted	–	–	–	–
Off-credit	–	–	–	–
Total	**220.39**	**–**	**57.40**	

***** As per the extent RBI guidelines, the country exposure of the bank is categorized into various risk categories listed in the above table.

9.4 Details of Large Exposure Limits exceeded by the Bank (to be updated)

RBI vide their master circular no. DBR.No.BP.BC.43/21.01.003/2016-17 dated 01st Dec 2016 has prescribed exposure limits for Banks in respect of their lending to Single Counterparty and Group of Connected counterparties. The Exposure limits prescribed are 20% of the bank's available eligible capital base for Single Counterparty and 25% of the bank's eligible capital base of group of connected counterparty. In exceptional cases, Board of banks may allow an additional 5 percent exposure of the bank's available eligible capital base. For certain counterparties, limits can be modulated as specified in the circular.

The eligible capital base for this purpose is the effective amount of Tier 1 capital fulfilling the criteria defined in Master Circular on Basel III – Capital Regulation / Master Direction on 'Basel III Capital Regulations' as per the last audited balance sheet.

During the Year ended 31 March 2020, the Bank has exceeded the prudential exposure limits let down by RBI guidelines for SMBC Head Office and Branches.

Name of the borrower	During the year FY 2019-20	As on 31 March 2020	As on 31 March 2019
SMBC HO and Branches	22.59%	9.85%	NA

In previous year, RBI vide their master circular no.DBR.No.Dir.BC.12/13.03.00/2015-16 dated 1 July 2015 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. Additionally, Banks may in exceptional circumstances, with the approval of their Head Office and recommendation of the local management of the Bank consider enhancement of the exposure to a borrower up to a further 5% of capital funds. During the Year ended 31 March 2019, the Bank has exceeded the prudential exposure limits let down by RBI guidelines for one of the customer.

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

Name of the borrower	During the year FY 2018-19	As on 31 March 2019	As on 31 March 2018
National Housing Bank	15.66%*	15.66%*	–

* Exposure in FY 2018-19 /Capital funds of FY 2017-18

9.5 Unsecured Advances

There are no advances granted against intangible securities such as charges over the rights, licenses, authority etc. during the year (31 March 2019- NIL)

10. Disclosure of Penalties imposed by RBI- No penalties have been imposed by the Reserve Bank of India during the year ended 31 March 2020 (31 March 2019: Nil).

11. Disclosure Requirements as per Accounting Standards where RBI has issued guidelines in respect of disclosure items for "Notes to Accounts":

11.1 Disclosure under Employee Benefits – Revised Accounting Standard 15

a. Provident Fund

The contribution to employees provident fund amounted to Rs. 4.76 crores for the year ended 31 March 2020 (31 March 2019: Rs. 3.66 crores)

b. Compensated absences

The Bank accounted Rs. 5.25 crores as liability for compensated absences for the year ended 31 March 2020 (31 March 2019: Rs. 4.10 crores)

Following table summarizes the relevant information in respect of active members of the scheme

	No. of employees	Average per day leave availment salary (in INR)	Average per day leave encashment salary (in INR)	Average unrestricted leave balance (in Days)	Average restricted leave balance (in Days)
31 March 2020	183	6,958.31	5,830.78	35.00	34.67

	No. of employees	Average per day leave availment salary (in INR)	Average per day leave encashment salary (in INR)	Average unrestricted leave balance (in Days)	Average restricted leave balance (in Days)
31 March 2019	171	6,069.52	5,776.67	34.61	34.61

Financial assumptions at the valuation date

	As at 31 March 2020	As at 31 March 2019
Discount Rate (p.a)	6.95%	7.55%
Salary Escalation Rate (p.a.)	8.50%	8.00%

Attrition Rate as 31 March 2020 is

Age (Years)	Rates (p.a.)
21 – 30	20%
31 – 40	13%
41 – 50	5%
51 – 59	0%

Attrition Rate as 31 March 2019 is

Age (Years)	Rates (p.a.)
21 – 30	17%
31 – 40	13%
41 – 50	4%
51 – 59	0%

c. Gratuity

The principal actuarial assumptions used as at the Balance Sheet date:

Defined Benefits	As at 31 March 2020	As at 31 March 2019
Discount Rate per annum	6.95%	7.55%
Future Cost /Salary increase per annum	8.50%	8.00%
Rate of return on Plan Assets	0.00%	0.00%

<u>Balance Sheet</u>

Reconciliation of the opening and closing balances of the present value of the defined benefit obligation and the effects during the year attributable to each of the following is as under:-

(Rs. in crores)

Defined Benefits	As at 31 March 2020	As at 31 March 2019
Present value of Obligation (01.04.2019)	3.34	2.39
Interest Cost	0.30	0.23
Current Service Cost	0.68	0.59
Actuarial (gain)/loss on Obligation	0.55	0.34
Past Service Cost	–	–
Benefits Paid	(0.17)	(0.21)
Present value of Obligation (31.03.2020)	4.70	3.34

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Profit & loss

Total expense recognized in profit and loss Account:

(Rs. in crores)

Defined Benefits	**As at 31 March 2020**	**As at 31 March 2019**
Current service cost	0.68	0.59
Interest cost	0.30	0.23
Expected return on plan assets	–	–
Net actuarial gain/ (loss) recognized in the period	0.55	0.34
Past service cost	–	–
Expenses recognized in the statement of profit and loss	**1.53**	**1.16**

Experience adjustments

(Rs. in crores)

	For the year ended				
	2020	**2019**	**2018**	**2017**	**2016**
Gratuity					
Defined benefit obligation	4.70	3.34	2.39	1.71	0.96
Plan assets	–	–	–	–	–
Surplus/ (deficit)	(4.70)	(3.34)	(2.39)	(1.71)	(0.96)
Experience adjustment on plan liabilities	0.07	0.27	0.48	0.14	0.04
Experience adjustment on plan assets	–	–	–	–	–

11.2 Segment Reporting

Part A: Business Segments

In accordance with RBI guidelines, the Bank has identified the following three primary segments: Treasury, Corporate banking and Other 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, Treasury bills, Government securities, certificate of deposits and foreign exchange operations. The revenue of this segment consist of interest earned on funding, investment income and gains on Government Securities, CD's, 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 customer deposits/funds borrowed, personnel cost, other direct overheads and allocated expenses.

Other Banking and unallocated: Other Banking includes notional interest on Head Office capital based on Internal transfer pricing. Unallocated segment income, expenses, assets & liabilities includes items which are not allocable to other segment.

For the year ended March 2020

Business Segments	**Corporate**	**Treasury**	**Other Banking (Income on head office funds)**	**Total**
Revenue	268.12	1,124.21	–	1,392.33
Results	172.81	59.52	195.32	427.65
Net income	*325.75*	*103.05*	*195.32*	*624.12*
Allocable expense	*(152.94)*	*(43.53)*	–	*(196.47)*
Unallocable Expense	–	–	–	–
Operating Profit/(Loss)	–	–	–	427.65
Income Taxes				185.99
Extraordinary Profit/Loss	–	–	–	–
Net Profit/ (Loss)	–	–	–	241.66
Segment assets	11,888.62	12,940.09	–	24,828.72
Unallocable Assets	–	–	–	91.14
Total Assets	–	–	–	24,919.86
Segment liabilities	15,669.13	329.67	–	15,998.80
Unallocable liabilities	–	–	–	32.06
Total Liabilities	**–**	**–**	**–**	**16,030.86**
Capital and Reserve & Surplus				**8,889.00**

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For the year ended March 2019

Business Segments	Treasury	Corporate / Wholesale Banking	Other Banking Operations	Total
Revenue	139.38	982.55	–	1,121.93
Results	50.03	2215	219.67	291.85
Net Income	170.62	61.42	219.67	451.71
Allocable Expense	(120.59)	(39.27)	–	(159.86)
Unallocable Expenses	–	–	–	(0.00)
Operating Profit/(loss)	–	–	–	291.85
Provisions	–	–	–	–
Income Taxes	–	–	–	121.27
Extraordinary Profit/Loss	–	–	–	00.0
Net Profit/ (Loss)	**–**	**–**	**–**	**170.38**
Segment Assets	7,447.99	6,890.26	–	14,338.25
Unallocable Assets	–	–	–	78.55
Total Assets	**–**	**–**	**–**	**14,416.80**
Segment Liabilities	10,037.29	164.98	–	10,202.27
Unallocable Liabilities	–	–	–	25.74
Total Liabilities	**–**	**–**	**–**	**10,228.01**
Capital and Reserve & Surplus	**–**	**–**	**–**	**4,188.79**

Note- In allocation of some items of expenses/income and asset/liabilities, certain estimates and assumptions have been made by the management, which has been relied upon by the auditors.

Part B: Geographic Segments

SMBC India branches has operations in India only and therefore geographic segments have not been considered.

11.3 Related Party Transactions

Related Party Transactions in terms of AS-18 on "Related Party Disclosures" are disclosed below:

a) Parent Head office and its branches: Sumitomo Mitsui Banking Corporation, Tokyo and its branches. Name of Branches are as below:
   (i) Sumitomo Mitsui Banking Corporation, Singapore Branch
   (ii) Sumitomo Mitsui Banking Corporation, New York Branch
   (iii) Sumitomo Mitsui Banking Corporation, Dusseldorf Branch
   (iv) Sumitomo Mitsui Banking Corporation, Bangkok Branch
   (v) Sumitomo Mitsui Banking Corporation, Osaka Branch
   (vi) Sumitomo Mitsui Banking Corporation, Hongkong Branch
   (vii) Sumitomo Mitsui Banking Corporation, Sydney Branch

b) Name of subsidiaries of the Parent Company
   (i) Sumitomo Mitsui Banking Corporation Europe Limited
   (ii) Sumitomo Mitsui Banking Corporation (China) Limited, Guangzhou Branch
   (iii) SMBC Nikko Capital Markets
   (iv) SMBC Nikko Securities Inc.
   (v) SMBC SSC Sdn. Bhd.
   (vi) PT Bank BTPN Tbk- Indonesia

Key Management Personnel:

Mr. Keishi Iwamoto, General Manager and Country Head of India (From 01st April 2019 to 31st March 2020)

In line with the RBI circular DBR.BP.BC.No.23/21.04.018/2015-16 dated 01 July 2015, related party disclosures exclude transactions in a category where there is only one related party at any point in time (i.e key management personnel). Accordingly, disclosures have been made only for transactions with 'Head Office', 'Branches of Head Office' and its subsidiaries.

Related parties are identified by the Management and relied upon by the auditors.

Note: The parties mentioned above are those with whom the bank had transactions during the year ended 31 March 2020

c) The transactions of the Bank with related parties are detailed below except where there is only one related party

(Rs. in crores)

	Parent and Branches		Subsidiaries	
	31 March 2020	**31 March 2019**	**31 March 2020**	**31 March 2019**
Interest Paid	3.97	7.69	–	–
Interest Received	–	0.48	–	–
Rendering of services	53.45	16.74	–	–
Receiving of Services	0.13	0.08	0.54	0.45
Purchase of fixed assets	–	–	–	–
Inflow of Capital	4,458.55	–	–	–
Reimbursement of expenses	–	0.32	–	–
Reimbursements received	–	–	–	–

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d) Balances with related parties are as follows:

(Rs. in crores)

	Parent and Branches		Subsidiaries	
	As at 31 March 2020	**Maximum Outstanding during the year 2020**	**As at 31 March 2020**	**Maximum Outstanding during the year 2020**
Borrowings	257.26	415.80	–	–
Deposit	–	–	0.05	7.55
Placement of deposits	–	–	–	–
Advances	–	–	–	45.50
Nostro balances	185.57	102.14	3.50	6.81
Forward contracts (notional value)	2,224.87	6756.22	16.63	26.55
Guarantees Issued	1,056.37	1,086.33	0.08	0.08
Currency swaps and Interest rate swaps (notional value)	1,473.63	1,473.63	789.94	789.94
Vostro Accounts	11.03	47.69	0.02	0.13
Interest Accrued on Borrowings	0.05	0.64	–	–
Interest Accrued on Advances	–	–	–	–
Other Receivable	–	–	–	–

(Rs. in crores)

	Parent and Branches		Subsidiaries	
	As at 31 March 2019	**Maximum Outstanding during the year 2019**	**As at 31 March 2019**	**Maximum Outstanding during the year 2019**
Borrowings	229.09	837.95	–	–
Deposit	–	–	–	–
Placement of deposits	–	–	–	–
Advances	–	630.63	–	–
Nostro balances	43.52	315.64	3.23	8.77
Forward contracts (notional value)	2,793.46	3,163.08	–	0.30
Guarantee	1,076.06	2,004.83	0.07	0.15
Currency swaps and Interest rate swaps (notional value)	1,311.87	1,359.45	752.41	820.90
Vostro Accounts	8.14	25.80	0.05	0.32
Interest Accrued on Borrowings	0.43	0.96	–	–
Interest Accrued on Advances	–	0.05	–	–
Other Receivable	–	–	–	–

11.4 Deferred Tax

a. 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.

b. The major composition of Deferred Tax Liabilities (DTL) & Deferred Tax Assets (DTA) is as under:

(Rs. in crores)

Sr. No.	Particulars	As at 31 March 2020	As at 31 March 2019
A.	**DTA :**		
(i)	Provision for Employee Benefits	4.08	2.98
(ii)	Carried forward business loss (to the extent DTL is available for set-off)	–	–
(iii)	Provision for standard assets	31.92	21.05
(iv)	Depreciation on Fixed Assets	7.92	8.12
(v)	Provision for Depreciation on Investments	–	–
	Total DTA	**43.92**	**32.15**

12. Provisions and Contingencies

(Rs. in crores)

Particulars	As at 31 March 2020	As at 31 March 2019
Provision for depreciation on Investment	–	(0.24)
Provisions towards NPA	–	–
Provision for Income Tax (including deferred tax)	185.99	121.27
Provision on Standard Assets (including UFCE)	24.91	14.48
Provision on Country Risk	–	(0.16)

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13. Floating Provisions

The bank has not made any floating provisions during the period ended 31 March 2020. (31 March 2019: Nil)

14. Draw-down from Reserves

There is no draw down from Reserves to report for period ended 31 March 2020. (31 March 2019: Nil)

15. Disclosure of Complaints / Unimplemented awards of banking ombudsmen

In accordance with RBI circular DBOD. No. Leg. BC.9/09.07.006/2009-10 dated July 01, 2009 details of customer complaints and awards passed by Banking Ombudsman are as follows:

a. Customer Complaints

	Particulars	As at 31 March 2020	As at 31 March 2019
(a)	No. of complaints pending at the beginning of the year	**Nil**	**Nil**
(b)	No. of complaints received during the year	**2**	**2**
(c)	No. of complaints redressed during the year	**2**	**2**
(d)	No. of complaints pending at the end of the year	**Nil**	**Nil**

b. Awards passed by the Banking Ombudsman

	Particulars	As at 31 March 2020	As at 31 March 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 at the end of the year	–	–

16. Disclosure of Letters of Comfort (LoCs) issued by banks.

The Bank has not issued any Letter of Comfort (LoCs) during the period ended 31 March 2020. (31 March 2019: Nil).

17. Provision Coverage Ratio

The bank has no funded NPA exposure as on 31 March 2020 (31 March 2019: Nil). Hence this disclosure is not applicable.

18. The Bancassurance Business

The Bank has not done Bancassurance business during the period ended 31 March 2020. (31 March 2019: Nil)

19. Additional disclosures vide circular D.B.O.DBP.BC.No.79/21.04.018/2009-10 dated March 15, 2010

A. Concentration of Deposit **(Rs. in crores)**

Particulars	As at 31 March 2020	As at 31 March 2019
Total deposits of twenty largest depositors	9,437.05	6,820.18
Percentage of deposits of twenty largest depositors to total deposits	65.17%	73.55%

B. Concentration of Advances **(Rs. in crores)**

Particulars	As at 31 March 2020	As at 31 March 2019
Total advances to twenty largest borrowers	10,604.28	8,740.27
Percentage of Advances to twenty largest borrowers to total advances of the Bank	35.18%	36.92%

C. Concentration of Exposures # **(Rs. in crores)**

Particulars	As at 31 March 2020	As at 31 March 2019
Total Exposures to twenty largest borrowers / customers	10,813.74	8,927.97
Percentage of Exposures to twenty largest borrowers / Customers to Total Exposures of the bank on borrowers / Customers	35.17%	36.91%

Note- Exposure is sanctioned limits or outstanding whichever is higher.
#For calculation of total exposure and top 20 exposure, Banks have been excluded.

D. Concentration of NPA

As there are no Non-Performing assets during the year hence the Concentration of NPA is Nil. (31 March 2019: Nil)

20. Sector wise advances **(Rs. in crores)**

Sr. no	Sector	As at 31 March 2020			As at 31 March 2019		
		Outstanding total advances	Gross NPAs	% of Gross NPAs to total Advances in that sector	Outstanding total advances	Gross NPAs	% of Gross NPAs to total Advances in that sector
A	**Priority Sector**						
1	Agriculture & allied activities	–	–	–	–	–	–
2	Advances to industries sector eligible as priority sector lending	817.73	–	–	923.31	–	–
3	Services	556.36	–	–	407.82	–	–
4	Personal Loan	–	–	–	–	–	–
	Sub total (A)	**1,374.09**	**–**	**–**	**1,331.13**	**–**	**–**

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Sr. no	Sector	As at 31 March 2020			As at 31 March 2019		
		Outstanding total advances	Gross NPAs	% of Gross NPAs to total Advances in that sector	Outstanding total advances	Gross NPAs	% of Gross NPAs to total Advances in that sector
B	**Non priority Sector**						
1	Agriculture & allied activities	–	–	–	–	–	–
2	Industry	4,183.65	–	–	3,033.47	–	–
3	Services	5,362.00	–	–	2,555.35	–	–
4	Personal Loan	–	–	–		–	–
	Sub total (B)	**9,545.65**	**–**	**–**	**5,588.82**	**–**	**–**
	Total (A+B)	**10,919.74**	**–**	**–**	**6,919.95**	**–**	**–**

Industries having more than 10% outstanding in the related sector

(Rs. in crores)

SI No	Sector	As at 31 March 2020			As at 31 March 2019		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
1	Agriculture & allied activity		–	–	–	–	–
2	**Industry**						
2.1	All Engineering	887.08	–	–	1094.08	–	–
2.2	Chemical and Chemical products	281.27	–	–	31.50	–	–
2.3	Vehicles, Vehicle Parts and Transport Equipments	1,331.88	–	–	1081.34	–	–
2.4	Iron and Steel	1,075.45			466.28		
2.5	Others	2,193.32	–	–	1,283.58	–	–
	Sub Total	**5,769.00**	–	–	**3,956.78**	–	–
3	**Services**						
3.1	Telecommunication Services	1,022.30	–	–	736.90	–	–
3.2	NBFC	2,707.64	–	–	967.44	–	–
3.3	Others	1,420.80	–	–	1,258.83	–	–
	Sub Total	**5,150.74**	–	–	**2,963.17**	–	–
	Gross Advances	**10,919.74**	–	–	**6,919.95**	–	–

21. Movement of NPAs

(Rs. in crores)

Particulars	**As at 31 March 2020**	**As at 31 March 2019**
Gross NPAs as on beginning of the year	–	–
Additions during the year	–	–
Sub Total (A)	–	–
Less :	–	–
a. Up gradations	–	–
b. Recoveries(excluding recoveries made from upgraded accounts)	–	–
c. Technical/Prudential write off	–	–
d. Write-off other than those under (iii) above	–	–
Subtotal (B)	–	–
Gross NPAs at the end of year	–	–

Particulars	**As at 31 March 2020**	**As at 31 March 2019**
Opening Balance of technical/Prudential written off as on April 01, 2018	–	–
Add: Technical/Prudential write off during the year	–	–
Sub Total (A)	–	–
Less:		
Recoveries made from previously technical/prudential written off accounts during the year (B)	–	–
Closing Balance as at 31 March 2019	–	–

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22. Off-balance sheet SPVs sponsored

31 March 2020: Nil (31 March 2019: Nil)

23. Overseas Assets, NPAs and Revenue

(Rs. in crores)

Particulars	**As at 31 March 2020**	**As at 31 March 2019**
Total Assets	–	–
Total NPAs	–	–
Total Revenue for the year ended	–	–

24. Remuneration

In accordance with the requirements of the RBI circular DBOD No BC. 72/29.67.001/2011-12 dated 13 January 2012, the Bank has obtained a letter from its head office which states that the compensation policies in India including that for the CEO are in line with the FSB requirements.

25. Unamortised pension and gratuity liabilities

Not Applicable

26. Credit default Swaps

31 March 2020 : Nil (31 March 2019: Nil)

27. Provision for Long term contracts

The Bank has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Bank has reviewed and recorded adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts (including derivative contracts) in the books of account and disclosed the same under the relevant notes in the financial statements.

28. Small and Micro Industries

Under the Micro and Small Enterprises Development Act 2006 which came into force from October 2, 2006 certain disclosures are required to be made relating to Micro and small enterprises. On the basis of the information and records available with the management and confirmation sought by the management from supplies on their registration with the specified authority under the said Act 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.

29. Intangible Assets – AS 26

(Rs. in crores)

Particulars	**As at 31 March 2020**	**As at 31 March 2019**
At cost as at 31 March of the preceding year	0.62	0.77
Additions during the year	1.20	0.77
Deductions during the year	–	–
Depreciation for the year	0.99	0.92
Total	**0.83**	**0.62**

30. Operating Leases

The minimum rent payable in respect of premises obtained on non – cancellable operating lease agreement is as under:

(Rs. in crores)

Particulars	**As at 31 March 2020**	**As at 31 March 2019**
Not later than one year	8.19	7.52
Later than one year but not later than five years	16.10	21.92
later than five years	2.05	0.00
Total	**26.34**	**29.44**
Total minimum lease payments recognized in the profit and loss Account	**8.55**	**8.22**

31. Intra-Group Exposures

(Rs. in crores)

Particulars	**As at 31 March 2020**	**As at 31 March 2019**
Total Amount of Intra Group Exposures	207.49	211.53
Total amount of top-20 intra group exposures	207.49	211.53
Percentage of intra-group exposures to total exposures of the bank on borrowers/customers (in %)	0.69	0.85
Details of breach of limits on intra-group exposures and regulatory action thereon, if any	–	–

32. Transfer to Depositor Education and Awareness Fund

(Rs. in crores)

Particulars	**As at 31 March 2020**	**As at 31 March 2019**
Opening balance of amount transferred to DEAF	–	–
Add:-Amount transferred to DEAF during the year	–	–
Less:-Amount transferred by DEAF towards claim	–	–
Closing balance of amount transferred to DEAF	–	–

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33. Auditors Fees and Expense

(Rs. in crores)

Particulars	As at 31 March 2020	As at 31 March 2019
Audit Fees	0.24	0.20
Out of Pocket Expenses	0.06	0.04
Certificate Services	0.07	–
Total	**0.38**	**0.24**

34. Unhedged Foreign Currency Exposure

Policies to manage currency induced credit risk

The quantification of currency induced credit risk shall form part of Banks Internal Capital Adequacy Assessment Programme (ICAAP) and Banks shall address this risk in a comprehensive manner.

The ICAAP shall include measurement of the extent of currency induced credit risk the Bank is exposed to and also the concentration of such exposures.

Banks shall perform stress tests under various extreme but plausible exchange rate scenarios under ICAAP.

Based on the outcome of ICAAP, Bank shall take appropriate risk management actions like risk reduction, maintenance of more capital or provision, etc. As a part of Supervisory Review and Evaluation Process (SREP) under Pillar 2, RBI may review the risk management measures taken by the Bank and its adequacy to manage currency induced credit risk, especially if exposure to such risks is assessed to be on higher side.

Finance & Accounting Department (FAD) manages the centralized collection, preparation and submission of all regulatory reports in the branch.

As at March 31, 2020, below is the amount of provision held and additional risk weighted assets on account of Unhedged Foreign Currency Exposure of eligible customers;

(Rs. in crores)

Particulars	As at 31 March 2020	As at 31 March 2019
Provision held for Unhedged Foreign Currency Exposure of eligible borrowing entities	18.76	200.00
Additional Risk Weighted Assets for Unhedged Foreign Currency Exposure of eligible borrowing entities	785.76	620.68

35. Disclosure on Nostro Accounts

There is no outstanding entry for more than three months in nostro accounts which is pending for reconciliation. Further, the Bank has not written off/back any outstanding entry to the debit/credit of the profit and loss account during the year ended 31 March 2020, having nil impact on the profit and loss account".

36. Priority Sector Lending Certificate (PSLC)

(Rs. in crores)

Type of PSLC	2019-20		2018-19	
	PSLC bought	PSLC Sold	PSLC bought	PSLC Sold
General	1,718.75	200.00	921.25	100.00
Micro Enterprises	–	–	–	100.00

37. Liquidity Coverage Ratio

(Rs. In crores)

										Previous Year	
		Average April to June 2019		Average July to Sep 2019		Average Oct to Dec 2019		Average Jan to Mar 2020		Average Jan to Mar 2019	
	High Quality Liquid Assets	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)	Total Unweighted Value (Average)	Total Weighted Value (Average)
1	Total High Quality Liquid Assets (HQLA)		2,634.72		3,810.26		4,287.80		6,940.24		2,670.45
	Cash Outflows	0	0	0	0	0	0	0	0	0	0
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-	-	-	-	-
(i)	Stable deposits	-	-	-	-	-	-	-	-	-	-
(ii)	Less stable deposits	-	-	-	-	-	-	-	-	-	-
3	Unsecured wholesale funding, of which :	4,876.35	2,004.63	5,928.84	2,479.64	7,414.90	3,327.67	8,038.25	3,478.99	5,360.94	2,166.38
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	4,876.35	2,004.63	5,928.84	2,479.64	7,414.90	3,327.67	8,038.25	3,478.99	5,360.94	2,166.38
(iii)	Unsecured debt	-	-	-	-	-	-	-	-	-	-
4	Secured wholesale funding		-		-		-		-		-
5	Additional requirements, of which	68.94	68.94	48.05	48.05	21.22	21.22	43.19	43.19	73.84	73.84
(i)	Outflows related to derivative exposures and other collateral requirements	68.94	68.94	48.05	48.05	21.22	21.22	43.19	43.19	73.84	73.84
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	621.47	621.47	209.02	209.02	154.65	154.65	69.34	69.34	80.56	80.56
7	Other contingent funding obligations	14,588.44	680.34	15,819.68	740.04	16,651.08	780.43	18,135.80	850.22	15,262.42	705.15
8	**Total Cash Outflows**		3,375.39		3,476.76		4,283.96		4,441.74		3,025.93
	Cash Inflows										
9	Secured lending (e.g. reverse repos	-	-	-	-	-	-	-	-	-	-
10	Inflows from fully performing exposures	6,412.00	4,028.44	6,342.55	3,896.59	5,461.15	3,284.97	5,916.73	3,634.66	4,623.11	2,681.60
11	Other cash inflows	1,032.06	655.06	886.40	410.05	949.63	391.34	1,426.44	829.44	1,068.98	691.98
12	**Total Cash Inflows**	**7,444.06**	**4,683.50**	**7,228.95**	**4,306.64**	**6,410.77**	**3,676.31**	**7,343.17**	**4,464.10**	**5,692.08**	**3,373.57**
		-	Total Adjusted Value	-	Total Adjusted Value	-	Total Adjusted Value	-	Total Adjusted Value	-	Total Adjusted Value
21	TOTAL HQLA		2,634.72		3,810.26		4,287.80		6,940.24		2,670.45
22	Total Net Cash Outflows (Net Cash Outflow or 25% of Cash outflows, whichever is higher		843.85		869.19		1,070.99		1,110.43		756.48
23	Liquidity Coverage Ratio (%)		312.23%		438.37%		400.36%		625.00%		353.01%

Notes-

a. For the quarter ended 31 March 2019, the weighted and un-weighted amounts are calculated taking simple average of daily positions of starting 01st Jan 2019 to 31st March 2019.

b. For the year ended 31 March 2020, the weighted and un-weighted amount is calculated taking simple average of daily positions starting from 01st April 2019 to 31st March 2020.

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Qualitative disclosure on Liquidity Coverage Ratio (LCR)

In June 2014, RBI issued the final guidelines on Liquidity Coverage ratio (LCR) and introduced this new liquidity metric to ensure short-term resilience of the bank. This came into effect from Jan 1, 2015 with a stipulated minimum requirement of 60% and is required to be at minimum of 100% by Jan 1, 2020. The LCR standard aims to ensure that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario as specified by RBI. At a minimum, the stock of liquid assets should enable the bank to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions to normalize liquidity position can be taken.

The liquidity management is centralized at New Delhi branch. The primary objectives of effective liquidity management are to ensure that the core businesses are able to operate in support of client needs, meet contractual and contingent obligations through normal economic cycles as well as during stress events, ensure funding mix optimization, and availability of liquidity sources. Monthly ALM meeting is held with the participation of all the relevant departments including the management to review, discuss and provide the guidance.

For SMBC, at present, the LCR framework is applicable for Indian operations only. As of 31st March 2020, and in prior periods of intermediate reporting to RBI, the bank is compliant with the LCR requirement. The bank intends to keep maintaining sufficient unencumbered HQLA to meet the regulatory requirement on ongoing basis. Currently the liquid assets comprise of high quality assets that can be readily sold or used as collateral to obtain funds in a range of stress scenarios. These are unencumbered i.e. without legal, regulatory or operational impediments.

HQLA is the amount of assets that qualify for inclusion as per LCR guidelines. The HQLA as on 31st March 2020 comprises entirely of Level 1 assets which includes:

i. Cash including cash reserves in excess of required CRR.

ii. Government securities in excess of the minimum SLR requirement.

iii. Within the mandatory SLR requirement, Government securities to the extent allowed by RBI, under Marginal Standing Facility (MSF).

iv. Government securities held under Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) within the mandatory SLR requirement.

The bank derives its source of long-term funds from the healthy capital. Further, additional sources of funds are derived from the growing customer deposit base. Although, the top 20 depositors constitute around 71.01% of the customer deposit base ending 31st March 2020, the bank has been constantly endeavoring to diversify and increase stability of customer deposit base. The expected cash outflows, under LCR guidelines, are primarily driven by customer deposits outflows. The bank deploys the adequate funding base to expand its customer loans and advances portfolio. However, the capital base provides adequate cushion to fund the incremental business growth at the same time keeping focus on liquidity risk position. Additional funds in excess of business deployment and statutory reserve requirements are temporarily invested liquid assets with short term maturity profile. Therefore cash inflows, under LCR guidelines, are primarily driven by inflows on account of repayment of customer loans and maturing assets within the timeframe.

38. Description of Contingent liabilities

Sr. No.	Contingent liabilities	Brief
1	Claims against the Bank not acknowledged as debts	The Bank does not have any legal or tax proceedings in the normal course of business and therefore, the Bank does not expect any 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, currency swaps, Overnight index swaps and interest rate swaps with interbank participants and customers. Foreign 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.

Refer Schedule 12 for amounts relating to contingent liabilities

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39. Corporate Social responsibility

The CSR committee was formed on 28th January 2015, in accordance with the Bank's internal CSR policy to comply with the provisions of Section 135 of the Companies Act, 2013. During the year, the bank has contributed an amount of Rs. 5.35 crores towards an NGO

– Gross Amount required to be spent by the company during the year: INR 5.35 crores

– Amount spent during the year on: INR 5.35 crores

(Rs. in crores)

S.No.	CSR Activities	In cash	Yet to be paid in cash	Total
(i)	Construction/acquisition of any asset	–	–	–
(ii)	On purposes other than (i) above	5.35	–	5.35

40. Specified Bank Notes

Being a Banking Company, Schedule III of the Companies Act, 2013 is not applicable and hence the disclosure requirements for the details of Specified Bank Notes (SBN) as envisaged in the notification G.S.R 308(E) dated 30 March 2017 issued by the Ministry of Corporate Affairs (MCA) has not been provided.

41. The Bank has a comprehensive system of maintenance of information and documents required by transfer pricing legislation under section 92-92F of the Income Tax Act, 1961. The management is of the opinion that international transactions are at arm's length so that the above legislation will not have material impact on the financial statements, particularly on the amount of tax expense and that of provision of taxes. Further, any additional tax obligation for earlier years, on account of change in fee arrangement on external commercial borrowing transactions, will be borne by respective associated enterprise hence no additional tax provision is required to be made for same.

42. Bank has recognized fees for support on offshore financing transactions for the year with reference to underlying deals executed during 12 month period ended Jan 2020, in accordance with the term of its agreement.

43. Divergence in the Asset Classification and Provisioning

There have been no instances of material divergences in bank's asset classification and provisioning from the RBI norms**.**

44. COVID-19 virus, a global pandemic has affected the world economy including India leading to significant decline and volatility in financial markets and decline in economic activities. On 24th March, 2020, the Indian Government announced a strict 21-day lock-down which was further extended by 19 days across the country to contain the spread of the virus. The extent to which the COVID-19 pandemic will impact the Bank's provision on assets will depend on the future developments, which are highly uncertain, including among the other things any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government mandated or elected by the Bank.

The RBI on 27th March, 2020 and 17th April, 2020, announced 'COVID-19 Regulatory Package' on asset classification and provisioning. In terms of the RBI guidelines, the lending institutions have been permitted to grant a moratorium of three months on payment of all instalments/ interest, as applicable, falling due between 1st March, 2020 and 31st May, 2020 ('moratorium period'). As such, in respect of all accounts classified as standard as on 29th February, 2020, even if overdue, the moratorium period, wherever granted, shall be excluded by the lending institutions from the number of days past-due for the purpose of asset classification under RBI's Income Recognition and Asset Classification norms. There were no customers at "default but standard" to whom asset classification benefit has been extended, hence no additional provision has been created as required under "COVID 19 Regulatory Package- Asset Classification and Provisioning". The provisions held by the Bank are adequate as per the RBI prescribed norms.

45. Prior period comparatives

Previous year figures have been regrouped and reclassified where necessary to confirm to current year's presentation.

For Khimji Kunverji & Co LLP
(formerly Khimji Kunverji & Co)
Chartered Accountants
Firm Registration No. 105146W/W100621

Sd/-
Vinit K Jain
Partner (F- 145911)

Place: Mumbai
Date: 29 June 2020

For and on behalf of
Sumitomo Mitsui Banking Corporation
India Branches

Sd/-
Bijender Pal Singh
Deputy General Manager

Place: New Delhi
Date: 29 June 2020

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DISCLOSURES UNDER PILLAR – 3 OF BASEL – III, FOR THE FINANCIAL YEAR ENDED MARCH 31, 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: - **Sumitomo Mitsui Banking Corporation, India Branches.**

Sumitomo Mitsui Banking Corporation (SMBC) was established in the year 2001 following the merger of two of Japan's leading banks namely Sakura and Sumitomo. SMBC is headquartered in Tokyo-Japan. SMBC is the banking arm of Sumitomo Mitsui Financial Group. SMFG and its group companies offer a broad range of financial services such as banking, leasing, securities, credit card, investment, mortgage securitization, venture capital and other credit related businesses.

In India, SMBC received Banking License from RBI on May 18, 2012 and established its Branch in New Delhi. The commercial operations of the bank started during the financial year 2012-2013. During financial year 2016-17, having received license from RBI, the Bank commenced its operations in Mumbai through establishment of its second branch on March 21, 2017. The information provided in the disclosures is consolidated for the Bank's operations in India through two of its branches located in New Delhi and Mumbai.

(i) Qualitative Disclosures:

a. List of group entities considered for consolidation

Name of 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
As on March 31, 2020, the bank has been operating through two of its branches in India. Hence, there are no group entities for consolidation.						

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

Name of 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)
As on March 31, 2020, the bank has been operating through two of its branches in India. Hence, there are no group entities for consolidation.					

(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)
As on March 31, 2020, the bank has been operating through two of its branches in India. Hence, there are no group entities for consolidation.			

d. The aggregate amount of capital deficiencies in all the 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:

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 to adequately support its current and future activities. The Internal Capital Adequacy Assessment Process conducted and documented through ICAAP, details the business plans of the bank and assessment of requirement/adequacy of capital for future years, under the normal and stressed conditions.

Quantitative Disclosures:

Capital requirement for credit, market and operational risk and Common Equity Tier 1, Tier-1 and Total Capital ratios as on March 31, 2020 are detailed as below: -

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(Rs. in millions)

	Particulars	Amount
b	Capital requirements for credit risk	22,432.08
	– Portfolios subject to standardised approach	22,293.55
	– Securitisation exposures	138.53
c	Capital requirements for market risk	**1,244.66**
	Standardised duration approach	
	– Interest rate risk	1,063.65
	– Foreign exchange risk (including gold)	181.01
	– Equity risk	0.00
d	Capital requirements for operational risk	
	– Basic indicator approach	**844.37**
e	Common Equity Tier-I, Tier-II and Total capital ratios: – For the top consolidated group – For significant bank subsidiaries (stand alone or sub-consolidated depending on how the Framework is applied)	CET-Tier-I Capital Ratio 40.10% Tier-II Capital Ratio 0.76% Total Capital Ratio- 40.86% The bank is operating with two branches in India.

Notes:

1. During the year, the Bank has received INR 44,585.50 million as “Interest Free Funds” from its Head Office, forming part of Common Equity Tier-I Capital.
2. Capital requirement is calculated at 11.331% consisting 9.00% minimum requirement, 1.875% for Capital Conservation Buffer and 0.456% as buffer for Domestic/Global Systemically Important Banks (D/G-SIBs).
3. The regulatory requirement for implementation of the last tranche of 0.625% of Capital Conservation Buffer (CCB) by March 31, 2020 has been deferred to September 30, 2020 vide RBI notification no. DOR.BP.BC.No.45/21.06.201/2019-20 dated March 27, 2020, hence not considered.
4. The unrated claims on corporates, AFCs and NBFC-IFCs having aggregate exposure of more than INR 2,000 million from the banking system have been risk weighted at 150% with effect from April 01, 2019, as per regulatory prescription.

2. Risk Exposure and Assessment

General qualitative disclosures on risk area, risk management objectives, policies and processes etc.

The Bank has identified the following risks as material to its nature of operations:

- ► Credit Risk (including credit concentration risk)
- ► Market Risk
- ► Operational Risk
- ► Liquidity Risk
- ► Interest Rate Risk in the Banking Book

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

Credit risk refers to risk of any losses the Bank may incur due to reduction or loss of the value of assets (including off balance-sheet assets) arising from any credit events such as deterioration of borrowers’ financial standing. The purpose of credit-risk management is to maintain the soundness of the Bank’s assets by controlling credit risk at acceptable levels relative to the amount of Capital so as to manage the risk at acceptable levels and to contribute to the interests of stakeholders by realizing the establishment of a credit portfolio with high capital and asset efficiency by securing appropriate levels of profits corresponding to risk.

The SMBC Head Office formulates policies, rules and procedures for SMBC branches worldwide. The Branch has put in place credit policy for local operations in line with SMBC guidelines as well as the RBI circulars, guidelines, notifications and directives. The credit policy stipulates guidelines for adherence to prudential limits as well as outlines RBI directives in the form of master circulars/directions. The credit policy for local operations is reviewed periodically to accommodate RBI directions. The Bank has an independent committee for evaluation of credit proposals. The Bank also has an elaborate stress test policy for credit risk and subjects the portfolio periodically to the shocks as prescribed. The Bank has a comprehensive credit risk framework to manage Credit Risk, in a uniform and consistent manner.

The bank, on a regular basis, monitors the portfolio in terms of growth, quality and concentration, subjects the credit portfolio to stress test by way of sensitivity (single and multiple factor) and scenario analysis. The Bank has also established an Early Warning Framework for identification of any incipient sickness in the borrower account at an early stage. Further, the Bank also extensively uses Central Repository of Information on Large Credits (CRILC), Credit Information Companies (CIC) and Central Fraud Reporting platforms while undertaking credit assessment.

Market Risk/Liquidity Risk

Market risk is the risk whereby movements in market factors such as foreign exchange rates, interest rates and equity prices reduce our income or the market value of our portfolios. Exposure to market risk is mainly classified into structural banking books. SMBC India Branches’ Policies on Market risk and Liquidity Risk have been put in place to cater to HO Guidelines and Local Regulatory guidelines.

Market Risk on the portfolio is assessed and managed through measures such as price value of one basis point, value-at-risk, stop loss and net overnight open position limits. The risk associated with our banking book is also measured through metrics such as duration of equity, earnings at risk and liquidity gap limits. The limits are stipulated in our Investment Policy, Asset Liability Management Policy and Derivatives Policy which are reviewed and approved by local Management Committee (MC).

The Asset Liability Management Committee (ALM Committee) comprises senior management and senior executives. ALM meets periodically and reviews the Bank's business profile and its impact on asset liability management and determines the asset liability management strategy in light of the current and expected business environment. ALM reviews the overall portfolio position and the interest rate and liquidity gap positions on the banking book. ALM also sets deposit and benchmark lending rates. The Market Risk Management Team, in consultation with TRD recommends changes in risk policies and controls and the processes and methodologies for quantifying and assessing market risks. Risk limits including position limits and stop loss limits are monitored by the TRD and MRM and reviewed periodically. Foreign exchange risk is monitored through the net overnight open position limit. Interest rate risk is measured through the use of re-pricing gap analysis and duration analysis. Interest rate risk is further monitored through interest rate risk limits approved by ALM.

The Bank uses various tools for measurement of liquidity risk including the statement of structural liquidity, liquidity ratios and stress testing. Our Bank maintains diverse sources of liquidity to facilitate flexibility in meeting funding requirements.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. Operational risk includes legal risk but excludes strategic and reputational risks. Operational risk is inherent in the Bank's business activities in both domestic as well as overseas operations and covers a wide spectrum of issues. Operational risk can result from a variety of factors, including failure to obtain proper internal authorizations, improperly documented transactions, failure of operational and information security procedures, computer systems, software or equipment, fraud, inadequate training and employee clerical errors.

Operational risk in the Branch is managed through comprehensive HO rules and SMBC India Branches' branch procedures of internal controls, systems and procedures to monitor transactions, key backup procedures and undertaking regular contingency planning. The control framework is designed based on categorization of functions into front-office, comprising business groups, middle office comprising credit and treasury middle offices, back-office comprising operations, Finance and Accounting Department (FAD), General Affairs Section (GAS) function.

The Bank's operational risk management governance and framework is defined in the Risk Management Charter approved by Planning Department-Asia Pacific Division (PDAPD) and local management committee. The Policy is applicable across all the functions in the branch ensuring a clear accountability and responsibility for management and mitigation of operational risk, developing a common understanding of operational risk and helping the business and operation groups to improve internal controls, thereby reducing the probability of an Operational Risk event.

The Risk Management Committee (RMC) at the Bank, represented by Senior Management of the Bank along with members of the credit risk, treasury, operations, information technology and other critical departments; meets regularly to examine and evaluate the risk profile of the Bank. The coverage includes all the material risks envisaged by the bank both Pillar I as well as Pillar II Risks as per RBI/Basel Guidelines. The RMC adopts pro-active approach towards mitigating the risk in order to ensure smooth banking operations.

Table DF-3 - Credit risk: General Disclosures

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 of risk profiling of the proposal.

The monitoring of the portfolio is undertaken at regular intervals and results of the analysis are presented to the Management Committee and Risk Management Committee. The portfolio analysis is undertaken to estimate credit concentration, asset growth, geographical spread as well as adherence to prudential norms such as Sectoral limits, Single borrower, Group borrower limits etc.

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 certain period as defined by the Reserve Bank of India. An impaired asset is an asset which has been classified as such in accordance with the guidelines defined by the Reserve Bank of India on its becoming a NPA.

Quantitative Disclosures

b. Total Gross credit risk exposures, Fund based and Non-fund based separately

– Fund Based- INR 174,257.93 Million (Excluding exposure to QCCP)
– Non-Fund Based- INR 49,410.92 Million (credit equivalent amount excluding QCCP exposure)

c. Geographical distribution of exposures, Fund based and Non-fund based separately *(Rs. in millions)*

Particulars	As at March 31, 2020		
	Domestic	Overseas	Total
Fund Based	174,257.93	Nil	174,257.93
Non Fund Based	49,410.92	Nil	49,410.92
Total	**223,668.85**	**Nil**	**223,668.85**

d. Industry type distribution of exposures, fund based and non-fund based separately.

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(Rs. in millions)

Industry	Funded Exposure*	Non-Funded Exposure@
Food Processing–Others	136.29	–
Textiles – Others	3,344.50	245.42
Wood and Wood Products	177.64	–
Petroleum (non-infrastructure) Coal Products (non-mining) and Nuclear Fuels	–	398.49
Chemical & Chemical Products	**6,231.91**	**3,414.27**
– *Fertilizers*	–	*585.91*
– *Drugs & Pharmaceuticals*	*3,404.93*	*690.38*
– *Petro Chemicals (excluding under infra.)*	*14.27*	*1,516.23*
– *Others*	*2,812.71*	*621.75*
Rubber, Plastic & their products	1,744.93	12.39
Basic Metal and Metal Products	**14,247.28**	**763.51**
Basic Metal and Metal Products – Iron & Steel	10,754.53	763.51
Basic Metal and Metal Products – Others	3,492.75	–
All Engineering	**15,085.59**	**3,204.38**
All Engineering–Electronics	6,214.81	23.94
All Engineering–Others	8,870.78	3,180.44
Vehicle, Vehicle Parts & Transport Equipments	13,318.79	361.56
Construction	119.10	1,663.53
Infrastructure – Energy – Electricity Generation	3,070.00	1,309.21
Other Industries – Manufacturing	213.95	37.51
Others (including service sector)	53,823.39	38,000.65
Residuary Exposure	**62,744.56**	**–**
– *of which claims on RBI*	*54,234.89*	–
– *Securitization Exposure*	*6,112.74*	–
– *Others (fixed assets, accrued interest etc.)*	*2,396.93*	–
TOTAL	**174,257.93**	**49,410.92**

*On outstanding basis and excluding exposure to QCCP

@ Sum of derivative exposure as per Current Exposure Method & credit equivalent of non-fund based exposure.

e. Residual maturity break down of Assets

(Rs. in millions)

Maturity Buckets	Investment*	Loans & Advances	Foreign Currency Assets
Next Day	–	28.28	2,210.13
2 to 7 Days	4,999.33	6,643.04	173.86
8 to 14 Days	34.08	8,948.22	86.93
15 to 30 days	2,195.53	22,661.19	1,285.96
31 days to 2 months	2,216.72	14,079.16	365.97
Over 2 months up to 3 months	8,145.13	21,250.65	1,882.21
Over 3 months up to 6 months	22,487.11	6,405.67	832.32
Over 6 months up to 12 months	25,586.11	11,676.03	–
Over 1 year to 3 years	3,087.37	10,333.01	–
Over 3 years to 5 years	503.27	4,440.04	–
Over 5 years	–	2,732.10	529.66
Total	**69,254.65**	**109,197.39**	**7,367.04**

*Gross i.e. excluding provision for depreciation on Investments, if any.

f. Amount of NPA (Gross) - Nil

g. Net NPA - 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

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l. **Amount of provision held for non-performing investments** - Nil

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

n. **Non-Performing Assets by major industry or counterparty type** - Nil

o. Amount of NPAs and past due loans provided separately which broken down by significant geographic areas including the amounts of specific and general provisions related to each geographical area - Nil

Table DF-4 - Credit Risk: Disclosures for Portfolios Subject to the Standardised Approach:

Qualitative Disclosures:

In line with RBI directive for implementation of the New Capital Adequacy Framework, the Bank accepts the ratings of RBI prescribed following External Credit Rating Agencies (ECRA); under standardisation approach.

Domestic ECRA	International ECRA
• Credit Analysis and Research Limited (CARE) • CRISIL Limited • India Ratings and Research Private Limited (India Ratings) (formerly FITCH India) • ICRA Limited • Brickwork Ratings India Private Limited • SME Rating Agency of India Limited (SMERA Ratings Limited	• Moody's • Standard & Poor's • Fitch

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.

Quantitative Disclosures:

The exposure (excluding exposure to QCCP) as on March 31, 2020 under each credit risk category;

(Rs. in millions)

Risk Bucket	Amount
Below 100% Risk Weight	119,573.40
100% risk weight	8,333.90
More than 100% risk weight	95,761.55
Deducted	–
Total	**223,668.85**

Table DF-5 - Credit Risk Mitigation - Disclosures for Standardised Approaches

Qualitative Disclosures:

The bank has in place a well-structured credit risk mitigation structure which elaborates on the risk appetite and risk mitigation of the Bank. It is the endeavour of the bank to request for collateral for corporate credits, unless the business case warrants unsecured lending. Collateral stipulated is usually mortgages, charge over business stock and debtors and/or financial instruments. The bank has adopted norms of valuation of collateral as stipulated in the prudential guidelines of RBI. Credit facilities which are backed by corporate guarantee of the parent, take into account shareholding of the parent in the borrower and the credit worthiness of the guarantor.

Quantitative Disclosures:

The Bank has considered cash collateral of INR 189.82 million in form of fixed deposits as eligible financial collateral for netting outstanding off balance sheet exposure of INR 1,073.90 million with haircut of 0.00%. The exposure (after, where applicable on-or off-balance sheet netting) that is covered by guarantees/credit derivatives (whenever specifically permitted by RBI) for each separately disclosed portfolio is as below;

(Rs. in millions)

Portfolio	Portfolio backed by		Unsecured	Total
	Guarantees*	Other tangible assets@		
Funded exposure	31,961.75	67,344.22	75,011.91	174,317.88
Off-balance sheet exposure	3,304.90	451.36	14,539.71	18,295.97
Derivative exposure	29.98	–	31,084.97	31,114.95
Total exposure	**35,296.63**	**67,795.58**	**120,636.59**	**223,728.80**

* includes exposure backed by guarantees, LCs, Acceptances letter of comfort/awareness/intent

@the exposure that is backed by mortgages, FDs, charge on assets, receivables etc.

Table DF-6 - Securitisation - Disclosure for Standardised Approach

Qualitative and Quantitative disclosures:

The bank purchases Pass Through Certificate (PTC) to meet Priority Sector Lending targets, in line with the regulatory requirements. The risks pertaining to credit, legal, counterparty etc. has been analysed before purchasing PTC.

As an investor, the Bank chooses the originator based on internal due diligence and with specification on parameters (such as tenor, loan to value, seasoning etc.) of the underlying loans in the pool. The regulatory requirement of minimum seasoning (Minimum Holding Period), minimum retention requirement (MRR) is being adhered to. The SPV is rated both on local and international scale by external rating agencies. An SPV/Trust (which is bankruptcy remote) has been created by the seller/originator and an independent party has been appointed as trustee. The said pool is then assigned by the originator to the SPV/Trust. SPV/Trust issues an Information Memorandum (IM) outlining all the aspects of the transaction to the investor (SMBC) for private placement. Basis the information memorandum, a consideration is paid by the investor to the SPV for which SPV, basis the issue price per PTC, issues the PTCs (tradable instrument) to the investors (SMBC and originator). The PTCs are thereafter transferred from Demat account of the SPV Trust to the Demat account of the investors. The future receivables which are collected by the servicing agent, at defined frequency, are deposited in collection and payment account (CPA) of the SPV for onward remittance to various stakeholders in line with the MRR requirements and waterfall mechanism as detailed in the transaction documents.

The PTCs are classified under Investments in the Financial Statement and the valuation of PTC's is carried out on quarterly basis as per the RBI/FIMMDA valuation guidelines. The depreciation upon valuation, if any, is provided for in the books of accounts on quarterly basis. From the monitoring perspective, the pool performance is analysed on monthly basis on parameters like collections, collection efficiency, pay-out details, prepayment and foreclosures etc. The portfolio is also subjected to credit stress test to access the impact on capital adequacy.

Total Outstanding Securitization exposure as of March 31, 2020 stands at INR 6,112.74 including accrued interest of INR 18.08 million.

Table DF-7 - Market Risks in the 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, majority of Market Risk is arising from operations related to treasury. Market Risk is tracked and measured on a dynamic basis by a dedicated Market Risk department, which alerts management in to taking appropriate action.

Market Risk Organization Structure at the Bank

Bank's Risk Management is controlled by Risk Management Committee. The Risk Management Committee determines risk tolerance and appetite for market risk. It also monitors and reviews significant risks and effectiveness of processes and sets out management responsibilities. Risk Management Committee formulates and implements the market risk policies and operational plans and recommends changes to policies, processes and parameters for approval.

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.

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.

Market Risk Management

The Bank's Market Risk Framework comprises market risk policies, market risk limit and risk methodologies. The market risk policies are reviewed at least once a year to align with regulatory guidelines and international best practices.

Quantitative disclosures

The capital requirements for market risk are as follows:

(Rs. in millions)

Components of Market Risk	March 2020
Interest Rate Risk	1,063.65
Equity position risk	–
Foreign Exchange risk	181.01
Total	**1,244.66**

Table DF-8 - Operational Risk

Qualitative disclosures: The approaches for operational risk capital assessment

The Bank's Operational Risk Management framework includes the identification, assessment, measurement and monitoring & oversight of operational risks within the Bank. Operations of SMBC India Branches 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.

SMBC India Branches 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 such as KRIs, RCSA and RCA.

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)

Qualitative Disclosures

Interest Rate Risk in the Banking Book

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 SMBC India Branches 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 monthly basis to review risks, market condition and its impact on balance sheet.

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:

i. 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.

As of March 31, 2020, the impact of an incremental 100 basis points parallel fall or rise in the yield curve at the beginning of the year on Net Interest Income for the next 12 months amounts to Rs. (+/-) INR 162.01 million. However, this is well within the EaR limit set for the bank.

ii. 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.

As of March 31, 2020, the fall in the value of equity for 200 bps interest rate shock (parallel increase) is -0.6% of our capital fund. This is lower than the internal threshold limit of 3% set for the bank and also much lower than the threshold of 20% prescribed by RBI.

Table DF-10 - General Disclosure for Exposures Related to Counterparty Credit Risk

Qualitative Disclosure

a. The capital allocation for counterparty credit risk is based on regulatory guidelines. The bank follows Standardized Approach for assigning capital to its counterparty credit exposure.

b. The counterparty credit exposure limits are assigned based on the credit worthiness of counterparty vis-à-vis risk appetite of the bank after taking into consideration qualitative and quantitative factors of the party. The parameters considered, among other factors include the financial strength, net worth, industry of operation, liquidity position etc.

c. With regard to wrong way risk exposure, be it specific or general, the bank has the policy to monitor and take proactive corrective measures to address issues related to such exposure and simultaneously make internal provisions (normally higher than the regulatory requirement) in order to face worse situation.

Quantitative Disclosure

(Rs. in millions)

Items	Notional Principal Amount	Credit Equivalent
FCY-FCY Cross Currency Swaps	25,081.47	3,580.01
FCY-INR Currency Swaps	160,633.68	20,365.35
Interest Rate Swaps	35,059.65	872.52
Foreign Exchange Contracts*	125,583.77	6,011.32
Options	5,788.37	285.75
Total	**352,146.94**	**31,114.95**

*Excluding exposure to QCCP

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Table DF-11 - Composition of Capital

(Rs in million)

	Particulars	Eligible Amount	Ref No.
Common Equity Tier 1 capital: instruments and Reserves			
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	79,475.33	a
2	Retained Earnings	7,310.08	b
3	Accumulated other comprehensive income (and other reserves)	--	
6	**Common Equity Tier 1 capital before regulatory adjustments**	**86,785.41**	
Common Equity Tier 1 capital: regulatory adjustments			
9	Intangibles (net of related tax liability)	-	
10	Deferred tax assets	-	
28	**Total regulatory adjustments to common equity Tier 1**	-	
29	**Common Equity Tier 1 capital (CET1)**	**86,785.41**	
Additional Tier 1 capital: instruments			
36	Additional Tier 1 capital before regulatory adjustments	-	
Additional Tier 1 capital: regulatory adjustments			
43	**Total regulatory adjustments to Additional Tier 1 capital**	-	
44	**Additional Tier 1 capital (AT1)**	-	
45	**Tier 1 capital (T1= CET1+AT1)**	**86,785.41**	
Tier 2 capital: instruments & provisions			
50	Provisions	1,654.28	c
51	**Tier 2 capital before regulatory adjustments**	**1,654.28**	
Tier 2 capital: regulatory adjustments			
57	**Total regulatory adjustments to Tier 2 capital**	-	
58	**Tier 2 capital (T2)**	**1,654.28**	
59	**Total Capital (TC=T1+T2)**	**88,439.69**	
60	**Total risk weighted assets**	**216,407.25**	
60a	*of which: total credit risk weighted assets*	197,970.84	
60b	*of which: total market risk weighted assets*	10,984.52	
60c	*of which: total operational risk weighted assets*	7,451.89	
Capital ratios and Buffers			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	40.10%	
62	Tier 1 (as a percentage of risk weighted assets)	40.10%	
63	Total Capital (as a percentage of risk weighted assets)	40.86%	
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)	7.831%	
65	*of which: capital conservation buffer requirement*	1.875%	
66	*of which: bank specific countercyclical buffer requirement*	-	
67	*of which: G-SIB buffer requirement*	0.456%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	34.60%	
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)			
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 standardized approach (prior to application of cap)	1,654.28	
77	Cap on inclusion of provisions in Tier 2 under standardized approach	2,474.64	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	Not Applicable	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	Not Applicable	

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Notes to the Template

Row No. of the 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	**–**
50	Eligible Provisions included in Tier 2 capital	730.88
	Eligible Revaluation Reserves included in Tier 2 capital@	923.40
	Total of row 50	**1,654.28**

*The deferred tax assets of INR 439.19 million relating to timing differences (other than those related to accumulated losses) has been risk weighted @ 250% and not deducted from Common Equity Tier 1 Capital.

@ The amount represents the Investment Fluctuation Reserve created by the bank in terms of RBI notification no. DBR.No.BP.BC.102/21.04.048/2017-18 dated April 02, 2018.

Table DF-12 - Composition of Capital- Reconciliation Requirements

Step- 1

(Rs in million)

Sr. no.		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
		As on March 31, 2020	**As on March 31, 2020**
A	Capital & Liabilities		
I	Paid-up Capital	79,475.33	79,475.33
	Reserves & Surplus	9,414.63	9,414.63
	Minority Interest	–	–
	Total Capital	**88,889.96**	**88,889.96**
II	Deposits	**144,796.59**	**144,796.59**
	of which: Deposits from banks	160.50	160.50
	of which: Customer deposits	144,636.09	144,636.09
	of which: Other deposits (pl. specify)	–	–
III	Borrowings	**2,572.61**	**2,572.61**
	of which: From RBI	–	–
	of which: From banks	–	–
	of which: From other institutions & agencies	–	–
	of which: Others- Outside India	2,572.61	2,572.61
	of which: Capital instruments	–	–
IV	Other liabilities & provisions	12,939.42	12,939.42
	Total Liabilities	**249,198.58**	**249,198.58**
B	Assets		
I	Cash and balances with RBI	54,141.35	54,141.35
	Balance with banks and money at call and short notice	2,315.98	2,315.98
II	Investments:	**69,254.67**	**69,254.67**
	of which: Government securities	37,639.86	37,639.86
	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, PTCs etc.)	31,614.81	31,614.81
III	Loans and advances	**109,197.39**	**109,197.39**
	of which: Loans and advances to banks	–	–
	of which: Loans and advances to customers	109,197.39	109,197.39
IV	Fixed assets	105.26	105.26
V	Other assets	**14,183.93**	**14,183.93**
	of which: Goodwill and intangible assets	–	–
	of which: Deferred tax assets	439.19	439.19
VI	Goodwill on consolidation	–	–
VII	Debit balance in Profit & Loss account	–	–
	Total Assets	**249,198.58**	**249,198.58**

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Step-2 *(Rs in million)*

Sr. no.	Particulars	Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Ref no.
		As on March 31, 2020	**As on March 31, 2020**	
A	Capital & Liabilities			
I	Paid-up Capital	**79,475.33**	**79,475.33**	
	Of which amount eligible for CET-I	**79,475.33**	**79,475.33**	a
	Of which amount eligible for AT-I	–	–	
	Reserves & Surplus	**9,414.63**	**9,414.63**	b
	Of which Statutory Reserve	2,394.44	2,394.44	
	Of which Investment Fluctuation Reserve	923.40	923.40	
	Of which balance in profit & Loss A/c	6,096.79	6,096.79	
	Minority Interest	–	–	
	Total Capital	**88,889.96**	**88,889.96**	
II	Deposits	**144,796.59**	**144,796.59**	
	of which: Deposits from banks	160.50	160.50	
	of which: Customer deposits	144,636.09	144,636.09	
	of which: Other deposits	–	–	
III	Borrowings	**2,572.61**	**2,572.61**	
	of which: From RBI	–	–	
	of which: From banks	–	–	
	of which: From other institutions & agencies	–	–	
	of which: Others (pl. specify)	2,572.61	2,572.61	
	of which: Capital instruments	–	–	
IV	Other liabilities & provisions	12,939.42	12,939.42	c
	of which: DTLs related to goodwill	–	–	
	of which: DTLs related to intangible assets	–	–	
	Total Liabilities	**249,198.58**	**249,198.58**	
B	Assets			
I	Cash and balances with Reserve Bank of India	54,141.35	54,141.35	
	Balance with banks and money at call and short notice	2,315.98	2,315.98	
II	Investments	**69,254.67**	**69,254.67**	
	of which: Government securities	37,639.86	37,639.86	
	of which: Other approved securities	–	–	
	of which: Shares	–	–	
	of which: Debentures & Bonds	–	–	
	of which: Subsidiaries/Joint Ventures/Associates	–	–	
	of which: Others (SIDBI, NABARD, NHB)	31,614.81	31,614.81	
III	Loans and advances	**109,197.39**	**109,197.39**	
	of which: Loans and advances to banks	–	–	
	of which: Loans and advances to customers	109,197.39	109,197.39	
IV	Fixed assets	105.26	105.26	
V	Other assets	**14,183.93**	**14,183.93**	
	Out of which:			
	Goodwill	–	–	
	Other intangibles (excluding MSRs)	–	–	
	Deferred tax assets	439.19	439.19	
VI	Goodwill on consolidation	–	–	
VII	Debit balance in Profit & Loss A/c	–	–	
	Total Assets	**249,198.58**	**249,198.58**	

SUMITOMO MITSUI BANKING CORPORATION
INDIA BRANCHES

STEP-3

Extract of Basel III common disclosure template (with added column) – Table DF-11 (Part II) *(Rs in millions)*

Tier-1 & Tier-2 Capital: Instruments and Provisions

		Component of regulatory capital/ amount reported by bank	Source based on reference numbers/ letters of the balance sheet under 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	79,475.33	a
2	Retained earnings *	9,414.63	b
3	Provisions (eligible for Tier-2 capital)	1,654.28	c

***** The break-up of reserves and surplus as reported in Schedule-2 "Reserves & Surplus", of the financial statements, together with their consideration in regulatory capital is as below;

(Rs in millions)

Particulars	**Amount**	**Remarks**
Statutory Reserve	2,394.44	Considered as part of CET-1 as shown in line item 2 of table DF-11
Remittable Surplus retained in India for CRAR	4,915.64	
Investment Fluctuation Reserve	923.40	Considered as part of Tier-2 capital and as shown in item 3 "Provisions" in above table
Current year profit after tax	1,181.15	Not considered in computation of regulatory capital as the declaration to the effect that the bank will not remit the remittable surplus to its Head Office, so long as the bank functions in India, has not been furnished to Reserve Bank of India
Total	**9,414.63**	

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 accordance with the requirements of the RBI circular DBOD No BC. 72/29.67.001/2011-12 dated 13 January 2012; the Bank has obtained a letter from its head office which states that the compensation policies in India including that for the CEO are in line with the FSB requirements.

Table DF-16 - Equities – Disclosure for Banking Book Positions

The qualitative and quantitative disclosures: - Nil as, on the reference date, the bank does not have any equity investments.

Table DF-17 - Summary Comparison of Accounting Assets Vs. Leverage Ratio Exposure Measure as at March 31, 2020

(Rs in millions)

	Particulars	**March-20**
1.	Total consolidated assets as per published financial statements	249,198.58
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	(11,180.16)
5.	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	(49,000.00)
6.	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	35,152.30
7.	Other adjustments	84,195.66
8.	**Leverage ratio exposure**	**308,366.38**

SUMITOMO MITSUI BANKING CORPORATION
INDIA BRANCHES

TABLE DF-18 - Leverage Ratio Common Disclosure Template as at March 31, 2020

(Rs in millions)

	Particulars	March-20
	On-balance sheet exposures;	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	189,018.42
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)**	**189,018.42**
	Derivative exposures;	
4	Replacement cost associated with all derivatives transactions (i.e net of eligible cash variation margin)	11,180.16
5	Add-on amounts for PFE associated with all derivatives transactions	23,410.49
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)**	**34,590.65**
	Securities financing transaction exposures;	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	49,000.00
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–
14	CCR exposure for SFT assets	605.01
15	Agent transaction exposures	–
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**49,605.01**
	Other off-balance sheet exposures;	
17	Off-balance sheet exposure at gross notional amount	197,532.56
18	(Adjustments for conversion to credit equivalent amount)	(162,380.26)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**35,152.30**
	Capital and total exposures	
20	Tier 1 capital	**86,785.41**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**308,366.38**
22	**Basel III leverage ratio (per cent)**	**28.14%**

Reconciliation of Accounting Assets in Financial Statements Vs On Balance Sheet Leverage Ratio Exposure as at March 31, 2020

(Rs in millions)

	Particulars	March-20
1	Total consolidated assets as per published financial statements	249,198.58
2	Adjustment for replacement cost associated with all derivatives transactions & SFT assets considered separately	60,180.16
3	Items considered separately as regulatory adjustments/deductions from Tier-I Capital	–
4	**Total on-balance sheet exposures (as per line item 3 in Table DF-18 above)**	**189,018.42**

For and on behalf of
Sumitomo Mitsui Banking Corporation
India Branches

Keishi Iwamoto
General Manager & Country Head of India

Place: Mumbai
Date : 29 June 2020

SBERBANK
Established in 1841

SBERBANK
Branch in India
(Incorporated in Russian Federation)

INDEPENDENT AUDITOR'S REPORT

To,
The Chief Executive Officer
SBERBANK Branch in India

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of SBERBANK Branch in India ("the Bank"), which comprise the Balance sheet as at March 31, 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 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 and the Companies Act, 2013, as amended ("the Act") in the manner so required for the 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 March 31, 2020, its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs), as 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 audit opinion on the financial statements.

Information Other than the 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 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 identified above when it becomes available and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read such other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and to comply with the relevant applicable requirements of the standard on auditing for auditor's responsibility in relation to other information in documents containing audited financial statements.

Responsibilities of Management and those charged with governance 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 financial position, financial performance, cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank and the circulars and the guidelines and directions 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 the 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 management has also considered the impact of Coronavirus (COVID-19) on its business operations for the year ending 31 March 2020 and made a disclosure thereon in 'Notes to Accounts'.

Those Charged with Governance are 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 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. 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 read with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014.
2. As required 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. The Bank has only one branch and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted; we have visited the Bank's Delhi branch office for the purpose of our audit.
3. 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, 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 Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI;
   e. Reporting requirement pursuant to Section 164(2) of Companies Act, 2013, are not applicable considering this is a branch of SBERBANK incorporated in Russia with limited liability;
   f. With respect to the adequacy of the internal financial controls over financial reporting of the Bank with reference to these financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report;
   g. In our opinion, the entity being a banking company, the remuneration to the Managing Director during the year ended March 31, 2020 has been paid by the Bank in accordance with the provisions of Section 35B (1) of the Banking Regulation Act, 1949; and
   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, as amended 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 did not have any long-term contracts, including derivative contracts, for which there were any material foreseeable losses;
      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

For **Bilimoria Mehta & Co.**
Chartered Accountants
Firm's Registration No.: 101490W

Prakash Ramniklal Mehta
Partner
Membership No.: 030382

UDIN: 20030382AAAAAP7440

Place: Mumbai
Date: 30.04.2020

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF SBERBANK Branch in India

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the "Act")

To the Managing Director – SBERBANK – India Branch

We have audited the internal financial controls over financial reporting of SBERBANK Branch in India (the "Bank") as of 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 issued by the Institute of Chartered Accountants of India. 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.

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 on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified 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 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 internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company'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 company'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 company; (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 company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company'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 March 31, 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 **Bilimoria Mehta & Co.**
Chartered Accountants
Firm's Registration No.: 101490W

Prakash Ramniklal Mehta
Partner
Membership No.: 030382

UDIN: 20030382AAAAAP7440

Place: Mumbai
Date: 30.04.2020

SBERBANK
Established in 1841

SBERBANK

Branch in India

(Incorporated in Russian Federation)

BALANCE SHEET AS AT 31ST MARCH 2020

Balance Sheet	Schedule	As at 31 March 2020 Rs.	As at 31 March 2019 Rs.
CAPITAL AND LIABILITIES			
Capital	1	2,732,110,443	2,732,110,443
Reserves & Surplus	2	888,400,679	92,673,046
Deposits	3	241,482,849	388,949,244
Borrowings	4	–	–
Other Liabilities and Provisions	5	918,533,098	951,965,714
TOTAL		**4,780,527,069**	**4,165,698,447**
ASSETS			
Cash and Balances with Reserve Bank of India	6	1,175,170,036	2,573,147,946
Balances with banks and money at call and short notice	7	1,234,688,719	56,510,288
Investments	8	997,019,121	297,342,857
Advances	9	299,018,182	750,600,000
Fixed Assets	10	13,697,043	3,771,464
Other Assets	11	1,060,933,967	484,325,892
Debit Balance in Profit & Loss account		–	–
TOTAL		**4,780,527,069**	**4,165,698,447**
Contingent Liabilities	12	1,487,956,282	1,358,378,173
Bills for Collection		–	–
Significant Accounting policies and notes to accounts	18		

The Schedules referred to herein form an integral part of the Balance Sheet.

This Balance Sheet has been prepared in conformity with Form ‘A’ of the Third Schedule to the Banking Regulation Act, 1949.

As per our 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 Rs.	For the year ended 31 March 2019 Rs.
I. INCOME			
Interest earned	13	73,983,234	182,003,329
Other Income	14	1,638,038,714	469,694,269
TOTAL		**1,712,021,948**	**651,697,598**
II. EXPENDITURE			
Interest expended	15	3,773,772	540,351
Operating Expenses	16	303,770,698	239,717,853
Provisions and Contingencies	17	608,749,847	184,399,696
TOTAL		**916,294,316**	**424,657,899**
III. PROFIT (LOSS)			
Net Profit/(Loss) for the year		795,727,632	227,039,699
Profit/(Loss) brought forward		–	–
TOTAL		**795,727,632**	**227,039,699**
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		198,931,908	56,759,924
Balance Carried over to Balance Sheet		596,795,725	170,279,775
TOTAL		**795,727,633**	**227,039,699**
Significant Accounting policies and notes to accounts	18	–	–

The Schedules referred to herein form an intergral part of the Profit & Loss Account.

This Profit and Loss Account has been prepared in conformity with Form ‘B’ of the Third Schedule to the Banking Regulation Act, 1949.

For Bilimoria Mehta & Co.
Chartered Accountants
Firm Registration number: 101490W

Sd/-
Prakash Ramniklal Mehta
Partner
Membership No : 030382

UDIN: 20030382AAAAAP7440

Place: Mumbai
Date: 30.04.2020

For SBERBANK Branch in India

Sd/-
Ivan Nosov
CEO - India

Sd/-
Vladimir Semenushkov
Chief Accountant

SBERBANK
Established in 1841

SBERBANK
Branch in India
(Incorporated in Russian Federation)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Cash Flow Statement		For the year ended 31 March 2020	For the year ended 31 March 2019
		Rs.	Rs.
Cash flows from Operating Activities			
Net Profit/(Loss) before Depreciation & Taxes		1,419,682,224	409,720,260
Adjustment for			
Depreciation on fixed assets		2,725,600	1,183,713
Operating Profit/(loss) before changes in working capital		**1,422,407,825**	**410,903,973**
Changes In Working Capital			
Increase/ (decrease) in Deposits		(147,466,395)	(106,584)
Increase/(decrease) in Other Liabilities		(33,432,616)	617,167,865
(Increase)/decrease in Other Assets		(576,608,075)	7,792,685
(Increase)/decrease in Advances		451,581,818	489,000,000
Net cash from operating activities before taxes		**1,116,482,557**	**1,524,757,939**
Refund/(Payment) of direct taxes (Including Tax Deducted at Source)		(623,954,592)	(182,680,561)
Net cash from/(used in) operating activities	**(A)**	**492,527,965**	**1,342,077,378**
Cash flows from investing activities			
(Increase)/decrease in Investments		(699,676,264)	(1,636,443)
Purchase of fixed assets		(12,651,180)	(1,919,491)
Net cash used in investing activities	**(B)**	**(712,327,444)**	**(3,555,934)**
Cash flows from financing activities			
Capital received from Head Office		–	–
Repayment of Borrowings		–	(782,100,000)
Net cash from financing activities	**(C)**	**–**	**(782,100,000)**
Net increase/(decrease) in cash and cash equivalents	**(A + B + C)**	**(219,799,478)**	**556,421,444**
Cash and cash equivalents as at the beginning of the period		**2,629,658,234**	**2,073,236,790**
Cash and cash equivalents at end of year		**2,409,858,755**	**2,629,658,234**
Cash and cash equivalents includes the following:			
Cash and balances with Reserve Bank of India as per Schedule 6		1,175,170,036	2,573,147,946
Balances with bank and money at call and short notice as per schdule 7		1,234,688,719	56,510,288
		2,409,858,755	**2,629,658,234**

As per our report of even date

For Bilimoria Mehta & Co.
Chartered Accountants
Firm Registration number: 101490W

For SBERBANK Branch in India

Sd/-
Prakash Ramniklal Mehta
Partner
Membership No : 030382

Sd/-
Ivan Nosov
CEO - India

Sd/-
Vladimir Semenushko
Chief Accountant

UDIN: 20030382AAAAAP7440

Place: Mumbai
Date: 30.04.2020

SBERBANK
Established in 1841

SBERBANK
Branch in India
(Incorporated in Russian Federation)

Schedules forming part of the financial statements

	As at 31 March 2020 Rs.	As at 31 March 2019 Rs.
Schedule 1 – Capital		
Amount of deposit kept with Reserve Bank of India under section 11(2)(b) of the Banking Regulation Act, 1949	1,500,000	1,500,000
Capital		
Opening Balance	2,732,110,443	2,732,110,443
Add: Additions	–	–
TOTAL	**2,732,110,443**	**2,732,110,443**
Schedule 2 – Reserves and Surplus		
I. Statutory Reserve		
Opening Balance	62,384,047	5,624,123
Additions during the year	198,931,908	56,759,924
Deductions during the year	–	–
Closing Balance	**261,315,955**	**62,384,047**
II. Remittable surplus retained in India for CRAR purposes		
Opening Balance	30,288,999	(139,990,776)
Additions during the year*	596,795,725	170,279,775
Deductions during the year	–	–
Closing Balance	**627,084,723**	**30,288,999**
III. Balance in Profit and Loss Account	–	–
Opening Balance	–	–
Additions during the year	596,795,725	170,279,775
Deductions during the year (transferred to remittable surplus retained in India for CRAR purposes)	596,795,725	170,279,775
Closing Balance	–	–
Total (I, II and III)	**888,400,679**	**92,673,046**

*In accordance with the para 4.2.3.2(B)(iii) of Master Circular on Basel III Capital Regulations DBR No.BP.BC.1/21.06.201/2015-16 dated 1 July 2015, SBERBANK Branch in India ("the Bank") will furnish the statutory auditor's certificate to Reserve Bank of India along with the Bank's audited annual financials for FY 2019-20 for augmentation to the "Remittable surplus retained in India for CRAR purposes".

	As at 31 March 2020 Rs.	As at 31 March 2019 Rs.
Schedule 3 – Deposits		
A I. Demand Deposits		
i) From Banks	864,405	179,105
ii) From Others	226,668,444	384,820,139
Total (I)	**227,532,849**	**384,999,244**
II. Savings Bank Deposits	–	–
TOTAL (II)	–	–
III. Term Deposits		
i) From Banks	–	–
ii) From Others	13,950,000	3,950,000
Total (III)	**13,950,000**	**3,950,000**
Total (I, II and III)	**241,482,849**	**388,949,244**
B. i) Deposits of Branches in India	241,482,849	388,949,244
ii) Deposits of Branches outside India	–	–
Total	**241,482,849**	**388,949,244**

	As at 31 March 2020 Rs.	As at 31 March 2019 Rs.
Schedule 4 – Borrowings		
I. Borrowings in India :		
i) Reserve Bank of India	–	–
ii) Other banks	–	–
iii) Other institutions and agencies	–	–
iv) Sub-ordinated debt	–	–
TOTAL (I)	**–**	**–**
II. Borrowings outside India	–	–
Total (II)	**–**	**–**
Total (I and II)	**–**	**–**
Secured borrowings included in I & II above	–	–
Schedule 5 – Other Liabilities and Provisions		
I. Bills Payable	–	11,705
II. Inter-office adjustments (net)	–	–
III. Interest accrued	1,164,367	602,702
IV. Provision against standard assets (including Provision for Country Risk)	4,281,796	19,486,541
V. Mark-to-market adjustment on Foreign Exchange and Derivative contracts	–	–
VI. Others (including provisions)	913,086,935	931,864,766
Total	**918,533,098**	**951,965,714**
Schedule 6 – Cash and Balances with Reserve Bank of India		
I. Cash in hand (including foreign currency notes)	3,906,424	2,711,071
Total (I)	**3,906,424**	**2,711,071**
II. Balances with Reserve Bank of India		
i) In Current accounts	1,171,263,611	2,570,436,876
ii) In Other Accounts	–	–
Total (II)	**1,171,263,611**	**2,570,436,876**
Total (I and II)	**1,175,170,036**	**2,573,147,946**
Schedule 7 – Balances with Banks and Money at Call and Short Notice		
I. In India		
i) Balance with banks		
a) In Current Accounts	3,504,989	20,910,452
b) In Other Deposit Accounts	800,000,000	–
Total	**803,504,989**	**20,910,452**
ii) Money at Call and Short Notice		
a) With Banks	400,000,000	–
b) With Other Institutions	–	–
Total	**400,000,000**	**–**
Total (I)	**1,203,504,989**	**20,910,452**
II. Outside India		
i) In Current Accounts	31,183,730	35,599,836
ii) In Other Deposit Accounts	–	–
iii) Money at Call and Short Notice	–	–
Total (II)	**31,183,730**	**35,599,836**
III. Inter-Office adjustments	–	–
Total (I, II and III)	**1,234,688,719**	**56,510,288**

SBERBANK
Branch in India
(Incorporated in Russian Federation)

Schedules forming part of the financial statements

	As at 31 March 2020 Rs.	As at 31 March 2019 Rs.
Schedule 8 - Investments		
A. Investments in India		
Net Investments in:-		
i) Government Securities	997,019,121	297,342,857
ii) Other approved Securities	–	–
iii) Shares	–	–
iv) Debentures and Bonds	–	–
v) Subsidiaries and/or joint ventures.	–	–
vi) Others (CD, CP, etc.)	–	–
Total (I)	**997,019,121**	**297,342,857**
Gross Investments	**997,019,121**	**297,342,857**
Less: Provision for Depreciation in Investments	–	–
Total (II)	**997,019,121**	**297,342,857**
B. Investments outside India	–	–
Total (III)	–	–
Total (II + III)	**997,019,121**	**297,342,857**
Schedule 9 – Advances		
A. i) Bills purchased and discounted	–	–
ii) Cash Credits, overdrafts and loans repayable on demand	–	100,000,000
iii) Term Loans	299,018,182	650,600,000
Total	**299,018,182**	**750,600,000**
B. i) Secured by tangible assets (including book debts)	36,018,182	750,600,000
ii) Covered by Bank/ Government Guarantees	–	–
iii) Unsecured	263,000,000	–
Total	**299,018,182**	**750,600,000**
C. I. Advances in India		
Priority sectors	–	720,000,000
Public sector	–	–
Banks	–	–
Others	299,018,182	30,600,000
II. Advances outside India	–	–
Total	**299,018,182**	**750,600,000**

	As at 31 March 2020 Rs.	As at 31 March 2019 Rs.
Schedule 10 – Fixed Assets		
I. Premises	–	–
II. Other Fixed Assets (including furniture and fixtures)		
At Cost as per last Balance Sheet	62,489,731	60,570,240
Additions during the year	12,651,180	1,919,491
Deductions during the year	(256,500)	–
Accumulated depreciation to date	(61,187,368)	(58,718,267)
Net Book Value	**13,697,043**	**3,771,464**
III. Capital work in progress	–	–
Total (I, II & III)	**13,697,043**	**3,771,464**
Schedule 11 – Other Assets		
I. Inter-Office adjustment (net)	–	–
II. Interest accrued	5,207,454	619,339
III. Tax paid in Advance/ Tax deducted at source	587,500,000	–
IV. Stationary and Stamps	–	–
V. Non Banking Assets acquired in satisfaction of claims (Net)	–	–
VI. Deferred Tax Assets (Net)	399,785,048	402,329,298
VII. Mark-to-market adjustment on Foreign Exchange and Derivative contracts	–	–
VIII. NABARD Deposits	61,682,400	72,717,800
IX. Others	6,759,065	8,659,455
Total	**1,060,933,967**	**484,325,892**
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	1,431,742,182	1,358,378,173
a) In India	1,431,742,182	1,358,378,173
b) Outside India	–	–
V. Acceptances, endorsements and other obligations	–	–
VI. Other items for which the Bank is contingently liable	56,214,100	–
Total	**1,487,956,282**	**1,358,378,173**

Schedules forming part of the financial statements

	For the year ended 31 March 2020	For the year ended 31 March 2019
	Rs.	Rs.
Schedule 13 – Interest Earned		
I. Interest/Discount on Advance/Bills	18,326,256	134,556,706
II. Income on Investments	30,406,264	15,466,443
III. Interest on balance with Reserve Bank and Other inter-bank funds	25,250,714	31,980,180
IV. Others	–	–
Total	**73,983,234**	**182,003,329**
Schedule 14 – Other Income		
I. Commission, Exchange and Brokerage	42,634,396	11,401,154
II. Profit/(Loss) on sale of Investments (Net)	–	–
III. Profit/(Loss) on revaluation of Investments (Net)	–	–
IV. Profit/(Loss) on sale of Land, Buildings and Other Assets (net)	–	–
V. Profit on Exchange Transactions (net)	1,582,009,669	457,403,855
VI. Income earned by way of Dividends, etc. from Subsidiaries Companies and/or Joint Venture abroad/in India	–	–
VII. Miscellaneous Income	13,394,649	889,260
Total	**1,638,038,714**	**469,694,269**
Schedule 15 – Interest Expended		
I. Interest on Deposits	623,772	540,351
II. Interest on RBI/Inter-bank borrowings	–	–
III. Other Interest/Fees/Premium	3,150,000	–
Total	**3,773,772**	**540,351**

	For the year ended 31 March 2020	For the year ended 31 March 2019
	Rs.	Rs.
Schedule 16 – Operating Expenses		
I. Payment to and provisions for employees	223,197,711	168,056,574
II. Rent, Taxes and Lighting	40,880,865	34,660,300
III. Printing and Stationery	228,307	118,710
IV. Advertisement and Publicity	184,275	184,275
V. Depreciation on Bank's Property	2,725,600	1,183,713
VI. Directors' Fees, Allowances and Expenses	–	–
VII. Auditors' Fees and Expenses	1,109,200	3,078,000
VIII. Law Charges	–	–
IX. Postage, Telegrams, Telephones etc.	3,414,644	2,837,585
X. Repairs and Maintenance	7,677,095	6,953,444
XI. Insurance	112,406	19,513
XII. Other Expenditure	24,240,595	22,625,738
Total	**303,770,698**	**239,717,853**
Schedule – 17 Provisions and Contingencies		
I. Provision for standard asset	(15,204,745)	1,719,135
II. Provision for sub-standard asset	–	–
III. Provision for Tax		
Current Tax Liability	621,410,342	181,094,915
Defferred Tax Charge	2,544,250	(400,864)
Total Tax expense	**623,954,592**	**180,694,051**
IV. Income tax/Defferred Tax for earlier years	–	1,986,510
Total	**608,749,847**	**184,399,696**

Significant Accounting policies and notes to accounts forming part of the financial statements for the year ended 31 March 2020

SCHEDULE 18

1. Background

The financial statements for the year ended 31 March 2020 comprise the accounts of SBERBANK Branch in India ('the Bank'), which is incorporated and registered in Russian Federation. In May 2010, the Bank received the approval of the Reserve Bank of India ("RBI") to commence its maiden branch in India. Subsequently, the Bank commenced its banking business with effect from 7 January 2011 in New Delhi. The Bank was included in the Second Schedule to the Reserve Bank of India Act, 1934 vide notification dated 8 March 2011 in the Gazette of India on 2 April 2011. The Bank had only one branch in India as at 31 March 2020.

2. Basis of preparation

a) 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 in India and statutory provisions prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards notified under section 133 of the Companies Act 2013, read together with other relevant provisions of the Companies Act, 2013 and Companies Act, 1956, to the extent applicable and current practices prevailing within the banking industry in India. The accounting policies have been consistently applied by the Bank.

b) The financial statements are presented in Indian Rupees rounded off to the nearest Indian Rupee, unless otherwise stated.

3. Use of estimates

The preparation of the financial statements, in conformity with generally applicable 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. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

4. Significant accounting policies

4.1 Investments

The classification, recognition and disclosure of the investments will be in accordance with management's policies and relevant prudential norms prescribed by RBI.

Investments are categorized as "Held to Maturity" (HTM), "Held for Trading" (HFT), "Available for sale" (AFS) in accordance with RBI guidelines based on intent at the time of acquisition. However, for disclosure in balance sheet, these are classified as government security, other approved security, shares, debentures and bonds, investment in subsidiaries/joint venture and other investment. These are valued in accordance with RBI guidelines.

Investment classified as HFT are marked to market on daily basis and under AFS at monthly interval. The net depreciation, if any, in each classification is recognized in the profit and loss account. Net appreciation if any, is ignored. Treasury bills being discounted instruments are valued at carrying cost (Amortized cost). Transfer of investments between the categories is accounted in accordance with the RBI guidelines. Profit or loss on the sale/redemption of such investments is included in the profit and loss account.

4.2 Advances

Classification and provisioning of advances of the Bank are carried out .in accordance with the RBI Master Circular on prudential norms on income recognition, asset classification and provisioning pertaining to advances.

Classification

Advances are classified into performing and non-performing advances ('NPA') based on management's periodic internal assessment and RBI's prudential norms on classification.

Provisioning

Advances are stated net of specific provisions and interest in suspense account. Specific provisions, subject to minimum provisioning norms laid down by the RBI, are made based on management's assessment of the degree of impairment of the advances and in accordance with the Bank's internal policy on specific provisioning for non-performing advances.

The Bank also maintains a general provision at rates and as per norms prescribed by RBI in the above referred circular and discloses the same in Schedule 5 - Other Liabilities and Provisions.

4.3 Transactions involving foreign exchange

Transactions denominated in foreign currencies are recorded at the rates prevailing on the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are restated, as at the balance sheet date, at the closing rates notified by Foreign Exchange Dealers Association of India ('FEDAI') and resultant exchange differences are recognised in the profit and loss account. Contingent liability denominated in foreign currency is disclosed in balance sheet at the rates notified by FEDAI.

Exchange differences arising on settlement of foreign currency transactions settled during the period are recognised in the profit and loss account of the period.

4.4 Revenue Recognition

i. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

ii. Interest income is recognized in the profit and loss account on an accrual basis, except in the case of interest on Non - performing assets which is recognised in the Profit and Loss Account on receipt basis as per the income recognition and asset classification norms of RBI.

iii. The Bank recognizes commission on buyer's credit and guarantees on a straight line basis over the life of the facility.

iv. All other fees and charges are recognized as and when services are rendered by the Bank.

4.5 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

Gratuity Liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Actuarial gain and losses for defined benefit plans are recognized in full in the period in which they occur in the statement of profit and loss.

Compensated absences

The employees of the Bank are entitled to carry forward a part of their un-availed leaves subject to a maximum limit. The employees cannot encash un-availed leaves except in the year of resignation or retirement. The Bank has computed the compensated absence provision as per revised AS-15 Employee Benefits.

The Bank provides compensated absence benefits, which is a defined benefit scheme based on actuarial valuation done by an independent actuary as at the balance sheet date using the Projected Unit Credit (PUC) method. Actuarial gains/losses are recognized in the profit and loss account in the year in which they are incurred.

4.6 Fixed Assets and Depreciation/Amortization

Fixed assets including intangible assets are stated at acquisition cost less accumulated depreciation less impairment provision. Cost comprises the purchase price and any attributable cost of bringing the assets to its working condition for its intended use.

Depreciation is provided on a straight line basis over the estimated useful life of the asset. There is no change in the depreciation rates as compared to previous year. The useful life of fixed assets marked with * are different than those specified under Schedule II of Companies Act, 2013. The management believes that useful life of fixed assets currently considered for the purpose of depreciation fairly reflect its estimate of the useful life and the residual values of such assets. The estimated useful life for different categories of fixed assets is as follows:

Asset Description	Useful Life
Vehicles*	36 Months
Office Equipment	60 Months
Computers including computer software	36 Months
Furniture and fixtures*	60 months

4.7 Accounting for leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

4.8 Taxes on income

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 income taxes reflect the impact of the current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. In situations where the Bank has unabsorbed depreciation and carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that unabsorbed depreciation or carry forward tax losses can be realised against future taxable profits.

At each balance sheet date, the Bank re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

4.9 Provisions, contingent liabilities and contingent assets

Provisions are recognised in terms of Accounting Standard-29 on “Provisions, Contingent Liabilities and Contingent Assets” issued by the ICAI, when there is a present legal or statutory obligation as a result of past events leading to probable outflow of resources, where a reliable estimate can be made to settle the same. 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. Provisions are to be reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent Liabilities are recognised only when there is a possible obligation arising from past events due to occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Bank, or where any present obligation cannot be measured in terms of future outflow of resources, or where a reliable estimate of the obligation cannot be made. Obligations are assessed on an ongoing basis and only those having a largely probable outflow of resources are provided for.

Contingent Assets are not recognized 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.

4.10 Impairment of Assets

The carrying amount of assets is reviewed at each balance sheet date, if there is any indication of impairment based on internal/ external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset’s net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessment of the time value of money and risk specified to the asset.

4.11 Cash and Cash Equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise of cash in hand, balances with RBI, balances with other banks and money at call and short notice.

4.12 Cash flow statement

Cash flows are reported using indirect method set out in Accounting Standard 3 on “Cash Flow Statements”, whereby profit/(loss) before tax is adjusted for the effects of transaction of non-cash nature and any deferrals of accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Bank are segregated based on the available information.

4.13 Others

Expenses incurred on stationery and stamps are charged off to profit and loss account at the time of purchase.

5. Other Disclosures including statutory disclosures as per RBI circulars & guidelines.

5.1 Capital to Risk Weighted Assets Ratio (CRAR)

Sr. No.	Particulars	As at 31 March 2020	As at 31 March 2019
1	Common equity Tier 1 capital ratio (%)	105.78%	116.30%
2	Tier 1 capital ratio (%)	105.78%	116.30%
3	Tier 2 capital ratio (%)	0.14%	0.69%
4	**Total capital ratio (CRAR)**	**105.92%**	**116.99%**
5	Amount of equity capital raised	–	–
6	Amount of additional Tier 1 capital raised	–	–

5.2 Business ratios/ information

The details relating to business ratios are given below:

Sr. No.	Ratio	For the year ended 31 March 2020	For the Year ended 31 March 2019
i.	Interest income as percentage to working funds	1.66%	3.44%
ii.	Non-interest income as percentage to working funds	36.76%	8.87%
iii.	Operating profits as a percentage to working funds	31.52%	7.77%
iv.	Return on assets	17.86%	4.29%
v.	Business (deposits plus advances) per employee	20,788,501	63,308,291
vi.	Net profit/(Loss) per employee	30,604,909	12,613,317

Notes:

1) Working funds is taken as average of total assets (excluding accumulated losses) as reported to RBI in Form X under section 27 of the Banking regulation Act, 1949 during the 12 months of the financial year.
2) Return on Assets is with reference to average working funds (i.e. total of assets excluding accumulated losses).
3) For computation of ratios in (v) and (vi) above, no. of employees as at the year-end has been considered as current year: 26 (Previous year: 18).
4) Business per employee is with reference to the closing Advances and Deposits (Advances excludes provision for sub-standard asset).

5.3 Provision and Contingencies

Provision towards standard assets: Shown under the head Other liabilities and provisions in balance sheet

Particulars	As at 31 March 2020	As at 31 March 2019
Provision towards standard asset (including Provision for Country Risk)	4,281,796	19,486,541

Details of provision made during the year –Shown under the head Provisions and contingencies in profit and loss account.

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Provisions for depreciation on Investment	–	–
Provision for standard assets (including Provision for Country Risk)	(15,204,745)	1,719,135
Provision towards NPA	–	–
Provision made towards Income tax & deferred tax	623,954,592	180,694,051
Income tax for earlier years including deferred tax	–	1,986,510
Other Provision and Contingencies	–	–
Total	**608,749,847**	**184,399,696**

5.4 Investments

Particulars	As at 31 March 2020	As at 31 March 2019
(1) Value of Investments		
Gross Value of Investments		
(a) In India	997,019,121	297,342,857
(b) Outside India	–	–
Provisions for Depreciation		
(a) In India	–	–
(b) Outside India	–	–
Net Value of Investments		
(a) In India	997,019,121	297,342,857
(b) Outside India	–	–
(2) Movement of provisions held towards depreciation on investments		
– Opening balance	–	–
– Add: Provisions made during the period	–	–
– Less: Write-off/ write-back of excess provisions during the period	–	–
– Closing balance	–	–

5.5 Issuer composition of non-SLR investments:

The Bank did not have any non-SLR investments as at 31 March 2020 (Previous year Nil).

5.6 Sale and transfer to/from HTM category

The Bank did not have any sale or transfer to or from HTM category of investments (Previous year: Nil).

5.7 Information on Repo and Reverse Repo Transactions (at face value)

The Bank has not undertaken any repo transaction or reverse repo transaction during the year ended 31 March 2020 (Previous year Nil).

5.8 Movement in NPAs

Particulars	For the year ended 31 March 2020			For the year ended 31 March 2019		
	Gross NPA	Provision	Net NPA	Gross NPA	Provision	Net NPA
Opening Balance	**918,462,658**	**918,462,658**	**–**	**918,462,658**	**918,462,658**	**–**
Additions during the year	–	–	–	–	–	–
Reductions during the year	–	–	–	–	–	–
Closing Balance	**918,462,658**	**918,462,658**	**–**	**918,462,658**	**918,462,658**	**–**

Particulars	As at 31 March 2020	As at 31 March 2019
Net NPA to Net Advance (%)	0%	0%

5.9 Restructured accounts

The Bank has not restructured any account during the year ended March 31, 2020 (Previous year Nil).

5.10 Provision coverage ratio

The Bank has a provision coverage ratio (ratio of provisioning to gross NPA) of 100% (Previous year 100%).

5.11 Non-performing financial asset sold/purchase

The Bank has not purchased/sold any non-performing financial asset during the year ended March 31, 2020 (Previous year Nil).

5.12 Sector wise Lending

Sr. No.	Sector	Current Year			Previous Year		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**						
1	Agriculture and allied activities	–	–	0.00%	–	–	0.00%
2	Industry (Micro & Small, Medium and Large)	–	–	0.00%	–	–	0.00%
3	Services	–	–	0.00%	720,000,000	–	0.00%
4	Personal loans	–	–	0.00%	–	–	0.00%
	Sub-total (A)	–	–	0.00%	720,000,000	–	0.00%
B	**Non Priority Sector**						
1	Agriculture and allied activities	–	–	0.00%	–	–	0.00%
2	Industry (Micro & Small, Medium and Large)	944,480,840	918,462,658	97.25%	949,062,658	918,462,658	96.78%
3	Services	273,000,000	–	0.00%	–	–	–
4	Personal loans	–	–	–	–	–	–
	Sub-total (B)	1,217,480,840	918,462,658	75.44%	949,062,658	918,462,658	96.78%
	Total (A + B)	**1,217,480,840**	**918,462,658**	**75.44%**	**1,669,062,658**	**918,462,658**	**55.03%**

Note: During the year, bank has purchased PSLC of Rs. 2,800,000,000 for a premium of Rs. 3,150,000 against shortfall of Priority Sector Lending targets, in addition to its deposits with NABARD for Rs. 61,682,400. Bank has also created a contingent liability of Rs. 56,214,100 for its committed line-up credit with NABARD/MUDRA.

5.13 Priority Sector Lending Certificates (PSLCs) Purchased/Sold

Sl. No.	Type of PSLC	For the year ended 31 March 2020		For the year ended 31 March 2019	
		Purchased	Sold	Purchased	Sold
1.	PSLC-Micro Enterprises	450,000,000	–		
2.	PSLC-General	2,350,000,000	–	–	–
	Total	**2,800,000,000**	**–**	**–**	**–**

5.14 Movement of Gross NPAs

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Gross NPA opening	**918,462,658**	**918,462,658**
Fresh Gross NPAs during the period	–	–
Sub-total (A)	**918,462,658**	**918,462,658**
Less:		
(i) Up gradations	–	–
(ii) Recoveries (excluding recoveries made from upgraded accounts)	–	–
(iii) Write-offs	–	–
Sub-total (B)	**–**	**–**
Gross NPAs closing (A-B)	**918,462,658**	**918,462,658**

5.15 Floating Provision

The Bank does not have any floating provision on advances during the year ended 31 March 2020 (Previous year Nil).

5.16 Lending to sensitive sectors

A. Exposure to Real Estate

The Bank has no exposure to Real estate sector as on 31 March 2020 (Previous year Nil).

B. Exposure to Capital Markets

The Bank has no exposure to the Capital Markets as at 31 March 2020 (Previous year Nil).

5.17 Country risk exposures

Risk Category	Exposure (Net) as at 31 March 2020	Provision held as at 31 March 2020	Exposure (Net) as at 31 March 2019	Provision held as at 31 March 2019
Insignificant	–	–	–	–
Low	1,234,311,339	3,085,723.00	1,328,159,304	3,320,398
Moderate	113,858,426	–	–	–
High	–	–	65,818,705	13,163,741
Very High	–	–	–	–
Restricted	–	–	–	–
Off-Credit	–	–	–	–
Total	**1,348,169,765**	**3,085,723.00**	**1,393,978,009**	**16,484,139**

5.18 Disclosure on Single Borrower Limits (‘SBL’)/Group Borrower Limits (‘GBL’)

The Bank has not exceeded the limit of SGL/GBL.

5.19 Concentration of Deposits

Particulars	As at 31 March 2020	As at 31 March 2019
Total deposits of twenty (Previous year – twenty) largest depositors	223,427,114	372,755,436
Percentage of deposits of twenty (Previous year – twenty) largest depositors to Total Deposits of the bank	92.52%	95.84%

5.20 Concentration of Advances

Particulars	As at 31 March 2020	As at 31 March 2019
Total advances to twenty largest borrowers *#@	1,217,480,840	1,669,062,680
Percentage of advances to ten (previous year –twenty) largest borrowers to total advances of the bank	100%	100%

Note: * Computed based on credit exposure as prescribed in the RBI’s master circular DBR.No. Dir.BC.12 /13.03.00/2015-16 dated 01.07.2015 on Exposure Norms.
Advances represents gross advances.
@ Current year’s Advances excludes off-balance sheet items.

5.21 Concentration of Exposures

Particulars	As at 31 March 2020	As at 31 March 2019
Total exposure to twenty largest borrowers/customers *#	1,313,536,988	2,108,978,173
Percentage of exposure of twenty largest borrowers/customers to total exposures of the bank on borrowers/customers	100%	100%

Note: * Computed based on credit and investment exposure as prescribed in the RBI’s master circular DBR.No. Dir.BC.12 /13.03.00/2015-16 dated 01.07.2015 on Exposure Norms.
Current year’s Exposure excludes guarantees/trade finances covered by ‘guarantee of other banks’ and guarantee issued on behalf of ourself.

5.22 Concentration of NPAs

Particulars	As at 31 March 2020	As at 31 March 2019
Total exposure to top 4 NPA	806,894,093	806,894,093

5.23 Securitisation exposures
The Bank did not have any securitization exposures during the year ended 31 March2020 (Previous year Nil).

5.24 Off Balance Sheet SPV's sponsored
The Bank has not sponsored any off-balance sheet SPVs during the year ended 31 March 2020 (Previous year Nil).

5.25 Disclosure on interest rate swaps and forward rate agreements ('FRA')
The Bank has not done any transaction of interest rate swaps or forward contracts during the year (Previous year: Nil).

5.26 Risk exposure in derivatives
During the year, the Bank has not done any transaction in derivatives (Previous year Nil).

5.27 Exchange traded interest rate derivatives
No transactions were undertaken during the year in exchange traded interest rate derivatives. There is no notional principal amount outstanding in respect of exchange traded interest rate derivatives (Previous year Nil).

5.28 Subordinated debt
The Bank did not have any subordinated debt raised during the year ended 31 March 2020 (Previous year Nil).

5.29 Other expenditure
Details of expenses included in "Other Expenditure" in Schedule 16 exceeding 1% of the total income are provided below for the year ended 31 March 2019and 31 March 2018.

Particulars	For the year ended 31 March 2020*	For the year ended 31 March 2019*
Travelling expenses	–	–
Professional and Consultancy charges	–	–

* No expense exceeds the threshold of 1% of the total income for the year ended 31 March 2020 and for he year ended 31 March 2019.

5.30 Micro, Small and Medium Enterprises
There are no amounts that need to be disclosed pursuant to Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED'). For the year ended 31 March 2020, no supplier has intimated the Bank about its status as Micro or Small Enterprises or its registration with the appropriate authority under MSMED.

5.31 Fees/Remuneration received from Banc assurance
The Bank has not earned any income from banc assurance business during the year ended 31 March 2020 (Previous year Nil).

5.32 Drawdown from reserves
There has been no drawdown from reserves during the year ended 31 March 2020 (Previous year Nil).

5.33 Asset Liability Management
Maturity pattern: Management has made certain estimates and assumptions in respect of maturities of its assets and liabilities

31 March 2020 (31 March 2019) **(in 000's)**

Buckets	Loans & Advances	Investment Securities	Deposits	Borrowings	Foreign CCY Assets	Foreign CCY Liabilities
Day 1	–	43,409	227,533	–	33,304	242
	(–)	(–)	(384,999)	(–)	(35,600)	(–)
2 Days to 7 Days	–	–	–	–	–	–
	(200,000)	(–)	(–)	(–)	(–)	(–)
8 days to 14 days	–	–	–	–	–	–
	(–)	(–)	(–)	(–)	(–)	(–)
15 days to 28 days	–	884,067	–	–	–	–
	(–)	(–)	(–)	(–)	(–)	(–)
29 days to 3 months	13,009	61,788	–	–	–	–
	(425,100)	(297,343)	(–)	(–)	(–)	(–)
Over 3 months to 6 months	13,009	1,272	3,950	–	–	–
	(5,100)	(–)	(–)	(–)	(–)	(–)
Over 6 months to 12 months	0	560	–	–	–	–
	(110,200)	(–)	(–)	(–)	(–)	(–)
Over 1 year to 3 years	276,944	1,790	10,000	–	–	–
	(10,200)	(–)	(3,950)	(–)	(–)	(–)
Over 3 years to 5 years	–	–	–	–	–	–
	(–)	(–)	(–)	(–)	(–)	(–)
Over 5 years to 10 Years	–	4,133	–	–	–	–
	(–)	(–)	(–)	(–)	(–)	(–)
Over 10 years to 20 years	–	–	–	–	–	–
	(–)	(–)	(–)	(–)	(–)	(–)
Over 20 years	–	–	–	–	–	–
	(–)	(–)	(–)	(–)	(–)	(–)
Total	**302,962**	**997,019**	**241,483**	**(–)**	**33,304**	**242**
	(750,600)	**(297,343)**	**(388,949)**	**(–)**	**(35,600)**	**(–)**

Note: *Loans and advances include un-availed facility.

5.34 Overseas Assets NPAs and Revenue

The Bank has no overseas assets NPAs and revenue (Previous year Nil).

5.35 Details of financial assets sold to securitization/reconstruction Company for Asset Reconstruction

There were no instances of sale of financial assets to securitization/reconstruction Company for asset reconstruction during the year ended 31 March 2020 (Previous year Nil).

5.36 Provision on standard assets

Provision on standard assets has been made as prescribed by Reserve Bank of India Provisioning Norms.

5.37 Employee Benefits

The following table summarizes the component of net (benefit)/expense recognized in the profit and loss account and amounts recognized in the balance sheet.

Profit and loss account

Net employee benefit expense (recognised in Payment to and provisions for employees):

Particulars	Gratuity	
	For the year ended 31 March 2020	For the year ended 31 March 2019
Current service cost	2,185,065	3,427,109
Interest cost on benefit obligation	827,446	649,859
Expected return on plan assets	–	–
Net actuarial (gain)/loss recognised in the year	(1,108,605)	(630,629)
Past service cost	–	–
Net (benefit)/expense	1,903,906	3,446,339
Actual return on plan assets	–	–

Balance Sheet

Details of Provision for gratuity:

Particulars	As at 31 March 2020	As at 31 March 2019
Present value of the obligation at the end of the period	10,657,755	11,492,311
Fair value of plan assets at end of period	–	–
	10,657,755	11,492,311
Less: Unrecognized past service cost	–	–
Net liability/(asset) recognized in Balance Sheet	10,657,755	11,492,311

Changes in the present value of the defined benefit obligation are as follows:

Particulars	As at 31 March 2020	As at 31 March 2019
Opening defined benefit obligation	11,492,311	9,055,587
Interest cost	827,446	649,859
Current service cost	2,185,065	3,427,109
Past service cost	–	–
Benefits paid	2,738,462	1,009,615
Actuarial (gains)/losses on obligation	(1,108,605)	(630,629)
Closing defined benefit obligation	10,657,755	11,492,311

The principal assumptions used in determining gratuity obligation for the Bank's plans are shown below:

Assumptions	For the year ended 31 March 2020	For the year ended 31 March 2019
Discount rate (%)	6.45%	7.20%
Rate of increase in compensation level (%)	6.00%	6.00%
Average remaining working life of employees (in years)	5.51	5.74
Withdrawal rate		
Age upto 30 years	15.00%	15.00%
Age 31-40 years	15.00%	15.00%
Age 41-50 years	15.00%	15.00%
Age above 50 years	15.00%	15.00%

Experience adjustments:

Experience History	31 March 2016	31 March 2017	31 March 2018	31 March 2019	31 March 2020
Present value of Obligation	5,702,656	6,060,432	9,055,587	11,492,311	10,657,755
Plan Assets	–	–	–	–	–
Surplus/(Deficit)	(5,702,656)	(6,060,432)	(9,055,587)	(11,492,311)	10,657,755
Experience(gain) or loss on plan liabilities	(1,498,021)	(1,107,978)	(1,894,881)	(843,356)	(1,482,419)
Experience(gain) or loss on plan assets	–	–	–	–	–

The estimates of future salary increase considered in actuarial valuation take account of inflation seniority promotion and other relevant factors such as supply and demand in the employment market.

5.38 Segment Reporting

The Bank has a single reportable segment which has similar risk & return for the purpose of AS 17 on 'Segment Reporting' notified under the Companies' (Accounting Standard) Rules2006 (as amended). The Bank operates in a single geographical segment i.e domestic. Accordingly, in compliance with AS 17 and in accordance with the RBI guidelines it is not required to provide a segment report.

5.39 Related party disclosure

Related party disclosure as required in accordance with AS 18 - Related Party Disclosures and RBI guidelines, is provided below:

Name and nature of relationship of related parties

Relationship	Name of the related party
Parent/Head office	SBERBANK, Russia and its branches
Key Management Personnel	Mr. Aleksei Kechko – Chief Executive Officer (Former)
	Ivan Nosov – Chief Executive Officer (Present)

As per RBI Circular DBOD.BP.BC No.7 /21.04.018/2015-16 dated July 01, 2015 on "Disclosure in Financial Statements – Notes to Accounts", where there is only one entity/person in any category of related parties, banks need not to disclose any details pertaining to that related party other than the relationship with that related party. Accordingly, as there is only one entity in Parent/Head office category of related parties during the year, details thereof have not been disclosed.

The bank has paid Rs. 19,077,551 (Previous year Rs. 38,728,502) to Mr. Aleksei Kechko towards employee dues.

The bank has paid Rs. 26,082,957 (Previous year Rs. Nil) to Mr. Ivan Nosov towards employee dues.

5.40 Deferred taxes

	As at 31 March 2020	As at 31 March 2019
Particulars	**DTA**	**DTA**
Depreciation	3,170,742	3,353,276
Provision for gratuity	4,655,307	5,019,841
Provision for leave encashment	13,730,414	9,784,523
Provision for Non-performing assets	376,358,297	375,659,938
Provision for standard assets	1,870,288	8,511,720
Total	**399,785,048**	**402,329,298**

Deferred tax assets (DTA) are recognized for all timing differences, subject to consideration of prudence which requires/ that DTA should be recognised and carried forward only to the extent that there is a reasonable certainty that sufficient taxable income will be available against which such deferred tax assets can be realized.

5.41 Disclosure in respect of Operating Leases

The lease rentals charged during the period and the maximum obligations on long term, non-cancellable operating leases payable as per the rentals stated in the respective agreements are as follows:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Lease Rentals recognised during the year	21,885,757	23,055,528
Lease Obligation payables		
Within one year of the balance sheet date	23,521,344	3,716,193
Due in a period between one year and five year	17,463,844	Nil
Due after five years	Nil	Nil

5.42 Letter of comfort

The Bank has not issued any letter of comfort during the year ended 31 March 2020 (Previous year Nil).

5.43 Unsecured Advances

The Bank have Unsecured advances amount to Rs. 263,000,000 as at 31 March 2020 (Previous year Nil).

5.44 Transfers to Depositor Education and Awareness Fund (DEAF)

The Bank did not have any amount to be transferred to DEAF during the year ended 31 March 2020 (Previous year Nil).

5.45 Credit Default swaps

The Bank has not entered in any Credit Default Swaps during the year ended 31 March 2020 (Previous year Nil).

5.46 Intra-Group Exposures

Particulars	As at 31 March 2020	As at 31 March 2019
Total amount of intra-group exposures	4,80,39,721	–
Total amount of top-20 intra-group exposures	4,80,39,721	–
Percentage of intra-group exposures to total exposure of the Bank on borrowers/customers	1.83%	–
Details of breach of limits on intra group exposures and regulatory action thereon, if any.	No breaches identified.	–

5.47 Liquidity Coverage Ratio

The Reserve Bank of India (RBI) has issued the Basel III framework on Liquidity Standards released on June 9, 2014. The standards include guidelines on the minimum liquidity coverage ratio (LCR), liquidity risk monitoring tools and LCR disclosure standards. The LCR is designed to address short-term liquidity risk by ensuring that banks hold sufficient cash and other liquid assets to meet obligations in a 30-day market stress scenario. The requirement creates a credit-positive incentive for banks to focus on growing their retail deposits and reducing reliance on short-term wholesale funding.

LCR is measured as follows:

Stock of high quality liquid assets (HQLAs) / Total net cash outflows over the next 30 calendar days	> = 100%

		Quarter ended 31st March 2020		Quarter ended 31st March 2019	
		Total Unweighted Amount (average)	Total Weighted Amount (average)	Total Unweighted Amount (average)	Total Weighted Amount (average)
	High Quality Liquid Assets				
1	Total High Quality Liquid Assets (HQLA)	19,757	19,757	27,375	27,375
	Cash Outflows				
2	Retail deposits and deposits from small business customers of which:	101	9	–	–
(i)	Stable Deposits	18	1	–	–
(ii)	Less Stable Deposits	83	8	–	–
3	Unsecured wholesale Funding of which:	2,174	214	3,850	944
(i)	Operational Deposits (all counterparties)	2,174	214	3,850	944
(ii)	Non-Operational Deposits (all counterparties)	–	–	–	–
(iii)	Unsecured debt	–	–	–	–
(iv)	Funding from other legal entity customers	–	–	–	–
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	562	169	–	–
6	Other contractual funding obligations	2,242	2,242	8,204	8,204
7	Other contingent funding obligations not captured elsewhere	1,148	34	13,584	408
8	Total Cash Outflows	6227	2,668	25,638	9,556
	Cash Inflows	–	–		
9	Secured lending (e.g. reverse repo)	97	97	362	362
10	Inflows from fully performing exposures	–	–	–	–
11	Other cash inflows	12,347	12,347	6,217	6,217
12	**Total Cash Inflows**	**12,444**	**12,444**	**6,579**	**6,579**
	Total cash outflows less total cash inflows (E)	**(6,217)**	**(9,776)**	**19,059**	**2,977**
	25% of total cash outflows (F)	**1,557**	**667**	**6,409**	**2,389**
	Total net cash outflows (Higher of E or F)	**1557**	**667**	**19,059**	**2,977**
	Total Adjusted Value				
13	**Total HQLA**	**19,757**	**19,757**	**27,375**	**27,375**
14	**Total Net Cash Outflow**	**1,557**	**667**	**19,059**	**2,977**
15	**Liquidity Coverage Ratio**	**2962.07%**		**919.55%**	

As per the RBI guidelines the minimum LCR required to be maintained shall be implemented in the phased manner from 01 January 2015. The minimum LCR requirement for 2020 is 100% (PY 100%) with a step of 10% each year to reach the minimum requirement of 100% by 01 January 2019.

The LCR is primarily driven by HQLA consisting of unencumbered Government Securities, Treasury Bills, Loans & Advances and excess cash maintained with RBI over and above reserve requirement. The funding sources are mainly through capital fund and customer deposits.

5.48 Unhedged Foreign Currency Exposure

In view of the impact of exchange rates on financial profile/debt servicing ability of borrowers it has become imperative to assess borrowers' susceptibility to adverse exchange rate movements to price-in the associated risk and manage exposure to these counterparts. Reserve Bank of India (RBI) has introduced requirements w.r.t additional capital and provisioning for exposures to entities with Unhedged Foreign Currency Exposures (UFCE). Bank has an internal policy for assessment of such additional capital and provisions. The process for computation of additional capital and provisions is being followed as per RBI guidelines.

In accordance with the RBI's Circular DBOD No.BP.BC.85/21.06.200/2013-14 dated January 15 2014 effective April 1 2014 the Bank has maintained incremental provision of Nil (Previous year Nil) and additional RWA of Nil (Previous year Nil) on account of un-hedged foreign currency exposure of its borrowers as at 31 March 2020.

5.49 Customer complaints and awards

There have been no customer complaints received during the year ended 31March 2020 (Previous year Nil). Further, there have been no awards passed by banking ombudsman during the year ended 31 March 2020 (Previous year Nil).

5.50 Penalties imposed by RBI

There were no penalties imposed onto the Bank by RBI during the year ended 31 March 2020 (Previous year Nil).

5.51 Corporate Social Responsibility

As required by the provisions of Section 135 of the Companies Act, 2013 the Bank has not formed Corporate Social Responsibility (CSR) Committee. The Bank is required to contribute 2% of the average of previous 3 years' net profits towards Corporate Social Responsibility (CSR). The Bank has not spent amount on CSR activities in the current financial year. The Bank is building its CSR capabilities on a sustainable basis and is committed to meet its CSR targets in the coming years.

5.52 Disclosure on Remuneration

In compliance with RBI vide circular no. DBOD No. BC. 72/29.67.001/2011-12 dated 13th Jan 2012 the Bank has submitted the declaration to Reserve Bank of India to the effect that compensation structure in India including that of CEO is in conformity with the Financial Stability Board (FSB) principles and standards.

5.53 Previous year's figures have been regrouped/reclassified wherever considered necessary in order to make them comparable with figures for the current year.

5.54 Contingent Liabilities

S.No.	Contingent Liability	Brief Description
1	Claims not acknowledged as debts	This includes liability on account of income tax, sales tax, lease tax demands, property tax demands and legal cases filed against the Bank. The Bank is a party to various legal 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, result of operations or cash flows. In respect of appeals filed by the Income Tax department with higher authorities, where the matter was settled in favour of the Bank at the first appellate stage, and where in view of the Management, it gives rise to an item of timing difference, no contingent liability is envisaged by the Bank.
2	Liability on account of outstanding forward exchange contracts	The Bank enters into foreign exchange contracts with inter Bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate.
3	Guarantees on behalf of constituents	As a part of its Banking activities, the Bank issues guarantees on behalf of its customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of customer failing to fulfill its financial or performance obligations.
4	Acceptances, endorsements and other obligations	These includes: A. Documentary credit such as letters of obligations, enhance the credit standing of the customers of the Bank. B. Bills re-discounted by the Bank and cash collateral provided by the Bank on assets which have been securitised. C. Underwriting commitments in respect of Debt Syndication.
5	Other items for which the Bank is contingently liable	These include: A. Liabilities in respect of interest rate swaps, currency swaps, forward rate agreements, futures and options contracts. The Bank enters into these transactions with inter Bank participants on its own account and for customers. 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 that are recorded as contingent liabilities are amounts used as a benchmark for the calculation of interest component of the contracts. B. Liability in respect of Capital commitments relating to fixed assets and undrawn commitments in respect of investments. C. Amount Transferred to RBI under the Depositor Education and Awareness Fund ('DEAF').

5.55 The Bank does not have any instances of fraud in the current year and in previous year.

5.56 Impact of Coronavirus (COVID-19) for the year ending 31 March 2020

Since, 31 December 2019 the spread of COVID-19 has severely impacted many local economies around the globe. In many countries' businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantine, social distancing and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Government and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The operations of the bank have not been severely impacted due to above pandemic situation for the year ending 31 March 2020. However, since the duration and impact of the COVID-19 pandemic as well as the effectiveness of government and central bank responses remain unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial positions and result of the company for future periods.

The company has determined that these events are non-adjusting subsequent events. Accordingly, the financial positions and results of operations as of and for the year ended 31 March 2020 have not been adjusted to reflect their impact.

Note: The disclosures assume there is no significant doubt about the bank's ability to continue as a going concern.

For Bilimoria Mehta & Co.
Chartered Accountants
Firm Registration number: 101490W

Sd/-
Prakash Ramniklal Mehta
Partner
Membership No : 030382
UDIN: 20030382AAAAAP7440
Place: Mumbai
Date: 30.04.2020

For SBERBANK Branch in India

Sd/-
Ivan Nosov
CEO - India

Sd/-
Vladimir Semenushkov
Chief Accountant

SBERBANK

Branch in India

(Incorporated in Russian Federation)

Disclosures under the Capital Adequacy Framework (Basel III Guidelines) – Pillar 3 Disclosures as at March 31, 2020

Table DF-1: Scope of Application

Qualitative Disclosures:

(a) The disclosure and analysis provided herein below are in respect of the Sberbank Branch in India (hereinafter referred to as the 'Bank'). Sberbank of Russia (hereinafter referred to as the 'Head Office') is incorporated in Russian Federation. Head officeprovides a wide range of financial services through its global network of branches, offices, subsidiaries and associates; personal financial services, private banking, commercial and corporate banking, investment banking, corporate finance, capital market activities, treasury services, futures broking, asset management, venture capital management, insurance and stock broking services.

(b) The Bank does not have any subsidiaries in India and is accordingly not required to prepare a consolidated return under the generally accepted accounting principles (GAAP) or under the capital adequacy framework.

Quantitative Disclosures:

(c) List of group entities considered for consolidation:

Not Applicable

(d) The aggregate amount of capital deficiencies in subsidiaries:

Not Applicable

(e) The aggregate amount of the bank's total interests in insurance entities:

Not Applicable

(f) Restrictions or impediments on transfer of funds or regulatory capital within the banking group:

Not Applicable

Table DF-2: Capital Adequacy

Qualitative Disclosure

- **RBI Guidelines on capital 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. As per Basel III guidelines, the Bank is required to maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 9% {11.5% including Capital Conservation Buffer (CCB)}, with minimum Common Equity Tier I (CET1) of 5.5% (8% including CCB) as on 30th September 2020. These guidelines on Basel III have been implemented on 1st April 2013 in a phased manner. The minimum total capital required to be maintained by the Bank for the year ended 31st March 2020 is 10.875% with minimum Common Equity Tier 1 (CET1) of 7.375% (including CCB of 1.875%).

- **The Bank's objectives in managing capital:**

  - to ensure the sustainable development of the Bank with an acceptable level of risk, determined by risk appetite
  - to ensure and protect the interests of shareholders, participants, creditors and Bank's customers
  - to comply with the requirements of state bodies and the Regulator
  - to ensure capital adequacy to cover significant risks.

- **The Bank's approach in assessment of capital adequacy**

  The Bank has a process for assessing its overall capital adequacy in relation to the Bank's risk profile and a strategy for maintaining its capital levels. The process provides an assurance that the Bank has adequate capital to support all risks inherent to its present business and to support the planned business growth and an appropriate capital buffer based on its business profile. The Bank identifies, assesses and manages comprehensively all risks that it is exposed to, through sound governance and control practices, robust risk management framework and an elaborate process for capital calculation and planning.

  Bank has Board approved comprehensive Internal Capital Adequacy Assessment Process (ICAAP) document. Bank has been modifying/revising the ICAAP Document on an annual basis based on the experience gained, sophistication achieved and also as per the suggestions/observations made by RBI during its RBS/Supervisory Review and Evaluation Process. The last such revision was done on 10.07.2019.

  The Bank has a structured management framework in the Internal Capital Adequacy Assessment Process for the identification and evaluation of the significance of all risks that the Bank faces, which may have an adverse material impact on its financial position. The Bank has implemented a Stress Testing Framework taking into consideration RBI guidelines which forms an integral part of the Bank's ICAAP and provides an assessment of the capital requirement and impact on Profits of the Bank under stressed conditions envisaged by the Bank. Stress Testing involves the use of various techniques to assess the Bank's potential vulnerability to extreme but plausible stressed business conditions. The changes in the levels of credit risk, market risk, liquidity risk and Interest Rate Risk in the Banking Book ('IRRBB') and the changes in the on and off balance sheet positions of the Bank are assessed under assumed "stress" scenarios and sensitivity factors. Typically, these relate, inter alia, to the impact on the Bank's profitability and capital adequacy. In order to assess the impact on CRAR and income of the bank, the Stress Test will be conducted on a half yearly basis.

Quantitative Disclosure

(₹ in millions)

Capital Requirements for various Risks	Amount
CREDIT RISK	
Capital requirements for Credit Risk	138.13
– Portfolios subject to standardized approach	138.13
– Securitization exposures	NIL
MARKET RISK	
Capital requirements for Market Risk	
– Standardized duration approach	13.16
– Interest rate risk	NIL
– Foreign exchange risk (including gold)	13.16
– Equity risk	NIL
OPERATIONAL RISK	
Capital requirements for Operational risk	179.74
– Basic indicator approach	179.74
TOTAL CAPITAL REQUIREMENTS	**331.03**

Note: Capital requirement has been computed at 10.875% of RWA

Risk Management: Objectives and Organisation Structure

Risk is an integral part of banking business in an ever dynamic environment, which is undergoing radical changes both on the technology front and product offerings. The main risks faced by the bank are credit risk, market risk and operational risk. The bank aims to achieve an appropriate trade off between risk and return to maximize shareholder value.

Bank manages several types of risks including Credit, Market, Operational risks and other types of risks. Information in the disclosure is intended to give market participants a better idea on the risk profile and risk management practices of the Bank. The Bank has a comprehensive risk management system set up to address various risks. Several levels for the risk management purposes are set in a Bank. Main elements and responsible levels are:

✓ Branch Committee (Head Office level):
- approves the ICAAP document based on the development strategy and controls its implementation;
- reviews and approves ICAAP document and report
- controls adherence to the risk appetite limits;
- reviews and approves significant risks management policies;
- approves/reviews the results of risk identification procedure, risk appetite framework and limits, stress testing results and scenarios taking into account required by Reserve Bank of India;
- monitors ICAAP results with approval of the annual ICAAP report.

✓ High Power Local Branch Committee (Bank's level):
- reviews and approves of all Bank's policies/manuals etc. for managing processes;
- defines the scope of financial reporting, internal control, audit reports provided by RBI/Concurrent Auditor/Statutory Auditors etc.;
- reviews frauds including reasons and solutions above Rs.1 crore;
- approves measures on the Business Continuity Planning activities and evaluates IT strategies;
- takes investments decisions and finalizes credit and recovery proposals (Chief Risk Officer of the Bank has a veto voice for decisions bearing credit risk in HPLBC) for further approval on the appropriate Head Office's level of Credit Committee.

✓ Risk Committee (Bank's level, the Chairman is Chief Risk Officer of the Bank):
- assists the Branch Committee in monitoring of implementation of the ICAAP strategy;
- advises the Branch Committee on the target risk structure and risk appetite thresholds;
- reviews and preapproves ICAAP document, ICAAP report and Risk appetite statement for the following approval by the Branch Committee;
- reviews stress testing results, stress scenarios and corrective measures and reports to the Branch Committee as a part of ICAAP report;
- provides consulting support to the Branch Committee regarding submitted suggestions for risk management within ICAAP;
- controls implementation and compliance with risk and capital management policies and procedures, limits and thresholds within ICAAP, creation of suggestions for the significant risks limit structure;
- informs the Branch Committee about ICAAP results in the annual ICAAP report, on a quarterly basis provides information on the actual level of risk appetite limits, cases of violations of risk appetite limits and thresholds;
- analyses the annual ICAAP report prior to its submission for consideration by the Branch Committee.

Table DF-3 Credit Risk: General Disclosures

Qualitative Disclosures

Credit Risk Management

Credit Risk is the risk of financial loss to the Bank if a customer or counterparty fails to meet an obligation under a contract, including credit default risk, concentration and country risks. It arises principally from direct lending, trade finance and from off-balance sheet products such as guarantees and from the holding of debt and other securities. Credit risk generates the largest regulatory capital requirement of the risks Bank incurs.

Architecture

The Bank has a comprehensive credit risk management architecture. The Board of the Bank endorses the credit risk strategy and approves the Credit risk management policy of the Bank. This is done taking into consideration the Bank's risk appetite, derived from perceived risks in the business, balanced by the targeted profitability level for the risks taken up. The Board oversees the credit risk management functions of the Bank. The Credit Committee of the Bank (with delegated function to the High Power Local Branch Committee chaired by Managing Director & CEO) is responsible for the implementation of the Credit risk management policy and strategies approved by the Board by developing policies, procedures and systems for managing credit risk. The High Power Local Branch Committee (HPLBC) ensures that these are adequate and appropriate to changing business conditions, the structure and needs of the Bank and the risk appetite of the Bank. The HPLBC periodically reviews the Bank's portfolio composition.

HPLBC is primarily responsible for implementing the risk strategy approved by the Board, Chief Risk Officer of the Bank is responsible for alignment of the procedures and systems developed by Bank's first line of defence for managing risk, carrying out an independent assessment of various risks, participating in the approval of individual credit exposures (as the member of HPLBC with veto voice) and monitoring portfolio composition and quality.

Chief Risk Officer of the Bank has the reporting lines both to Bank's CEO as well as to Global CRO of Sberbank Group. Within the Group Risk Management function the independent credit approval process was established, there is a framework for review and approval of internal credit ratings and independent assessment process. With regard to the wholesale banking business, the Bank's risk management functions - the underwriting function is localized in Head Office. The risk management function in the Bank is clearly demarcated and independent from the operations and business units of the Bank. Chief Risk Officer of the Bank is not assigned any business targets.

Credit Process

The Bank expects to achieve its earnings objectives and to satisfy its customers' needs while maintaining a sound portfolio. Credit exposures are managed through target market identification, appropriate credit approval processes, post-disbursement monitoring and remedial management procedures.

Bank has various internal rating models for different type of customers, e.g. financial institutions, sovereigns, corporate clients etc. The development, validation and maintenance functions of those models are centralized in Head Office. The assessment and approval process also differs for financial institutions and corporate clients developed by Head Office following the best practices and introduced in the Bank.

The Bank's Credit Policy created under the umbrella of Credit risk management policy forms the core to controlling credit risk in various activities and products. Those articulates the credit risk strategy of the Bank and thereby the approach for credit origination, approval and maintenance. Those policy defines the Bank's overall credit granting criteria, including the general terms and conditions. The policy typically addresses area such as target markets/customer segmentation, qualitative and quantitative assessment parameters, portfolio mix, prudential exposure ceilings, concentration limits, price and non-price terms, structure of limits, approval authorities, exception reporting system, prudential accounting and provisioning norms. It takes cognizance of prudent and prevalent banking practices, relevant regulatory requirements, nature and complexity of the Bank's activities, market dynamics etc.

Management monitors overall portfolio quality and results of regular monitoring of the corporate clients and financial institutions periodically, including the weighted risk grade of the portfolio and industry diversification.

Definition of Non-Performing Assets

Advances are classified into performing and non-performing advances (NPAs) as per RBI guidelines, NPAs are therefore classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI.

- **Substandard Assets**

  A substandard asset is one, which has remained NPA for a period less than or equal to 12 months. In such cases, the current net worth of the borrower/guarantor or the current market value of the security charged is not enough to ensure recovery of the dues to the banks in full. In other words, such an asset will have well defined credit weaknesses that jeopardize the liquidation of the debt and are characterised by the distinct possibility that banks will sustain some loss, if deficiencies are not corrected.

- **Doubtful Assets**

  A doubtful asset is one, which remained NPA for a period exceeding 12 months. A loan classified as doubtful has all the weaknesses inherent in assets that were classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.

- **Loss Assets**

  A loss asset is one where loss has been identified by the Bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly. In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

Quantitative Disclosures

a) **Gross Credit risk exposure as on 31st March 2020**

(₹ in millions)

Particulars	Exposure
Fund based	1 217.48
Non-fund based	1413.04
Total	**2 630.52**

Notes: Exposure is comprised of loans & advances, guarantees, excluded exposure - Cash in hand, Balance with RBI, nostro account balances, deposits with other banks, SLR investments, deposits placed with NABARD, Fixed and other assets, guarantee issued on behalf of the Bank

b) Geographic distribution of Gross Credit risk exposure as on 31st March 2020

(₹ in millions)

Particulars	Domestic	Overseas	Total
Fund Based	1217.48	NIL	1217.48
Non Fund Based	96.05	1316.99	1413.04
Total	**1313.53**	**1316.99**	**2630.52**

c) Industry wise distribution of exposures as on 31st March 2020

(₹ in millions)

Industry Name	Fund based	Non-fund based
Textile	409.62	NIL
Steel	218.75	NIL
Food & Beverages	290.10	NIL
Financial institutions	NIL	1316.99
Defence	NIL	96.06
Electrical	26.01	NIL
Data processing and Database activities	273.00	NIL
Total	**1217.48**	**1413.04**

d) Residual contractual maturity breakdown of assets

(₹ in millions)

Time band	Cash and Balance with RBI	Balance with Banks and money at call and short notice	Investment	Advances	Fixed Assets	Other Assets	Total
Next Day	1 101.20	34.69	43.41	NIL	NIL	NIL	1 179.30
2-7 Days	NIL	400	NIL	NIL	NIL	1.99	401.99
8-14 Days	NIL	NIL	NIL	NIL	NIL	NIL	NIL
15-30 Days	0.16	800	884.07	4.34	NIL	3.34	1 691.91
31-2 Months	NIL	NIL	NIL	4.34	NIL	0.08	4.42
2-3 Months	10.16	NIL	61.79	4.34	NIL	587.58	663.87
3-6 Months	0.21	NIL	1.27	13.01	NIL	0.15	14.64
6-1 Year	0.09	NIL	0.56	NIL	NIL	7.95	8.6
1-3 Year	0.29	NIL	1.79	276.94	NIL	70.71	349.73
3-5 Year	NIL	NIL	NIL	NIL	NIL	29.95	29.95
5-7 Year	63.06	NIL	4.13	NIL	13.70	415.4	496.29
7-10 Year	NIL	NIL	NIL	NIL	NIL	NIL	NIL
10-15 Year	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Over 15 Year	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total	**1 175.17**	**1 234.69**	**997.02**	**302.97**	**13.70**	**1 117.15**	**4 840.70**

e) Asset quality

- **Amount of Net NPAs Amount of NPAs and classification of Gross NPAs as on 31st March 2020**

(₹ in millions)

Industry Name	Gross NPA	Provisions	Net NPA	Category
Textile	409.6	409.6	NIL	Doubtful 3
Steel	218.8	218.8	NIL	Doubtful 3
Food & Beverages	290.1	290.1	NIL	Doubtful 3
Total	**918.5**	**918.5**	**NIL**	

- **Gross NPAs and its movement, NPIs, Net NPAs, NPA ratios and provision for GNPAs and GNPIs as on 31st March 2020 are given in following table:**

(₹ in millions)

i	Amount of Gross NPAs	918.5
ii	Net NPAs	NIL
iii	Net NPA to net advances	0%
iv	Gross NPA to gross advances	75.44%
v	Movement of NPAs (Gross)	NIL
vi	Movement of provision of NPAs	NIL
vii	Amount of Non- performing investments	NIL
viii	Amount of provisions held for non-performing investments	NIL
ix	Movement of provisions for depreciation on investments	NIL

- **Provision for standard assets (including Provision for Country Risk)**

(₹ in millions)

Particulars	March 31, 2020
Opening balance	19.48
Provisions made during the year	NIL
Write-off	(15.2)
Write-back of excess provisions	NIL
Any other adjustments, including transfers between provisions	NIL
Closing balance	**4.28**

- **Geographic distribution**

(₹ in millions)

Particulars	March 31, 2020		
	Domestic	Overseas	Total
Gross NPA	918.5	NIL	**918.5**
Provisions for NPA	918.5	NIL	**918.5**
Provision for standard assets (including Provision for Country Risk)	1.19	3.09	**4.28**

Table DF-4 Credit Risk: Disclosures for portfolios subject to the Standardized Approach

Standardised approach

The Bank has used the Standardised Approach under the RBI's Basel III capital regulations for its credit portfolio.

For exposure amounts after risk mitigation subject to the standardised approach, the Bank's outstanding (rated and unrated) in three major risk buckets as well as those that are deducted, are as follows:

For exposure amounts after risk mitigation subject to the Standardized Approach, amount of the Bank's outstanding (rated and unrated) in three major risk buckets as well as those that are deducted, are as follows:

(₹ in millions)

Description of risk bucket	Funded		Non-Funded		Total
	Gross accounting value	Set off provisions and after risk mitigants	Gross accounting value	Set off provisions and after risk mitigants	Set off provisions and after risk mitigants
Below 100% Risk weight	Nil	Nil	214.88	214.35	214.35
100% Risk Weight	1 217.48	283.97	1 198.16	1 195.69	1 479.66
More than 100% Risk Weight	Nil	Nil	Nil	Nil	Nil
Deducted if any	399.79	399.79	Nil	Nil	399.79
Total	**1 617.27**	**683.76**	**1 413.04**	**1 410.04**	**2093.8**

Notes: Exposure is comprised of loans & advances, guarantees, excluded exposure: Cash in hand, Balance with RBI, nostro account balances, deposits with other banks, SLR investments, deposits placed with NABARD, Fixed and other assets, guarantee issued on behalf of the Bank.

Treatment of undrawn exposures

As required by the regulatory norms, the Bank holds capital even for the undrawn portion of credit facilities which are not unconditionally cancellable without prior notice by the Bank, by converting such exposures into a credit exposure equivalent based on the applicable Credit Conversion Factor ('CCF'). For credit facilities which are unconditionally cancellable without prior notice, the Bank applies a CCF of zero percent on the undrawn exposure.

Credit rating agencies

The Bank is using the ratings assigned by the following domestic external credit rating agencies, approved by the RBI, for risk weighting claims on domestic entities:

- Credit Analysis and Research Limited ('CARE')
- Credit Rating Information Services of India Limited ('CRISIL')
- ICRA Limited ('ICRA')
- India Ratings and Research Private Limited (earlier known as Fitch India)
- Brickwork Ratings India Private Limited ('Brickwork')
- SMERA Ratings Limited ('SMERA')

The Bank is using the ratings assigned by the following international credit rating agencies, approved by the RBI, for risk weighting claims on overseas entities:

- Fitch Ratings
- Moody's
- Standard & Poor's

Types of exposures for which each agency is used

The Bank has used the solicited ratings assigned by the above approved credit rating agencies for all eligible exposures, both on balance sheet and off balance sheet, whether short term or long term, in the manner permitted in the RBI guidelines on Basel III capital regulations. The Bank has not made any discrimination among ratings assigned by these agencies nor has restricted their usage to any particular type of exposure.

Public issue ratings transferred onto comparable assets

The Bank has, in accordance with RBI guidelines on Basel III capital regulations, transferred public ratings on to comparable assets in the banking books in the following manner:

Issue Specific Ratings

- All long term and short term ratings assigned by the credit rating agencies specifically to the Bank's long term and short term exposures respectively are considered by the Bank as issue specific ratings.
- For assets in the Bank's portfolio that have contractual maturity less than or equal to one year (except Cash Credit), short term ratings accorded by the chosen credit rating agencies are considered relevant. For other assets, which have a contractual maturity of more than one year, long term ratings accorded by the chosen credit rating agencies are considered relevant.
- For Cash Credit (irrespective of the period) and for Term Loan exposures of over 1 year - Long Term Ratings are used.
- For Exposure nominated in currency other than INR – the Rating for foreign currency is used following.
- Where multiple issue specific ratings are assigned to the Bank's exposure by the various credit rating agencies, the risk weight is determined as follows:
  - (i) If there is only one rating by a chosen credit rating agency for a particular claim, then that rating is used to determine the risk weight of the claim
  - (ii) If there are two ratings accorded by chosen credit rating agencies, which map into different risk weights, the higher risk weight is applied
  - (iii) If there are three or more ratings accorded by chosen credit rating agencies with different risk weights, the ratings corresponding to the two lowest risk weights are referred to and the higher of those two risk weights is applied, i.e., the second lowest risk weight.

Table DF-5 Credit risk mitigation: Disclosures for Standardised Approach

The Bank assesses the credit facility based on the future projection of the financial soundness and liquidity profile and repayment capacity of the potential/existing clients. The Bank has in place Collateral management policy which summarizes the Bank's approach for the same. The policy covers aspects such as the nature of risk mitigants/collaterals acceptable to the Bank, the documentation and custodial arrangement of the collateral, the valuation approach and regular monitoring. For purposes of computation of capital requirement for Credit Risk, the Bank recognises only those collaterals that are considered as eligible for risk mitigation in the RBI Basel III guidelines on standardised approach.

The credit risk mitigation taken only in the form of cash deposit with the Bank and thus the risk (credit) concentration of the mitigants is low.

Exposure covered by financial collateral

(₹ in millions)

Particulars	March 31, 2020
Total exposure covered by eligible financial collateral	13.95

Exposure covered by guarantees

(₹ in millions)

Particulars	March 31, 2020
Total exposure covered by guarantees	1413.04

Table DF-6 Securitization Exposures: Disclosure for Standardised Approach

The Bank has not securitized any of its assets portfolios.

Table DF-7 Market Risk in trading book

The Bank does not have any exposure to Capital Market/any tradable security held in the trading book.

Table DF-8 Operational Risk

Basel Committee and subsequently 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 also adopts the same definition for the purpose of management of operational risk within the bank. It includes risk of loss due to legal risk, but excludes strategic and reputational risk. The Bank has put in place Board approved Operational risk management policy defining governance and organisational structure with clearly articulated roles and responsibilities to mitigate operational risk arising out of the Bank's business and operations.

The objective of the Bank's operational risk management is to manage and control operational risks in a cost effective manner within the Bank's risk appetite. The Operational risk management policy aims to establish clear ownership and accountability for management and mitigation of operational risk, help business and operations to improve internal controls, reduce likelihood of occurrence of operational incidents and minimise potential impact of losses, compute capital charge for operational risk as per the guidelines of RBI. Main goals of the established operational risk framework are:

- disclosure, identification, measurement, and determination of the acceptable level of the operational risk;
- constant observation of operational risks with the aim to take measures on maintenance of the operational risks level at the acceptable level which does not threaten financial stability of the Bank, its creditors' and depositors', shareholders', employees', and counteragents' interests;
- acknowledgement of operational risks influence by all employees and direction of the Bank in course of commitment and/or making decisions;
- determination of priority areas and methods of minimization of operational risks;
- opportune submission of information and accounts on the issues of operational risk management.

Capital Requirement

The Bank currently follows the Basic Indicator Approach for computing operational risk capital charge. BCBS had published a document titled 'Basel III: Finalizing post-crisis reforms' in December 2017, containing details of the Standardized Approach for estimating minimum operational risk capital charge, which would replace all the existing methods for computation of operational risk capital. The Bank would be implementing the revised approach once the RBI guidelines are notified.

Table DF-9 Interest Rate Risk in the Banking book (IRRBB)

Qualitative disclosures

Interest rate risk is the risk where changes in market interest rates affect a bank's financial position. Changes in interest rates impact a bank's earnings through changes in its Net Interest Income (NII). Changes in interest rates also impact a bank's Market Value of Equity (MVE) or Net Worth through changes in the economic value of its rate sensitive assets, liabilities and off-balance sheet positions. The interest rate risk, when viewed from these two perspectives, is known as 'earnings perspective' and 'economic value perspective', respectively. The Bank measures and controls IRRBB using both Earnings Perspective (measured using Traditional Gap Analysis) and Economic Value Perspective (measured using Duration Gap Analysis). These methods involve bucketing of rate sensitive assets (RSA) and rate sensitive liabilities (RSL), including off-balance sheet items, based on the maturity/repricing dates.

The Bank classifies an asset/liability as rate sensitive if:

i. Within the time interval under consideration, there is a cash flow.

ii. The interest rate resets/reprices contractually during the interval.

Bank has significant portion of Non-rate sensitive liabilities and assets, the portion of Rate sensitive liabilities and assets is insignificant. Non-rate sensitive liabilities and assets primarily comprise of capital, reserves and surplus, other liabilities, cash and balances with RBI, current account balances with banks, fixed assets and other assets.

Quantitative Disclosures

- **Earnings Perspective (impact on net interest income)**

  Traditional Gap Analysis (TGA) measures the level of a bank's exposure to interest rate risk in terms of sensitivity of its NII to interest rate movements over one year horizon. It involves bucketing of all rate sensitive assets (RSA) and rate sensitive liabilities (RSL) and off balance sheet items maturing or getting repriced in the next one year and computing change of income under 100 basis points upward and downward parallel rate shocks over a one year horizon. Assumption on asset/liability bucketing used in the traditional gap analysis is as per the RBI guidelines.

  The increase/decline in earnings for an upward/downward rate shock of 100 basis points ('bps') and MVE are as follows:

(₹ in millions)

March 31, 2020	
If interest rate were to go down by 100 bps	(21.8)

Bank's assets and liabilities in currency other than INR is less than 5% of the total turnover so there is no breakdown by currency.

- **Economic Value Perspective (impact on market value of equity)**

  While earnings perspective calculates the short-term impact of the rate changes, the Economic Value Perspective calculates the long-term impact on the market value of equity (MVE) of the Bank through changes in the economic value of its rate sensitive assets, liabilities and off-balance sheet positions. Economic value perspective is measured using Duration Gap Analysis (DGA). DGA involves computing of the Modified Duration Gap (MDG) between RSA and RSL and thereby the Duration of Equity (DoE). The DoE is a measure of sensitivity of market value of equity to changes in interest rates. Using the DoE, the Bank estimates the change in MVE under 200 basis points upward and downward parallel rate shocks. Assumptions on asset/liability bucketing, coupons and yields to be used in the duration gap analysis are as per the RBI guidelines.

(₹ in millions)

March 31, 2020	
If interest rate were to go down by 200 bps	(2.6)

Table DF-11 Composition of Capital as on 31st March 2020

(₹ in millions)

Basel III common disclosure template			
Common Equity Tier 1 capital: instruments and reserves			**Ref No.**
1	Directly issued qualifying common share capital plus related stock surplus (share premium) (Funds from Head Office)	2,732.1	(a)
2	Retained earnings	627.1	(c)
3	Accumulated other comprehensive income (and other reserves)	261.3	(b)
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	**3 620.5**	**(a)+(b)+(c)**
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	–	
8	Goodwill (net of related tax liability)	–	

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(₹ in millions)

Basel III common disclosure template			
	Common Equity Tier 1 capital: instruments and reserves		**Ref No.**
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	(0.9)	(s)
10	Deferred tax assets	(399.8)	(t)
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)	–	
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**	**(400.7)**	**(s)+(t)**
29	**Common Equity Tier 1 capital (CET1)**	**3 219.8**	**(a)+(b)+(c) - (s)-(t)**
	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*	–	

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Basel III common disclosure template			
	Common Equity Tier 1 capital: instruments and reserves		**Ref No.**
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)**	**3 219.8**	**(a)+(b)+(c)-(s)-(t)**
	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	4.3	(i)+(j)
51	**Tier 2 capital before regulatory adjustments**	**4.3**	**(i)+(j)**
	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 investments 13 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)**	**4.3**	**(i)+(j)**
59	**Total capital (TC = T1 + T2) (45 + 58)**	**3 224.1**	
60	**Total risk weighted assets (60a + 60b + 60c)**	**3 044**	
60a	*of which : total credit risk weighted assets*	1 270.2	
60b	*of which : total market risk weighted assets*	121	
60c	*of which : total operational risk weighted assets*	1 652.8	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	105.78%	
62	Tier 1 (as a percentage of risk weighted assets)	105.78%	
63	Total capital (as a percentage of risk weighted assets)	105.92%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital c onservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	–	
65	*of which : capital conservation buffer requirement*	–	
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) (including CCB)	7.38%	
70	National Tier 1 minimum ratio (if different from Basel III minimum)(including CCB)	8.88%	
71	National total capital minimum ratio (if different from Basel III minimum)	10.875%	
	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		

(₹ in millions)

Basel III common disclosure template			
Common Equity Tier 1 capital: instruments and reserves			**Ref No.**
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	4.3	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	4.3	
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)	–	

Notes to the Template

(₹ in millions)

Row No. of the template	**Particular**	
10	Deferred tax assets associated with accumulated losses	399.8
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	–
	Total as indicated in row 10	399.8
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	4.3
	Eligible Revaluation Reserves included in Tier 2 capital	–
	Total of row 50	4.3

Table DF-12 Composition of Capital- Reconciliation Requirements

(₹ in millions)

		Balance sheet as in financial statements as on 31.3.2020	**Balance sheet under regulatory scope of consolidation @ as on 31.3.2020**	**Ref. No.**
A	**Capital & Liabilities**			
i	Paid-up Capital	2 732.1	2 732.1	a
	Reserves & Surplus *of which:*	888.4	888.4	
	Statutory reserve	*261.3*	*261.3*	b
	Remittable surplus retained in India for CRAR purposes	*627.1*	*627.1*	c
	Minority Interest	–	–	
	Total Capital	3 620.5	3 620.5	d
ii	Deposits	241.5	241.5	e
	of which: Deposits from banks	0.9	0.9	f
	of which: Customer deposits	–	–	
	of which: Other deposits (individuals)	240.6	240.6	g
iii	Borrowings	–	–	
	of which: From RBI	–	–	
	of which: From banks	–	–	
	of which: From other institutions & agencies	–	–	
	of which: Others (pl. specify)	–	–	
	of which: Capital instruments	–	–	

SBERBANK
Established in 1841

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Branch in India
(Incorporated in Russian Federation)

(₹ in millions)

		Balance sheet as in financial statements as on 31.3.2020	Balance sheet under regulatory scope of consolidation @ as on 31.3.2020	Ref. No.
iv	Other liabilities & provisions	918.5	918.5	h
	of which:			
	Provisions against standard assets	*1.2*	*1.2*	i
	Country risk provisions	*3.1*	*3*	J
	Total			
B	**Assets**			
i	Cash and balances with Reserve Bank of India	1 175.2	1 175.2	k
	Balance with banks and money at call and short notice	1 234.7	1 234.7	l
ii	Investments:	997	997	m
	of which: Government securities	–	–	
	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	299	299	n
	of which: Loans and advances to banks	–	–	
	of which: Loans and advances to customers	299	299	o
iv	Fixed assets	13.7	13.7	p
v	Other assets	1 060.9	1 060.9	q
	of which: Goodwill and intangible assets			
	Out of which:	0.9	0.9	r
	Goodwill	–	–	
	Other intangibles (excluding MSRs)	0.9	0.9	s
	Deferred tax assets	399.8	399.8	t
vi	Goodwill on consolidation	–	–	
vii	Debit balance in Profit & Loss account	–	–	
	Total Assets	**4 780.5**	**4 780.5**	

Table DF-15 Disclosures on Remuneration

				Current Year	Previous Year
Quantitative disclosures	(g)		Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	Nil	Nil
(The quantitative disclosures should only cover Whole Time Directors/Chief Executive Officer/Other Risk Takers)	(h)	(i)	Number of employees having received a variable remuneration award during the financial year.	Nil	Nil
		(ii)	Number and total amount of sign on awards made during the financial year.	Nil	Nil
		(iii)	Details of guaranteed bonus, if any, paid as joining/ sign on bonus	Nil	Nil
		(iv)	Details of severance pay, in addition to accrued benefits, if any.	Nil	Nil
	(i)	(i)	Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms.	Nil	Nil
		(ii)	Total amount of deferred remuneration paid out in the financial year.	Nil	Nil
	(j)		Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non deferred.	INR 45 160 508	INR 38 728 502
	(k)	(i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.	Nil	Nil
		(ii)	Total amount of reductions during the financial year due to ex post explicit adjustments.	Nil	Nil
		(iii)	Total amount of reductions during the financial year due to ex post implicit adjustments.	Nil	Nil

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Table DF 17 Summary comparison of accounting assets vs. leverage ratio exposure measure

- **Leverage Ratio:**

  The leverage ratio acts as a credible supplementary measure to the risk based capital requirement. The Bank is required to maintain a minimum leverage ratio of 3.5%. The Bank's leverage ratio, calculated in accordance with the RBI guidelines under consolidated framework is as follows:

- **Summary comparison of accounting assets and leverage ratio exposure measure**

(₹ in millions)

Summary comparison of accounting assets vs. leverage ratio exposure measure		
Sl. No.	**Item**	
1	Total consolidated assets as per published financial statements	4 780.5
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	NIL
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	NIL
4	Adjustments for derivative financial instruments	NIL
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	NIL
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	790,5
7	Other adjustments	-402,0
	Leverage ratio exposure	**5 169,1**

- **Leverage ratio common disclosure**

(₹ in millions)

Sl. No.	**Item**	
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	4 779,3
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-400,7
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**4 378,6**
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	NIL
5	Add-on amounts for PFE associated with all derivatives transactions	NIL
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	NIL
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	NIL
8	(Exempted CCP leg of client-cleared trade exposures)	NIL
9	Adjusted effective notional amount of written credit derivatives	NIL
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	NIL
11	Total derivative exposures (sum of lines 4 to 10)	NIL
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	NIL
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	NIL
14	CCR exposure for SFT assets	NIL
15	Agent transaction exposures	NIL
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	1 488,9
18	(Adjustments for conversion to credit equivalent amounts)	-698,4
19	**Off-balance sheet items (sum of lines 17 and 18)**	**790,5**
	Capital and total exposures	
20	Tier 1 capital	3 219,8
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**5 169,1**
	Leverage ratio	
22	**Basel III leverage ratio**	**62,29%**

for SBERBANK Branch in India

Sd/-
Ivan Nosov
CEO -India

Sd/-
Vladimir Semenushkov
Chief Accountant

Place: New Delhi
Date: 30.04.2020

INDEPENDENT AUDITOR'S REPORT

To
The Chief Executive Officer
First Abu Dhabi Bank PJSC - India Branch
(Incorporated in Abu Dhabi With Limited Liability)

Report on Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of First Abu Dhabi Bank PJSC - India Branch (Incorporated in Abu Dhabi With Limited Liability) ('the Bank'), which comprise the Balance Sheet as at 31st 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 significant accounting policies and other explanatory information.

1. 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 in the manner so required for banking companies and are in conformity with accounting principles generally accepted in India and give a true and fair view of the state of affairs of the Bank as at 31st March 2020, and its profit and its cash flows for the year ended on that date.

Basis for Opinion

2. 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 there under, 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

3. We draw attention to Schedule 18 Note E.48 of the financial statements which describes the extent to which the COVID-19 pandemic will have an impact on the Bank's financial performance.

   Our opinion is not modified in respect of this matter.

Information other than financial statements and auditor's report thereon

4. The Bank's Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Basel III Pillar 3 disclosures, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover such other information and we do not express any form of assurance conclusion thereon.
5. Our responsibility in connection with the audit of the financial statements 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

6. The Bank's Management is responsible for the matters stated in section 134(5) of the Companies Act, 2013 with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance 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 Companies Act, 2013, 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.
7. 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. Bank's management is also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the audit of the Financial Statements

8. 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.
9. 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. Undersection 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.

10. 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

11. 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.
12. 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) During the course of our audit we have performed select relevant procedures at one branch. Since the Bank's key operations are automated, with the key application largely integrated to the core banking systems, it does not require its branches to submit any financial returns. Accordingly, our audit is carried out centrally at the Head Office, based on the necessary records and data required for the purpose of the audit being made available to us.
13. 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 it appears from our examination of those books;
    c) the financial accounting systems of the Bank are centralized and therefore, accounting returns for the purpose of preparation of financial statement are not required to be submitted by the branches
    d) 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;
    e) in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013, to the extent they are not inconsistent with the accounting policies prescribed by RBI;
    f) The requirements of section 164(2) of the Companies Act,2013 are not applicable considering the Bank is a branch of Abu Dhabi Bank PJSC - India Branch (formerly known as National Bank of Abu Dhabi PJSC- India Branch) (Incorporated in Abu Dhabi With Limited Liability) which is incorporated with limited liability in Abu Dhabi, UAE;
    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. There is no pending litigation as at 31 March 2020. Disclosures regarding contingent liabilities are stated in Schedule 12 and Schedule 18 Note E.51 of 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 Schedule 18 Note E.52 of 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.
        iv. with respect to the matter to be included in the Auditor's Report under section 197(16), the requirements of Section 197 of the Companies Act, 2013 are not applicable considering the Bank is a branch of First Abu Dhabi Bank PJSC - India Branch (formerly known as National Bank of Abu Dhabi PJSC- India Branch) (Incorporated in Abu Dhabi With Limited Liability) which is incorporated in Abu Dhabi UAE.

For and on behalf of
A P Sanzgiri & Co
Chartered Accountants
Firm Regn. No. 116293W

Sd/-
Abhijit P Sanzgiri
Partner
(Membership No. 43230)
UDIN: 20043230AAAABD9462

Place: Mumbai
Date: 26-06-2020

First Abu Dhabi Bank PJSC - India Branch
(Incorporated in Abu Dhabi With Limited Liability)

Annexure A to the Independent Auditor's report of even date on the financial statements of First Abu Dhabi Bank PJSC - India Branch (formerly known as National Bank of Abu Dhabi PJSC- India Branch) (Incorporated in Abu Dhabi With Limited Liability) – **Indian Branch**

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013

1. We have audited the internal financial controls over financial reporting of First Abu Dhabi Bank PJSC - India Branch (formerly known as National Bank of Abu Dhabi PJSC- India Branch) (Incorporated in Abu Dhabi With Limited Liability) ('the Bank') as at 31 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 over Financial Reporting

2. 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.

Auditor's Responsibility

3. 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 Companies Act, 2013 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.
4. 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.
5. 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

6. 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 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

7. 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

8. 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 and on behalf of
A P Sanzgiri & Co
Chartered Accountants
Firm Regn. No. 116293W

Sd/-
Abhijit P Sanzgiri
Partner
(Membership No. 43230)

Place: Mumbai
Date:-26-06-2020

FAB First Abu Dhabi Bank

First Abu Dhabi Bank PJSC - India Branch

(Incorporated in Abu Dhabi 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	20,125,891	20,125,891
Reserves and surplus	2	1,799,078	762,665
Deposits	3	3,746,420	1,850,408
Borrowings	4	26,529,827	6,808,429
Other liabilities and provisions	5	7,309,644	1,549,401
TOTAL		**59,510,860**	31,096,794
ASSETS			
Cash and balances with Reserve Bank of India	6	386,911	89,308
Balances with banks and money at call and short notice	7	495,664	5,733,280
Investments	8	36,260,164	21,647,174
Advances	9	14,490,163	1,500,000
Fixed assets	10	30,849	29,432
Other assets	11	7,847,109	2,097,600
TOTAL		**59,510,860**	31,096,794
Contingent liabilities	12	284,837,142	103,081,993
Bills for collection		–	–
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	3,096,712	1,166,881
	Other income	14	662,233	689,107
	TOTAL		**3,758,945**	**1,855,988**
II.	**EXPENDITURE**			
	Interest expended	15	997,287	152,212
	Operating expenses	16	780,392	540,580
	Provisions and contingencies	17	944,853	543,003
	TOTAL		**2,722,532**	1,235,795
III.	**PROFIT/LOSS**			
	Net profit/(loss) for the period		1,036,413	620,193
	Transfer from Investment Fluctuation Reserves		–	–
	Profit/(Loss) brought forward from opening Balance Sheet		405,636	84,805
	TOTAL		**1,442,049**	704,998
IV.	**APPROPRIATIONS**			
	Transfer to Statutory Reserves		259,103	155,048
	Transfer to Investment fluctation Reserve Account		339,155	144,314
	Transfer to Capital Reserve		–	–
	Amount retained in India for meeting Capital to Risk-weighted Asset ratio (CRAR)		–	–
	Balance carried over to Balance Sheet		843,791	405,636
	TOTAL		**1,442,049**	704,998
	Significant accounting policies and notes to the Financial Statements	18		

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

This is the Balance Sheet referred to in our report of even date

This is the Profit and Loss Account referred to in our report of even date.

For **A. P. Sanzgiri & Co.**
Chartered Accountants
Firm Registration No. 116293W

Sd/-
Abhijit P. Sanzgiri
Partner
Membership Number: 43230

Date : 26-Jun-2020
Place : Mumbai

For **First Abu Dhabi Bank PJSC - India Branch**

Sd/-
Nimesh Karwanyun
Chief Executive Officer

Date : 26-Jun-2020
Place : Mumbai

Sd/-
Jitendra Shah
Chief Financial Officer

Date : 26-Jun-2020
Place : Mumbai

First Abu Dhabi Bank PJSC - India Branch

(Incorporated in Abu Dhabi With Limited Liability)

FAB First Abu Dhabi Bank

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020

		Year Ended March 31, 2020 (Rs. '000)	Year Ended March 31, 2019 (Rs. '000)
Cash flows from Operating Activities			
Net Profit/(Loss)		1,036,413	620,193
Add: Provision for taxation (including deferred taxation)		803,819	499,334
Net Profit before taxation		**1,840,232**	1,119,527
Adjustments for:			
Depreciation		22,024	26,403
Loss/(Profit) on sale and writeoff of fixed assets		–	–
Provision for Standard assets and unhedged foregin currency exposure		112,145	38,788
Provision for Depreciation on Investments		0	-
Provision for country risk		190	4,881
Provision for Large borrowers		28,699	–
Provision for Non-Performing Assets (including write offs)		–	–
(Writeback)/Provision for Employee benefits		6,967	782
Operating profit before working capital changes		**2,010,257**	1,190,381
(Increase)/Decrease in Investments (excluding HTM investments)		(14,612,990)	(7,994,829)
(Increase)/Decrease in Advances		(12,990,163)	(1,500,000)
(Increase)/Decrease in Other assets		(5,702,673)	(1,711,726)
Increase/(Decrease) in Deposits		1,896,011	1,850,408
Increase/(Decrease) in Other liabilities and provisions		5,601,588	1,281,795
Income Tax paid		(840,000)	(550,000)
Net Cash Flow from generated from/(used in) operating activities	**(A)**	**(24,637,970)**	(7,433,971)
Cash Flows from investing activities			
Purchase of fixed assets (net of recovery)		(23,441)	(10,837)
Proceeds from Sale of fixed assets		–	–
(Increase) in capital work in progress		–	–
(Increase)/Decrease in HTM investments		–	–
Net Cash flow from generated from/(used in) investing activities	**(B)**	**(23,441)**	(10,837)
Cash flows from financing activities			
IInfusion of capital		–	6,887,850
Increase/(Decrease) in borrowing		19,721,398	6,298,429
Net cash flow from financing activities	**(C)**	**19,721,398**	13,186,279
Net Increase/(Decrease) in cash and cash equivalents	**(A+B+C)**	**(4,940,013)**	5,741,471
Cash and cash equivalents at the beginning of the year		5,822,588	81,117
Cash and cash equivalents at the end of the year		**882,575**	5,822,588

Note: Cash and cash equivalents represents

PARTICULARS	**Schedule**	**As at March 31, 2020 (Rs. '000)**	As at March 31, 2019 (Rs. '000)
Cash and balances with the Reserve Bank of India	6	386,911	89,308
Balances with banks and money at call and short notice	7	495,664	5,733,280
Total		**882,575**	5,822,588

The above cash flow statement has been prepared under the indirect method set out in Accounting Standard 3 issued by the Institute of Chartered Accountants of India.

This Cash Flow referred in our report of even date.

For **A. P. Sanzgiri & Co.**
Chartered Accountants
Firm Registration No. 116293W

Sd/-
Abhijit P. Sanzgiri
Partner
Membership Number: 43230

Date : 26-Jun-2020
Place : Mumbai

For **First Abu Dhabi Bank PJSC - India Branch**

Sd/-
Nimesh Karwanyun
Chief Executive Officer

Date : 26-Jun-2020
Place : Mumbai

Sd/-
Jitendra Shah
Chief Financial Officer

Date : 26-Jun-2020
Place : Mumbai

FAB
First Abu Dhabi Bank

First Abu Dhabi Bank PJSC - India Branch
(Incorporated in Abu Dhabi 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. Balance brought forward from opening Balance Sheet	20,125,891	13,238,041
Add: Capital infusion by Head Office during the year	–	6,887,850
TOTAL	**20,125,891**	20,125,891

Note: Note: Amount of deposit kept with Reserve Bank of India under section 11 (2)(b)(ii) of the Banking Regulation Act, 1949 is Rs. 3,00,000 ('000s) (Previous Year: Rs. 1,00,000 ('000s))

	As at March 31, 2020 (Rs. '000)	as at March 31, 2019 (Rs. '000)
SCHEDULE 2 - Reserves and Surplus		
I. Statutory reserves		
Opening balance	212,715	57,667
Add: Transfer from profit and loss account	259,103	155,048
Less: Transfer to profit and loss account	–	–
	471,818	212,715
II. Capital reserves		
Opening balance	–	–
Add: Transfer from profit and loss account	–	–
Less: Transfer to profit and loss account	–	–
	–	–
III. Investment Fluctuation Reserves		
Opening balance	144,314	–
Add: Transfer from profit and loss account	339,155	144,314
Less: Transfer to profit and loss account	–	–
	483,469	144,314
IV. Investment reserve account		
Opening balance	–	–
Add: Transfer from profit and loss account	–	–
Less: Transfer to profit and loss account	–	–
	–	–
V. Revenue and other reserves		
Opening balance	–	–
Add: Transfer from profit and loss account	–	–
Less: Transfer to profit and loss account	–	–
	–	–
VI. Balance in profit and loss account	843,791	405,636
TOTAL (I, II, III, IV, V and VI)	**1,799,078**	762,665
SCHEDULE 3 - Deposits		
A. I. Demand deposits		
i) From banks	–	–
ii) From others	1,226,643	1,850,408
II. Savings bank deposits		
III. Term deposits	–	–
i) From banks	–	–
ii) From others	2,519,777	–
TOTAL (I, II and III)	**3,746,420**	1,850,408
B. i) Deposits of branches in India	3,746,420	1,850,408
ii) Deposits of branches outside India	–	–
TOTAL	**3,746,420**	1,850,408
SCHEDULE 4 - Borrowings		
I. Borrowings in India		
i) Reserve Bank of India	50,000	3,300,000
ii) Other Banks	–	–
iii) Other institutions and agencies	26,479,827	3,508,429
	26,529,827	6,808,429
II. Borrowings outside India	**–**	**–**
TOTAL (I and II)	**26,529,827**	6,808,429
Secured borrowings in I and II above	26,529,827	6,808,429

	As at March 31, 2020 (Rs. '000)	as at March 31, 2019 (Rs. '000)
SCHEDULE 5 - Other Liabilities and Provisions		
I. Bills payable	–	–
II. Inter-office adjustments (net)	–	–
III. Interest accrued	12,783	8,685
IV. Others (including provisions)	7,296,861	1,540,716
TOTAL	**7,309,644**	1,549,401
SCHEDULE 6 - Cash and Balances with Reserve Bank of India		
I. Cash in hand (including foreign currency notes)	–	–
II. Balances with Reserve Bank of India		
(i) In Current account	236,911	59,308
(ii) In Other accounts	150,000	30,000
TOTAL (I and II)	**386,911**	89,308
SCHEDULE 7 - Balances with Banks and Money at Call and Short Notice		
I. In India		
i) Balances with banks		
a) In Current accounts	863	617
b) In Other deposit accounts	–	–
ii) Money at call and short notice		
a) with banks	–	3,181,130
b) with other institutions	–	–
TOTAL (i and ii)	**863**	3,181,747
II. Outside India		
i) In Current accounts	494,801	1,099,278
ii) In Other deposit accounts	–	–
iii) Money at call and short notice	–	1,452,255
TOTAL (i, ii and iii)	**494,801**	2,551,533
TOTAL (I and II)	**495,664**	5,733,280
SCHEDULE 8 - Investments		
I. Investments in India		
(i) Government securities*	36,260,164	13,092,894
(ii) Other approved securities	–	–
(iii) Shares	–	
(iv) Debentures and bonds	–	–
(v) Subsidiaries and/or joint ventures	–	–
(vi) Others (including Certificate of Deposits and Commercial Papers)	–	8,554,280
Gross Investments	**36,260,164**	21,647,174
Less : Provision for depreciation	–	–
	36,260,164	21,647,174
II. Investments outside India	**–**	**–**
TOTAL (I and II)	**36,260,164**	21,647,174

* Includes

A) Securities of Face Value Rs. 33,051,200 ('000) deposited with Clearing Corporation of India Limited (CCIL) as margin deposit/collateral (Previous Year: Rs 6,239,600 ('000))

B) Securities of Face Value Rs. 300,000 ('000) deposited with Reserve Bank of India (RBI) under section 11 (2) (b) (ii) (Previous Year: Rs. 100,000 ('000))

C) Securities of Face Value Rs. 44,030 ('000) deposited with Reserve Bank of India (RBI) as collateral for Liquidity Adjustment Facility (Previous Year: Rs. 3,434,150 ('000))

	As at March 31, 2020 (Rs. '000)	as at March 31, 2019 (Rs. '000)
SCHEDULE 9 - Advances		
A. (i) Bills purchased and discounted	240,163	–
(ii) Cash credits, overdrafts and loans repayable on demand	7,750,000	1,500,000
(iii) Term loans	6,500,000	–
TOTAL	**14,490,163**	1,500,000
B. (i) Secured by tangible assets (including book debts)	1,900,000	–
(ii) Covered by Bank/ Government guarantees	–	–
(iii) Unsecured	12,590,163	1,500,000
TOTAL	**14,490,163**	1,500,000

FAB First Abu Dhabi Bank

First Abu Dhabi Bank PJSC - India Branch

(Incorporated in Abu Dhabi 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 9 - Advances (*Continued*)		
C.I. Advances in India		
(i) Priority sector	–	–
(ii) Public sector	–	–
(iii) Banks	–	–
(iv) Others	14,490,163	1,500,000
	14,490,163	1,500,000
II. Advances outside India		
(i) Due from banks	–	–
(ii) Due from others	–	–
(a) Bills purchased and discounted	–	–
(b) Syndicated loans	–	–
(c) Others	–	–
	–	–
TOTAL (I and II)	**14,490,163**	1,500,000
SCHEDULE 10 - Fixed Assets		
I. Premises		
At Cost at the beginning of the period	–	–
Additions during the period	–	–
	–	–
Deductions during the period	–	–
	–	–
Depreciation to date	–	–
	–	–
Capital Work in Progress	–	–
	–	–
II. Other Fixed Assets (including Furniture and Fixtures)		
At Cost at the beginning of the period	133,221	122,384
Additions during the period	23,441	10,837
	156,662	133,221
Deductions during the period	–	–
	156,662	133,221
Depreciation to date	125,813	103,789
	30,849	29,432
Capital Work in Progress	–	–
	30,849	29,432
TOTAL (I and II)	**30,849**	29,432
SCHEDULE 11 - Other Assets		
I. Inter-office adjustments (net)	–	–
II. Interest accrued	754,957	941
III. Advance tax and tax deducted at source (net)	–	25,570
IV. Deferred tax assets	116,779	44,373
V. Stationery and stamps	–	–
VI. Non-banking assets acquired in satisfaction of claims	–	–
VII. Others	6,975,373	2,026,716
TOTAL	**7,847,109**	2,097,600
SCHEDULE 12 - Contingent Liabilities		
I. Claims against the Bank not acknowledged as Debts (including tax related matters)	–	–
II. Liability for partly paid investments	–	–
III. Liability on account of outstanding forward exchange contracts	119,088,262	76,438,130
IV. Liability on account of outstanding derivative contracts	158,916,990	16,985,424
V. Guarantees given on behalf of constituents		
(a) in India	–	1,903,907
(b) outside India	6,830,988	7,396,583
VI. Acceptances, endorsements and other obligations	–	356,347
VII. Other items for which the Bank is contingently liable	902	1,602
TOTAL	**284,837,142**	103,081,993

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	777,685	91,473
II. Income on investments	2,306,986	1,056,306
III. Interest on balances with Reserve Bank of India and other inter-bank funds	12,041	19,102
IV. Others	–	–
TOTAL	**3,096,712**	1,166,881
SCHEDULE 14 - Other Income		
I. Commission, exchange and brokerage	460,723	641,157
II. Profit/(loss) on sale of investments (net)	165,451	3,864
III. Profit/(loss) on revaluation of investments (net)	–	–
IV. Profit/(loss) on sale of land, buildings and other assets (net)	–	–
V. Profit on exchange/ derivative transactions (net)	12,140	6,287
VI. Miscellaneous Income	23,919	37,799
TOTAL	**662,233**	689,107
SCHEDULE 15 - Interest Expended		
I. Interest on deposits	48,580	–
II. Interest on Reserve Bank of India/inter-bank borrowings	948,707	152,212
III. Others	–	–
TOTAL	**997,287**	152,212
SCHEDULE 16 - Operating Expenses		
I. Payments to and provisions for employees	334,716	237,336
II. Rent, taxes and lighting	89,127	89,661
III. Printing and stationery	734	797
IV. Advertisement and publicity	250	200
V. Depreciation on Bank's property	22,024	26,403
VI. Directors' fees, allowances and expenses	-	-
VII. Auditors' fees and expenses	2,000	1,500
VIII. Law Charges	1,372	351
IX. Postages, telegrams, telephones, etc	3,186	2,891
X. Repairs and maintenance	6,117	5,253
XI. Insurance	3,632	2,268
XII. Other expenditure	317,234	173,920
TOTAL	**780,392**	540,580
SCHEDULE 17 - Provisions and Contingencies		
I. Provision for unhedged foregin currency exposure	(13,950)	13,484
II. Provision/(Write-back of provision) for country risk	190	4,881
III. Provision for Non-Performing Assets	–	–
IV. Provision for Taxation	876,225	519,685
V. Provision for Deferred tax	(72,406)	(20,351)
VI. Provision for Standard asset	126,095	25,304
VII. Provision for Large Borrowers Exposure	28,699	–
VIII. (Write-back of provision)/Provision for depreciation on investments	–	–
TOTAL	**944,853**	543,003

SCHEDULES TO FINANCIAL STATEMENTS AS AT 31 MARCH 2020
(Currency: Indian Rupees in Thousands Unless Stated Otherwise)

Schedule 18: Significant Accounting Policies

A. Background

The accompanying financial statements for the year ended 31 March 2020 comprise the accounts of First Abu Dhabi Bank PJSC – India Branch ('the Bank') which is a branch of First Abu Dhabi Bank PJSC ('the FAB') incorporated with limited liability and is registered as a Public Joint Stock Company in accordance with the United Arab Emirates Federal Law No. 8 of 1984 (as amended) relating to Commercial Companies. The Bank has only one branch in India as at 31 March 2020 located at Mumbai.

FAB received the banking license from the Reserve Bank of India ('RBI') to set up a branch in Mumbai on 17 December 2014. The Bank commenced its business operations in India on 31 August 2015.

B. Basis of preparation

The financial statements are prepared as a going concern under the historical cost convention and accrual basis of accounting unless otherwise stated, and in accordance with the Generally Accepted Accounting Principles ('GAAP') in India, statutory requirements prescribed under the Third Schedule of Banking Regulation Act, 1949 ('BR Act'), circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, notified Accounting Standards ('AS') prescribed under section 133 of the Companies Act, 2013 as amended to the extent applicable and 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.

C. Use of estimate

The preparation of the financial statements in conformity with GAAP, requires the management to make estimates and assumptions considered while reporting the amounts of assets and liabilities (including contingent liabilities) as at the date of the financial statements and Revenue and expenses of operations during the reporting period. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

D. Significant Accounting Policies

1. Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured in so far as it is consistent with the statutory provisions and the guidelines issued by the RBI. Interest income is recognised in the profit and loss account on an accrual basis, except for interest on Non-Performing assets, which is recognised on realisation basis as per prudential norms on Income Recognition and Asset Classification ('IRAC') laid down by RBI. Accretion of Discount is recognized as interest over the tenure of the discounted instrument on straight line basis.

Fees for services are recognized at the time the service are rendered and a binding obligation to receive the fees has arisen.

2. Foreign exchange transactions

Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated into Indian rupees at the rates of exchange notified by Foreign Exchange Dealers' Association of India ('FEDAI'). The resultant gains or losses on such revaluation are included in the Profit and Loss Account. Income and expenditure items are translated at the exchange rates prevailing on the date of transaction. Outstanding spot and forward exchange contracts and foreign currency swaps are revalued based on the period end exchange rates notified by FEDAI. The forward exchange contracts are presently valued using appropriate discount rates and the resultant gains or losses are recognised in Profit and Loss account. Contingent liabilities and outstanding contracts denominated in foreign currencies are disclosed at the period end closing rate of exchange as notified by FEDAI and the resultant gains or losses are accounted for in the books of account.

3. Derivative Transaction

Derivatives comprises of FX contracts, interest rate swaps and currency swaps.

Forward contracts held for trading purposes are revalued at rates notified by FEDAI for specified maturities and at interpolated rates for interim maturities. In case of forward contracts of greater maturities where exchange rates are not notified by FEDAI, these are revalued at the forward exchange rates implied by the swap curves in respective currencies.

Interest rate swaps and Currency swaps held for trading purpose are recognised at their fair values on inception and subsequently marked to market (MTM) on a daily basis.

The resulting gains or losses are included in the Profit and Loss Account as per the regulations stipulated by the RBI/ FEDAI. Unrealized gains or losses, if any, are reflected in the Balance Sheet under Other Assets or Other Liabilities respectively.

4. Fixed asset and depreciation

Fixed assets are accounted at historical cost less accumulated depreciation as adjusted for impairment loss, if any. Cost includes cost of purchase and any cost attributable for bringing the asset to its working condition for its intended use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit/functioning capability from/of such assets

Depreciation/amortisation on fixed assets is provided under the straight-line method over the estimated useful life of the asset. Depreciation for the entire month is charged in the month in which the asset is put to use. In respect of Disposal/Sale of assets, no depreciation is provided in the month in which the asset is Sold/disposed off.

The useful life as prescribed in Part C of Schedule II to the Companies Act, 2013 is considered as the maximum useful life. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of the useful/ remaining useful life. Pursuant to this policy, depreciation is provided at the following useful life which is lower than or equal to the corresponding useful life prescribed under Part C of Schedule II:

Class of Asset	Useful life
Office equipment	5 years
Computer and computer equipment (hardware and software)	3 years
Furniture and Fixtures (incl. leasehold improvements to premises)	5 years
Mobile phones	2 years

Fixed assets individually costing less than Rs. 5,000 are fully depreciated in the year of purchase.

Capital work in progress, if any, includes cost of fixed assets that are not ready for its intended use but advances have been paid to acquire the same.

5. Employee Benefits

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' salary payable for each completed year of service if the service is more than five years. The Bank accounts for the liability for future gratuity benefits using the projected unit cost method based on an independent external actuarial valuation. The Bank recognises the actuarial gain or loss during the year in which the same is incurred.

Provident Fund: The Bank contributes to recognised provident fund, which is a defined contribution scheme. The contributions are accounted for on an accrual basis and recognised in the Profit and Loss Account. The Bank has no liability for future provident fund benefits other than its annual contribution.

Short Term Benefits: The undiscounted amount of short-term employee benefits to be paid for services rendered is recognized as an expense in the profit and loss account of the period in which the services are rendered. Expenses are accrued as liability if not already paid. These benefits include performance incentives.

Compensated Absences: The Employees can carry-forward a portion of the unutilized accrued compensated absences and utilises it in future services period or receive cash compensation on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of the period in which the employees render the related services and are also not expected to be utilised wholly within twelve months after the end of such period, the benefit is classified as Long Term benefit. The Bank records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using Projected Unit Credit method.

6. Taxation

Income Tax expense comprises current and deferred taxes. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. The Bank accounts deferred taxes in accordance with provisons of AS-22 "Accounting for Taxes on Income". Deferred Income Tax reflects the impact of current year timing differences between the taxable income and the accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to taxes levied by same governing taxation laws. Deferred tax assets are recognised 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 realised. In situations where the Bank has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each Balance Sheet date, the Bank re-assesses unrecognised deferred tax assets and recognises deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

7. Provisions, contingent liabilities and assets

In accordance with 'AS-29 on Provisions, Contingent Liabilities and Contingent Assets', a provision is required when the Bank has a present obligation as a result of past event where it is probable that outflow of resources is required and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed

A disclosure of contingent liability is made when there is a possible obligation or present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation, where 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 assets and related income are recognised in the year in which the change occurs.

8. Impairment of assets

In accordance with 'AS-28 on Impairment of Assets', an asset is considered as impaired when at balance sheet date there are indications of impairment and the carrying amount of the asset, or where applicable, the cash generating unit to which the assets 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 reduction is recognised as an impairment loss in the Profit and Loss Account. If at the Balance sheet date there is an indication that previously assessed Impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

9. Advances

Advances are classified as performing and non-performing based on management's periodic internal assessment and in accordance with RBI prudential norms. Advances are stated net of specific loan provision, write offs and interest in suspense for non-performing advances. Provision for loan losses are made in respect of identified advances based on management's assessment of degree of impairment, subject to minimum provisioning levels prescribed by the RBI guidelines.

In accordance with RBI guidelines and prudential provisioning norms, the Bank makes general provision on standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts at levels stipulated by RBI from time to time.

For entities with Unhedged Foreign Currency Exposure (UFCE), provision is made in accordance with the guidelines issued by RBI, which requires to ascertain the amount of UFCE, estimate the extent of likely loss and estimate the riskiness of un-hedged position.

Further to the provisions required to be held according to the asset classification status, provisions are held for individual country exposures (other than for home country exposure). Countries are categorised into risk categories as per Export Credit Guarantee Corporation of India Ltd. ('ECGC') guidelines and provisioning is done in respect of that country where the net funded exposure is one percent or more of the Bank's total assets.

These provisions (provisions other than specific provisions for non performing advances) are classified under Schedule 5 – Other liabilities and provisions in the balance sheet.

For Large exposures provisions, Bank follow the guidelines given in circular RBI/2016-17/50 DBR.BP.BC.No.8/21.01.003/2016-17 dated 25 August 2016.

For Stressed sector provision, Bank follows the guidelines given in circular DBR.No.BP.BC.64/21.04.048/2016-17 dated 18 April 2017.

10. Investments

Classification of investments

Investments are recognised on settlement date basis (i.e. value date) and are classified as Held for Trading ('HFT'), Available for Sale ('AFS') or Held to Maturity ('HTM') in accordance with RBI guidelines. Under each of these classifications, investments are further categorized as under; (a) Government securities, (b) Other approved securities, (c) Shares, (d) Debentures and bonds, (e) Subsidiaries and (f) Others.

Valuation of investments

Valuation of investments is carried out in accordance with the RBI guidelines. Investments under AFS category are marked to market on a quarterly basis and those classified under HFT are marked to market on a monthly basis. Investments classified under the HFT and AFS categories are valued at lower of acquisition cost or market value at the price as declared by Primary Dealers Association of India jointly with Financial Benchmark India Private Limited ("FBIL"). Securities are valued scrip wise and depreciation/ appreciation is aggregated for each category. Net depreciation per category is provided for while net appreciation is ignored. Book value of the individual security is not changed consequent to revaluation of the securities. Treasury bills, Commercial Paper and Certificate of Deposits are held at carrying cost.

Securities categorized under HTM are carried at acquisition cost, or at amortized cost if acquired at a premium over the face value. Such premium is amortized over the remaining period to maturity of the relevant security on a straight line basis.

Acquisition cost

In determining acquisition cost of an investment:

- Brokerage, Commission, etc. paid at the time of acquisition, are charged to Profit and Loss Account.
- Cost of investments is determined using First in First Out method.
- Broken period interest on debt instruments is accounted for in accordance with RBI guidelines

Disposal of Investments

Profit/Loss on sale of investments under the HFT and AFS categories are recognised in the Profit and Loss Account.

The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserves is appropriated from "Profit and Loss Account" to "Capital Reserve Account". Loss on sale, if any, is recognized fully in the Profit and Loss Account.

Transfer of securities 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 01 July 2015 as follows:

Reclassification of investments from one category to the other is accounted for at the lower of acquisition cost/book value/market value, as on the date of transfer and depreciation, if any, on such transfer is fully provided for.

Investment Fluctuation Reserve

In accordance with RBI circular RBI/2017-18/147 - DBR.No.BP. BC.102/21.04.048/2017-18 dated April 2, 2018 Bank creates Investment Fluctuation Reserve of an amount not lower than (a) net profit on sale of investments during the year (b) net profit for the year less mandatory appropriations. In order to achieve Investment Fluctuation Reserve of at least 2 percent of the HFT and AFS portfolio within a period of three years from 2018-19 as advised by RBI, Bank may create additional provision that may be higher than the minimum required as above.

11. Repurchase/Reverse-repurchase transactions

In accordance with the RBI guidelines, repurchase (repos) and reverse repurchase (reverse repos) including Liquidity Adjustment Facility (LAF) transactions are accounted as collateralized borrowing and lending. The difference between the clean price of the first leg and the clean price of the second leg is recognised as interest expense/income over the period of the transaction.

12. Country Risk Provision

In accordance with RBI guidelines on Country Risk Management, the Bank makes adequate provisions only in respect of country where the Bank's net funded exposure is 1 % or more of its total assets. Accordingly, the Bank is maintaining provisions ranging from 0.25% to 100% of the net funded exposure to a particular country based on the "Risk Category" under which it falls. The provision, if any, under the policy is reflecting under Schedule 5 ('Other liabilities and provisions').

13. Accounting for leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight line basis over the lease term in accordance with 'AS-19, Leases'. Assets taken on lease are accounted with the provisions of AS-19.

14. Net profit/(loss)

The Net profit/ (loss) is computed after:-

– Provision for non performing assets, country risk provision, provision on standard assets and derivatives, provision for unhedged foreign currency exposure, if any.

– Provision for income tax, if any.

– Provision for deferred taxation.

– Other necessary provisions

15. Cash and Cash Equivalent:

Cash and cash equivalent includes cash in hand balances with RBI, Balances with other banks and money at call and short notice.

E. Notes to accounts

1) Capital adequacy

The capital adequacy ratio of Bank's is calculated in accordance with the RBI guidelines under Basel III framework is detailed below:-

Particulars	**As at 31 March 2020**	**As at 31 March 2019**
Common Equity Tier-1 capital ratio (%)	37.33%	117.19%
Tier 1 capital ratio (%)	37.33%	117.19%
Tier 2 capital ratio (%)	1.22%	1.10%
Total capital ratio (CRAR) (%)	**38.55%**	**118.29%**
Amount of capital injected	–	6,887,850
Amount of Additional Tier 1 capital raised	–	–
Amount of Tier 2 capital raised	–	–

2) Investments

The details of the investments are given below:–

No.	**Particulars**	**As at 31 March 2020**	**As at 31 March 2019**
1	**Value of investments**		
	(i) Gross value of investments		
	(a) In India	36,260,164	21,647,174
	(b) Outside India	–	–
	(ii) Provision for depreciation		
	(a) In India	–	–
	(b) Outside India	–	–
	(iii) Net value of investments		
	(a) In India	36,260,164	21,647,174
	(b) Outside India	–	–
2	**Movement of provisions held towards depreciation on investments**		
	(i) Opening balance	–	–
	(ii) Add: Provisions made during the year	53,571	–
	(iii) Less: Write off/Write back of excess provisions during the year	53,571	–
	(iv) Closing balance	–	–

The Investments comprises of investment in Government Bonds, Treasury bills, Commercial papers and Certificate of deposits..

3) Repo/reverse repo transactions

The details of face value of securities purchased and sold under reverse repo and repo is given below:

In face value terms	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	9,520	1,650,000	1,057,228	44,030
ii. Corporate debt securities	–	–	–	–
Securities purchased under reverse repo				
i. Government securities	9,130	9,799,450	157,848	143,120
ii. Corporate debt securities	–	–	–	–

In face value terms	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2019
Securities sold under repo				
i. Government securities	10,800	3,781,300	844,980	3,434,150
ii. Corporate debt securities	–	–	–	–
Securities purchased under reverse repo				
i. Government securities	9,640	1,120,620	21,670	27,670
ii. Corporate debt securities	–	–	–	–

4) Issuer composition of Non-SLR investments

Issuer composition of Non-SLR investments as at 31 March 2020 is stated below:

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)	Public Sector Undertakings	–	–	–	–	–
(ii)	Financial Institutions	–	–	–	–	–
(iii)	Banks	–	–	–	–	–
(iv)	Private Corporates	–	–	–	–	–
(v)	Subsidiaries/Joint Ventures	–	–	–	–	–
(vi)	Others	–	–	–	–	–
(vii)	Provision held towards depreciation	–				
	Total	**–**	**–**	**–**	**–**	**–**

Issuer composition of Non-SLR investments as at 31 March 2019 is stated below:

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)	Public Sector Undertakings	–	–	–	–	–
(ii)	Financial Institutions*	2,836,858	–	–	–	
(iii)	Banks	5,717,422	–	–	–	–
(iv)	Private Corporates	–	–	–	–	–
(v)	Subsidiaries/Joint Ventures	–	–	–	–	–
(vi)	Others	–	–	–	–	–
(vii)	Provision held towards depreciation	–				
	Total	**8,554,280**	**–**	**–**	**–**	**–**

* includes investments in NBFC; includes investments in NBFC & NBFIs

5) Non-Performing Non-SLR investments

There are no Non-performing Non SLR securities during the year ended 31 March 2020 (Previous year ended 31 March 2019 : Nil).

6) Sale and Transfers to/from HTM Category

There was no sale or transfer to/from HTM category during the year ended 31 March 2020. (Previous year ended 31 March 2019 : Nil)

7) Asset Quality

There were no Non-Performing Advances (NPA) during the year ended 31 March 2020 and hence the disclosures on NPAs, write-offs and technical write-offs, are not applicable (Previous year ended 31 March 2019 : Nil).

8) Particulars of accounts restructured (including MSME)

The Bank has not restructured any account during the year ended 31 March 2020 (Previous year ended 31 March 2019 : Nil).

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

The Bank has not sold any financial assets to Securitization/Reconstruction Company for Asset Reconstruction during the year ended 31 March 2020 (Previous year ended 31 March 2019 : Nil).

10) Details of non-performing financial assets purchased/sold

There were no purchases or sales of non-performing financial assets from/to other banks during the year ended 31 March 2020 (Previous year ended 31 March 2019 : Nil).

11) Derivatives

i. Forward Rate Agreements/Interest Rate Swaps and OIS

The nature and terms of Interest Rate Swaps are set out as below:-

No.	Particulars	As at 31 March 2020 IRS	As at 31 March 2020 OIS	As at 31 March 2019 IRS	As at 31 March 2019 OIS
i.	The notional principal of swap agreements	104,002,925	8,200,000	2,766,200	–
ii.	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	827,008	9,166	45,273	–
iii.	Collateral required by the bank upon entering into swaps	–	–	–	–
iv.	Concentration of credit risk arising from the swaps (in the banking industry)	54.89%	100.00%	50.00%	–
v.	The fair value of the swap book asset/(liability)	36,763	(110,107)	253	–

Sr. no	Benchmark	Nature	As at 31 March 2020 IRS		As at 31 March 2020 OIS		As at 31 March 2019 IRS		As at 31 March 20219 OIS	
			No.	Notional	No.	Notional	No.	Notional	No.	Notional
i.	USD Libor – 3 Month	Pay fixed Receive floating	2	1,513,300	–	–	2	1,383,100	–	–
ii.	USD Libor – 3 Month	Pay floating Receive fixed	2	1,513,300	–	–	2	1,383,100	–	–
iii	INR MIFOR 6M	Pay floating Receive fixed	1	2,50,000	–	–	–	–	–	–
iv	ON MIBOR	Pay fixed Receive floating	–	–	8	5,050,000	–	–	–	–
v	ON MIBOR	Pay floating Receive fixed	–	–	3	900,000	–	–	–	–
vi	INR MIBOR CMP O/N	Pay fixed Receive floating	–	–	1	500,000	–	–	–	–
vii	USD LIBOR 1M	Pay fixed Receive floating	6	46,155,650	–	–	–	–	–	–
viii	USD LIBOR 1M	Pay floating Receive fixed	6	40,859,100	–	–	–	–	–	–
ix	USD LIBOR 6M	Pay fixed Receive floating	3	1,891,625	–	–	–	–	–	–
x	USD LIBOR 6M	Pay floating Receive fixed	3	1,891,625	–	–	–	–	–	–
xi	INR OIS ONSHORE 1BD>1YR	Pay floating Receive fixed	–	–	7	1,750,000		–	–	–
xii	INR MIFOR ONSHORE S 6M	Pay floating Receive fixed	21	9,550,000	–	–	–	–	–	–
xiii	USD LIBOR S 3M 30/360	Pay floating Receive fixed	1	3,78,325	–	–	–	–	–	–
			45	**104,002,925**	**19**	**8,200,000**	**4**	**2,766,200**	**–**	**–**

ii. Exchange traded interest rate derivatives

The Bank had not carried out any transaction in exchange traded interest rate derivatives during the Year ended 31 March 2020 (Previous year ended 31 March 2019 : Nil)

iii. Disclosures on risk exposure in derivative

Qualitative disclosures

- The derivative contracts (including Foreign exchange contracts) entered by the Bank during the year were for the purposes of trading and to meet customer requirements to manage their risks.
- Treasury front-office, mid-office and back-office roles are managed by officials with necessary systems support and clearly defined responsibilities.
- The policy for recognition of income, valuation of outstanding contracts, provisioning and credit risk mitigation is in place. 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 and provisions” in Schedule 5.
- The Bank applies the Current Exposure method to assess credit risk associated with Derivatives and Foreign Exchange contracts. Credit risk on a contract is computed as the sum of its mark-to-market value if positive and its potential future exposure which is calculated based on its notional value and its residual maturity.

Quantitative disclosures

No.	Particulars	As at 31 March 2020			As at 31 March 2019		
		Currency Derivatives	Interest rate Derivatives	OIS	Currency Derivatives	Interest rate Derivatives	OIS
1	Derivatives (Notional Principal Amount)						
	a) For hedging	–	–		–	–	–
	b) For trading	1,65,802,327	104,002,925	82,00,000	90,657,354	2,766,200	–
2	Marked to Market Position						
	a) Asset (+)	4,929,627	827,008	9,166	1,217,694	45,273	–
	b) Liability (–)	5,184,995	790,245	119,274	1,202,991	45,020	–
3	Credit exposure#	15,996,665	1,867,037	80,916	5,338,219	72,935	–
4	Likely impact of one percentage change in interest rate (100*PV01)						
	a) on hedging derivatives	–	–		–	–	–
	b) on trading derivatives	-39,428.30	33,678.60	32,673.64	-17.13	-1.61	–
5	Maximum of 100*PV01 observed during the year						
	a) For hedging	–	–	–	–	–	–
	b) For Trading	-16.04	34,647.83	54,582.41	4.31	–	–
6	Minimum of 100*PV01 observed during the year						
	a) For hedging	–	–		–	–	–
	b) For Trading	-41,022.02	-5,664.51	8,749.55	-21.3	-2.4	–

PV01 as disclosed above is based on the assumption and estimates made by the management and which have been relied upon by the auditor.

Credit exposure represents total exposure based on current exposure method as per RBI Master Circular on Exposure Norms.

@ Includes Foreign exchange contracts and currency swaps.

12) Provisions on standard assets other than country risk and UFCE

Particulars	As at 31 March 2020	As at 31 March 2019
Standard provision on advances	81,961	6,000
Standard provision on derivative exposures	71,779	21,645
Total	**153,740**	**27,645**

13) Business Ratios

No.	Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
i.	Interest income as percentage of working funds[1]	6.56%	6.21%
ii.	Non-interest Income as percentage to working funds[1]	1.40%	3.67%
iii.	Operating profit as percentage to working funds[1]	4.20%	6.19%
iv.	Return on assets[2]	2.20%	3.30%
v.	Business (Deposit plus advances) per employee[3 & 4]	3,57,580	85,908
vi.	Net profit/(loss) per employee[4]	20,322	15,902

1. Working Funds represent average of total of assets (excluding accumulated losses, if any) as reported in Form X returns submitted to RBI under section 27 of the Banking Regulation Act, 1949 during the year.
2. Return on Assets is with reference to working funds (i.e. total of assets excluding accumulated losses, if any)
3. In the computation of business per employee (deposits plus advances), interbank deposits are excluded.
4. For the purpose of computation of business per employee (deposits plus advances) and Net profit/(loss) per employee, employees as at year-end is considered.

14) Asset liability management

Maturity pattern of certain items of assets and liabilities as on 31 March 2020

Maturity Bucket	Deposits	Advances	Investments	Borrowings	Foreign currency assets*	Foreign currency liabilities*
Day 1	1,226,643	–	–	–	494,801	59,332
2 to 7 days	–	300,000	–	26,479,827	151,330	–
8 to 14 days	2,112,463	43,852	–	–	–	–
15 to 28 days	407,314	3,43,158	–	–	–	–
Day 29 to 3 months	–	5,463,923	–	–	–	–
3 to 6 months	–	8,39,230	–	–	–	–
6 month to 1 year	–	1,000,000	–	50,000	–	–
1 to 3 years	–	2,000,000	11,718,162	–	–	–
3 to 5 years	–	4,500,000	24,542,002	–	–	–
Over 5 years	–	–	–	–	–	–
Total	**3,746,420**	**14,490,163**	**36,260,164**	**26,529,827**	**646,131**	**59,332**

* Foreign currency assets and liabilities exclude off-balance sheet assets and liabilities and consequent unrealized profit/loss on the same.

The classification of assets and liabilities under the different maturity buckets are compiled by the Bank on the same estimates and assumptions as used by the Bank for compiling the returns submitted to RBI.

Maturity pattern of certain items of assets and liabilities as on 31 March 2019

Maturity Bucket	Deposits	Advances	Investments	Borrowings	Foreign currency assets	Foreign currency liabilities
Day 1	1,850,408	–	12,948,562	–	1,099,278	1,529,287
2 to 7 days	–	–	141,739	6,808,429	4,702,540	–
8 to 14 days	–	–	–	–	–	–
15 to 28 days	–	–	126	–	–	–
Day 29 to 3 months	–	1,500,000	1,235,547	–	–	–
3 to 6 months	–	–	–	–	–	–
6 months to 1 year	–	–	7,320,958	–	–	–
1 to 3 years	–	–	242	–	–	–
3 to 5 years	–	–	–	–	–	–
Over 5 years	–	–	–	–	–	–
Total	**1,850,408**	**1,500,000**	**21,647,174**	**6,808,429**	**5,801,818**	**1,529,287**

15) Exposure to real estate sector and capital market

a) Exposure to Real Estate Sector

Particulars	As at 31 March 2020	As at 31 March 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; (Individual housing loans eligible for inclusion in priority sector advances may be shown separately).	–	–
(ii) Commercial Real Estate –	4,000,000	–
Lending secured by mortgages on commercial real estate (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;	–	–
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised 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).	2,022,482	2,221,364
Total Exposure to Real Estate Sector	**6,022,482**	**2,221,364**

Note: Commercial Real Estate exposure shown above is not secured by mortgages on commercial real estate, it is secured by Corporate Guarantee from obligor's holding company. As the repayment would be from cash flows generated by commercial real estate it has been classified as commercial real estate exposure.

b) Exposure to Capital Market

The Bank had no direct or indirect exposure to capital market sector as on 31 March 2020 (Previous year ended 31 March 2019 : Nil).

16) Risk category wise country risk exposure

Provision for country risk exposure in terms of RBI guidelines is as follows:

Risk category	Exposure (net)* as at March 31, 2020	Provision held as at as at March 31, 2020	Exposure (net)* as at March 31, 2019	Provision held as at March 31, 2019
Insignificant	2,013,322	–	1,438,265	2,741
Low	7,667,054	5,071	11,692,366	2,140
Moderate	–	–	–	–
High	–	–	–	–
Very high	–	–	–	–
Restricted	–	–	–	–
Off-credit	–	–	–	–
Total	**9,680,376**	**5,071**	**13,130,631**	**4,881**

As per extant RBI guidelines, the provision is created for only those countries where the net funded exposure is 1% or more of the total assets. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirements are held.

* Exposure includes funded and Non-funded exposure.

17) Details of Single Borrower Limit (SBL) and Group Borrower Limit (GBL)

During the month of August 2019 to October 2019, HO exposure (ie FAB India exposure to FAB HO) was in breach of LEF limits and the same was informed to RBI on 08 August 2019. This was due to HO backed guarantees being issued by the Bank in compliance to then existing RBI guidelines. Bank has not issued any fresh HO backed guarantees post new LEF norms. Bank is within the 25% threshold as of date.

18) Unsecured advances against intangible assets

There were no unsecured advances against intangible assets, during the year ended 31 March 2020 (Previous year ended 31 March 2019 : Nil).

19) Provision for current taxation

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Provision for Income tax – current year	876,776	474,492
Provision for Income tax – previous year	(551)	45,193
Provision for Deferred tax	(72,406)	(20,351)

20) Disclosure of penalties imposed by RBI

During the financial year under review, no penalty has been levied by RBI under section 46 (4) of the BR Act.

(Previous Year ended 31 march 2019: No penalty was levied by RBI under section 46 (4) of the BR Act.)

21) Disclosure under Revised AS-15 - Employee Benefits

Gratuity - Defined benefit plan

The Bank has adopted AS-15 (Revised 2005) - Employees benefits (AS-15) and determined the actuarial liability for gratuity as per the projected unit credit method using an independent actuary.

Summary

i. Net asset/(liability) recognised in Balance Sheet

No.	Particulars	As at 31 March 2020	As at 31 March 2019
1	Present value of defined benefit obligation	9,136	6,133
2	Fair value of plan assets	–	–
3	Funded status (surplus/(deficit))	(9,136)	(6,133)
4	Unrecognised past service costs	–	–
5	Net asset/(liability) recognised in the Balance Sheet	(9,136)	(6,133)

ii. Total expenses recognised in Profit and Loss Account

No.	Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
1	Current service cost	3,462	3,035
2	Interest cost	429	501
3	Actuarial losses/(Gains)	(888)	(3,388)
4	Total expenses recognised in Profit and Loss Account	3,003	148

iii. Change in the fair value of plan assets

No.	Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
1	Fair value of plan assets at the beginning of the year	–	–
2	Contributions by the Bank	–	–
3	Actuarial Gain/(Loss) recognised during the year	–	–
4	Benefit paid	–	–
5	Fair value of plan assets at the end of the year	–	–

iv. The principal actuarial assumptions used

No.	Particulars	As at 31 March 2020	As at 31 March 2019
1	Salary escalations	10.00%	10.00%
2	Discount rate	6.10%	7.00%
3	Attrition rate	15.00%	15.00%
4	Mortality rate	Indian Assured Lives Mortality (2006-08) (modified) Ult.	Indian Assured Lives Mortality (2006-08) (modified) Ult.

v. Experience History

No.	Experience History	31-Mar-20	31-Mar-19	31-Mar-18	31-Mar-17	31-Mar-16
1	Defined Benefit Obligation at end of the period	(9,136)	(6,133)	(6,693)	(8,997)	(1,919)
2	Plan Assets at end of the period	–	–	–	–	–
3	Funded Status	(9,136)	(6,133)	(6,693)	(8,997)	(1,919)
4	Experience Gain/(Loss) adjustments on plan liabilities	1,421	1,930	4,998	(3,770)	N/A
5	Experience Gain/(Loss) adjustments on plan assets	–	–	–	–	–
6	Actuarial Gain/(Loss) due to change on assumptions	(533)	1,458	565	(594)	N/A

Compensated Absences

The Bank has charged INR 3,964 ('000) to the Profit and Loss account towards provision of compensated absences during the year ended 31 March 2020. (Previous year: INR 634 ('000))

Principal Actuarial Assumptions	31-Mar-20	31-Mar-19
Discount Rate (per annum)	6.10%	7.00%
Salary Escalation Rate (per annum)	10.00%	10.00%
Mortality	IALM 2006-08 (Ultimate)	IALM 2006-08 (Ultimate)
Withdrawal Rate (per annum)	15.00%	15.00%

22) Segment Reporting

As per the guidelines issued by RBI vide DBOD.No.BP.BC.81/21.04.018/2006-07 dated 18 April 2007, the classification of exposures to the respective segments is being followed. The Bank has identified "Treasury & Markets", "Corporate/Wholesale Banking" and "Unallocated" as the primary reporting segments. The business segments have been identified and reported based on the organization structure, the nature of products and services offered, the internal business reporting system and the guidelines prescribed by RBI.

Treasury and Markets undertakes placement of funds, derivatives trading (including foreign exchange operations) on the proprietary account and for customers. Revenues under this section primarily comprise fees, gains/losses from trading and interest income from the investment portfolio and placement of funds.

Corporate/Wholesale Banking caters to the Corporate and Institutional customers.

Unallocated segment is the residual category.

Segment revenues stated below are aggregate of Schedule 13 - Interest earned and Schedule 14 - Other income.

The segment expenses comprise funding costs (external and internal), if any, personnel costs and other direct and allocated overheads.

Segment results are determined basis the segment revenue, segment cost and inter-unit notional charges/recoveries for cost of funds, if any.

Segment information as of 31 March 2020

Business segments	Treasury and Markets	Corporate/ Wholesale Banking	Unallocated	Total
Revenue	2,564,157	1,194,788	–	**3,758,945**
Operating profit/(loss)	1,207,093	633,139	–	**1,840,232**
Income tax benefit(deferred tax)				**803,819**
Net profit/(loss)				**1,036,413**
Other information				
Segment asset	44,029,650	14,749,889	731,321	**59,510,860**
Segment liabilities	33,346,656	3,746,420	492,815	**37,585,891**
Capital and Reserves & Surplus				**21,924,969**
Total liabilities				**59,510,860**

Segment information as of 31 March 2019

Business segments	Treasury and Markets	Corporate/ Wholesale Banking	Unallocated	Total
Revenue	1,108,388	709,801	37,799	**1,855,988**
Operating profit/(loss)	687,492	425,993	6,042	**1,119,527**
Income tax benefit(deferred tax)				**499,334**
Net profit/(loss)				**620,193**
Other information				
Segment asset	26,317,732	1,986,278	2,792,784	**31,096,794**
Segment liabilities	6,817,114	1,850,408	1,540,716	**10,208,238**
Capital and Reserves & Surplus				**20,888,556**
Total liabilities				**31,096,794**

In computing the above disclosures, certain assumptions and estimates are made by the Management which have been relied upon by the statutory auditors.

The Bank does not have overseas operations and operates only in the domestic segment.

23) Related party disclosures

Related party disclosure as required in accordance with AS 18 – Related Party Disclosures and RBI guidelines, is provided below;

Name and nature of relationship of related parties

Relationship	Name of the related Party
Parent	First Abu Dhabi Bank PJSC incorporated in Abu Dhabi
Key Management Personnel	Nimesh karwanyun (Chief Executive Officer) (w.e.f. dated 03 December 2018)

In accordance with the approval received from RBI, Mr. Sanjiv Jhurani was appointed as the Interim Chief Executive Officer of the Bank for the period up to dated 02 December 2018.

As per RBI Circular No. DBR.BP.BC No.23/21.04.018/2015-16 dated 01 July 2015, the Bank has not disclosed details pertaining to related parties where under a category, there is only one entity. Accordingly, as there is only one entity in each category of related party during the year, details thereof have not been disclosed.

24) Leases

As at 31 March 2020, the Bank was obligated under operating leases for premise primarily for business purposes which have a certain lock in period.

Lease amounts recognised in the Profit and Loss Account during the year is INR. 86,113 ('000s) (Previous year ended 31 March 2019: INR. 86,330 ('000s).

Total minimum lease payments under non-cancellable operating lease are as under:

Particulars	As at 31 March 2020	As at 31 March 2019
Upto one year	95,825	95,825
More than one year and upto five years	–	95,825
More than five years	–	–
Total	**95,825**	**1,91,650**

25) Micro, Small and Medium Enterprises Development Act, 2006

There are no delays in payments to micro and small enterprises as required to be disclosed under 'The Micro, Small and Medium Enterprises Development Act 2006'. The determination has been made to the extent such parties were identified by the management based on the information available and are relied upon by the statutory auditors.

26) Draw down from reserves

The Bank had not drawn any amount from reserves during the year ended 31 March 2020 (Previous year ended 31 March 2019 : Nil)

27) Deferred taxes

The composition of deferred tax is as under:

Particulars	As at 31 March 2020	As at 31 March 2019
Deferred tax assets (A)	**116,779**	**44,373**
Provision for employee benefits	5,999	2,956
Lease equalisation reserve	4,246	8,492
Disallowance under Section 43B of Income Tax Act, 1961	11,927	4,638
Provision for loan losses (incl. Standard asset provision)	81,904	20,300
Depreciation on fixed assets	12,703	7,987
Deferred tax liability (B)	–	–
Net Deferred tax asset (A-B)	**116,779**	**44,373**

28) Provisions and contingencies

Break up provisions and contingencies

Particulars	For the year ended 31 March 2020	For the period ended 31 March 2019
Provision for depreciation on investments	–	–
Provision towards NPA	–	–
Floating provisions	–	–
Provision towards standard assets	1,26,095	25,304
Provision towards unhedged foreign currency exposure	(13,950)	13,484
Provision for Large borrowers Exposure	28,699	–
Provision made towards income tax		
– Current tax expense	876,225	519,685
– Deferred tax charge/(Credit)	(72,406)	(20,351)
Other provisions and contingencies		
– Provision towards country risk exposure	190	4,881

29) Floating provisions

The Bank has not created or utilised any floating provision during the year ended 31 March 2020. (The floating provision as on 31 March 2019 is Nil)

30) Letter of comfort

During the year ended 31 March 2020, the Bank has not issued any letter of comfort (Previous year ended 31 March 2019 : Nil).

31) Disclosure of complaints/unimplemented awards of Banking Ombudsmen:

(A) Customer complaints

No.	Particulars	For the year ended 31 March 2020	For the period ended 31 March 2019
(a)	No. of complaints pending at the beginning of the year	–	–
(b)	No. of complaints received during the year	–	–
(c)	No. of complaints redressed during the year	–	–
(d)	No. of complaints pending at the end of the year	–	–

(B) Awards passed by the Banking Ombudsmen

There have been no awards passed by Banking Ombudsman during the year ended 31 March 2020

(Previous year ended 31 March 2019 : Nil)

32) Provision coverage ratio

The Bank did not have any non-performing assets as at 31 March 2020 and thus provision coverage ratio is not applicable (Previous year ended 31 March 2019 : Not applicable).

33) Credit default swaps

The Bank has not entered in any Credit Default Swaps during the year ended 31 March 2020 (Previous year ended 31 March 2019 : Nil).

34) 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 31 March 2020 (Previous year ended 31 March 2019 : Nil).

35) Concentration of deposits, advances, exposures and NPAs'

a) Concentration of deposits

Particulars	As at 31 March 2020	As at 31 March 2019
Total deposits of twenty largest depositors	3,746,420	1,850,408
Percentage of deposits of twenty largest depositors to total deposits of the Bank	100%	100%

b) Concentration of advances

Particulars	As at 31 March 2020	As at 31 March 2019
Total advances to twenty largest borrowers * #	27,121,054	6,157,907
Percentage of advances of twenty largest borrowers to total advances of the Bank	100%	100%

* Advances have been computed as per the definition of Credit Exposure including derivatives as prescribed in the RBI's Master Circular DBR.No.Dir.BC.12/13.03.00/2015-16 dated 01 July 2015.
# Excludes exposures with Banks as counterparties.

c) Concentration of exposures

Particulars	As at 31 March 2020	As at 31 March 2019
Total Exposure to twenty largest borrowers/customers ** #	27,121,054	8,988,875
Percentage of exposures of twenty largest borrowers/customers to total exposure of the Bank on borrowers/customers	100%	100%

** Exposures are computed based on Credit and Investment exposure as prescribed in the RBI's Master Circular DBR.No.Dir.BC.12/13.03.00/2015-16 dated 01 July 2015.

Excludes exposures with Banks as counterparties and Investment in government securities.

d) Concentration of NPAs and Movement in NPAs

The Bank did not have any NPA as at 31 March 2020. (Previous year ended 31 March 2019 : Nil).

e) Sector wise advances

No.	Sector	As at 31 March 2020		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
A	**Priority Sector**			
1	Agriculture and allied activities	–	–	–
2	Advances to industries sector eligible as priority sector lending	–	–	–
3	Services	–	–	–
4	Personal Loans	–	–	–
	Sub-total (A)	**–**	**–**	**–**
B	**Non-Priority Sector**			
1	Agriculture and allied activities	–	–	–
2	Industries	14,490,163	–	–
3	Services	–	–	–
4	Personal Loans	–	–	–
	Sub-total (B)	**14,490,163**	**–**	**–**
	Total (A+B)	**14,490,163**	**–**	**–**

During the year ended 31 March 2020, Bank purchased Priority Sector Lending Certificates (PSLCs) amounting to INR 300,000 ('000) and did not sell any PSLC (Previous year ended 31 March 2019 : purchase INR 1,542,500 ('000) and sold NIL)

No.	Sector	As at 31 March 2019		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
A	**Priority Sector**			
1	Agriculture and allied activities	–	–	–
2	Advances to industries sector eligible as priority sector lending	–	–	–
3	Services	–	–	–
4	Personal Loans	–	–	–
	Sub-total (A)	**–**	**–**	**–**
B	**Non-Priority Sector**			
1	Agriculture and allied activities	–	–	–
2	Industries	1,500,000	–	–
3	Services	–	–	–
4	Personal Loans	–	–	–
	Sub-total (B)	**1,500,000**	**–**	**–**
	Total (A+B)	**1,500,000**	**–**	**–**

36) Overseas assets, NPAs' and revenue

The Bank is a branch of a foreign bank and hence this disclosure is not considered applicable.

37) Off Balance sheet SPVs sponsored (which are required to be considered as per accounting norms)

There are no off-balance sheet SPVs sponsored during the year ended 31 March 2020 (Previous year ended 31 March 2019 : Nil).

38) Disclosures on remuneration

In terms of guidelines issued by RBI vide circular DBOD No.BC.72/29.67.001/2011-12 dated 13 January 2012, the Bank has submitted the declaration to Reserve Bank of India to the effect that compensation structure in India, including that of CEO, is in conformity with the Financial Stability Board (FSB) principles and standards.

39) Intra-Group exposures

As at 31 March 2020, the Bank does not have any intra-group exposures, (Previous year ended 31 March 2019 : Nil)

40) Transfers to Depositor Education and Awareness Fund (DEAF)

The Bank did not have any amount to be transferred to DEAF during the year ended 31 March 2020 (Previous year ended 31 March 2019 : Nil)

41) Corporate social responsibility

The Bank has formed Corporate Social Responsibility (CSR) Committee during the year which is required by the provisions of section 135 of the Companies Act, 2013. The Bank is required to contribute 2% of the average of previous 3 years' net profits towards CSR. For financial year 19-20, the bank was required to incur CSR of INR 1.17 crores. The bank has disbursed INR 0.44 crores towards approved project. The bank has not been able to disburse Rs 0.73 crs in the last fortnight due to COVID-19 issue and the same has been held as provision by the bank. The disbursement of the same towards the approved project will be undertaken once the lockdown is opened up in Mumbai.

42) Unhedged Foreign Currency Exposure

RBI guidelines indicate the definition of "unhedged foreign currency exposure" and how to estimate the extent of likely loss. Likely loss is defined as "The loss to the entity in case of movement in USD-INR exchange rate may be calculated using the annualized volatilities. Once the loss figure is calculated, it may be compared with the annual EBID of the corporate as per the latest quarterly results examined by the statutory auditors. This loss may be computed as a percentage of EBID. Higher this percentage, higher will be the susceptibility of the entity to adverse exchange rate movements. Therefore, as a prudential measure, all exposures to such entities (whether in Foreign Currency or in INR) would attract incremental capital and provisioning requirements (i.e., over and above the present requirements). In terms of RBI Circular DBOD. No.BP.BC. 85/21.06.200/2013-14 dated 15 January 2014, the details of incremental provisioning and capital held by the Bank are as below:

Particulars	As at 31 March 2020	As at 31 March 2019
Incremental provision on account of UFCE	–	13,949
Incremental risk weighted assets on account of UFCE	–	–

43) Divergence in NPA

There is no divergence in Bank's asset classification and provisioning as observed by RBI in their last inspection report.

44) Liquidity Coverage Ratio

RBI vide its circular DBOD.BP.BC.No.120/21.04.098/2013-14 dated 09 June 2014, notified Basel III framework on Liquidity Standards covering Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards. As per the guidelines, following is the disclosure of information on Liquidity Coverage Ratio (LCR).

Sr. No.	Particulars	Quarter ended 31 March 2020		Quarter ended 31 December 2019		Quarter ended 30 September 2019		Quarter ended 30 June 2019	
		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)**		**98,777**		**64,129**		**52,017**		**71,080**
	Cash Outflows								
2	Retail deposits and deposits from small business customers, of which:	–	–	–	–	–	–	–	–
	(i) Stable deposits	–	–	–	–	–	–	–	–
	(ii) Less stable deposits	–	–	–	–	–	–	–	–
3	Unsecured wholesale funding, of which:	**38,901**	**14,342**	**15,179**	**5,969**	**11,710**	**8,783**	**14,841**	**1,484**
	(i) Operational deposits (all counterparties)	–	–	–	–	–	–	–	–
	(ii) Non-operational deposits (all counterparties)	–	–	–	–	–	–	–	–
	(iii) Unsecured debt	–	–	–	–	–	–	–	–
4	Secured wholesale funding	288,691	-	207,644		194,374	-	85,048	–
5	Additional requirements, of which	**140,194**	**43,720**	**93,492**	**7,739**	**46,385**	**2,967**	**60,993**	**1,947**
	(i) Outflows related to derivative exposures and other collateral requirements	39,462	39,462	4,590	4,590	802	802	3	3
	(ii) Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–
	(iii) Credit and liquidity facilities	–	–	–	–	–	–	–	–
6	Other contractual funding obligations	31,545	1,578	50	50	49	49	32	32
7	Other contingent funding obligations	69,186	2,679	88,852	3,099	70,522	2,115	60,958	1,912
8	**Total Cash Outflows**	**428,537**	**56,690**	**316,315**	**13,708**	**277,429**	**11,750**	**178,055**	**4,953**
	Cash Inflows								
9	Secured lending (e.g. reverse repos)	9,795	13,810	496	496	530	530	5,949	5,949
10	Inflows from fully performing exposures	36,112	36,112	2,467	2,467	519	519	66	66
11	Other cash inflows	13,411	6,705	9,225	4,613	16,357	8,179	7,500	7,500
12	**Total Cash Inflows**	**63,449**	**56,627**	**12,189**	**7,576**	**11,953**	**6,501**	**10,993**	**10,993**
	Total Adjusted Value								
13	TOTAL HQLA		98,777.26		64,129.46		52,017.40		71,080.19
14	Total Net Cash Outflows	404,338	14,515	305,983	6,132	277,137	9,404	149,889	1,881
	Liquidity Coverage Ratio (%)		**1832.23%**		**1136.00%**		**1916.87%**		**8614.21%**

44) Liquidity Coverage Ratio *(Continued)*

Sr. No.	Particulars	Quarter ended 31 March 2019		Quarter ended 31 December 2018		Quarter ended 30 September 2018		Quarter ended 30 June 2018	
		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)**		**12,862,774**		**24,779,475**		**23,275,409**		**27,618,066**
	Cash Outflows								
2	Retail deposits and deposits from small business customers, of which:	–	–	–	–	–	–	–	–
	(i) Stable deposits	–	–	–	–	–	–	–	–
	(ii) Less stable deposits	–	–	–	–	–	–	–	–
3	Unsecured wholesale funding, of which:	**1,183,508**	**118,351**	**2,914,647**	**291,465**	**695,409**	**69,541**	**52,143**	**24,642**
	(i) Operational deposits (all counterparties)	1,183,508	118,351	2,914,647	291,465	695,409	69,541	30,557	3,056
	(ii) Non-operational deposits (all counterparties)	–	–	–	–	–	–	–	–
	(iii) Unsecured debt	–	–	–	–	–	–	21,587	21,587
4	Secured wholesale funding	–	–	–	–		–	–	–
5	Additional requirements, of which	–	355,407	–	63,110		419,637	–	–
	(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	–	–	–	–	–	–	–	–
6	Other contractual funding obligations	500,000	25,000	575,269	28,763	285,717	14,286	250,018	12,501
7	Other contingent funding obligations	–	–	6,544	6,544	–	–	97,305	97,305
8	**Total Cash Outflows**	**–**	**498,758**	**–**	**389,882**	**–**	**503,464**	**–**	**188,610**
	Cash Inflows								
9	Secured lending (e.g. reverse repos)	–	–	–	–	–	–	–	–
10	Inflows from fully performing exposures	740,522	534,301	521,954	454,750	785,119	740,674	116,569	61,014
11	Other cash inflows								
12	**Total Cash Inflows**	**740,522**	**534,301**	**521,954**	**454,750**	**785,119**	**740,674**	**116,569**	**61,014**
	Total Adjusted Value								
13	TOTAL HQLA		12,862,774		24,779,475		23,275,504		27,618,066
14	Total Net Cash Outflows		237,379		213,346		229,310		127,596
	Liquidity Coverage Ratio (%)		**5418.66%**		**11614.68%**		**10150.23%**		**21644.90%**

* Since there is no net cash outflow the ratio is reported as not measurable.

In computing the above information, certain assumptions and estimates have been made by the management which has been relied upon by the statutory auditors. The Bank measures and monitors the LCR in line with Reserve Bank of India's guidelines. 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 un-encumbered High Quality Liquid Assets (HQLAs) to meet net cash outflows over next 30 days under stressed conditions.

LCR of the Bank is monitored by Asset Liability Committee which also strategizes the Balance sheet profile of the Bank. The Bank has maintained LCR well above the regulatory threshold of 100%.

45) Expense included in the "other expenditure" schedule 16 (XII) (Operating expense) exceeding 1% of total income includes:-

Particulars	For the year ended 31 March 2020	For the period ended 31 March 2019
Professional fees	57,345	42,130
Cenvat write-off	34,584	24,843
Subscriptions expense	22,667	22,587
IT related services	67,652	27,959
Head Office Management Charges	98,274	38,161
Others	36,712	18,240
Total	**317,234**	**173,920**

46) Resolution of Stressed Assets – Revised framework

There are no accounts during the year where resolution plans were implemented.

47) In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated 27th March, 2020, 17th April, 2020 and clarification issued by RBI through Indian Bankers Association, dated 6th May 2020. No Borrower instalment is re-scheduled. Disclosures mandated therein are not applicable and hence not stated. (Previous Year: Not applicable).

48) The Banking services being under essential services, the operations of the bank continued during the lock down period cause by COVID-19. The Bank has been constantly reviewing the disruptions caused by COVID-19 and the related impact on the Bank's business including regulatory changes. As at 31st, March 2020 & till date there is no impact of material nature due to COVID-19.

Though their remains a level of uncertainty on the time frame required for business operations to completely normalize, the Bank management does not estimate any significant impact on its business and financial results on a long term basis at this juncture considering the sound composition of its credit portfolio, borrowers strong credit worthiness and continuous, ongoing, review of borrower's credit portfolio."

49) Miscellaneous income includes cost recovery of INR 21,094 ('000) (Previous Year: INR 36,251 ('000)).

50) During the year, Other Income includes NIL amount pertaining to previous financial year. (Previous Year: INR 93,735 ('000) were credited to Profit and Loss account pertaining to previous financial year. As such the same was offered for tax in the Income Tax return of previous financial year).

51) Disclosure of Contingent Liabilities

i) 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.

ii) The Liability on account of forward exchange contracts/Currency and Interest rate Swap

The Bank enters into foreign exchange contracts, currency options/swaps, interest rate option/swaps and forward rate agreement on its own account and for 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 two currencies, based on predetermined rates. Interest rate swaps are commitments to exchanges fixed and floating interest rate cash flows.

iii) Guarantees given on behalf of constituents

As a part of our Corporate Banking activities, the Bank issues guarantees on behalf of its customers. Guarantees generally represent assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

iv) Acceptances, endorsement and other obligations

These includes documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank

v) Other items for which the bank is contingently liable

Other items represent amount payable against estimated amount of contracts remaining to be executed on capital account.

52) Provision for Long Term Contracts

The Bank has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Bank has reviewed and recorded adequate provision, if required, as per any law/accounting standards for material foreseeable losses on such long term contracts (including derivative contracts) in the books of account and disclosed the same under the relevant notes on the financial statements.

53) In terms of guidelines issued by RBI vide circular DBR. No. BP.BC.102/21.04.048/2017-18 dated 02 April 2018, during the year Bank has transferred an amount of INR 339,155 ('000) to Investment Fluctuation Reserve from Balance in Profit and Loss Account. (Previous Year: INR 144,314 ('000))

54) Previous year figures have been regrouped/reclassified to conform to the current year presentation.

For **A. P. Sanzgiri & Co.**
Chartered Accountants
Firm Registration No. 116293W

Sd/-
Abhijit P. Sanzgiri
Partner
Membership Number: 43230

Date : 26-Jun-2020
Place : Mumbai

For **First Abu Dhabi Bank PJSC - India Branch**

Sd/-
Nimesh Karwanyun
Chief Executive Officer

Date : 26-Jun-2020
Place : Mumbai

Sd/-
Jitendra Shah
Chief Financial Officer

Date : 26-Jun-2020
Place : Mumbai

FAB First Abu Dhabi Bank

First Abu Dhabi Bank PJSC - India Branch
(Incorporated in Abu Dhabi With Limited Liability)

BASEL III: PILLAR 3 DISCLOSURES AS AT 31 MARCH 2020

(Currency: Indian Rupees in Millions)

1. Scope of Application and Capital Adequacy

Qualitative Disclosures:

First Abu Dhabi Bank PJSC - India Branch ('the Bank') operates in India as a branch of First Abu Dhabi Bank PJSC, a banking entity incorporated and registered in Abu Dhabi.

Pursuant to the merger of the two Abu Dhabi-listed banks National Bank of Abu Dhabi PJSC (NBAD) and First Gulf Bank PJSC (FGB) with effective date of the merger being close of business of 30 March 2017, the combined bank retained NBAD's legal registrations and the brand name of "National Bank of Abu Dhabi".

With effect from 25 April 2017, National Bank of Abu Dhabi PJSC's name was changed to First Abu Dhabi Bank PJSC. The Bank had written to RBI for change of name under Schedule II to the RBI Act 1934 which got approved by RBI on 04 July 2017.

The Bank has only one branch in India as on March 31, 2020 located in Mumbai. The Bank does not have any subsidiaries in India nor any interest in Insurance Entities. Thus, the disclosures contained herein only pertain to the Bank.

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)	% 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)
Not Applicable					

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:**

There are no restrictions or impediments on transfer of funds or regulatory capital within the banking group.

2. Capital Adequacy

Qualitative Disclosures:

The CRAR of the Bank 38.55% as computed under Basel III norms, which is higher than the minimum regulatory CRAR requirement of 10.9%.

The Bank's capital management approach is driven by the desire to maintain an appropriate capital base and to maintain an adequate buffer in support of its business development and to meet the regulatory capital requirements stipulated by the RBI at all times. Implications of major business decisions on the Bank's capital position are taken into account by the India Executive Committee (India EXCO) of the Bank and the FAB Group, prior to implementation, in order to preserve the Bank's overall capital requirements.

The Bank's capital requirements are drawn up annually in conjunction with the financial budgeting exercise and approved by the FAB Group for implementation at the beginning of each financial year. The capital requirements take into account, inter alia, the Bank's strategic objectives and business plans and regulatory capital requirements.

Quantitative Disclosures :

Particulars		31 March 2020
(a)	**Capital requirements for credit risk :**	**3,870**
*	Portfolios subject to standardized approach	3,870
*	Securitisation exposures	–
(b)	**Capital requirements for market risk :**	
*	Standardised duration approach;	900
–	Interest rate risk	789
–	Foreign exchange risk (including gold)	111
–	Equity risk	–
(c)	**Capital requirements for operational risk :**	**169**
*	Basic Indicator Approach	169
(d)	**Common Equity Tier 1 (CET1), Tier 1 and Total Capital ratios :**	
*	CET1 Capital ratio (%)	38.55%
*	Tier 1 Capital ratio (%)	37.33%
*	Total Capital ratio (%)	1.22%

(Currency: Indian Rupees in Millions)

3. General Disclosures

The India EXCO has overall responsibility for the establishment and oversight of FAB India's risk management framework and the India EXCO is assisted by two management committees, the India Risk Management Committee ("IRMC") and India Assets and Liability Management Committee ("India ALCO").

The Bank's Risk Governance Approach has been aligned with those established at the Group.

The Bank adopts the Group's three lines of defence risk management approach.

- The first line of defence is that all employees are required to ensure the effective management of risks within the scope of their direct organizational responsibilities.
- The second line of defence comprises the Risk Control Owners, supported by their respective control functions. Risk Control Owners are responsible for ensuring that the risks within the scope of their responsibilities remain within appetite. The second line is independent of the origination, trading and sales functions to ensure that the necessary balance and perspective is brought to risk/return decisions.
- The third line of defence comprises the independent assurance provided by the Group Internal Audit ("IA") function which has no responsibilities for any of the activities it examines. IA provides independent assurance of the effectiveness of management's control of its own business activities (first line) and of the processes maintained by the Risk Control Functions (the second line). As a result, IA provides assurance that the overall system of control effectiveness is working as required within the Risk Management Framework.

General Disclosures for Credit Risk

Qualitative Disclosures

Erstwhile NBAD India follows the Group Credit Policy Manual and has also developed an India Credit Policy Manual which covers all stages of the credit life cycle, viz. origination, assessment and measurement, pricing, approval, commitment, administration, operations, monitoring, reporting, remedial management and portfolio management. It addresses all the businesses of the Bank where credit risk is presently being assumed, in any manner.

The Manual provides a set of policies to establish and maintain the following including, but not limited to:

- An appropriate credit risk environment,
- A sound credit granting process,
- An appropriate credit measurement, monitoring and reporting process, and
- Adequate controls over credit risk, in all business segments at, both, the individual credit and portfolio levels. It also seeks to establish a common quality standard for the management of credit risk.

India addendum to credit policy is available

Risk rating system

The Bank uses an internal risk rating system to assess the credit quality of borrowers and counterparties. Each counterparty is assigned a rating, including classified accounts that are either watch list or non-performing. The risk rating system has 11 grades, further segregated into 24 notches. Grades 1-7 are performing, Grade 8 is Watch-list and Grades 9 - 11 are non-performing, each with a rating description.

The Group has implemented bespoke models and scorecards using its own data and expert judgment for:

- Borrower risk rating models for Corporate, SMEs, and High Net-Worth Individuals.
- Facility risk rating models for Project Finance and Real Estate.

Model performance and usage are monitored regularly by the Group and are reported to the Group senior management and risk committees. All models are subject to periodic in-depth reviews by the Group to ensure that they remain fit-for-use and appropriate to the underlying portfolio segment and geography.

The output of each model and scorecard is mapped to an internal rating scale. Each grade in the rating system is linked to a Probability of Default (PD) estimated using the Group default experience supplemented by data from external sources.

Sovereign and bank exposures are governed by the ratings from external credit rating agencies.

Risk Monitoring

The Bank regularly monitors its credit risk in respect of all its portfolios at various levels. At the obligor level, the Bank has a process of periodic review of credit based on the internal rating grades. More frequent reviews are made for the weaker credits and less frequent reviews for the superior credits. The Bank conducts full reviews and renewals of all performing credits at least annually. Obligors with lower risk profile are monitored at lower frequency by business units, unless otherwise required, to evaluate the potential changes in credit worthiness and related impact on risk rating based on latest available financial and other relevant information. More frequent and focused monitoring for lower rated borrowers ensures early identification of potential impairments, if any.

The Group has clearly identified specific sectors (real estate etc.) that are vulnerable, and are subject to material credit risk. The Bank in India currently have exposure to Housing Finance Company.

The classification and impairment policy currently implemented by the Group classifies delinquent borrowers as Substandard, Doubtful or Loss in line with the guidelines laid down in the Central Bank of United Arab Emirates' (CBUAE) circular 28/2010. The Bank in India will comply with the Group policy as well as the RBI's Master Circular - Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated 01 July 2015. Currently there are no non-performing exposures.

In assessing the collective loss allowance, the Bank uses the charge of 0.4% (and other specified rates) of standard assets and credit equivalent of FX and derivative exposure as stipulated in the above RBI circular.

Watch-listed accounts are also monitored and reported to senior management. This category comprises accounts where either contractual principal or interest is past due or when the accounts show weakness in the borrower's financial position and creditworthiness and requires more than normal attention. Such weakness is specifically monitored to ensure that the quality of the asset does not further deteriorate. Currently there are no Watch-listed accounts.

The Bank monitors all excesses over limits. The monitoring reports are available to senior management and processes are initiated to realize and regularize such excesses, where outstanding.

The Bank monitors the existing portfolio based on country, industry and ratings. These portfolio reports are prepared periodically and tabled for review by senior management. In view of the single branch status and nascent stage of business, the Bank in India does not currently have economic sector/industry wise exposure caps/limits nor have geographic caps/limits been set. These will be considered in due course.

Quantitative Disclosures

a. Credit Exposures

Particulars	31 March 2020
Fund Based	23,380
Non Fund Based	19,601

The Fund based exposures represents Nostro Balances, Deposits with QCCP and sanction limits for advances. Non fund based exposures represents Guarantees and credit equivalent of Foreign exchange contracts.

b. Geographic distribution of exposures

The Bank does not have overseas operations and hence exposures are restricted to the domestic segment

c. Industry type distribution of exposures (INR MN)

Industry type	Fund based	NFB	Total
Bank	496	13,222	**13,718**
QCCP	284	1,858	**2,142**
Generation of Electricity	2,000	–	**2,000**
Mfg. of Basic Iron and Steel	–	141	**141**
Real Estate Activities	4,000	–	**4,000**
Other Computer Related Activities	1,250	–	**1,250**
NBFCs	–	3,129	**3,129**
Mfg. of Refined Petroleum Products	–	282	**282**
Basic Telecom Services	–	818	**818**
Other Computer Related Activities	1,500	–	**1,500**
Mfg. of Basic Iron and Steel	–	151	**151**

(Currency: Indian Rupees in Millions)

Quantitative Disclosures ***(Continued)***

Industry type	Fund based	NFB	Total
Mfg. of Basic Chemicals except Fertilizers	2,850	–	**2,850**
Mfg. of Fertilizers etc.	3,500	–	**3,500**
Mfg. of Cement, Lime and Plaste	1,500	–	**1,500**
Wholesale Food Procurement	4,000	–	**4,000**
Mfg. of Basic Non-ferrous Metals	2,000	–	**2,000**
Total	**23,380**	**19,601**	**42,981**

d. Residual contractual maturity breakdown of total assets

Buckets	31-Mar-20
1 day	733
2 to 7 days	450
8 to 14 days	44
15 to 28 days	343
29 days and upto 3 months	5,479
Over 3 months and upto 6 months	839
Over 6 months and upto 1 year	1,001
Over 1 year and upto 3 years	14,032
Over 3 year and upto 5 years	29,345
Over 5 years	7,245
Total	**59,511**

e. Amount of NPA

The Bank did not have any NPA during the year and hence this disclosure is not applicable

f. Net NPAs

The Bank did not have any NPA during the year and hence this disclosure is not applicable

g. NPA ratios

The Bank did not have any NPA during the year and hence this disclosure is not applicable

h. Movement of NPAs (Gross)

The Bank did not have any NPA during the year and hence this disclosure is not applicable

i. Movement of provisions

The Bank did not have any NPA during the year and hence disclosure is not applicable for specific provisions. The movement for general provisions (Standard Assets, Country Risk and UFCE) during the year is as under:

Opening Balance	46.48
Provisions made during the year	154.98
(Write-offs)/(write back) of excess provisions	(13.95)
Closing Balance	**187.51**

j. Amount of Non-Performing Investments (NPI)

The Bank did not have any NPI during the year and hence this disclosure is not applicable

k. Amount of provisions held for NPI

The Bank did not have any NPI during the year and hence this disclosure is not applicable

l. Movement of provisions for depreciations on investments

Opening Balance	–
Provisions made during the year	53.57
(Write-offs)/(write back) of excess provisions	(53.57)
Closing Balance	**–**

4. Disclosures for Portfolios Subject to the Standardized Approach

Qualitative Disclosures

The Bank uses the External Credit Assessment Institutions (ECAI) approved by the RBI to calculate its capital adequacy for sovereigns, banks, and corporate counterparties. For all exposures to domestic corporates, ratings by the following ECAIs are to be considered in line with 5.8 of RBI's Master Circular on Basel III Capital Regulations dated 01 July, 2015 - Brickwork Ratings India Pvt Ltd; Credit Analysis and Research Ltd; CRISIL Ltd; India Ratings and Research Ltd; ICRA Ltd; SMERA Ratings Ltd.

Claims on Indian banks and Indian branches of foreign banks will be risk weighted in line with the RBI's Master Circular on Basel III Capital Regulations dated 01 July, 2015 based on the CET1 and applicable CCB ratio levels set out.

Ratings from Fitch, Moody's and Standard & Poor's are considered for risk weights for claims on foreign sovereigns, foreign public sector entities and foreign banks as set out in the RBI Master Circular.

The use of the ratings and mapping process will be in line with the RBI Master Circular.

Quantitative Disclosures

Bank's outstanding (rated and unrated) in the three major risk buckets as well as those that are deducted are as under:

Particulars	31 March 2020
Below 100% risk weight	22,943
100% risk weight	957
More than 100% risk weight	15,543
Deduction	117

* Deduction represents DTA which has deducted from CET 1 Capital

5. Credit Risk Mitigation: Disclosures for Standardized Approaches

Qualitative Disclosures

The Bank has not accepted any collateral for credit risk mitigation purposes as on 31 March 2020. The types of collateral considered by the Bank are provided below, which will be accepted based on Legal advice and approval – cash; fixed deposit receipts issued by the Branch; debt securities; marketable securities including mutual fund units, equity shares; trade and other receivables; commercial real estate; other tangible assets such as, commodities, vehicles, plant and machinery, merchandise, goods, inventory, and stock; life insurance policies with a declared surrender value of an insurance company which is regulated by an insurance sector regulator; credit insurance/ guarantees; standby letters of credit etc.

Quantitative Disclosures

For credit risk portfolio under the standardized approach, the Bank had extended guarantee to Indian corporate obligor on the basis of counter guarantee from Bank's parent totaling to INR 1,904 million.

6. Securitisation Exposures: Disclosure for Standardised Approach

The Bank has not undertaken any securitisation and hence this disclosure is not applicable.

7. Market Risk in Trading Book

Qualitative Disclosures

Market risk is the risk that the Bank's income and/or value of its financial instruments will fluctuate adversely because of changes in market factors such as interest rates, foreign exchange rates, and equity, commodity and option prices.

Market Risk at the Group is managed as per the Group Market Risk Policy Framework, which includes specific guidelines on roles and responsibilities for management of Market Risk, its Governance Structure, Market Risk appetite statement and the limit structure. It specifies the way market risk is identified, measured, monitored, controlled and reported.

The Bank monitors market risk sensitivity (DV01), net open position and Value-at-Risk (VaR) using historical simulation based on a 99% confidence level and assumes a 1-day holding period using market data from the previous two years.

The Bank segregates all its positions in either the Trading Book or Banking Book.

Quantitative Disclosures

Particulars			31 March 2020
Capital requirements for market risk :			900
*	Standardised duration approach;		
	–	Interest rate risk	789
	–	Foreign exchange risk (including gold)	111
	–	Equity risk	–

8. Operational Risk Mitigation

Operational risk is identified as the risk of losses (direct, indirect & near misses) resulting from inadequate or failed internal processes, human behavior, systems, or from external events.

(Currency: Indian Rupees in Millions)

The Bank has adopted the Group Operational Risk framework consisting of policies and procedures to assess risks (i.e. to identify, assess, monitor, control, report) and to manage incidents (i.e. to notify, identify and rectify incidents). The Operational Risk framework also provides the interrelation with other risk categories. Where appropriate, risk is mitigated by way of insurance.

The primary responsibility to ensure that risks are managed and monitored resides with the businesses, as the 'first line of defence'. The businesses are supported by the risk function as the 'second line of defence' to ensure robust risk management. Further, reviews are to be conducted by Group Internal Audit as the 'third line of defence'.

Key components of the FAB Operational Risk framework and policies include:

- Conduct of risk and control assessments (RA) and incorporation of action plans for any gaps as well as the development of a risk profile
- Monitoring of risks by regularly measuring key indicators (KI)
- Reporting and managing operational risk incidents on a timely basis including any mitigating measures

Incidents are recorded in the Incident Management Database (IMD), which is managed by Group Operational Risk Management (GORM).

9. Interest Rate Risk in the Banking Book (IRRBB)

Qualitative Disclosures

The Banking Book exposure is defined as all other exposures that are not defined as Trading Book positions. This includes both on and off-balance sheet positions. Financial instruments held under the Banking Book are considered as investment positions.

The Banking Book operations generate non traded market risk primarily through interest rate risk arising from the sensitivity of the value of financial instruments and the net interest margin to changes in interest rates. The Bank manages this risk principally through monitoring interest rate gaps and by matching the re-pricing profile of assets and liabilities.

Earning at Risk and Market Value of Equity computations are carried out and tabled at the ALCO meetings. Limits for MVE has been implemented to facilitate monitoring.

Quantitative Disclosures

The impact on market value of equity for a 200 basis upward move (in `000's) as at 31st March 2020 is decline in value of Rs. 413.3 millions.

EaR is the loss of income under different interest rate scenarios over a time horizon of one year i.e. loss in income due to change in interest rates at the time of maturity/re-pricing of assets and liabilities within one year. The impact is detailed below:

EaR for 1 year horizon under different Interest Rate scenarios:	Amount in Rs. Millions
-300bps	687
-200bps	458
-100bps	229
+100bps	(229)
+200bps	(458)
+300bps	(687)

10. General Disclosure for Exposures Related to Counterparty Credit Risk

Qualitative Disclosures

The Bank follows the Current Exposure Method (CEM) of computation of counter-party credit exposure set out in RBI's Master Circular on Basel III Capital Regulations dated 01 July 2015. The CEM requires the aggregation of the potential future exposure using the product/tenor wise credit conversion factors and positive MTM to arrive at the exposure at default. Customer exposure limits are set using the counter-party credit risk process and approval authorities.

It is the Bank's preference to execute Credit Support Annexes (CSAs) and there are detailed policies regarding the requirement of CSAs and management of collateral.

The Group has established a process for managing CVA. The Group calculates CVA using the add-on methodology at a transaction level and at the counter-party level. The CVA is effected at the FAB Group level. In case of larger value transactions, the CVA is accounted at the transaction level.

The impact of wrong-way risk is considered while approving counter-party limits/transactions.

Quantitative Disclosures

Particulars	31 March 2020
Gross positive fair value of contracts	5,766
Netting benefits	–
Netted current credit exposure	5,766
Collateral held -	
Net derivatives credit exposure	5,766
Potential Future Exposure (PFE)	12,179
Measures for exposure at default, or exposure amount, under CEM	17,945
Notional value of credit derivative hedges	–
Distribution of current credit exposure by types of credit exposure	–
Current credit exposure – Interest Rates	836
Current credit exposure – Forex	4,930

Equities – Disclosure for Banking Book Positions

The Bank has not invested in any equity and hence this disclosure is not applicable.

11. Composition of Capital as at 31 March 2020

Table DF-11 : Composition of Capital

(Rs. in million)

	Basel III common disclosure template to be used from March 31, 2018		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)	20,126	20,126	A
2	Retained earnings	472	472	B
3	Accumulated other comprehensive income (and other reserves)	–	–	
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	–	–	
	Public sector capital injections grandfathered until January 1, 2018	–	–	
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	20,598	20,598	
	Common Equity Tier 1 capital : regulatory adjustments			
7	Prudential valuation adjustments	–	–	
8	Goodwill (net of related tax liability)	–	–	

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	Basel III common disclosure template to be used from March 31, 2018		**Amounts Subject to Pre-Basel III Treatment**	**Ref No.**
9	Intangibles other than mortgage-servicing rights (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[4] (amount above 10% threshold)	–	–	
21	Deferred tax assets arising from temporary differences[5] (amount above 10% threshold, net of related tax liability)	117	117	C
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[7] (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[9]	–	–	
26d	of which : Unamortised pension funds expenditures	–	–	
	Regulatory Adjustments Applied to Common Equity Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	–	–	
	of which:	–	–	
	of which :	–	–	
	of which :	–	–	
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**	117	117	
29	**Common Equity Tier 1 capital (CET1)**	20,481	20,481	
	Additional Tier 1 capital : instruments			
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**	–	–	
	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)[10]	–	–	
41	National specific regulatory adjustments (41a+41b)	–	–	

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	Basel III common disclosure template to be used from March 31, 2018		Amounts Subject to Pre-Basel III Treatment	Ref No.
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	–	–	
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	–	–	
	of which:	–	–	
	of which:	–	–	
	of which:	–	–	
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)**	**20,481**	**20,481**	
	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 (Including: Investment fluctuation reserve, Standard Asset , UFCE, Large borrowers and Country Risk Provision)	671	671	D
51	**Tier 2 capital before regulatory adjustments**	671	671	
	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 investments13in 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	–	–	
56b	of which : Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	–	–	
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment	–	–	
	of which:	–	–	
	of which:	–	–	
57	**Total regulatory adjustments to Tier 2 capital**	–	–	
58	**Tier 2 capital (T2)**	671	671	
59	**Total capital (TC = T1 + T2) (45 + 58)**	**21,152**	**21,152**	
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment			
	of which :			
60	**Total risk weighted assets (60a + 60b + 60c)**	**54,870**	**54,870**	
60a	of which : total credit risk weighted assets	42,998	42,998	
60b	of which : total market risk weighted assets	9,998	9,998	
60c	of which : total operational risk weighted assets	1,874	1,874	
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	37.33%	37.33%	
62	Tier 1 (as a percentage of risk weighted assets)	37.33%	37.33%	
63	Total capital (as a percentage of risk weighted assets)	38.55%	38.55%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	10.09%	10.09%	
65	of which : capital conservation buffer requirement	1.875%	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)	27.24%	27.24%	
	National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.5%	5.5%	

(Currency: Indian Rupees in Millions)

	Basel III common disclosure template to be used from March 31, 2018		Amounts Subject to Pre-Basel III Treatment	Ref No.
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7%	7%	
71	National total capital minimum ratio (if different from Basel III minimum)	9%	9%	
	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)	671	671	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	–	–	
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	NA	NA	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA	NA	
82	Current cap on AT1 instruments subject to phase out arrangements	NA	NA	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	NA	NA	
84	Current cap on T2 instruments subject to phase out arrangements	NA	NA	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	NA	NA	

Notes to the above template

Row No. of the 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		117
	Total as indicated in row 10		117
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		671
	Eligible Revaluation Reserves included in Tier 2 capital		–
	Total of row 50		671

12. Composition of Capital - Reconciliation Requirements

Table DF-12 : Composition of Capital - Reconciliation Requirements

(Rs. in million)

		Step 1	Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
			As on 31 March 2020	As on 31 March 2020
A	**Capital & Liabilities**			
	i.	Paid-up Capital	20,126	20,126
		Reserves & Surplus	1,799	1,799
		Minority Interest	–	–
		Total Capital	21,925	21,925
	ii.	Deposits		
		of which : Deposits from banks		
		of which : Customer deposits	3,746	3,746
		of which : Other deposits (pl. specify)		

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(Rs. in million)

Step 1			Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
			As on 31 March 2020	As on 31 March 2020
	iii.	Borrowings		
		of which : From RBI	50	50
		of which : From banks		
		of which : From other institutions & agencies	26,480	26,480
		of which : Others (pl. specify)		
		of which : Capital instruments		
	iv.	Other liabilities & provisions	7,310	7,310
		Total Liabilities	**59,511**	**59,511**
B	**Assets**			
	i.	Cash and balances with Reserve Bank of India	387	387
		Balance with banks and money at call and short notice	496	496
	ii.	Investments :	36,260	36,260
		of which : Government securities	36,260	36,260
		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	14,490	14,490
		of which : Loans and advances to banks	–	–
		of which : Loans and advances to customers	14,490	14,490
	iv.	Fixed assets	31	31
	v.	Other assets	7,847	7,847
		of which : Goodwill and intangible assets		
		of which : Deferred tax assets	117	117
	vi.	Goodwill on consolidation		
	vii.	Debit balance in Profit & Loss account		
	Total Assets		**59,511**	**59,511**

(Rs. in million)

Step 2			Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Ref. No. of DF 11
			As on 31 March 2020	As on 31 March 2020	
A	**Capital & Liabilities**				
	i.	Paid-up Capital			
		of which : Amount eligible for CET1	20,126	20,126	A
		of which : Amount eligible for AT1	–	–	
		Reserves & Surplus	1,799	1,799	
		of which : Statutory Reserve	472	472	B
		of which : Investment Fluctuation Reserve	483	483	
		of which : Balance in profit & loss account	844	844	
		Minority Interest			
		Total Capital	21,925	21,925	
	ii.	Deposits	3,746	3,746	
		of which : Deposits from banks			
		of which : Customer deposits	3,746	3,746	
		of which : Other deposits (pl. specify)			
	iii.	Borrowings	26,530	26,530	
		of which : From RBI	50	50	
		of which : From banks	–	–	
		of which : From other institutions & agencies	26,480	26,480	
		of which : Others (pl. specify)	–	–	
		of which : Capital instruments	–	–	
	iv.	Other liabilities & provisions	7,310	7,310	
		of which : DTLs related to goodwill	–	–	
		of which : DTLs related to intangible assets	–	–	
		of which : Standard asset provision & Large borrowers & UFCE & Country Risk	188	188	D
		Total Liabilities	**59,511**	**59,511**	

(Rs. in million)

Step 2			Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Ref. No. of DF 11
			As on 31 March 2020	As on 31 March 2020	
B	**Assets**				
	i.	Cash and balances with Reserve Bank of India	387	387	
		Balance with banks and money at call and short notice	496	496	
	ii.	Investments :	36,260	36,260	
		of which : Government securities	36,260	36,260	
		of which : Other approved securities			
		of which : Shares			
		of which : Debentures & Bonds			
		of which : Subsidiaries/Joint Ventures/Associates			
		of which : Others (Commercial Papers, CDs etc.)			
	iii.	Loans and advances	14,490	14,490	
		of which : Loans and advances to banks			
		of which : Loans and advances to customers	14,490	14,490	
	iv.	Fixed assets	31	31	
	v.	Other assets	7,847	7,847	
		of which : Goodwill and intangible assets			
		Out of which :			
		Goodwill			
		Other intangibles (excluding MSRs)			
		Deferred tax assets	117	117	
	vi.	Goodwill on consolidation			
	vii.	Debit balance in Profit & Loss account			
	Total Assets		**59,511**	**59,511**	

13. Main Features Template

As of 31 March 2020, there were no regulatory capital instruments issued by the Bank.

14. Full Terms and Conditions of Regulatory Capital Instruments

As of 31 March 2020, there were no regulatory capital instruments issued by the Bank.

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 13 January 2012, the Regional Office of the Bank has submitted a declaration to RBI confirming the aforesaid matter. Accordingly no disclosure is required to be made in this regard.

16. Equities – Disclosure for Banking Book Positions

The Bank has not invested in any equity and hence this disclosure is not applicable.

17. Leverage Ratio Disclosures

Table DF 17 - Summary comparison of accounting assets vs. leverage ratio exposure measure

	Item	(Rs. in Million)
1	Total consolidated assets as per published financial statements	59,511
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 recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	–
4	Adjustments for derivative financial instruments	12,179
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)	5,768
7	Other adjustments	(117)
8	Leverage ratio exposure	77,341

First Abu Dhabi Bank PJSC - India Branch
(Incorporated in Abu Dhabi With Limited Liability)

Common disclosure template and explanatory table, reconciliation and other requirements

Table DF-18: Leverage ratio common disclosure template

	Item	Leverage ratio (Rs. in million)
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	53,745
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(117)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	53,628
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	5,766
5	Add-on amounts for PFE associated with all derivatives transactions	12,179
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)	17,944
	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	14,182
18	(Adjustments for conversion to credit equivalent amounts)	(8,414)
19	Off-balance sheet items (sum of lines 17 and 18)	5,768
	Capital and total exposures	
20	Tier 1 capital	20,481
21	Total exposures (sum of lines 3, 11, 16 and 19)	77,341
	Leverage ratio	
22	Basel III leverage ratio	26.48%

SHINHAN BANK

(Incorporated in Korea with limited liability)

INDIAN OPERATIONS

INDEPENDENT AUDITOR'S REPORT

To,
The Chief Executive officer in India,
Shinhan Bank- Indian Operation.

Report on audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of **Shinhan Bank – Indian Branches** ('the Bank'), which comprise the Balance Sheet as at 31st 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 significant accounting policies and other explanatory information.
2. 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 in the manner so required for banking companies and are in conformity with accounting principles generally accepted in India and give a true and fair view of the state of affairs of the Bank as at 31st March 2020, and its profit and its cash flows for the year ended on that date.

Basis for Opinion

3. 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 independentof 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 there under, 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

4. We draw attention to Note 3.37 of the financial statements which describes the extent to which the COVID-19 pandemic will have impact the Bank's financial performance.

   Our opinion is not modified in respect of this matter.

Information other than financial statements and auditor's report thereon

5. The Bank's Apex Committee is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Basel III Pillar 3 disclosures, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover such other information and we do not express any form of assurance conclusion thereon.
6. Our responsibility in connection with the audit of the financial statements 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

7. The Bank's Apex Committee is responsible for the matters stated in section 134(5) of the Companies Act, 2013 with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance 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 Companies Act, 2013, 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 forpreventing 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.
8. In preparing the financial statements, Apex Committee 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 Apex Committee either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. Bank's Apex Committee is also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the audit of the Financial Statements

9. 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.
10. 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. Undersection 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 Apex Committee.
- Conclude on the appropriateness of Apex Committee'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.

11. 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

12. The Balance Sheet and the Profit and Loss Account have been drawn up inaccordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Companies Act, 2013.
13. 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) During the course of our audit we have performed select relevant procedures at all branches. Since the Bank's key operations are automated, with the key application largely integrated to the core banking systems, it does not require its branches to submit any financial returns. Accordingly, our audit is carried out centrally at the Head Office, based on the necessary records and data required for the purpose of the audit being made available to us.
14. 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 it appears from our examination of those books;
    c) The financial accounting systems of the Bank are centralized and therefore, accounting returns for the purpose of preparation of financial statement are not required to be submitted by the branches;
    d) 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;
    e) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013, to the extent they are not inconsistent with the accounting policies prescribed by RBI;
    f) The requirements of section 164(2) of the Companies Act,2013 are not applicable considering the Bank is a branch of Shinhan Bank - Korea, which is incorporated with limited liability 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 theexplanations given to us:
        i. the Bank has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Schedule 12 and Note 3.33 of Schedule 17 (II) 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 Schedule 5 and Note 1.9.7 of Schedule 17 (II) to the financial statements;
        iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by theBank.
        iv. with respect to the matter to be included in the Auditor's Report under section 197(16), the requirements of Section 197 of the Companies Act, 2013 are not applicable considering the Bank is a branch of Shinhan Bank - Korea.

For and on behalf of **Bilimoria Mehta & Co.**
Chartered Accountants
Firm Regn. No. 101490W

Kiran Suvarna
Partner
(Membership No.113784)
UDIN: 20113784AAAAEW2854

Place: Mumbai
Date: June 29, 2020

SHINHAN BANK

(Incorporated in Korea with limited liability)

INDIAN OPERATIONS

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF SHINHAN BANK-INDIAN OPERATION

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013

1. We have audited the internal financial controls over financial reporting of **Shinhan Bank-Indian Operation** ('the Bank') as at 31 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 over Financial Reporting

2. The Bank's Apex Committee 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.

Auditor's Responsibility

3. 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 Companies Act, 2013 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.
4. 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 ofmaterial misstatement of the financial statements, whether due to fraud orerror.
5. 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

6. 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 inaccordance with authorizations of Apex Committee 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

7. 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 ofcompliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls 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 on Audit of Internal Financial Controls over Financial Reporting issued by the ICAI.

For and on behalf of **Bilimoria Mehta & Co.**
Chartered Accountants
Firm Regn. No. 101490W

Kiran Suvarna
Partner
(Membership No.113784)
UDIN: 20113784AAAAEW2854

Place: Mumbai
Date: June 29, 2020

SHINHAN BANK

(Incorporated in Korea with limited liability)

INDIAN OPERATIONS

Balance Sheet as at 31st March, 2020

(Rupees in 000s)

	Schedule	As at 31st March, 2020	As at 31st March, 2019
CAPITAL & LIABILITIES			
Capital	1	**6,331,908**	6,331,908
Reserves & Surplus	2	**6,798,639**	6,278,137
Deposits	3	**76,336,903**	65,192,603
Borrowings	4	**15,427,485**	10,979,445
Other Liabilities and Provisions	5	**4,009,508**	2,599,306
Total		**108,904,443**	**91,381,399**
ASSETS			
Cash and Balances with Reserve Bank of India	6	**2,585,864**	2,190,133
Balances with Banks and Money at Call and Short Notice	7	**4,095,345**	2,483,575
Investments	8	**26,013,420**	16,705,252
Advances	9	**73,562,071**	68,346,510
Fixed Assets	10	**76,167**	103,038
Other Assets	11	**2,571,576**	1,552,891
Total		**108,904,443**	**91,381,399**
Contingent Liabilities	12	**64,739,867**	47,621,328
Bills for Collections		**2,510,512**	2,367,722
Significant Accounting Policies	17 (I)		
Notes on Accounts	17 (II)		

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

As per our report of even date attached

M/s Bilimoria Mehta & Co,
Chartered Accountants
FRN: 101490W

Kiran Suvarna
Partner
Membership No : 113784

Place : Mumbai
Dated : June 29, 2020

Profit & Loss Account for the year ended 31st March, 2020

(Rupees in 000s)

	Schedule	For the period ended 31st March, 2020	For the period ended 31st March, 2019
I. INCOME			
Interest Earned	13	**6,697,648**	5,877,232
Other Income	14	**705,692**	650,143
Total		**7,403,340**	**6,527,375**
II. EXPENDITURE			
Interest Expended	15	**4,342,242**	4,029,124
Operating Expenses	16	**1,267,981**	1,071,955
Provisions and Contingencies		**1,272,615**	696,110
Total		**6,882,838**	**5,797,189**
III. PROFIT			
Net profit for the year		**520,502**	730,186
Add: Profit brought forward		–	–
Total		**520,502**	**730,186**
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		**520,502**	730,186
Balance carried over to Balance Sheet		–	–
Total		**520,502**	**730,186**
Significant Accounting Policies	17 (I)		
Notes on Accounts	17 (II)		

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

As per our report of even date attached

For SHINHAN BANK
Indian Operations

Sang Mo Byun
Chief Executive Officer in India

SHINHAN BANK

(Incorporated in Korea with limited liability)

INDIAN OPERATIONS

Cash Flow Statement for the year ended 31 March 2020

(Rupees in 000s)

Particulars		As at 31st March, 2020	As at 31st March, 2019
I) Cash flow from operating activites			
Net Profit before taxation		**909,476**	1,229,027
Adjustment For:			
Depreciation for the year		**58,639**	53,970
(Profit) / Loss on sale of land, building and & other assets		**(840)**	(1,034)
(Profit) / Loss on sale of Investments		**201**	(32,472)
Amortization of Premium on Government Securities		**-**	-
Provision for Country risk exposure		**6,634**	(5,783)
Provision for Standard Advances		**27,680**	50,719
Provision for Stress Sector		**(699)**	2,268
Provision for NPA		**850,094**	150,000
Provision for Others		**(66)**	66
		1,851,119	**1,446,761**
Adjustment For:			
(Increase) / Decrease in Investments (excluding HTM Investments)		**(5,400,153)**	124,376
(Increase) / Decrease in Advances		**(5,215,561)**	(7,901,684)
(Increase) / Decrease in Other Assets		**(657,386)**	(353,173)
Increase / (Decrease) in Deposits		**11,144,298**	6,649,414
Increase / (Decrease) in Other Liabilities and Provisions		**526,558**	289,841
Increase / (Decrease) in Borrowings		**4,448,040**	451,445
Direct taxes paid		**(750,269)**	(497,042)
Net Cash Flow from Operating Activities	**(A)**	**5,946,646**	**209,938**
II) Cash flow from investing activities			
Purchase of Fixed Assets		**(34,427)**	(46,291)
Proceeds from the sale of Fixed Assets		**3,498**	1,373
Sale Proceeds of HTM Security		**(3,908,216)**	(706,280)
Net Cash flow from investing activities	**(B)**	**(3,939,145)**	**(751,198)**
III) Cash flow from financing activities			
Fresh Capital fund from Head Office		–	–
Net Cash flow from financing activites	**(C)**	–	–
Net Increase/ (Decrease) in Cash & Cash Equivalents (A+B+C)		**2,007,501**	(541,260)
Cash and Cash Equivalents at the beginning of year		**4,673,708**	**5,214,968**
Cash and Cash Equivalents at the closing of year		**6,681,209**	**4,673,708**

Note : Cash and cash equivalent comprise of cash in hand and in ATMs, balance with Reserve Bank of India and balances with Bank and money at call and short notice.

The above cash flow statement have been prepared in the indirect method set out in accounting standard-3 “Cash Flow Statement” under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (accounts) Rule, 2014 and the Companies (Accounting Standards) Amendement Rules, 2016.

As per our report of even date attached

For and on behalf of

M/s Bilimoria Mehta & Co,
Chartered Accountants
FRN: 101490W

Kiran Suvarna
Partner
Membership No : 113784

Place : Mumbai
Dated : June 29, 2020

For SHINHAN BANK
Indian Operations

Sang Mo Byun
Chief Executive Officer in India

SHINHAN BANK

(Incorporated in Korea with limited liability)

INDIAN OPERATIONS

SCHEDULES TO THE BALANCE SHEET

(Rupees in 000s)

	As at 31st March, 2020	As at 31st March, 2019
SCHEDULE 1 - CAPITAL		
I The amount brought in by Bank from Head Office		
Opening Balance	6,331,908	6,331,908
Add: Capital infusion during the year	–	–
TOTAL (I)	6,331,908	6,331,908
Amount (at face value) of deposit kept with Reserve Bank of India under Section 11(2)(b) of the Banking Regulation Act, 1949:	1,781,920	1,950,000
TOTAL (I)	**6,331,908**	**6,331,908**
SCHEDULE 2 - RESERVE & SURPLUS		
I. Statutory Reserve		
Opening Balance	6,278,137	5,547,951
Additions during the year:		
From Current year profit	520,502	730,186
TOTAL	**6,798,639**	**6,278,137**
SCHEDULE 3 - DEPOSITS		
A I. Demand Deposits		
(i) From Banks	27,116	8,668
(ii) From Others	7,390,349	5,681,889
Total (I)	7,417,465	5,690,557
II. Savings Bank Deposits	1,485,230	1,170,680
Total (II)	1,485,230	1,170,680
III. Term Deposits		
(i) From Banks	3,188,427	3,129,384
(ii) From Others	64,245,781	55,201,982
Total (III)	67,434,208	58,331,366
TOTAL (I, II & III)	**76,336,903**	**65,192,603**
B I. Deposits of branches in India	76,336,903	65,192,603
II. Deposits of branches outside India	–	–
TOTAL (I & II)	**76,336,903**	**65,192,603**
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	7,180,000	1,500,000
(ii) Other Banks	680,985	1,526,620
(iii) Other institutions and agencies	–	–
Total (I)	7,860,985	3,026,620
II. Borrowings outside India	7,566,500	7,952,825
Total (II)	7,566,500	7,952,825
TOTAL (I & II)	**15,427,485**	**10,979,445**
Secured borrowings included in I above	7,180,000	1,500,000

(Rupees in 000s)

	As at 31st March, 2020	As at 31st March, 2019
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	44,085	79,757
II. Inter-Office Adjustments (net)	–	–
III. Interest Accrued	801,554	773,272
IV. Contingent Provision against Standard Assets *	314,627	287,646
V. Others (including Provisions)	2,849,242	1,458,631
VI. Provision for taxation (net of advance tax/ tax deducted at source)	–	–
TOTAL (I, II, III, IV, V & VI)	**4,009,508**	**2,599,306**
* Includes provision on Unhedged FCE, Provision on stress sector, Forward exchange contracts and Covid-19 related provision)		
SCHEDULE 6 - CASH & BALANCES WITH RESERVE BANK OF INDIA		
I. Cash on Hand and in ATM (including foreign currency notes)	20,065	22,120
Total (I)	20,065	22,120
II. Balances with Reserve Bank of India		
(i) In Current Accounts	2,565,799	2,168,013
(ii) In Other Accounts	–	–
Total (II)	2,565,799	2,168,013
TOTAL (I & II)	**2,585,864**	**2,190,133**
SCHEDULE 7 - BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE		
I. In India		
(i) Balances with banks		
(a) In Current Accounts	219,697	73,864
(b) In Other Deposit Accounts	–	–
Total (i)	219,697	73,864
(ii) Money at call and short notice		
(a) With banks	–	–
(b) With other institutions	–	–
(c) With RBI (lending under reverse repo)	2,800,000	500,000
Total (ii)	2,800,000	500,000
TOTAL I.	**3,019,697**	**573,864**
II. Outside India		
(i) In Current Accounts	1,075,648	1,909,711
(ii) In Other Deposit Accounts	–	–
(iii) Money at call & short notice	–	–
TOTAL II.	**1,075,648**	**1,909,711**
GRAND TOTAL (I & II)	**4,095,345**	**2,483,575**

SHINHAN BANK

(Incorporated in Korea with limited liability)

INDIAN OPERATIONS

SCHEDULES TO THE BALANCE SHEET

(Rupees in 000s)

	As at 31st March, 2020	As at 31st March, 2019
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
(i) Government Securities *	26,013,420	16,705,252
(ii) Other Approved Securities	–	–
(iii) Shares	–	–
(iv) Debentures and Bonds	–	–
(v) Subsidiaries and/or Joint Ventures	–	–
(vi) Others	–	–
Total (I)	26,013,420	16,705,252
Less : Provision for Depreciation	–	–
	26,013,420	**16,705,252**
II. Investments outside India		
(i) Government Securities (including local authorities)	–	–
(ii) Subsidiaries and/or joint ventures abroad	–	–
(iii) Other investments (to be specified)	–	–
Total (II)	–	–
TOTAL (I & II)	**26,013,420**	**16,705,252**

* Includes securities of Face Value of Rs. 1,781,920,000 (P.Y Rs. 1,950,000,000) kept with RBI under section 11(2)(b) of Banking Regulation Act 1949.

	As at 31st March, 2020	As at 31st March, 2019
SCHEDULE 9 - ADVANCES		
A. (i) Bills purchased and discounted	40,661,370	41,489,414
(ii) Cash Credits, Overdrafts and Loans Repayable on Demand	14,879,860	11,934,840
(iii) Term Loans	18,020,841	14,922,256
TOTAL (i), (ii) & (iii)	**73,562,071**	**68,346,510**
B. (i) Secured by tangible assets (includes Advances against Book Debts)	19,135,045	19,451,333
(ii) Covered by Bank/ Government Guarantee	40,618,043	41,238,861
(iii) Unsecured	13,808,983	7,656,316
TOTAL (i), (ii) & (iii)	**73,562,071**	**68,346,510**
C. I. Advances in India		
(i) Priority Sectors	30,606,057	23,925,316
(ii) Public Sector	–	–
(iii) Banks	–	–
(iv) Others	42,956,014	44,421,194
Total (I)	**73,562,071**	**68,346,510**
II. Advances outside India		
(i) Due from banks	–	–
(ii) Due from others		
(a) Bills purchased and discounted	–	–
(b) Syndicated loans	–	–
(c) Others	–	–
Total (II)	–	–
TOTAL (I & II)	**73,562,071**	**68,346,510**

Total advances represent at gross advances

(Rupees in 000s)

	As at 31st March, 2020	As at 31st March, 2019
SCHEDULE 10 - FIXED ASSETS		
I. Premises		
At cost as on 31 March of the preceding year	–	–
Additions during the year	–	–
Deductions during the year	–	–
Depreciation to date	–	–
Total (I)	–	–
II. Other Fixed Assets (including furniture and fixtures)		
At cost as on 31 March of the preceding year	340,516	287,269
Additions during the year	35,504	57,309
Deductions during the year	(31,268)	(4,061)
Depreciation to date	(268,718)	(238,689)
Total (II)	**76,034**	**101,828**
III. Capital Work-in-Progress	**133**	1,210
TOTAL (I, II & III)	**76,167**	**103,038**
SCHEDULE 11 - OTHER ASSETS		
I. Inter-Office Adjustments (net)	–	–
II. Interest Accrued	702,791	539,674
III. Tax paid in advance/tax deducted at Source (Net of provision for taxation)	104,194	86,324
IV. Stationery and Stamps	99	64
V. Non-banking assets acquired in satisfaction of claims	–	–
VI. Deferred Tax Asset (Net)	456,651	113,223
VII. Others	1,307,841	813,606
TOTAL (I, II, III, IV, V, VI & VII)	**2,571,576**	**1,552,891**
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as Debts (including disputed tax liabilities)	543,084	543,084
II. Liability for partly paid Investments	–	–
III. Liability on account of outstanding Forward Exchange Contracts *	50,386,178	35,454,040
IV. Liability on account of outstanding Derivative Contract *	1,168,268	118,946.60
V. Guarantees given on behalf of constituents	–	–
(a) In India	12,356,439	10,668,940
(b) Outside India	–	–
VI. Acceptance, Endorsements and Other Obligations	282,834	834,461
VII Others items for which the Bank is Contingently Liable	3,064	1,856
TOTAL (I, II, III, IV, V & VI)	**64,739,867**	**47,621,328**

* Represents notionals.

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SCHEDULES TO PROFIT & LOSS ACCOUNT

(Rupees in 000s)

	For the period ended 31st March 2020	For the year ended 31st March 2019
SCHEDULE 13 – INTEREST EARNED		
I. Interest/Discount on Advances/Bills	5,162,271	4,551,470
II. Income on Investments	1,245,937	1,131,824
III. Interest on Balance with Reserve Bank of India and other Inter-Bank Funds	285,352	192,350
IV. Others	4,088	1,588
TOTAL (I to IV)	**6,697,648**	**5,877,232**
SCHEDULE 14 – OTHER INCOME		
I. Commission, Exchange and Brokerage (Net)	167,306	174,490
II. (Loss)/Profit on Sale of Investments (Net)#	(201)	3,588
III. Profit on Revaluation of Investments (Net)	-	-
IV. (Loss)/Profit on Sale of land, buildings and other assets	840	1,034
V. Profit on exchange transactions (Net)	533,951	436,991
VI. Income earned by way of dividends etc. from subsidiaries/ companies and / or joint ventures abroad / in India	-	-
VII. Miscellaneous Income *	3,796	34,040
* (Includes expenses provision no longer required written back)		
TOTAL (I to VII)	**705,692**	**650,143**

Includes profit/(loss) at the time of maturity of Investment

(Rupees in 000s)

	For the period ended 31st March 2020	For the year ended 31st March 2019
SCHEDULE 15 – INTEREST EXPENDED		
I. Interest on Deposits	4,090,283	3,655,526
II. Interest on Reserve Bank of India / Inter-Bank Borrowings	251,959	373,598
III. Others	–	–
TOTAL (I to III)	**4,342,242**	**4,029,124**
SCHEDULE 16 – OPERATING EXPENSES		
I. Payment to and Provisions for Employees	695,898	597,180
II. Rent, Taxes and Lighting	183,098	161,850
III. Printing & Stationery	7,666	7,802
IV. Advertisement and Publicity	6,247	4,833
V. Depreciation on Bank's Property	58,639	53,970
VI. Directors fees, allowance & expenses	–	–
VII. Auditor's Fees and Expenses	1,250	1,050
VIII. Law Charges	858	670
IX. Postage, Telegrams, Telephones etc.	35,344	24,912
X. Repair and Maintenance	5,633	4,441
XI. Insurance	78,313	57,795
XII. Other Expenditure (Ref Notes No 3.24)	195,035	157,452
TOTAL (I to XII)	**1,267,981**	**1,071,955**

SCHEDULE 17 (I) – SIGNIFICANT ACCOUNTNG POLICIES

I. SIGNIFICANT ACCOUNTING POLICIES

Background:

The accompanying financial statements for the year ended March 31, 2020 comprise the accounts of Shinhan Bank-Indian Operations (`the Bank), incorporated in Korea with limited liability. The India branches of the bank as at March 31, 2020 are located in Mumbai, New Delhi, Kanchipuram, Pune, Ahmedabad and Ranga Reddy.

1. **Basis of Preparation**
The financial statements have been prepared and presented under the historical cost convention and on the accrual basis of accounting, unless otherwise stated, and comply with generally accepted accounting principles in India ('GAAP'), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India (the 'RBI') from time to time, Accounting Standards ('AS') notified under Section 133 of the Companies Act, 2013 read together with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016 to the extent applicable and current practices within the banking industry in India.

2. **Use of Estimates**
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues & expenses and disclosure of contingent liabilities as at the date of financial statements. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Any revisions to accounting estimates are recognised prospectively in the current and future periods. Actual results could differ from the estimates.

3. **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 recognised in Profit and Loss Account.
   ii) Income and expenditure in foreign currencies are translated at the rates prevailing on the date of the transaction. Exchange differences arising on these transactions settled during the year are recognised in Profit and Loss Account.
   iii) Contingent Liabilities on account of forward exchange contracts, guarantees, acceptance, endorsements and other obligations denominated in foreign currencies are disclosed in Indian rupee at year ended spot rates notified by FEDAI.
   iv) The forward exchange contract outstanding are Marked to Market using appropriate discounting rate in line with group policy/FEDAI guidelines and the resulting gain or loss are recognised in the Profit and Loss Account under 'Profit on Exchange transactions' (net). Such unrealized gains or losses are reflected in the Balance Sheet under Other Assets or Other Liabilities as applicable.

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4. Derivatives

Derivatives are financial instrument comprises of forwards exchanges contracts, interest rate swaps and cross currency swaps are undertaken for either trading or hedging purposes.

Trading derivatives are marked to market as per generally accepted practices prevailing in the industry and resultant unrealised gain or loss is recognised in the profit and loss account, with the corresponding net unrealised amount reflected in other assets or other liabilities in the balance sheet. Forwards exchange contract and other derivative contract which have remained unpaid over 90 days or more are classified as non-performing assets and provided as prescribed by RBI.

The bank also maintains general provision on derivative provision computed as per marked to market value of the contract in accordance with the RBI guidelines.

5. Investments

a) Classification and valuation of the Bank's investments is carried out in accordance with RBI Master Circular DBR No BP.BC.6/ 21.04.141/ 2015-16 dated July 1, 2015 and amendments thereto. As per the guidelines for investments laid down by the RBI, the investment portfolio of the Bank is classified under "Held to Maturity", "Available for Sale" and "Held for Trading" categories. In accordance with the said guidelines, the investments are valued as under:
   i) 'Held to Maturity' securities are carried at the acquisition cost, except where the acquisition cost is more than the face value, in which case the premium is amortised over the remaining maturity period and is disclosed in Schedule 13 after netting off from Interest Income on Investments.
   ii) 'Available for Sale' & 'Held for Trading' securities are valued at lower of acquisition cost or market value, in aggregate for each Balance Sheet classification.
   iii) Treasury Bills are valued at carrying cost.

b) Quoted securities are revalued as per the yields declared by the Fixed Income and Money Market Dealers Association ('FIMMDA') / Financial Benchmarks India Private Limited ('FBIL') in consultation with Primary Dealers Association of India ('PDAI'). Securities are valued scrip-wise and depreciation/appreciation is aggregated for each category. Net depreciation, if any, within each category of investments is recognized in the Profit and Loss account. The net appreciation, if any, under each category is not recognized, except to the extent of depreciation previously provided.

c) Repurchase ('repo') and reverse repurchase ('reverse repo') transactions are accounted for as borrowing and lending transactions. Accordingly, securities sold under an agreement to repurchase them continue to be held under the investment account of the Bank and the Bank continues to accrue coupon / discount on securities during the repo period. Also, the Bank marks to market such securities as per the investment classification of the security. The difference between the clean price of the first leg and clean price of the second leg is recognized as interest income / expense in the Profit and Loss account over the period of the transaction. Similarly, securities purchased under agreement to resale are not included in the investment account of the Bank. The transactions with RBI under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) are accounted for as borrowing and lending transactions as per circular RBI/2015-2016/403 FMRD.DIRD. 10 /14.03.002/2015-16 dated May 19, 2016 and amendments thereto.

d) The bank follows settlement method for accounting of purchase & sale of G-Sec.

6. 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 on assets other than computers and software is provided on a reducing balance method over the estimated useful life of the asset as given below which is in accordance with Schedule II of Companies Act, 2013

Assets	Estimated Useful life of fixed Assets
Furniture and Fixtures	10 Years
Office Equipment	5 Years
Vehicles	8 Years

iii) Computers & Software are depreciated on SLM @ 33.33%.

iv) Depreciation on assets acquired/ disposed off during the year is provided on a monthly pro-rata basis.

v) The improvements in leasehold premises are written off over the primary period of lease.

7. Revenue Recognition

a) Income and Expenditure are accounted for on accrual basis, except for interest on Non-Performing Advances & Investments, which are recognised on realisation basis as per prudential norms on Income Recognition and Asset Classification laid down by RBI.

b) Fees and Commission income on letters of credit (LC) is accounted on issuance of the letter of credit irrespective of the period for which it is issued.

c) Facility fees and loan processing fees are recognized when due and realizable.

d) Other fees and commission are accounted for as and when they became due.

e) Commission on guarantees issued by the Bank is recognized as income over the period of the guarantee.

8. Employee Benefits

a) Gratuity

The Bank provides for its gratuity liability based on actuarial valuation as at the balance sheet date which is carried out by an independent actuary 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 accounted for on an accrual basis and recognised in 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.

9. Advances

Advances are classified as per prudential norms on "Income recognition and Asset Classification and Provisioning pertaining to Advances" as issued by RBI, into performing and non-performing assets and are stated net of specific provisions.

10. Provisions

Provisions for non-performing assets are made in accordance with the prudential norms on "Income recognition and Asset Classification and Provisioning pertain to Advances", as issued by RBI.

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The Bank maintains provision on Standard Assets, Country Risk Exposure, and unhedged foreign currency exposures of borrowers at rates prescribed by RBI including provision on stress sectors and the same is disclosed in Schedule 5 ('other liabilities and Provisions').

11. Taxes on Income

Income tax comprises the current tax (i.e. amount of tax for the period, determined in accordance with the Income Tax Act, 1961 and the rules framed thereunder) and deferred tax asset (DTA) or liability ((DTL) reflecting the tax effects of timing differences between accounting income and taxable income for the year). DTA is recognised keeping in view the consideration of prudence in respect of Deferred Tax Asset, as required by AS 22 "Accounting for Taxes on Income".

12. 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, for standard advances, country risk and unhedged foreign currency exposures
iii. Provision for depreciation on Investments
iv. Other usual and necessary provisions and contingencies

13. 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 over the lease term.

14. Impairment of Assets

The Bank assesses at each balance sheet date whether there is any indication that assets may be impaired and provides for impairment loss, if any, in the Profit and Loss Account.

15. Cash and Cash equivalent

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

16. Provisions, Contingent Liabilities and Contingent Assets

In accordance with AS 29, "Provisions, Contingent Liabilities and Contingent Assets" the Bank creates provisions when there is a present obligation as a result of past event (s), that probably requires an outflow of resources embodying economic benefit 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.

SCHEDULE 17 (II) - NOTES to ACCOUNTS

1. Disclosures in terms of RBI guidelines.

1.1 Capital

During the year, the bank has not received any additional capital from head office. (Previous Year: Nil)

1.2 Capital Adequacy Ratio

The bank's capital to Risk Weighted Assets Ratio (CRAR) is calculated in accordance with RBI's BASEL III capital regulations issued vide RBI circular DBR. No BP.BC. 1/21.06.201/2015-16 dated July 01, 2015. Under BASEL III framework, on an on-going basis, the bank has to maintain a minimum total capital ratio of 11.50% (PY 10.875%) including Capital Conversion Buffer (CCB) at 2.50% (PY 1.875%) for credit risk, market risk and operational risk.

As March 31, 2020 the bank was required to maintain a minimum common equity tier-1 (CET1) capital ratio of 5.50%, minimum tier-1 capital ratio of 7.00% and minimum total capital ratio of 11.50%. The minimum total capital requirement includes a Capital Conservation Buffer of 2.50% (PY 1.875%).

(As per Basel-III)

(Rs. in lacs)

Sr. No.	Particulars	March 31, 2020	March 31, 2019
i)	Common Equity Tier 1 capital ratio (%)	21.07%	22.96%
ii)	Tier I Capital (%)	21.07%	22.96%
iii)	Tier II Capital (%)	0.53%	0.54%
iv)	Total Capital ratio (CRAR) (%)	21.60%	23.50%
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 Addition Tier 1 capital raised; of which PNCPS: PDI:	Nil	Nil
viii)	Amount of Tier 2 capital raised; of which Debts capital instrument: Preference Share Capital Instruments [Perpetual Cumulative Preference Share (PCPS) / Redeemable Non-Cumulative Preference Share (RNCPS) / Redeemable Cumulative Preference Share (RCPS)]	Nil	Nil

1.3 Investments

(Rs. in lacs)

Particulars	March 31, 2020	March 31, 2019
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	260,134.20	167,052.52
(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	260,134.20	167,052.52
(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

1.4 Repo Transactions (in face value terms)

(Rs. in lacs)

Particulars	Minimum outstanding during year	Maximum outstanding during year	Daily Average outstanding during year*	Outstanding as at year end
Securities sold under Repo				
i) Government Securities	451.30 (299.00)	65,328.60 (22,467.50)	5,825.59 (2,836.60)	65,328.60 (13,733.40)
ii) Corporate Debt Securities	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
Securities purchased under Reverse Repo				
i) Government Securities	914.30 (497.00)	149,126.40 (100,311.20)	45,647.19 (10,528.08)	26,068.20 (4,672.10)
ii) Corporate Debt Securities	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)

Note: A) Figures in bracket represent previous year figures.
B) Above includes transaction with RBI under LAF.
C) Minimum outstanding during the year excludes the days with Nil outstanding.
D) The bank has compiled the data for the purpose of this disclosure (from its internal MIS system and has been furnished by the management) which has been relied upon by auditor.

* The Amounts have been calculated on the basis of book values.

1.5 Non-SLR Investment portfolio

i) Issuer Composition of Non-SLR Investments

(Rs. in lacs)

Sr. No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(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**

Note: Previous year's figures are also Nil in above table

ii) Non-Performing Non-SLR Investments

(Rs. in lacs)

Particulars	2019-20	2018-19
Opening Balance (as on 1st April)	Nil	Nil
Additions during the year since 1st April	Nil	Nil
Reductions during the above period	Nil	Nil
Closing balance (as on 31st March)	Nil	Nil
Total Provisions held	Nil	Nil

1.6 Sale and Transfers to / from HTM Category

There were no sale and transfers to/ from HTM category during the year 2019-20

(Previous Year: Nil).

The Bank has not availed the option to spread provisioning for mark to market (MTM) losses on investments held in AFS and HFT for the quarters ended December 31, 2017 and March 31, 2018 over upto four quarters vide RBI circular RBI/2017-18/147 DBR.No.BP. BC.102/21.04.048/2017-18 dated April 2, 2018.

With a view to building up of adequate reserves to protect against increase in yields, RBI through circular number RBI/2017-18/147 DBR.No.BP. BC.102/21.04.048/2017-18 dated April 2, 2018, advised all banks to create an Investment Fluctuation (IFR) Reserve with effect from the FY 2018-19.

The amount transferred to IFR shall be lower of the following (i) net profit on sale of investments during the year or (ii) net profit for the year less mandatory appropriations, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis.

During the year ended March 31, 2020, the Bank has not transferred any amounts to IFR during the year (Previous Year: Nil).

1.7 Investment Reserve

The Bank has not transferred any amounts to Investment Reserve during the year (Previous Year: Nil) (net of applicable taxes and transfer to statutory reserve requirements) on provisions for depreciation on investments credited to Profit and Loss Account.

1.8 Derivatives

1.8.1 Details of Forward Rate Agreement/Interest Rate Swap

(Rs. in lacs)

Sr. No.	Particulars	March 31, 2020	March 31, 2019
(i)	The notional principal of swap agreements	11,682.68	1,189.47
(ii)	Losses which would be incurred if the counterparties failed to fulfil their obligations under the agreements.	63.89	16.09
(iii)	Collateral required by bank upon entering into swaps	Nil	Nil
(iv)	Concentration of credit risk arising from the swaps	Nil	Nil
(v)	The fair value of the swap book	Nil	Nil

1.8.2 Exchange Traded Interest Rate Derivatives

(Rs. in lacs)

Sr. No	Particulars	2019-20	2018-19
(i)	Notional principal amount of exchange traded interest rate derivative undertaken during the year (instrument-wise)	Nil	Nil
(ii)	Notional principal amount of exchange traded interest rate derivative outstanding as on 31st March, 2020 (instrument-wise)	Nil	Nil
(iii)	Notional principal amount of exchange traded interest rate derivative outstanding and not "highly effective" (instrument-wise)	Nil	Nil
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Nil	Nil

1.8.3 Disclosures on Risk Exposure in Derivatives

a) Qualitative disclosure for forward / forex contract

As per RBI Master circular DBR.BP.BC.No.23/21.04.018/2015-16 dated July 1, 2015, the following disclosures are being made with respect to risk exposure in derivatives of the Bank:

a) Purpose: The Bank enters into derivative contracts in the normal course of business to meet customer requirements and to manage its own exposure to fluctuations in price and exchange rates. The management of these products and businesses is governed by Risk Policy, Derivatives Policy, and ALM policy.

b) Structure: The bank has a Risk Management Committee ('RMC') and delegated to it all functions and responsibilities relating to the risk management of the Bank and its supervision thereof.

c) As part of prudent business and risk management practice, the Bank has also instituted a comprehensive limit and control structure encompassing Value-at-Risk (VAR), Aggregate gap limits (AGL), Net overnight open position (NOOP), Stop loss & credit limits for derivative transactions including suitability and appropriateness framework. The Bank has an internal reporting mechanism providing regular reports to the RMC as well as to the management of the Bank. Such a structure helps the Bank to monitor and mitigate market risk across FX and interest rates.

d) The Bank has an independent Middle Office and Market Risk functions, which are responsible for monitoring, measurement, and analysis of derivative related risks, among others. The Bank has a Credit Risk Management unit which is responsible for setting up counterparty limits and also a treasury operation unit which is responsible for managing operational aspects of derivatives including settlement of transactions. The Bank is subject to a concurrent audit for all treasury transactions, including derivatives transactions, a monthly report of which is periodically submitted to the Audit Committee of the Bank.

e) The outstanding forward exchange contracts are stated at the closing rates notified by FEDAI and at interpolated rates for contracts in–between the specified maturities. The forward exchange contract outstanding are Marked to Market using appropriate discounting rate in line with the group policy/FEDAI guidelines and the resulting gain or loss are recognised in the Profit and Loss Account under 'Profit or loss on Exchange transactions' (net). The Bank applies Current Exposure

Method to assess the credit risk associated with foreign exchange contracts. Credit risk on a contract is computed as sum of its mark to market value if positive and its potential future exposure which is calculated based on its national value.

f) The Bank reports all positions to the management on a daily basis.

g) Bank has not undertaken any derivative contracts in the banking book designated as hedge. Hence hedge accounting is not applicable.

b) Quantitative disclosures:

(Rs. in lacs)

Sr. No.	Particulars	March 31, 2020		March 31, 2019	
		Currency Derivatives #	Interest Rate derivatives	Currency Derivatives #	Interest Rate derivatives
1	Derivatives (Notional Principal Amount)				
	a) For Hedging	Nil	Nil	Nil	Nil
	b) For Trading ##	503,861.78	11,682.68	354,540.40	1,189.47
2	Marked to Market Positions [1]				
	a) Asset (+)	8,621.11	63.89	4,072.52	16.09
	b) Liability (-)	9,277.27	63.89	3,681.51	16.09
3	Credit Exposure [2]	18,698.34	213.10	11,163.33	27.99
4	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	Nil	Nil	Nil	Nil
	b) on trading derivatives	Nil	1.89	Nil	0.19
5	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	Nil	Nil	Nil	Nil
	b) on trading	Nil	Nil	Nil	Nil

Currency derivative includes foreign exchange contracts.

includes for covering customer transactions.

1.9 Asset Quality

1.9.1 Non-Performing Assets

(Rs. in lacs)

Sr. No.	Particulars	2019-20	2018-19
(i)	Net NPAs to Net Advances (%)	0.00%	1.26%
(ii)	Movement of NPAs (Gross)		
	(a) Opening Balance	10,000.00	Nil
	(b) Additions during the year.	3.77	10,000.00
	(c) Reductions during the year	Nil	Nil
	– Recovery		
	– Write off		
	(d) Closing balance	10,003.77	10,000.00
(iii)	Movement of Net NPAs		
	(a) Opening balance	8,500.00	Nil
	(b) Additions during the year.	2.83	8,500.00
	(c) Reductions during the year	8,500.00	Nil
	(d) Closing balance	2.83	8,500.00
(iv)	Movement of provisions for NPAs (excluding provision on standard assets)		
	(a) Opening balance	1,500.00	Nil
	(b) Provisions made during the year.	8,500.94	1,500.00
	(c) Write-off/write-back of excess provisions	Nil	Nil
	(d) Closing balance	10,000.94	1,500.00

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1.9.2 Particulars of Accounts Restructured

(Rs. in lacs)

Sl No	Type of Restructuring		Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
	Details																
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2	Fresh restructuring during the year	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3	Upgradations to restructured standard category during the FY	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 FY and hence need not be shown as restructured standard advances at the beginning of the next FY (notes: ii)	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	Downgradations of restructured accounts during the FY	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6	Write-offs of restructured accounts during the FY	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
7	Restructured Accounts as on March 31, 2015 (closing figures) (notes: ii)	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Notes:

- There is no account restructured under CDR Mechanism (Previous Year: Nil)

1.9.3 Details of financial assets sold to Securitisation/Reconstruction Company for Asset Reconstruction

A. Details of Sales

(Rs. in lacs)

Sr. No.	Particulars	2019-20	2018-19
(i)	No. of Accounts	Nil	Nil
(ii)	Aggregate value (net of provisions) of accounts sold to SC/RC	Nil	Nil
(iii)	Aggregate consideration	Nil	Nil
(iv)	Additional consideration realized in respect of accounts transferred in earlier years.	Nil	Nil
(v)	Aggregate gain/loss over net book value	Nil	Nil

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B. Details of book value of Investment in Security Receipts

(Rs. in lacs)

Sr. No.	Particulars	March 31, 2020	March 31, 2019
(i)	Backed by NPAs sold by the bank as underlying	Nil	Nil
(ii)	Backed by NPAs sold by other banks /Financial institutes /non banking financial companies as underlying	Nil	Nil
	Total	Nil	Nil

1.9.4 Details of non-performing financial assets purchased / sold

A. Details of non-performing financial assets purchased

(Rs. in lacs)

Sr. No.	Particulars	2019-20	2018-19
1.	(a) No of accounts purchased during the year	Nil	Nil
	(b) Aggregate outstanding	Nil	Nil
2.	(a) of these, number of accounts restructured during the year	Nil	Nil
	(b) Aggregate outstanding	Nil	Nil

B. Details of Non-Performing Financial Assets Sold

(Rs. in lacs)

Sr. No.	Particulars	2019-20	2018-19
1.	No of accounts sold	Nil	Nil
2.	Aggregate outstanding	Nil	Nil
3.	Aggregate consideration received	Nil	Nil

1.9.5 Divergence in Asset Classification and Provisioning for NPAs –

RBI vide its circular no. DBR.BP.BC.No.32/21.04.018/2018-19 dated April 1, 2019, has directed banks shall make suitable disclosures, wherever either (a) the additional provisioning requirements assessed by RBI exceed 10 percent of the published net profits before provision and contingency 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. There has been no divergence observed by RBI for the financial year 17-18 (previous year: Nil) 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.

1.9.6 Priority Sector Lending Certificate (PSLCs) purchased/sold during the year 2019-2020

(Rs. in lacs)

Type of PSLC	2019-20		2018-19	
	PSLC bought	PSLC sold	PSLC bought	PSLC sold
PSLC - Agriculture	-	-	-	-
PSLC - Small and Marginal Farmers	-	-	-	-
PSLC - Micro Enterprises	-	24,100	-	10,000
PSLC - General	-	30,000	-	100,000

1.9.7 Provisions on Standard Assets (excluding Country Risk provision)

(Rs. in lacs)

Particulars	March 31, 2020	March 31, 2019
Provision towards Standard Assets* (excluding Covid-19 related provision)	3,137.63	2,876.46

* The above includes provision towards Unhedged Foreign Currency Exposure and Provision on Stress Sector amounting to Rs.331.88 lacs (Previous Year: Rs.272.07 lacs).

1.9.8 Provisions on Large Borrower

RBI, through its circular no DBR.BP.BC.No.8/21.01.003/206-17 dated August 25, 2016, required banks to make additional provision from the year ended March 31, 2019 on incremental exposure of the banking system in excess of normally permitted lending limit (NPLL) on borrowers classified as specified borrower. During the year ended March 31, 2020, there was no provision required on these specified borrowers (Previous Year: Nil).

1.9.9 Classification and provisioning under RBI Covid-19 Regulatory Package

In accordance with the regulatory package announced by the Reserve Bank of India on March 27, 2020, the Bank has extended the option of payment moratorium for all dues falling due between March 1, 2020 and August 31, 2020 to its borrowers. In line with the RBI guidelines issued on April 17, 2020 and subsequent amendments, 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 extended the moratorium option to its borrowers under a Board-approved policy. As on March 31, 2020, the aggregate outstanding of the borrowers to whom moratorium has been extended and which were overdue but standard as on February 29, 2020 and continued to be overdue on March 31, 2020, amounted to INR 172.91 lacs. All these borrowers were extended asset classification benefit under RBI's norms. As on March 31, 2020, the Bank has made Covid-19 related general provision of INR 8.65 lacs.

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1.10 Business Ratios

Sr. No.	Particulars	March 31, 2020	March 31, 2019
(i)	Interest Income as a percentage to Working Funds	6.83%	6.94%
(ii)	Non-Interest Income as a percentage to Working Funds	0.72%	0.77%
(iii)	Operating Profit as a percentage to Working Funds	1.83%	1.68%
(iv)	Return on Assets	0.53%	0.86%
(v)	Business (Deposit plus advances) per employee (Rs. in Lacs)	4,499.49	4,512.15
(vi)	Profit per Employee (Rs. in Lacs)	15.97	25.27

Notes:

- Working funds represent the average of total assets as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949.
- For the purpose of computation of business per employee (deposits plus advances) interbank deposits are excluded and numbers of employee as on 31st March have been considered.
- Average of total assets taken for Return on Assets

1.11 Asset Liability Management

Maturity pattern of certain items of Assets & Liabilities (as on March 31, 2020)

(Rs. in lacs)

	Deposits	Loans & Advances *	Investments	Borrowings **	Foreign Currency Assets	Foreign Currency liabilities
Day 1	4,901.03	4,513.61	96,375.44	0	11,954.13	818.92
2-7 days	56,874.07	24,401.82	12,250.00	6,809.85	8,961.65	9,042.12
8-14 days	30,284.41	36,276.14	5,711.14	0	5,755.42	3,579.02
15-30 days	200,078.91	75,093.73	39,871.94	11,349.75	119,034.52	114,151.44
31 days and upto 2 months	76,389.12	169,589.24	20,826.84	34,049.25	122,868.11	146,411.83
2 months and upto 3 months	111,007.40	117,435.44	20,936.18	0.00	42,716.29	23,574.85
Over 3 months and upto 6 months	154,143.99	122,815.13	34,776.66	30,266.00	52,416.07	45,091.97
Over 6 months and upto 1 year	55,614.93	40,757.56	10,488.05	0.00	6,069.94	963.58
Over 1 year and upto 3 years	73,820.69	35,235.77	13,921.36	0	0.00	7,214.76
Over 3 years and upto 5 years	241.46	19,467.49	45.54	0	0.00	0
Over 5 years	13.02	80,031.01	4,931.06	0	1,938.72	,1031.48
Total	763,369.02	725,616.94	260,134.21	82,474.85	371,714.85	351,879.97

* Gross NPA is not included under Loan & Advances.

** Repo with RBI is not included under borrowings.

Maturity pattern of certain items of Assets & Liabilities (as on March 31, 2019)

(Rs. in lacs)

	Deposits	Loans & Advances *	Investments	Borrowings **	Foreign Currency Assets	Foreign Currency liabilities
Day 1	8,659.67	4,780.02	23,174.35	-	21,096.97	645.11
2-7 days	39,064.21	37,047.65	9,086.53	7,766.20	6,121.50	7,658.98
8-14 days	41,024.99	25,135.72	7,767.31	-	31,561.02	25,344.07
15-30 days	111,944.32	95,511.44	25,233.18	21,331.00	72,660.91	66,973.78
31 days and upto 2 months	48,108.13	149,307.75	9,108.37	-	70,605.57	48,248.68
2 months and upto 3 months	166,066.84	101,895.08	36,680.95	27,662.00	44,404.37	50,966.36
Over 3 months and upto 6 months	70,253.15	118,359.07	17,883.73	24,204.25	14,805.82	26,521.38
Over 6 months and upto 1 year	111,659.12	38,720.41	23,759.20	13,831.00	1,557.33	13,831.00
Over 1 year and upto 3 years	54,974.55	42,649.77	10,408.40	-	-	4,153.73
Over 3 years and upto 5 years	38.36	14,713.89	7.27	-	-	-
Over 5 years	132.70	45,344.29	3,943.23	-	-	804.87
Total	651,926.04	673,465.09	167,052.52	94,794.45	262,813.49	245,147.96

* Gross NPA is not included under Loan & Advances

** Repo with RBI is not included under borrowings

The bank has compiled the data for the purpose of this disclosure (from its internal MIS system and has been furnished by the management) which has been relied upon by auditor.

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1.12 Exposures

1.12.1 Exposure to Real Estate Sector

(Rs. in lacs)

Sr. No.	Particulars	March 31, 2020	March 31, 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;	93,169.72	54,853.32
(ii)	Commercial Real Estate - Lending secured by mortgages on commercial real estates (office buildings, retail space, 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;	20,287.20	13,456.32
(iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures- (a) Residential (b) Commercial Real Estate	Nil	Nil
b)	**Indirect Exposure**		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	12,388.89	25,444.44
	Total Exposure to Real Estate Sector	**125,845.81**	**93,754.08**

1.12.2 Exposure to Capital Market

(Rs. in lacs)

Sr. No.	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;	Nil	Nil
(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;	Nil	Nil
(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;	Nil	Nil
(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;	Nil	Nil
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	Nil	Nil
(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;	Nil	Nil
(vii)	bridge loans to companies against expected equity flows / issues;	Nil	Nil
(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;	Nil	Nil
(ix)	financing to stockbrokers for margin trading;	Nil	Nil
(x)	All exposures to Venture Capital Funds (both registered and unregistered)	Nil	Nil
	Total Exposure to Capital Market	**Nil**	**Nil**

1.12.3 Risk Category wise Country Exposure

(Rs. in lacs)

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	95,006.72	84.35	86,112.55	46.90
Low	41,219.55	28.88	20,152.48	
Moderate	123.31		3,103.39	
High	11,580.13		9,530.11	
Very High	561.06		174.42	
Restricted				
Off-Credit				
Total	**148,490.77**	**113.23**	**119,072.95**	**46.90**

Note: The bank has compiled the data for the purpose of this disclosure which has been relied upon by the auditor

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1.13 Details of Single Borrower Limit (SBL), Group Borrower Limit (GBL) exceeded by the bank

1.13.1 Single Borrower Limits exceeded during the year 2019-20:

During the year ended 31 March 2020, the bank had complied with RBI guideline on single borrower limit. The extend RBI guideline permit banks to enhance the credit exposure by an additional 5% of capital funds with the approval of Management Committee. In accordance with the guidelines issued by RBI, with prior approval of the Management Committee, the bank had additional exposure to POSCO Maharashtra Steel Pvt Ltd during the year which was within the prudential exposure limit. (Previous Year: POSCO Maharashtra Steel Pvt Ltd). During the year, there was a instance where LE limit was exceeded with respect to a bank under exceptional conditions and was rapidly rectified. The same was reported to RBI.

1.13.2 Group borrower Limits exceeded during the year 2019-20

The Bank has not exceeded the prudential credit exposure limit in respect of any group account (Previous Year: not exceeded).

1.14 Unsecured Advances

There were no advances for which intangible security such as charges over the right, licenses, authority etc. have been taken.

1.15 As per RBI revised framework for resolution of stressed assets vide the RBI circular DBR.No.BP.BC.101/21.04.048/2017-18 dated February 12, 2018, bank have one borrower named Infrastructure Leasing & Financial Services Limited which has been classified as SMA (Currently NPA) and has an aggregate exposure of Rs. 1 billion. In this case IBC Process has already been started by Government of India. Currently there is moratorium period declared by NCLAT because of which lenders cannot take any legal action against the said company.

1.16 Disclosure of penalties imposed by RBI:

No penalties were imposed upon the Bank by RBI during the year (Previous Year: Nil) under the provisions of section 46 (4) of the Banking Regulation Act, 1949.

1.17 I.T. Governance

In terms of guidelines issued by RBI vide circular on DBS.Co/CSITE/BC.11/33.01.001/ 2015-16 on "Cyber Security Framework in Banks" the Bank has submitted the report to the RBI. Key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management, program development and computer operations are monitored at regular intervals.

2. Disclosure Requirements as per Accounting Standards (AS)

2.1 Accounting of Property, Plant & Equipment, the details are disclosed as under:

(Rs. in lacs)

Particulars	Gross Block (At Cost)				Depreciation				Net Block	
	As at 31.03.19	Additions during the Year	Deduction during the Year	As at 31.03.20	Up to 31.03.19	For the Year	Deduction	Up to 31.03.20	As at 31.03.20	As at 31.03.19
Computer Software	143.94	15.53	0.25	159.22	135.70	10.19	0.25	145.64	13.57	8.24
Computer Hardware	740.25	125.83	15.56	850.52	570.17	138.95	15.51	693.60	156.92	170.08
Office Equipment	345.09	17.89	20.18	342.80	263.54	52.51	19.26	296.79	46.00	81.54
Furniture and fixtures	500.84	84.41	142.98	442.27	319.21	90.45	133.50	276.16	166.11	181.63
Leasehold Improvement	1,114.68	9.69	7.20	1,117.17	770.34	192.59	6.71	956.22	160.96	344.35
Electric Equipment	210.65	1.09	30.95	180.79	96.60	41.82	29.32	109.10	71.69	114.06
Motor Car	349.71	100.61	95.57	354.76	231.34	59.88	81.55	209.67	145.09	118.37
Total	**3,405.16**	**355.04**	**312.68**	**3,447.53**	**2,386.89**	**586.39**	**286.10**	**2,687.18**	**760.34**	**1,018.27**

2.2 Employee Benefits

Disclosure prescribed under AS 15 (revised) on "Employees Benefits":

A) 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. The Bank has recognized current year Rs. 172.87 lacs (Previous year Rs. 149.89 lacs) in the profit and loss account towards contribution to provident fund.

B) Gratuity

(Rs. in lacs)

Particulars	March 31, 2020	March 31, 2019
Assumption as at		
Interest / Discount Rate	6.83%	7.69%
Rate of increase in compensation / salary escalation	6.00%	6.00%
Rate of return (expected) on plan assets	0.00%	0.00%
Attrition Rate	5.00%	5.00%
Changes in present value of obligations		
Present Value of Obligation at beginning of period	198.80	159.00
Interest cost	15.29	12.53
Current Service Cost	42.37	38.72
Past Service Cost	-	-
Benefits Paid	(16.06)	(12.49)

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Particulars	March 31, 2020	March 31, 2019
Actuarial (gain)/loss on obligation	24.79	1.04
Present Value of Obligation at end of period	265.19	198.80
Changes in fair value of plan assets		
Fair Value of Plan Assets at beginning of period	0.00	0.00
Expected Return on Plan Assets	0.00	0.00
Contributions	0.00	0.00
Benefit Paid	0.00	0.00
Actuarial gain/(loss) on plan assets	0.00	0.00
Fair Value of Plan Assets at end of period	0.00	0.00
Fair Value of Plan Assets		
Fair Value of Plan Assets at beginning of period	0.00	0.00
Actual Return on Plan Assets	0.00	0.00
Contributions	0.00	0.00
Fair Value of Plan Assets at end of period	0.00	0.00
Funded Status	0.00	0.00
Excess of actual over estimated return on Plan Assets	0.00	0.00
Actuarial Gain/(Loss) Recognized		
Actuarial Gain/(Loss) for the period (Obligation	24.79	1.04
Actuarial Gain/(Loss) for the period (Plan Assets)	0.00	0.00
Total Gain/(Loss) for the period	24.79	1.04
Actuarial Gain/(Loss) recognized for the period	24.79	1.04
Unrecognized Actuarial Gain/(Loss) at end of period	0.00	0.00
Amounts to be recognized in the balance sheet and profit & loss account		
PVO at end of period	(265.19)	(198.80)
Fair Value of Plan Assets at end of period	0.00	0.00
Funded Status	0.00	0.00
Unrecognized Actuarial Gain/(Loss)	0.00	0.00
Net Asset/(Liability) recognized in the balance sheet	(265.19)	(198.80)
Expense recognized in the P & L A/C		
Current Service Cost	42.37	38.72
Past Service Cost	-	-
Interest cost	15.29	12.53
Expected Return on Plan Assets	0.00	0.00
Net Actuarial (Gain)/Loss recognized for the period	24.79	1.04
Expense recognized in the statement of P & L A/C	82.45	52.29
Movements in the Liability recognized in Balance Sheet		
Opening Net Liability	198.80	159.00
Expenses as above	82.45	52.29
Contribution paid	(16.05)	(12.49)
Closing Net Liability	265.19	198.80

(Rs. in lacs)

Particulars	For the year ended March 31st				
	2020	2019	2018	2017	2016
Experience Adjustment: On Plan Liability (Gains)/ Losses On Plan Assets (Losses)/ Gains	7.24	(1.90)	6.90	16.68	(3.43)

The above gratuity information is as certified by the actuary and relied upon by the auditor.

C) Compensated Absences:

Based on encashed leave at the end of calendar year 2019, the Bank has made a provision for leave encashment in the current year of Rs. 33.06 lacs (Previous year Rs. 20.10 lacs) in respect of leave accruing for the period upto March, 2020.

2.3 In terms of the AS 17, the following additional information is disclosed:

Segment Information – Basis of Preparation

1. The treasury segment undertakes investment in SLR & Non-SLR securities, foreign exchange operations, hedging activities for own account & on constituent's behalf. Revenue of this segment consists of interest earned on funding, interest income from government securities & bonds, gain on government securities, debentures/ bonds and profit on exchange & derivatives transactions. The principal expenses of this segment consist of interest expenses on funds borrowed from external sources.
2. The corporate and wholesale banking segments consist of revenue arising out of funding corporate and commission on bank guarantees. The principal cost consists of interest on account of borrowing from customers by way of deposits.
3. The retail banking segment consists of revenue arising out of personal loan, housing loan etc.
4. The other banking operations segments consist of all other activities other than the above mentioned operations.
5. The entire operating expenses are considered as un-allocable expenses, since the Treasury activities and other banking operations are conducted from the same premises.

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Part A: Business Segment

(Rs. in lacs)

Particulars	2019-20					2018-19				
	Rs in Lacs					Rs in Lacs				
Business Segment	**Treasury**	**Corporate/ Wholesale Banking**	**Retail Banking**	**Other banking operation/ others**	**Total**	**Treasury**	**Corporate/ Wholesale Banking**	**Retail Banking**	**Other banking operation/ others**	**Total**
Segment Revenue	20,650.43	44,682.28	8,630.84	69.85	74,033.40	17,936.85	42,940.41	4,319.18	77.29	65,273.74
Segment Result	16,544.67	(2,572.82)	7,732.85	69.85	21,774.55	12,575.88	6,967.44	3,286.87	77.29	22,907.48
Unallocated Expenses	-	-	-	-	12,679.81	-	-	-	-	-
Profit before tax	-	-	-	-	9,094.74	-	-	-	-	12,290.26
Income Taxes	-	-	-	-	3,889.72	-	-	-	-	4,988.41
Extraordinary P/L	-	-	-	-	-	-	-	-	-	-
Net Profit	-	-	-	-	5,205.02	-	-	-	-	7,301.85
Segment Assets	340,890.15	614,224.02	123,165.74	-	1,078,279.91	221,592.25	610,916.69	74,231.11	-	906,740.05
Unallocated Assets	-	-	-	-	10,764.52	-	-	-	-	7,073.94
Total Assets	-	-	-	-	1,089,044.43	-	-	-	-	913,813.98
Segment Liabilities	164,273.23	744,518.76	29,908.94	-	938,700.93	113,881.04	634,516.35	28,474.34	-	776,871.73
Unallocated Liabilities	-	-	-	-	150,343.50	-	-	-	-	136,942.25
Total Liabilities	-	-	-	-	1,089,044.43	-	-	-	-	913,813.98

Part B: Geographical Segment:

The Bank does not have overseas operation and operates only in the domestic segment.

2.4 Related party disclosures

Related party disclosures as required by AS 18 "Related Party Disclosures" are given below:

1. Relationship during the year *

a) Parent

Shinhan Bank, Seoul and its branches

b) Key management personnel

Mr. Sang Mo Byun - CEO in India

In terms of paragraph 4.5 of RBI Circular No. DBR.BP.BC No.23/21.04.018/2015-16 dated July 1, 2015 regarding disclosure of related party transaction, no disclosure under AS 18 is made other than reporting the relationship with the related party.

The bank has disclosed that subsidiaries/Joint venture of the parent as related parties with whom it has entered into transaction during the current and previous financial year.

Sl. No	Name	Nature of transaction	Amount (in lacs)
1.	Shinhan Serve	Miscellaneous purchase	3.26 (3.14)
2.	iShinhan	Miscellaneous purchase	3.27 (Nil)

Notes: Figures in bracket represent previous year figures

2.5 Leases

The Bank has operating leases for premises taken on lease and the disclosures under AS 19 on 'Leases' are as follows

1. Total of future minimum lease payments of office premises are as follows:

(Rs. in lacs)

Sr. No.	Particulars	2019-20	2018-19
(i)	Not later than one year	1,025.27	885.23
(ii)	Later than one year and not later than five year	1372.01	749.83
(iii)	Later than five years	–	–

The bank has compiled the data for the purpose of this disclosure (from its internal MIS system and has been furnished by the management) which has been relied upon by auditor.

2. Lease payment related to office premises of Rs. 977.27 (Previous Year Rs. 854.28 lacs) has been recognised in the profit and loss for the year being minimum lease payments.

3. The lease agreement entered into pertains to use of premises by the branches. The lease agreements do not have any undue restrictive or onerous clause other than those normally prevalent in similar agreement regarding use of assets, lease escalation, renewals and a restriction on sub-lease.

2.6 Earning Per Share

The Bank is a branch of a Foreign Bank 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.

2.7 Taxes on Income

The Bank has accounted for Income–tax in compliance with AS 22 "Accounting for Taxes on Income". Deferred Tax of Rs. 3,434.28 lacs has been Credited to the Profit and Loss account for the period ended March 31, 2020. The major components of deferred tax asset (net) as at March 31, 2020 are as under:

Particulars	Amount (Rs. In Lacs)	
	March 31, 2020	**March 31, 2019**
Deferred Tax Assets		
Provision for Doubtful Debts	3,437.26	371.28
Provision for Gratuity	115.84	86.83
Depreciation on Fixed Assets	595.74	497.73
Upfront Guarantee Commission	98.61	14.14
Unhedged FCE	138.11	108.93
Others	180.95	73.80
Total	**4,566.51**	**1,152.71**
Deferred Tax Liability		
Others	Nil	20.48
Total	**Nil**	**20.48**
Net Deferred tax asset	**4,566.51**	**1,132.23**

2.8 Impairment of Assets

As at March 31, 2020 there were no events or changes in circumstances which indicate any material impairment in the carrying value of the assets covered by AS 28 on "Impairment of Assets".

2.9 Indian Accounting Standards (Ind-As)

The Ministry of Corporate Affairs (MCA) has notified Indian accounting standards (Ind AS) for adoption. The RBI through press release RBI/2018-2019/146 DBR.BP.BC.No.29/21.07.001/2018-19 March 22, 2019 updated all scheduled commercial banks that legislative amendments recommended by the RBI are under consideration of the Government of India. Accordingly, RBI has decided to defer the implementation of Ind AS till further notice.

The bank will continue its preparation towards migration to adopting IND-AS as per regulatory requirement. In preparedness towards achieving the same, the bank has formed a steering committee which has members from various functions. The bank had prepared Proforma Financials as per extend regulatory guideline and submitted the same to Reserve Bank of India (RBI) during the year on quarterly basis.

3. Additional Disclosures

3.1 Provisions & Contingencies includes (debited to Profit & Loss Account)

(Rs. in lacs)

Sr. No	Particulars	March 31, 2020	March 31, 2019
(i)	Provision for depreciation on Investment	Nil	Nil
(ii)	Provision/write off towards non–performing assets (Net)	8,500.94	1,500
(iii)	Provision for/(write back) of Tax during the year		
	– Income tax	7,324.00	5,500.00
	– Income tax – (Earlier Year including interest)	Nil	(85.54)
	– Deferred tax	(3,434.28)	(426.05)
(iv)	Other Provisions & Contingencies		
	– Provision for Standard Assets /(Write back of provision) including provision towards Unhedged FCE & Covid–19 related provision	269.82	529.87
	– Provision for Country Risk Exposure/(Write back of provision)	66.34	(57.83)
	– Provision on fraud	(0.66)	0.66
	Total	**12,726.15**	**6,961.11**

3.2 Floating Provisions:

The Bank did not hold any floating provision in its books during the year as well as at 31 March 2020 (Previous Year: Nil)

3.3 Drawn Down from Reserves:

There was no draw down from Reserves during the year ended 31 March 2020 (Previous Year: Nil).

3.4 Disclosure of complaints

A. Customer Complaints

Sr. No	Particulars	2019-20	2018-19
(a)	No. of complaints pending at the beginning of the year	1	Nil
(b)	No. of complaints received during the year	6	6
(c)	No. of complaints redressed during the year	7	5
(d)	No. of complaints pending at the end of the year	Nil	1

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B. Awards passed by the Banking Ombudsman

Sr. No	Particulars	2019-20	2018-19
(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

3.5 Letters of Comfort (LoCs)

The Bank has not issued any LoC during the year 2019-20. (Previous Year: Nil).

3.6 Provisioning Coverage Ratio

(Rs. in lacs)

Particulars	March 31, 2020	March 31, 2019
Total gross non-performing assets (Amount)	10,003.77	10,000.00
Provisioning Coverage Ratio (Ratio of provision to gross non-performing assets)	99.97%	15.00%

3.7 Insurance Business:

Bank has earned INR 8.83 lacs from bancassurance business during year ended March 31, 2020. (Previous Year: INR 12.96). This Income has been reflected under Commission, exchange and brokerage under Other Income.

3.8 Concentration of Deposits, Advances, Exposures and NPAs

A. Concentration of Deposits

Particulars	March 31, 2020	March 31, 2019
Total Deposits of twenty largest depositors (Rs in Lacs)	582,370.80	508,482.14
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	76.29%	78.00%

B. Concentration of Advances #

Particulars	March 31, 2020	March 31, 2019
Total Advances of twenty largest borrower (Rs. in Lacs) (Funded outstanding balance)	222,630.33	264,728.4
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	30.26%	38.73%

Calculated on funded outstanding balance

C. Concentration of Exposures

Particulars	March 31, 2020	March 31, 2019
Total Exposure to twenty largest borrowers/customers (Rs. in Lacs) * #	203,639.60	189,748.36
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrower/customers	40.34%	45.37%

* exposures are computed based on credit and Investment exposure as prescribed in the RBI's master circular DBR.NO.DIR. BC.12/13.03.00/2015-16 dated July 1, 2016.

Excludes advances cover by banks guarantees and derivative exposures with banks and CCIL as counter parties and investment in government securities.

D. Concentration of NPAs

Particulars	March 31, 2020	March 31, 2019
Total Exposure to top four NPA accounts (Rs. in Lacs)	10,003.77	10,000.00

3.9 Sector-wise Advances

Rs in lacs

Sl. No	Sector	March 31, 2020			March 31, 2019		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**						
1	Agriculture and allied activities	1,224.76			1,347.86		
2	Industry	93,413.01			79191.65		
3	Services	80,582.29			69,890.47		
4	Retail Loan #	1,127.69			704.15		
5	Export Finance	129,712.82			88,119.03		
	Sub-total (A)	**306,060.57**			**239,253.16**		

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Sl. No	Sector	March 31, 2020 (Rs in lacs)			March 31, 2019		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
B	**Non Priority Sector**						
1	Agriculture and allied activities	80.19			20,465.32		
2	Industry	235,938.74			233,061.99		
	*Of Which,***						
	Wires / Cables	26,324.00			71,366.57		
	Engineering - Industrial Equipment and Machinery	16,837.60			29,166.50		
	Auto Components and Ancillaries	7,931.09			8,707.53		
	Steel and Related Products	57,413.87			23,985.38		
3	Services	79,982.41			117,505.56		
	Of Which,						
	NBFC	30.375.00	10,000.00	32.92	46,847.22	10,000.00	21.35
	Trade	23,091.09			7,447.42		
4	Retail Loan #	113,558.80	3.77		73,179.06		
	Sub-total (B)	**429,560.13**			**444,211.93**		
	Total (A+B)	**735,620.71**	**10,003.77**		**683,465.09**	**10,000**	

**Amount represent where the outstanding advances exceeding 10% of the outstanding total advances to that sector.

Retail loan includes all kind of individual loan

3.10 Movement of NPAs (Rs. in lacs)

Particulars	March 31, 2020	March 31, 2019
Gross NPAs as on 1st April of particular year (Opening Balance)	10,000.00	Nil
Additions (Fresh NPAs) during the year	3.77	10,000.00
Sub-total (A)	10,003.77	10,000.00
Less:-		
(i) Upgradations	Nil	Nil
(ii) Recoveries (excluding recoveries made from upgraded accounts)	Nil	Nil
(iii) Technical/ Prudential Write-offs		
(iv) Write-offs other than those under (iii) above	Nil	Nil
Sub-total (B)	Nil	Nil
Gross NPAs as on 31st March of following year (closing balance) (A-B)	10,003.77	10,000.00

Particulars	March 31, 2020	March 31, 2019
Opening balance of Technical/ Prudential written-off accounts as at April 1	Nil	Nil
Add: Technical/ Prudential write-offs during the year	Nil	Nil
Sub-total (A)	Nil	Nil
Less:-	Nil	
Recoveries made from previously technical/ prudential written-off accounts during the year (B)	Nil	Nil
Closing balance as at March 31 (A-B)	Nil	Nil

3.11 Disclosure on Exposure to Infrastructure Leasing & Financial Services Limited (ILFS) and its group entities

The following table sets forth the exposure in IL&FS and group entities as at March 31,2020, 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. Subsequently RBI has withdrawn mentioned circular on May 8, 2019 in view of the National Company Law Appellate Tribunal's (NCLAT) order dated May 2, 2019 in respect of Company Appeal (AT) No. 346 of 2018 and I.A. No. 1139 of 2019.

(Rs. in lacs)

Amount outstanding (1)	Of (1), total amount of exposures which are NPAs as per IRAC norms and not classified as NPA. (2)	Provisions required to be made as per IRAC norms. (3)	Provisions actually held (4)
10,000	Nil	4,000	10,000

3.12 Provisions on Standard Assets in Stress Sector

Provision on standard advances in Stress Sector as on March 31, 2020 was INR 15.70 lacs (Previous Year: INR 22.68 lacs). During the year based on review of Credit portfolio of the Bank, the Bank has identified certain performing accounts which have been faced with stress due to current market and liquidity condition.

3.13 Disclosures on Strategic Debt Restructuring Scheme (SDR) (accounts which are currently under the stand-still period)

There is no account where SDR has been invoked in the Financial Year ending March 31, 2020 and March 31, 2019.

3.14 Disclosures on Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period)

As of March 31, 2020 there was no account under the stand-still period in the outside Strategic Debt Restructuring Scheme. Even during the year ended March 31, 2019 no account was restructured as per resolution plan implemented in accordance with the revised framework issued by RBI through notification "Resolution of Stressed Assets – Revised Framework" dated February 12, 2018.

3.15 Disclosures on Change in Ownership of Projects Under Implementation

There are no accounts where the Bank has decided to effect the change of ownership of projects under Implementation for the year ended March 31, 2020 and March 31, 2019.

3.16 Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A) as on March 31, 2020

There are no accounts where S4A has been implemented in the Financial Year ended March 31, 2020.

3.17 Overseas Assets, NPAs and Revenue

The Bank does not have overseas operation and operates only in the domestic segment.

3.18 Off-balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

Name of the SPV Sponsored	
Domestic	**Overseas**
N.A.	N.A.

3.19 Classification of Net Investment under various categories is as under:

(Rs. in lacs)

Particulars	March 31, 2020	March 31, 2019
Held to maturity	149,297.94	110,215.79
Available for sale	110,836.26	56,836.73
Held for trading	-	-
Total	260,134.20	167,052.52

3.20 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.

3.21 Disclosures on Remuneration

The bank's compensation policies including that of CEO's, is in conformity with the FSB principles and standards. In accordance with the requirements of the RBI Circular No DBR.NO.BC.72/29.67.001/2011-12 dated 13 January 2012, the Head Office of the bank has submitted a declaration to the RBI confirming the above mentioned aspect.

3.22 The Bank has not financed any margin trading activities during the year nor is there any outstanding at year end. (Previous Year: Nil).

3.23 Securitisation exposure

The Bank did not have securitisation exposure during the year (Previous Year: Nil).

3.24 Operating Expenses

None of the expenses included under Other Expenses in Schedule 16 – 'Operating expense' has exceeded the limit of 1% of total income during the year ended March 31, 2020 (Previous Year: Nil).

3.25 Credit Default Swaps

The Bank has not dealt in Credit default swaps during the year (Previous Year: Nil).

3.26 Intra Group Exposure

RBI Circular No. RBI/2013-14/487 DBOD.No.BP.BC.96/21.06.102/2013-14 dated Feb 11, 2014 deals with Management of Intra Group Exposure and transactions. The intra group exposure comprises of Bank's transactions and exposures to the entities belonging to the Bank's own group (group entities). The Bank's exposure to its head office and overseas branches of Shinhan Bank, Seoul (Parent) except for proprietary derivative transactions undertaken with them, are excluded from Intra group exposure. The bank has not entered into any proprietary derivative transaction with the group. Also, the Bank has no other Group Entities in India and thus no Intra-Group exposure to be reported as on March 31, 2020.

3.27 Transfers to Depositor Education and Awareness Fund (DEAF)

(Rs. in lacs)

Particulars	March 31, 2020	March 31, 2019
Opening balance of amounts transferred to DEAF	18.56	16.55
Add : Amounts transferred to DEAF during the year	12.08	2.01
Less : Amounts reimbursed by DEAF towards claims	-	-
Closing balance of amounts transferred to DEAF	30.64	18.56

3.28 Unhedged Foreign Currency Exposure

The RBI has issued various guidelines advising bank to closely monitor UHFCE of their borrowing client. However, the extent UHFCE of the entity continues to be significant and this can increase probability of default in times of high currency volatility.

The RBI had, therefore, introduced incremental provisioning and capital requirement for the bank exposure to the entity with UHFCE.

The objective of this policy would be to maximize the hedging on foreign currency exposures of borrowers by reviewing their foreign currency product portfolio and encouraging them to cover the unhedged portion.

The process of ascertaining the amount of UHFCE, estimating the extent of likely loss, the riskiness of the hedge positions, provision thereof, etc. are to be done as per RBI circular DBOD.No.BP.BC.85/21.06.200 /2013-14 dated 15.01.2014. Based on the response received from client, the bank analyses and evaluate its incremental capital and provisioning requirement on account of exposures to entities with UHFCE. Apart from this, bank review and monitor UFCE at the time of sanction of New Loan/Extension/renewal and the same includes in Credit Officer Opinion Report.

The Bank maintains incremental provision towards the unhedged foreign currency exposures of its borrowers in line with the extant RBI guidelines.

(Rs. in lacs)

Particulars	March 31, 2020	March 31, 2019
Incremental Provision	316.18	249.39
Incremental Risk weighted assets on account of UHFCE	7,520.71	4,828.41

3.29 Liquidity Coverage Ratio

a. Quantitative Disclosures

(Rs. in lacs)

			March 31, 2020		March 31, 2019	
			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)			**242,749.89**		**124,880.06**
Cash Outflows						
2	Retail deposits and deposits from small business customers, of which:					
	(i)	Stable deposits	24,50.65	122.52	3,182.14	159.10
	(ii)	Less stable deposits	32,357.54	3,235.75	26,040.47	2,604.05
3	Unsecured wholesale funding, of which :					
	(i)	Operational deposits (all counterparties)	-	-	-	-
	(ii)	Non-operational deposits (all counterparties)	346,241.83	154,590.66	254,369.05	120,326.99
	(iii)	Unsecured debt	-	-	-	-
4	Secured wholesale funding			-		-
5	Additional requirements, of which					
	(i)	Outflows related to derivative exposures and other collateral requirements	122,018.42	121,348.42	879.76	87.87
	(ii)	Outflows related to loss of funding on debt products	-	-	-	-
	(iii)	Credit and liquidity facilities	1,339,802.45	92,039.94	879.76	87.87
6	Other contractual funding obligations		4,616.65	4,616.65	51,872.36	51,872.36
7	Other contingent funding obligations		123,133.61	3,694.00	3,800.64	114.02
8	Total Cash Outflows			**379,647.99**		**175,164.38**
Cash Inflows						
9	Secured lending (e.g. reverse repos)		82,324.18	0.00	5,306.67	5,306.67
10	Inflows from fully performing exposures		179,679.66	101,859.59	161,891.67	88,250.41
11	Other cash inflows		126,379.97	126,379.97	5,894.36	5,894.36
12	Total Cash Inflows		**388,383.80**	**228,239.55**	**173,092.69**	**99,451.43**
				Total Adjusted Value		Total Adjusted Value
13	TOTAL HQLA			**242,749.89**		**124,880.06**
14	Total Net Cash Outflows			**151,408.44**		**75,712.95**
15	Liquidity Coverage Ratio (%)			**160.33%**		**164.94%**

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(Rs. in lacs)

	December 31, 2019		September 30, 2019		June 30, 2019	
	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)		221,014.35		150,025.86		152,262.46
Cash Outflows						
2 Retail deposits and deposits from small business customers, of which:						
(i) Stable deposits	1,133.76	56.68	3,216.57	160.83	3,139.88	158.66
(ii) Less stable deposits	30,896.76	3,089.67	23,730.56	2,373.06	23,575.99	2,380.15
3 Unsecured wholesale funding, of which :						
(i) Operational deposits (all counterparties)						
(ii) Non-operational deposits (all counterparties)	343,642.72	164,524.95	285,905.68	131,329.93	32,468.43	108,767.31
(iii) Unsecured debt						
4 Secured wholesale funding						
5 Additional requirements, of which						
(i) Outflows related to derivative exposures and other collateral requirements	129,449.84	129,210.71	5,987.47	5,987.47	344.07	344.07
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-
(iii) Credit and liquidity facilities	1,315,712.30	88,179.68	13,704.35	1,043.09	1,003.86	97.26
6 Other contractual funding obligations	6,105.12	6,105.12	6,045.32	240.57	37,504.53	37,249.92
7 Other contingent funding obligations	128,196.84	3,845.90	27,861.74	27,861.74	4,208.39	127.52
8 Total Cash Outflows		**395,012.76**		**168,996.68**		**149,110.36**
Cash Inflows						
9 Secured lending (e.g. reverse repos)	49,389.13	0	33,581.52	0	0	0
10 Inflows from fully performing exposures	182,408.96	103,828.94	196,268.31	123,608.30	175,960.45	107,003.47
11 Other cash inflows	135,082.17	135,082.17	10,602.98	10,602.98	5,215.87	5,180.01
12 Total Cash Inflows	**366,880.26**	**238,911.11**	**240,452.81**	**134,211.28**	**181,176.32**	**112,183.49**
		Total Adjusted Value				
13 TOTAL HQLA		**221,014.35**		**150,025.86**		**152,262.46**
14 Total Net Cash Outflows		**156,101.64**		**42,249.17**		**37,277.59**
15 Liquidity Coverage Ratio (%)		**141.58%**		**355.10%**		**408.46%**

The bank has compiled the data for the purpose of this disclosure (from its internal MIS system and has been furnished by the management) which has been relied upon by auditor.

b. Qualitative Disclosures

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 aim to ensure that a bank maintains an 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 maintenance of LCR, both at the end of period and on an average basis, has been on account of increase in excess CRR and SLR. The Bank has been maintaining HQLA primarily in the form of SLR investments over and above mandatory requirement, Marginal Standing Facility (MSF), Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR). SLR investments of the Bank considered for HQLA consists of Treasury Bills and government securities which provide timely liquidity to the Bank.

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Outflows majorly comprise of Term Deposits and Borrowings. Inflows consist of Loan & Advances, inter bank lending & T-Bills.

Based on the banks current business profile, bank has fairly simple loans and deposit portfolio with plain vanilla products and hence bank has captured the major liquidity risk.

LCR of the Bank is monitored by Asset Liability Management Committee which also strategizes the Balance Sheet profile of the Bank. There is no other material inflow or outflow not captured in the LCR common template.

3.30 Factoring exposure

The bank has factoring exposure of INR 13,098.60 lacs as on March 31, 2020 (Previous Year INR 11,376.02 lacs)

3.31 Details of provisioning pertaining to fraud accounts

(Rs. in lacs)

Particulars	March 31, 2020
No of fraud reported	1
Amount involved	0.50
Recovery during the year	1.56
Provision/Write off made net of recovery	Nil
Unamortised provision debited from "other reserve"	Nil

3.32 Corporate Social Responsibility (CSR)

The Bank has in place a local initiative on CSR activity that supported promotion of education to children through voluntary services by each employee. Pursuant to introduction of section 135 of the Companies Act, 2013, the Bank was required to incur CSR expenditure to the extent of Rs. 240.11 lacs. The bank has contributed INR 241.19 lacs towards CSR activities based on guidelines under Companies Act, 2013 during the FY 2019-20. The Bank has CSR Policy duly approved by the Board/CSR committee. The focus of the said policy is on healthcare, education and empowerment of women.

3.33 Contingent Liabilities

Claims against the Bank not acknowledged as debts include disputed dues with tax authorities (Direct and Indirect tax) where based on opinion from consultants, the Bank does not expect the outcome of the proceedings to have a material adverse effect on the Banks financial condition, result of operations or cash flow. It also includes legal proceedings against the Bank where the outcome is not expected to be materially unfavourable to the Bank or where probable liability if any, cannot be ascertained reasonably.

The Bank enters into foreign exchange contracts on its own account as well as for customers. Forward exchange contracts and Interest Rate Swaps are commitments to buy or sell foreign currency at a future date at the contracted rate. The notional amounts are recorded as contingent liability of the contract.

Contingent liabilities in respect of guarantees, acceptances, letter of credit are all entered with banks under approved credit limits and the liability thereon is dependent upon terms of contractual obligations, development and raising of demand by the concerned parties. These amounts are partly collateralized and partly reimbursable by margins/guarantees/secured charges.

Other items for which the bank is contingently liable include capital commitments, amounts transferred to DEAF.

1.34 As per RBI norms the Bank is required to transfer at least 25% of net profits to statutory reserves. However the Bank has transferred the entire profits of the current year to Statutory Reserves to shore up its capital funds for the purpose of meeting the credit exposure norms.

3.35 Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED), which comes into force from 2 Oct 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. There have been no reported cases of interest payments due to delays in such payments to Micro, Small and Medium enterprises. Auditors have relied upon the above management assertion. (Previous Year: Nil).

3.36 Bank has a Policy for Prevention of Sexual Harassment in line with the 'The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal)' Act & Rules, 2013. No complaints were received during the year in this regard.

3.37 Impact of Covid-19 on the performance of the Bank

Since the first quarter of CY2020, the Covid-19 pandemic has impacted most of the countries, including India. This resulted in countries announcing lockdown and quarantine measures that sharply stalled economic activity. The Government of India initiated a nation-wide lockdown from March 25, 2020 for three weeks which was extended to May 31, 2020 in phased manner. Several countries took unprecedented fiscal and monetary actions to help alleviate the impact of the crisis. The Reserve Bank of India (RBI) has announced several measures to ease the financial system stress, including enhancing system liquidity, moratorium of six months on loan repayments for specific borrower segments, asset classification standstill benefit to overdue accounts where a moratorium has been granted and relaxation in liquidity coverage requirement, among others. The Indian economy would be impacted by this pandemic with contraction in industrial and services output across small and large businesses. The Bank's business is expected to be impacted by lower lending opportunities and revenues in the short to medium term. The impact of the Covid-19 pandemic on Bank's results, including credit quality and provisions, remains uncertain and dependent on the spread of Covid-19, further steps taken by the government and the central bank to mitigate the economic impact, steps taken by the Bank and the time it takes for economic activities to resume at normal levels. The Bank's capital and liquidity position is strong and would continue to be the focus area for the Bank during this period.

4. Previous year figures have been regrouped and rearranged, wherever necessary to confirm to the current year's presentation.

As per our report of even date attached

M/s Bilimoria Mehta & Co,
Chartered Accountants
FRN: 101490W

Kiran Suvarna
Partner
Membership No : 113784

Place : Mumbai
Dated : June 29, 2020

For SHINHAN BANK
Indian Operations

Sang Mo Byun
Chief Executive Officer in India

SHINHAN BANK

(Incorporated in Korea with limited liability)

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Disclosures under the new Capital Adequacy Framework (Basel III Guidelines) Pillar 3 Disclosures

1. Scope of Application

Reserve Bank of India (RBI) issued Basel III guidelines applicable with effect from April 1, 2013. The guidelines provide a transition schedule for Basel III implementation till March 31, 2020. Upon full implementation, Basel III guidelines target minimum capital to risk-weighted assets ratio (CRAR) would be 11.5%, minimum Common Equity Tier-1 (CET1) CRAR ratio would be 5.5% and minimum Tier-1 CRAR ratio would be 7%.

As per the transitional arrangement, at March 31, 2020, Shinhan Bank – India branches (the Bank) is required to maintain minimum capital requirement of 11.50% including capital conservation buffer (CCB).

Qualitative Disclosures:

(a) The capital Adequacy framework applies to Shinhan Bank – India branches. Shinhan Bank India ("hereinafter referred to as the 'Bank') are the Indian Operations of Shinhan Bank ("hereinafter referred to as 'H.O.'), a South Korean company incorporated in 1897 operating as commercial bank through network of branches in South Korea and various overseas branches including India. The Bank has a network of six branches in India as on 31st March 2020.

(b) The Bank does not have any subsidiaries.

Quantitative Disclosures:

(c) The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation i.e. that are deducted and the name(s) of such subsidiaries : NIL

(d) The aggregate amounts of the bank's total interests in insurance entities : NIL

(e) Restrictions or impediments on transfer of funds or regulatory capital within the banking group: NIL

2. Capital Structure:

Qualitative Disclosures:

(a) Summary information and main features of capital instruments are given below.

- ➢ Tier I capital: - consists of funds from H.O. for the purpose of meeting capital adequacy norms & statutory reserves minus deferred tax asset.
- ➢ Tier II capital comprises of general loan loss provisions.

(b) The Composition of capital structure:

(Rs. in lacs)

Particulars	March 31, 2020
Funds from H.O.	63,319.08
Statutory Reserve	67,986.39
Deferred Tax Assets	(4,566.51)
Total–Tier I	**126,738.96**
Provision for Standard Assets	3,054.93
Provision for Country Risk Exposure	113.23
Total–Tier II	**3,168.16**
Total Eligible Capital	**129,907.12**

3. Capital Adequacy:

Qualitative disclosures:-

Every year Bank fixes its corporate goals, commensurate with its risk appetite. 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. For the purpose, bank has a well defined Internal Capital Adequacy Assessment Policy (ICAAP) to comprehensively evaluate and document all the risks like Interest Rate Risk in Banking Book, Liquidity Risk, Reputation Risk, Compliance Risk, Strategic Risk and Credit Concentration Risk etc. and substantiate appropriate capital allocation so as to evolve a fully integrated risk/capital model for both regulatory and economic capital.

The bank carefully assesses its growth opportunities relative to the capital available to support them, particularly in light of the economic environment and advent of Basel III. The Bank maintains a strong discipline over capital allocation and ensuring that returns on investment cover capital costs. The bank is fully committed in implementing the Basel III norms as adopted by the Reserve Bank of India. The bank has adopted the following approaches for its capital adequacy under BASEL III in line with the guidelines of the Reserve Bank of India.

- ➢ Credit Risk – Standardised approach.
- ➢ Market Risk – Standardised duration approach.
- ➢ Operational Risk – Basic Indicator approach.

Quantitative disclosures:

Under the BASEL III framework on an on-going basis, the bank has to maintain a minimum total capital of 11.50% including Capital Conservation Buffer (CCB) at 2.50% for credit risk, market risk and operation risk. The minimum total capital should include minimum common equity tier 1 (CET1) ratio of 5.50%, minimum tier 1 capital ratio of 7.00%. The minimum total capital requirement includes the Capital Conservation Buffer (CCB) of 2.50% (PY: 1.875%)

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The summary of the bank's capital requirement for credit, market, operation risk and CRAR as at March 31, 2020 is presented below:

(Rs in lacs)

	PARTICULARS	Amount
A	**Capital requirement for credit risk**	
	– Portfolios subject to standardised approach	62,513.00
	– Securitisation exposures	
B	**Capital requirement for market risk**	
	Standardised duration approach	
	– Interest rate risk	580.38
	– Foreign exchange risk	1,293.75
	– Equity risk	-
C	**Capital requirement for operational risk**	
	– Basic indicator approach	4,774.16
D	**Capital Adequacy ratio of the Bank (%)**	**21.60%**
E	**Tier I CRAR (%)**	**21.07%**

General Disclosures:

Risk Exposure and Assessment

Shinhan Bank's Risk Management policies and procedures are subject to a high degree of oversight and guidance to ensure that all types of risks is systematically identified, measured analysed and actively managed. Specific details relating to all major business functions are elaborated in the respective policies and manuals of the bank, which may be guided by for specific business activities.

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 H.O. has the responsibility for coordination of overall risk management with respect to the business of the India branches of the bank.

Risk Management

The bank has a Risk Management Department in place which oversees all types of risks in an integrated fashion. Shinhan bank has established a series of risk management system to prepare for the full-scale implementation of the revised Capital Accord. The H.O. assumes overall supervision of the global operations of the Bank. The Board of Directors assumes the ultimate responsibility of supervision, and exercises its supervisory authority through the President and CEO.

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. Shinhan Bank has created in its organizational 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 Credit, Risk, Treasury, Compliance and Finance departments.

4. Credit Risk:

General Disclosure

Credit risk covers the inability of a borrower/customer or counter-party to honour commitments under an agreement/contract and any such failure has an adverse impact on the financial performance of the Bank. The Bank is exposed to credit risk through lending, certain off balance-sheet items and some holdings in debt securities. Various credit exposure limits are fixed and approved by the appropriate authority. These limits are being monitored on a regular basis.

Strategy and Processes

The Bank's credit risk management process integrates risk management into the business management processes, while preserving the independence and integrity of risk assessment. The Bank's, H.O. formulates risk management policies for the Bank worldwide. The Bank in India has formulated local credit guidelines consistent with the HO policy. The goal of credit risk management during the year has been to maintain a healthy credit portfolio by managing risk at the portfolio level. The Bank's risk management policies and procedures establish the parameters for risk appetite, which is defined quantitatively and qualitatively in accordance with the laid-down strategic business plan. The process is established through a combination of governance structures and control processes.

The other guiding principles and processes behind Credit Risk Management Framework are:

- ➢ The acceptability of credit exposure is primarily based on the sustainability and adequacy of borrower's normal business operations and not based solely on the availability of security.
- ➢ Sound credit approval process with well laid credit-granting criteria.
- ➢ Portfolio level risk analytics and reporting to ensure optimal spread of risk across various rating classes, prevent undue risk concentration across any particular industry segments and monitor credit risk quality migration.
- ➢ 'Know your Customer' is a leading principle for all activities.
- ➢ Appropriate covenants are stipulated for risk containment and monitoring.
- ➢ Industry-wise exposure ceilings are based on the industry performance, prospects and the competitiveness of the sector.
- ➢ Separate risk limits are set up for credit portfolios like advances to NBFC and unsecured loans that require special monitoring.

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Structure and Organization

The Bank has committee approach in place for credit sanction and review. Credit approval authorities are delegated from the H.O. to the Chief Executive Officer, India. The Head of Risk Management in India maintains a functional reporting to the Global Business Division at the HO through the CEO of India Operations.

Scope and nature of risk reporting and measurement

Credit Rating System

Credit rating tools are an integral part of risk-assessment of the corporate borrowers and the Bank has developed rating model that has distinct risk characteristics. The Bank periodically carries out a comprehensive portfolio level analysis of its asset portfolio with a risk-return perspective. The credit rating tool uses a combination of quantitative inputs and qualitative inputs to arrive at a 'point-in-time' view of the rating of counterparty. Each internal rating grade corresponds to a distinct probability of default. The output of the rating model is primarily to assess the chances of delinquency over a one year time horizon.

Review and Monitoring

- The Bank has developed monitoring tool that helps in objectively assessing the credit quality of the borrower taking into cognizance the actual behavior post-disbursement.
- All credit exposures, once approved, are monitored and reviewed periodically against the approved limits.
- Borrowers with lower credit rating are subject to more frequent reviews.
- Credit audit involves independent review of credit risk assessment, compliance with internal policies of the Bank and with the regulatory framework, compliance of sanction terms and conditions and effectiveness of loan administration.

Concentration Risk

Concentration Risk in the context of banking operations generally denotes the risk arising from an uneven distribution of counter- parties in credit or any other business relationship or from a concentration in business sectors or geographical regions which may generate losses large enough to jeopardize the Bank's position. The Bank controls and limits concentration risk by means of appropriate structural limits and borrower limits based on creditworthiness.

Industry Concentration Risk

Industry analysis plays an important part in assessing the industry concentration risk within the loan portfolio. Particular attention is given to industry sectors where the Bank believes there is a high degree of risk or potential for volatility in the future. The Bank has fixed internal limits for aggregate commitments to different sectors so that the exposures are evenly spread over various sectors.

Reporting

Regular internal reporting and oversight of assets and guidance to ensure that all types of risk are systematically dealt with is principally differentiated by the credit ratings applied which includes information on large credit exposures, credit concentration, industry exposures, levels of impairment , provisioning and country exposures are being reported to the Credit Committee on a monthly basis.

Non-performing advances

Advances are classified into performing and non-performing advances (NPAs) as per Reserve Bank of India (RBI) guidelines. NPAs are further classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. An asset, including a leased asset, becomes non-performing when it ceases to generate income for the Bank and an NPA is a loan or an advance where Interest and/or instalment of principal remains overdue for a period of more than 90 days in respect of term loan, the account remains "out-of-order" in respect of an Overdraft or Cash Credit (OD/CC), the bill remains overdue for a period of more than 90 days in case of bills purchased and discounted and the regular/ad hoc credit limits have not been reviewed /renewed within 180 days from the due date/ date of ad hoc sanction.

Following is table of non-performing assets and provision as on 31st March 2020

(Rs. in lacs)

Sr. No.	Particulars	2019-20	2018-19
(i)	Net NPAs to Net Advances (%)	0.00%	1.26%
(ii)	Movement of NPAs (Gross)		
	(a) Opening Balance	10,000.00	Nil
	(b) Additions during the year.	3.77	10,000.00
	(c) Reductions during the year	Nil	Nil
	– Recovery		
	– Write off		
	(d) Closing balance	10,003.77	10,000.00
(iii)	Movement of Net NPAs		
	(a) Opening balance	8,500.00	Nil
	(b) Additions during the year.	2.83	8,500.00
	(c) Reductions during the year	8,500.00	Nil
	(d) Closing balance	2.83	8,500.00
(iv)	Movement of provisions for NPAs (excluding provision on standard assets)		
	(a) Opening balance	1,500.00	Nil
	(b) Provisions made during the year.	8,500.94	1,500.00
	(c) Write-off/write-back of excess provisions	Nil	Nil
	(d) Closing balance	10,000.94	1,500.00

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Credit quality/ Impairment of Loans:

All loans and advances of the Bank are classified according to asset quality, nature and passage of time and at each balance sheet date, the Bank ascertains if there is any impairment in its assets. If such an indication is detected, the Bank estimates the recoverable amount of the assets from the date of identification of credit weaknesses in accordance with RBI guidelines. The irrecoverable amount is treated as an impairment loss and is recognized in the profit and loss account. 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.

Credit Risk Management

The Bank has standards, policies and procedures dedicated to the monitoring and management of credit risk, which include the following:

➢ The Credit policy delineates the bank's maximum exposures to individual customers, customer groups and other risk concentrations. Ensure compliance with lending guidelines to specified market sectors and industries in compliance with RBI guidelines and HO policies.

➢ Control cross-border exposures to manage country and cross-border risk through the imposition of country limits with sub-limits by maturity and type of business.

➢ Undertake independent review and objective assessment of credit risk. All commercial credit facilities are subject to review prior to the facilities being committed to customers.

➢ Maintain and develop the bank's risk rating framework and systems, in order to classify exposures meaningfully and facilitate focused management of the risks involved. Rating methodologies are based upon a wide range of financial analytics together with market database tools, which are core inputs to the assessment of customer risk. Risk grades are reviewed frequently and amendments, where necessary, are implemented promptly.

Credit risk portfolio including Geographic Distribution

(Rs. in lacs)

Particulars	March 31, 2020	March 31, 2019
Fund Based	735,620.71	683,465.10
Non-Fund Based	126,392.73	115,034.01
Total	**862,013.44**	**798,499.11**

Note:

➢ Fund base portfolio represents funded loans & advances

➢ Non-fund portfolios are guarantees given on behalf of constituents, Letters of credit, acceptance and endorsements.

➢ The bank has no overseas operation and hence exposures are restricted to the domestic segment.

Distribution of credit risk portfolio by industry sector as on March 31, 2020:

(Rs. in lacs)

Industry Name	Funded	Non-Funded	Total
A. Mining and Quarrying (A.1 + A.2)			
A.1 Coal	1,635.80	-	1,635.80
A.2 Others	2,446.77	13,085.40	15,532.17
B. Food Processing			
B.1 Sugar			
B.2 Edible Oils and Vanaspati	16,998.49	-	16,998.49
B.3 Tea			
B.4 Coffee			
B.5 Others	12,657.82	18.37	12,676.19
C. Beverages (excluding Tea & Coffee) and Tobacco	4,576.71	288.58	4,865.30
Of which Tobacco and tobacco products			
D. Textiles (a to f)			
a. Cotton	30,881.15	-	30,881.15
b. Jute	1,996.75	-	1,996.75
c. Handicraft/Khadi (Non-Priority)			
d. Silk			
e. Woolen			
f. Others	35,071.17	774.98	35,846.15
Out of D (i.e. Total Textiles) to Spinning Mills			
E. Leather and Leather products	551.80	-	551.80
F. Wood and Wood Products	2,935.15	-	2,935.15
G. Paper and Paper Products	3,115.56	-	3,115.56
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	1,906.72	-	1,906.72
I. Chemicals and Chemical Products (Dyes, Paints, etc.)			
I.1 Fertilizers	10,302.47	560.12	10,862.58
I.2 Drugs and Pharmaceuticals	10,121.29	155.11	10,276.40
I.3 Petro-chemicals (excluding under Infrastructure)			
I.4 Others	30,198.74	2,254.75	32,453.49
J. Rubber, Plastic and their Products	3,680.20	9.17	3,689.38
K. Glass & Glassware	4,166.67	-	4,166.67
L. Cement and Cement Products	2,091.87	-	2,091.87

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Distribution of credit risk exposure by industry sector as on March 31, 2020 *(Continued)*

Industry Name	Funded	Non-Funded	Total
M. Basic Metal and Metal Products (M.1 + M.2)			
M.1 Iron and Steel	66,881.42	619.99	67,501.40
M.2 Other Metal and Metal Products	29,588.68	45,816.73	75,405.41
N. All Engineering (N.1 + N.2)			
N.1 Electronics	5,091.90	7,482.64	12,574.54
N.2 Others	107,655.79	7,436.33	115,092.11
O. Vehicles, Vehicle Parts and Transport Equipment	25,015.94	9,120.78	34,136.72
P. Gems and Jewelry			
Q. Construction	12,133.47	5,127.10	17,260.57
R. Aviation			
S. Infrastructure (a to d)			
a. Transport (a.1 to a.5)			
a.1 Railways	4,798.17	7.48	4,805.65
a.2 Roadways			
a.3 Airport	130.00	10.00	140.00
a.4 Waterways			
a.5 Others	-	345.98	345.98
b. Energy (b1 to b6)			
b.1 Electricity (Generation)			
b.1.1 Central Govt PSUs			
b.1.2 State Govt PSUs (incl.SEBs)			
b.1.3 Private Sector	555.19	-	555.19
b.2 Electricity (Transmission)			
b.2.1 Central Govt PSUs			
b.2.2 State Govt PSUs (incl.SEBs)			
b.2.3 Private Sector	-	1,850.77	1,850.77
b.3 Electricity (Distribution)			
b.3.1 Central Govt PSUs			
b.3.2 State Govt PSUs (incl.SEBs)			
b.3.3 Private Sector	212.85	-	212.85
b.4 Oil (storage and pipeline)	66.51	-	66.51
b.5 Gas/LNG (storage and pipeline)	7,071.82	-	7,071.82
b.6 Others			
c. Telecommunication	1,846.63	4,000.90	5,847.53
d. Others			
Of which Water sanitation			
Of which Social & Commercial Infrastructure			
T. Other Industries	5,058.70	-	5,058.70
All Industries (A to T)			
Residuary other advances (to tally with gross advances)	294,178.52	27,427.55	321,606.06
Total Loans and Advances	**735,620.71**	**126,392.73**	**862,013.44**

Residual Contractual maturity breaks down of Assets

(Rs. in lacs)

MATURITY BUCKETS	Cash, balances with RBI and other Banks	Investment Securities	Loans and Advances *	Other Assets including fixed assets
Day 1	13,716.98	96,375.44	4,513.61	11,985.64
2-7 days	1,873.62	12,250.00	24,401.82	0.00
8-14 days	873.51	5,711.14	36,276.14	0.00
15-30 days	6,098.36	39,871.94	75,093.73	0.00
31 Day and upto 2 Month	3,185.44	20,826.84	169,589.24	0.00
2 Month and upto 3 Months	3,202.16	20,936.18	117,435.44	0.00
Over 3 Month and upto 6 Months	5,319.04	34,776.66	122,815.13	0.00
Over 6 Months and upto 1 Year	1,604.13	10,488.05	40,757.56	0.00
Over 1 year and upto 3 years	2,181.75	13,921.36	35,235.77	5,663.00
Over 3 years and upto 5 years	6.96	45.54	19,467.49	31.72
Over 5 years	754.22	4,931.06	80,031.01	17,293.49
Total	**38,816.17**	**260,134.21**	**725,616.94**	**34,973.85**

* Gross NPA is not included under Loan & Advances

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Movement of NPA's and Provision for NPA's

Gross NPAs in various categories (Sub standard, doubtful, loss etc):

(Rs. in lacs)

	Particulars	2019-20	2018-19
A	Amount of NPA's (Gross)	10,003.77	10,000.00
B	Net NPA's	2.83	8,500.00
C	NPA's ratios		
	Gross NPAs to gross advances	1.36	1.46
	Net NPAs to net advances	0.00	1.26
D	Movement of NPA's (Gross)		
	Opening Balance	10,000.00	Nil
	Additions including recoveries	3.77	10,000.00
	Reductions	Nil	Nil
	Closing Balance	10,003.77	10,000.00
E	Movement of Provision for NPA's		
	Opening Balance	1,500.00	Nil
	Write offs/ Provision made during the year	8,500.94	1,500.00
	Write back of excess provision	Nil	Nil
	Closing balance	10,000.94	1,500.00
F	Amount of Non-performing investments and Provisions	Nil	Nil
	Amount of provisions held for Non-performing investments	Nil	Nil
G	Movement of provisions for depreciation on investment		
	Opening Balance	Nil	Nil
	Add: Provision made during the year	Nil	Nil
	Less: Write back of excess provisions	Nil	Nil
	Add: Amortisation of premium on HTM category	Nil	Nil
	Closing balance	Nil	Nil

5. **Disclosures of portfolios under the Standardised Approach:**

Qualitative Disclosures:

As per the RBI guidelines on the Basel II to calculate capital adequacy under the standardised approach for credit risk, require banks to use rating assigned by specific External Credit Assessment Agencies (ECAIs) namely CRISIL, ICRA, Fitch(India) & CARE for domestic counterparties and Standard & Poor's, Moody's and Fitch for foreign counterparties.

The Bank is using issuer ratings, short-term and long-term instrument/bank facilities ratings which are assigned by the accredited rating agencies (as specified by RBI) and published in the public domain to assign risk-weights in terms of RBI guidelines for its customers. In respect of claims on non-resident corporate and foreign banks ratings assigned by international rating agencies (as specified by RBI) is used. For exposures with contractual maturity of less than one year, a short-term rating is used. For cash credit facilities and exposures with contractual maturity of more than one year, long-term rating is used.

The process used by the Bank to transfer public issue ratings onto comparable assets in the banking book is in line with the provisions advised in Reserve Bank of India's Master circular on New Capital Adequacy Framework.

For non-funded advances secured by SBLC, the bank is using the rating assigned by S & P / Fitch / Moody's.

Quantitative Disclosures:

The amount under each credit risk category is as follows:

(Rs. in lacs)

Risk Bucket	March 31, 2020	March 31, 2019
Below 100% Risk Weight	207,636.32	163,583.27
100% risk weight	250,398.13	314,649.72
More than 100% risk weight	85,556.87	6,676.00
Risk Weighted Assets	**543,591.32**	**484,908.99**

Note: The Unhedged foreign currency exposures and QCCP are incorporated in above figure according to risk bucket and additional risk weight on Unhedged FCE & QCCP considered under below 100% risk weight.

6. **Credit Risk Mitigation:**

Credit Risk Mitigants (CRM) like financial collateral, non-financial collateral and guarantees are used to mitigate credit risk exposure. Availability of CRM either reduces effective exposure on the borrower (in case of collaterals) or transfers the risk to the more creditworthy party (in case of guarantees). A major part of the eligible financial collaterals is in the form of cash, the most liquid of assets and thus free from any market and liquidity risks.

The bank has arrived at credit exposure for the credit risk capital before Credit Risk Mitigation.

7. **Securitisation:**

Qualitative and Quantitative disclosures:

Securitisation is mainly done in order to diversify the bank's source of funding. The bank has neither securitized any assets nor have any investments in securities issued by any Special Purpose Vehicle (SPV).

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8. Market Risks in the trading book/Banking book

Market risk is the risk that movements in foreign exchange rates, interest rates, or equity prices will result in profits or losses to the Bank. The Bank assumes market risk in its lending and deposit taking businesses and in its investment activities, including position taking and trading. The objective of market risk management is to control market risk exposures to achieve an optimal return while maintaining risk at acceptable levels.

The bank monitors the net open position for foreign exchange and undertakes VaR technique as per FEDAI model on FX risk position to estimate the potential loss as a result of movements in market rates. Stress testing on foreign exchange position is carried out to quantify the impact on capital of defined market movements.

9. Operational Risk:

Operational risk is the risk of loss arising from fraud, unauthorized activities, error, omission, inefficiency, systems failure or external events. It is inherent in every business organization and covers a wide spectrum of issues. The Bank has put in place a management approved Operational Risk Management Policy which outlines overall framework for management of Operational Risk.

Strategy and Process

The Bank manages this risk within a control based environment in which processes are laid down and documented and transactions are reconciled and monitored. This is supported by an independent program of periodic reviews undertaken by internal audit, and by monitoring external operational risk events, which ensure that the Bank stays in line with industry best practice and takes account of learning from publicized operational failures within the financial services industry.

Structure and Organization

The operational risk management responsibility is assigned to senior officials within each business operation. The operational risk loss data is collected and reported to the senior management and to the Bank's Risk Management Committee.

Scope/Nature of Risk reporting/measurement

The Bank has documented its operational risk management policy. One of the major tools for managing operational risk is the well-established internal control system, which includes segregation of duties, clear management reporting lines and adequate operating procedures.

The following measures, which have laid down clear relevant systems, procedures, policies, monitoring and control, are in place to control the operational risk:

- Manuals /Job Cards/Circular /Instructions to ensure adherence to proper systems and procedures
- Risk Based Internal Audit System
- Well laid down policy guidelines covering various activities
- System of monitoring operations and performance
- Delegation of financial powers at appropriate levels
- Appropriate reporting and review system
- System (IT) monitoring with Disaster Recovery System and Business Continuity Plans
- Legal Compliance certificate

For addressing risk of system failure, a Disaster Recovery System is in place. For mitigating risk due to disruption of business, a Business Continuity Plan has been put in place.

10. Interest Rate Risk in the Banking Books (IRRBB)

Interest rate risk is the potential change in Net Interest Income or Economic Value of Equity caused by unexpected changes in market interest rates.

Qualitative Disclosures

Interest Rate Risk:

The banking book is defined as:

i) Investments held in the Available for Sale (AFS) portfolio.

ii) Funding transactions to manage the liquidity of the bank.

Market risk in non trading portfolio (banking book) arises principally from mismatches between the future yield on assets and their funding cost, as a result of interest rate changes.

Analysis of this risk incorporates behavioural assumptions regarding the economic duration of liabilities which are contractually repayable on demand, for example, current accounts.

Strategy and Process

When the behavioural characteristics of a product differ from its contractual characteristics, the behavioural characteristics are assessed to determine the true underlying interest rate risk. Asset and Liability Committee (ALCO) regularly monitor all such behavioural assumptions and interest rate risk positions, to ensure that they comply with interest rate risk limits.

Structure and Organization

ALCO is responsible for measuring interest rate risk exposures in accordance with prescribed policies, monitoring and reporting these exposures against the approved limits on a daily basis.

Scope/Nature of Risk reporting/measurement system and mitigation techniques

The Bank monitors the sensitivity of projected net interest income under varying interest rate scenarios. The Bank manages the market risk in banking book, to mitigate the impact of prospective interest rate movements which could reduce future net interest income, whilst balancing the cost of such hedging activities on the current net revenue stream.

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Duration Gap Analysis

Bank carries out Duration Gap Analysis (on monthly basis) to estimate the impact of change in Interest Rates on Market Value of Equity (MVE), as per the RBI Guidelines.

Disclosures on Remuneration

The bank's compensation policies including that of CEO's, is in conformity with the FSB principles and standards. In accordance with the requirements of the RBI Circular No DBR.NO.BC.72/29.67.001/2011-12 dated 13 January 2012, the Head Office of the bank has submitted a declaration to the RBI confirming the above mentioned aspect.

Leverage ratio disclosure

As on March 31, 2020 the leverage ratio is 10.20%. The summary comparison of accounting assets vs leverage ratio exposure measure as per table DF-17 and leverage ratio common disclosure as per table DF-18 are provided as separate annexure to this disclosure.

Quantitative Disclosures:

Earning at Risk (EaR) (For time bucket up to one year)

(Rs. in lacs)

Assets	Liabilities	Impact on NII
Risk Sensitive Assets **Increase by 200 bps**	Risk Sensitive Liabilities **Increase by 200 bps**	708.21

Table DF-11 : Composition of Capital

Part II : Template to be used before March 31, 2020

(i.e. during the transition period of Basel III regulatory adjustments)

Rs. in lacs

Basel III common disclosure template to be used during the transition of regulatory adjustments			**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) (Funds from Head Office)	63,319.08		
2	Retained earnings	67,986.39		
3	Accumulated other comprehensive income (and other reserves)			
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)			
	Public sector capital injections grandfathered until January 1, 2018			
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	131,305.47		
Common Equity Tier 1 capital : regulatory adjustments				
7	Prudential valuation adjustments			
8	Goodwill (net of related tax liability)			
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	–		
10	Deferred tax assets	(4,566.51)		
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)			

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Basel III common disclosure template to be used during the transition of regulatory adjustments			Amounts Subject to Pre-Basel III Treatment	Ref No.
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)	N.A		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	N.A		
22	Amount exceeding the 15% threshold	N.A		
23	of which : significant investments in the common stock of financial entities	N.A		
24	of which : mortgage servicing rights	N.A		
25	of which : deferred tax assets arising from temporary differences	N.A		
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			
	Regulatory Adjustments Applied to Common Equity Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment			
	of which : [INSERT TYPE OF ADJUSTMENT] For example: filtering out of unrealised losses on AFS debt securities (not relevant in Indian context)			
	of which : [INSERT TYPE OF ADJUSTMENT]			
	of which : [INSERT TYPE OF ADJUSTMENT]			
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**	**(4,566.51)**		
29	**Common Equity Tier 1 capital (CET1)**	**126,738.96**		
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	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries			

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Basel III common disclosure template to be used during the transition of regulatory adjustments			**Amounts Subject to Pre-Basel III Treatment**	**Ref No.**
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank			
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment			
	of which : [INSERT TYPE OF ADJUSTMENT e.g. DTAs]			
	of which : [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 1 at 50%]			
	of which : [INSERT TYPE OF ADJUSTMENT]			
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)**			
44a	Additional Tier 1 capital reckoned for capital adequacy			
45	**Tier 1 capital (T1 = CET1 + Admissible AT1) (29 + 44a)**	**126,738.96**		
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 (Please refer to Note to Template Point 50)	3,168.16		
51	**Tier 2 capital before regulatory adjustments**	3,168.16		
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 investments13in 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			
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment			
	of which : [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]			
	of which : [INSERT TYPE OF ADJUSTMENT			
57	**Total regulatory adjustments to Tier 2 capital**			
58	**Tier 2 capital (T2)**	3,168.16		
58a	Tier 2 capital reckoned for capital adequacy	3,168.16		
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**			
58c	**Total Tier 2 capital admissible for capital adequacy (58a + 58b)**	**3,168.16**		
59	Total capital (TC = T1 + Admissible T2) (45 + 58c)	**129,907.12**		
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment			
	of which : [INSERT TYPE OF ADJUSTMENT]			
	of which : …			
60	**Total risk weighted assets (60a + 60b + 60c)**	**601,402.53**		

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Basel III common disclosure template to be used during the transition of regulatory adjustments			Amounts Subject to Pre-Basel III Treatment	Ref No.
60a	of which : total credit risk weighted assets	543,591.33		
60b	of which : total market risk weighted assets	16,296.76		
60c	of which : total operational risk weighted assets	41,514.44		
Capital ratios				
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	21.07%		
62	Tier 1 (as a percentage of risk weighted assets)	21.07%		
63	Total capital (as a percentage of risk weighted assets)	21.60%		
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	8.00%		
65	of which : capital conservation buffer requirement	2.50%		
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)	13.07%		
National minima (if different from Basel III)				
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)			
70	National Tier 1 minimum ratio (if different from Basel III minimum)			
71	National total capital minimum ratio (if different from Basel III minimum)			
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)			
77	Cap on inclusion of provisions in Tier 2 under standardised approach			
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)			
86	Current cap on CET1 instruments subject to phase out arrangements			

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Note to the template		
Row No. of the template	**Particular**	**Rs. in Lacs**
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	
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	
	of which : Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	
50	Eligible Provisions included in Tier 2 capital	**3,168.16**
	Eligible Revaluation Reserves included in Tier 2 capital	
	Total of row 50	**3,168.16**
58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	

Table DF-12: Composition of Capital – Reconciliation requirements as of March 31, 2020

Step 1

The Scope of regulatory consolidation and accounting consolidation is identical accordingly the step 1 of the reconciliation is not required.

Step 2

Rs. In Lacs

			Balance sheet as in published financial statements	**Under regulatory scope of consolidation**
			As at 31.03.2020	**As at 31.03.2020**
A		**Capital & Liabilities**		
	i	Paid-up Capital (funds from HO)	63,319.08	63,319.08
		Reserves & Surplus	67,986.39	67,986.39
		Minority Interest		
		Total Capital	131,305.47	131,305.47
	ii	Deposits	763,369.03	763,369.03
		of which : Deposits from banks	32,155.43	32,155.43
		of which : Customer deposits	731,213.59	731,213.59
		of which : Other deposits (pl. specify)		
	iii	Borrowings	154,274.85	154,274.85
		of which : From RBI	71,800.00	71,800.00
		of which : From banks	82,474.85	82,474.85
		of which : From other institutions & agencies		
		of which : Others (pl. specify)		
		of which : Capital instruments		
	iv	Other liabilities & provisions	40,095.08	40,095.08
	Total Capital & Liabilities		**1,089,044.43**	**1,089,044.43**

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INDIAN OPERATIONS

			Balance sheet as in published financial statements	Under regulatory scope of consolidation
			As at 31.03.2020	As at 31.03.2020
B		**Assets**		
	i	Cash and balances with Reserve Bank of India	25,858.64	25,858.64
		Balance with banks and money at call and short notice	40,953.45	40,953.45
	ii	Investments :	260,134.20	260,134.20
		of which : Government securities	260,134.20	260,134.20
		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	735,620.71	735,620.71
		of which : Loans and advances to banks		
		of which : Loans and advances to customers	735,620.71	735,620.71
	iv	Fixed assets	761.67	761.67
	v	Other assets	25,715.76	25,715.76
		of which : Goodwill and intangible assets		
		of which : Deferred tax assets	4,566.51	4,566.51
		Goodwill on consolidation		
		Debit balance in Profit & Loss account		
	Total Assets		**1,089,044.43**	**1,089,044.43**

Step 3

Rs. In Lacs

Common Equity Tier 1 capital: instruments and reserves			
		Component of regulatory capital reported by bank	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation from
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	63,319.08	
2	Retained earnings	67,986.39	
3	Accumulated other comprehensive income (and other reserves)		
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**	131,305.47	
7	Prudential valuation adjustments		
8	Goodwill (net of related tax liability)		
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(4,566.51)	
11	Regulatory adjustments applied to Common Equity Tier 1 and Tier 2 to cover deductions		
12	**Common Equity Tier 1 capital (CET1)**	**126,738.96**	

CREDIT SUISSE

Credit Suisse AG, Mumbai Branch

Independent Auditor's Report

To the Chief Executive Officer
Credit Suisse AG – Mumbai Branch

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Credit Suisse AG – Mumbai Branch ("the Bank"), which comprise the Balance Sheet as at March 31, 2020, the Profit and Loss Account and the Cash Flow Statement 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, as amended ("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 March 31, 2020, its loss and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) as 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 audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Bank's Management is responsible for the other information. The other information received by us comprises the information included in the Basel III - Pillar 3 disclosures but does not include the financial statements and our auditor's reports thereon, which we obtained prior to the date of this auditor's report.

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 identified above and, in doing so, consider whether such 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 on the other information that we have obtained prior to the date of this auditor's report, 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 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 cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank and the guidelines and directions issued by the Reserve Bank of India 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 the 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.

Those Charged with Governance are 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. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement for the year ended March 31,2020 have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014.
2. As required 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) The financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches; the Bank has only one branch which we have visited for the purpose of our audit.
3. As required by Section 143(3) of the Act, and as per the requirement of RBI circular no DOS.ARG.No6269/08.91.002/2019-20 dated March 17, 2020 for appointment of Statutory Central Auditors in Foreign Banks operating in India, 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 provisions of Section 29 of Banking Regulation Act, 1949 read with Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014;
   (e) Reporting requirement pursuant to Section 164 (2) of the Companies Act 2013, are not applicable considering the Bank is a branch of Credit Suisse AG incorporated in Switzerland with limited liability;
   (f) In our opinion, there are no material financial transactions or matters that have an adverse effect on the functioning of the Bank;
   (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 1" to this report;
   (h) In our opinion, the entity being a banking company, the provisions of section 197 read with Schedule V of the Act are not applicable to the Bank for the year ended March 31, 2020.
   (i) 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, as amended, 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 and accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts; and
      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

For **S.R. Batliboi & Associates, LLP**
Chartered Accountants
Firm's Registration No.: 101049W/E300004

Sd/
per **Sarvesh Warty**
Partner
Membership Number: 121411
UDIN: 20121411AAAADR6070

Place of Signature: Mumbai
Date: 29 June 2020

CREDIT SUISSE

Credit Suisse AG, Mumbai Branch

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF CREDIT SUISSE AG – MUMBAI BRANCH

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the "Act")

To the Chief Executive Officer

Credit Suisse AG, Mumbai Branch

We have audited the internal financial controls over financial reporting of Credit Suisse AG, Mumbai Branch ("the Bank") as of 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 issued by the Institute of Chartered Accountants of India. 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.

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 on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified 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 were 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 internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company'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 company'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 company; (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 company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company'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 March 31, 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. Batliboi & Associates, LLP**
Chartered Accountants
Firm's Registration No.: 101049W/E300004

Sd/
per **Sarvesh Warty**
Partner
Membership Number: 121411

Place of Signature: Mumbai
Date: 29 June 2020

CREDIT SUISSE

Credit Suisse AG, Mumbai Branch

Schedules Annexed To And Forming Part of the Balance Sheet as at 31 March, 2020

(Currency: Indian rupees in thousands)

	2020	2019
Schedule 1 : Capital		
Head Office Account		
At the beginning of the period	17,750,000	17,750,000
Additions during the period	–	–
Total	**17,750,000**	**17,750,000**
Deposit kept with the Reserve Bank of India under Section 11 (2) (b) of the Banking Regulation Act, 1949.	**2,850,000**	**2,700,000**
Schedule 2 : Reserves and Surplus		
I. Statutory Reserves		
Opening balance	2,501,296	2,461,090
Additions during the period	–	40,206
Deductions during the period	–	–
	2,501,296	2,501,296
II. Capital Reserves		
Opening balance	–	–
Additions during the period	–	–
Deductions during the period	–	–
	–	–
III. Share Premium		
Opening balance	–	–
Additions during the period	–	–
Deductions during the period	–	–
	–	–
IV. Investment Reserve		
Opening balance	9,293	5,841
Additions during the period	–	3,452
Deductions during the period	9,293	–
	–	9,293
V. Remittable surplus retained in India for CRAR purposes		
Opening balance	7,414,806	7,297,641
Additions during the period	–	117,165
Deductions during the period	–	–
	7,414,806	7,414,806
VI. Balance in Profit and Loss Account		
Opening balance	–	–
Additions during the period	(1,129,802)	117,165
Deductions during the period (transferred to remittable surplus retained in India for CRAR purposes)	–	117,165
	(1,129,802)	–
Total (I + II + III + IV + V + VI)	**8,786,300**	**9,925,395**
Schedule 3 : Deposits		
A. I Demand deposits		
i) From banks	–	–
ii) From others	3,819,327	1,487,021
II Saving bank deposits	70,128	68,453
III Term deposits		
i) From banks	–	–
ii) From others	24,427,991	32,902,376
Total (I + II + III)	**28,317,446**	**34,457,850**

	2020	2019
Schedule 3 : Deposits *(Continued)*		
B. i) Deposits of branches in India	28,317,446	34,457,850
ii) Deposits of branches outside India	–	–
Total	**28,317,446**	**34,457,850**
Schedule 4 : Borrowings		
I. Borrowings in India		
i) Reserve Bank of India	10,720,000	1,000,000
ii) Other banks	–	–
iii) Other institutions and agencies	19,360,089	11,613,793
	30,080,089	**12,613,793**
II. Borrowings outside India (Head Office Borrowing)	10,214,775	6,915,500
Total (I + II)	**40,294,864**	**19,529,293**
Secured borrowings included in I and II above	30,080,089	12,613,793
Schedule 5 : Other liabilities and provisions		
I. Bills payable	–	–
II. Inter-office adjustments (net)	–	–
III. Interest accrued	297,790	529,834
IV. Provision for taxes (net)	–	–
V. Provision against standard assets - including UFCE provision of Rs 100,088 (‘000) (Previous Year: Rs 94,137 (‘000))	163,509	146,774
VI. Others (including provisions)	3,905,371	1,759,671
Total (I + II + III + IV + V + VI)	**4,366,670**	**2,436,279**
Schedule 6 : Cash and balances with Reserve Bank of India		
I. Cash in hand	9,837	1,605
II. Balances with Reserve Bank of India		
i) In current account	1,109,779	1,666,479
ii) In other accounts	1,830,000	670,000
Total (I + II)	**2,949,616**	**2,338,084**
Schedule 7 : Balances with banks and Money at call and short notice		
I. In India		
i) Balance with banks		
(a) in current accounts	105,638	230,268
(b) in other deposit accounts	–	–
ii) Money at call and short notice		
(a) with banks	–	–
(b) with other institutions	210,999	–
Total	**316,637**	**230,268**
II. Outside India		
i) in current accounts	215,263	16,113,325
ii) in other deposit accounts	–	–
iii) Money at call and short notice	–	–
Total	**215,263**	**16,113,325**
Total (I + II)	**531,900**	**16,343,593**

CREDIT SUISSE

Credit Suisse AG, Mumbai Branch

Schedules Annexed To And Forming Part of the Balance Sheet as at 31 March, 2020

(Currency: Indian rupees in thousands)

	2020	2019
Schedule 8 : Investments		
I. Investments in India in		
i) Government securities	63,671,305	31,986,300
ii) Other approved securities	–	–
iii) Shares	–	–
iv) Debentures and bonds	6,635,660	16,673,235
v) Subsidiaries and/or joint ventures	–	–
vi) Others (Pass Through Certificate)	7,470,908	–
Total	**77,777,873**	**48,659,535**
Less: Provision for depreciation	2,431,251	–
Total (I)	**75,346,622**	**48,659,535**
II. Investments outside India in		
i) Government securities (including local authorities)	–	–
ii) Subsidiaries and/or joint ventures abroad	–	–
iii) Other investments	–	–
Total	–	–
Provision for Depreciation	–	–
Total (II)	–	–
Total (I + II)	**75,346,622**	**48,659,535**
Schedule 9 : Advances		
A. i) Bills purchased and discounted	–	–
ii) Cash credits, overdrafts and loans repayable on demand	7,269,950	7,475,348
iii) Term loans	5,000,000	5,306,082
Total	**12,269,950**	**12,781,430**
B. i) Secured by tangible assets*	7,500,000	8,167,171
ii) Covered by bank/ Government guarantees	–	–
iii) Unsecured	4,769,950	4,614,259
Total	**12,269,950**	**12,781,430**
C.I. **Advances in India**		
i) Priority sectors - excluding Priority Sector Lending Certificates of INR 3,100,000 (‘000) (Previous Year: 750,000 (‘000)) and Eligible Priority Sector Lending Pass Through Certificates of INR 202,439 (‘000) (Previous Year: Nil)	2,269,950	1,037,325
ii) Public sector	–	–
iii) Banks	–	–
iv) Others	10,000,000	11,744,105
Total	**12,269,950**	**12,781,430**
C.II. **Advances outside India**		
i) Due from banks	–	–
ii) Due from others		
(a) Bills purchased and discounted	–	–
(b) Syndicated loans	–	–
(c) Others	–	–
Total	–	–
Total (C.I and C.II)	**12,269,950**	**12,781,430**

*includes loans secured against equity shares and Mutual funds

	2020	2019
Schedule 10 : Fixed assets		
I. Premises		
At cost at the beginning of the year	–	–
Additions during the year	–	–
Deductions during the year	–	–
Depreciation to date	–	–
Total	–	–
II. Other Fixed Assets (including furniture and fixtures)		
At cost at the beginning of the year	83,515	77,629
Additions during the year	5,346	5,886
	88,861	**83,515**
Deductions during the year	(798)	–
	88,063	**83,515**
Depreciation to date	(77,668)	(73,293)
Total	**10,395**	**10,222**
III. Capital Work in Progress	75,891	25,959
Total (I + II+ III)	**86,286**	**36,181**
Schedule 11 : Other assets		
I. Interest accrued	992,935	370,226
II. Tax paid in advance/tax deducted at source (Net of provisions)	508,413	414,058
III. Deferred tax assets (Net)	1,802,817	952,878
IV. Stationery and stamps	–	–
V. Non-banking assets acquired in satisfaction of claims	–	–
VI. Others	5,026,741	2,202,832
Total	**8,330,906**	**3,939,994**
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 Foreign exchange contracts	452,849,852	262,330,364
IV. Guarantees given on behalf of constituents		
(a) In India	–	481,841
(b) Outside India	–	–
V. Acceptances, endorsements and other obligations	–	–
VI. Other items for which the Bank is contingently liable		
(i) Capital commitment	15,147	34,711
(ii) Committed lines of credit	100,000	100,000
(iii) Purchase of investments	211,207	–
(iv) Liability on account of outstanding derivative contracts	259,452,737	237,561,734
Total	**712,628,943**	**500,508,650**

CREDIT SUISSE

Credit Suisse AG, Mumbai Branch

Schedules Annexed To and Forming Part of the Profit and Loss Account for the year ended 31 March, 2020

(Currency: Indian rupees in thousands)

		2020	2019
Schedule 13 : Interest earned			
I.	Interest/discount on advances/bills	889,651	765,221
II.	Income on investments	3,254,981	3,804,924
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	52,538	24,934
IV.	Others	395,836	292,693
	Total	**4,593,006**	**4,887,772**
Schedule 14 : Other income			
I.	Commission, exchange and brokerage	302,499	339,559
II.	Profit/(loss) on sale of investments (net)	41,939	(377,240)
III.	Profit/(loss) on revaluation of investments (net)	–	–
IV.	Profit/(loss) on sale of land, buildings and other assets (net)	–	–
V.	Profit/(Loss) on exchange transactions (net) (including profit/(loss) on derivative transactions)	(1,153,954)	(225,623)
VI.	Income earned by way of dividends etc. from subsidiaries, companies and/or joint ventures abroad/in India	–	–
VII.	Miscellaneous income	112,959	15,282
	Total	**(696,557)**	**(248,022)**

		2020	2019
Schedule 15 : Interest Expended			
I.	Interest on deposits	1,269,767	1,418,603
II.	Interest on Reserve Bank of India/inter-bank borrowings	313,561	264,607
III.	Others	160,075	123,159
	Total	**1,743,403**	**1,806,369**
Schedule 16 : Operating Expenses			
I.	Payments to and provisions for employees	315,160	384,844
II.	Rent, taxes and lighting	38,721	40,886
III.	Printing and stationery	475	965
IV.	Advertisement and publicity	–	–
V.	Depreciation on Bank's property	4,971	3,527
VI.	Directors' fees, allowances and expenses	–	–
VII.	Auditors' fees and expenses	4,748	3,317
VIII.	Law charges	–	–
IX.	Postages, telegrams, telephones, etc.	30,850	47,660
X.	Repairs and maintenance	20,578	15,099
XI.	Insurance	36,527	35,568
XII.	Other expenditure – including group cost allocation expenses Rs 18,449 thousand (Previous Year: 23,763 thousand) – including Corporate Social Responsibility expenses Rs 43,404 thousand (Previous Year: Rs 57,971 thousand)	138,436	140,908
	Total	**590,466**	**672,774**

Schedules forming part of the Financial Statements for the year ended March 31, 2020.

Schedule 17 – Significant Accounting Policies

a) General

i) Background

The accompanying financial statements for the year ended March 31, 2020 comprise the accounts of the Mumbai branch (referred to as 'the Bank') of Credit Suisse AG which is incorporated in Switzerland, with limited liability.

In August 2010, the Bank's head office at Zurich, Credit Suisse AG, received the approval of the Reserve Bank of India ('RBI') for setting up a Bank Branch. The Bank commenced its banking business with effect from February 15, 2011 after obtaining the necessary clearances and approvals from the RBI.

ii) Basis of preparation

The financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with Generally Accepted Accounting Principles in India ('GAAP'), statutory requirements prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time and the notified Accounting Standards ('AS') prescribed under Section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Account) Rules, 2014 and the other relevant provisions of the Companies Act, 2013 and the Companies (Accounting Standards) Amendment Rules 2016 to the extent applicable and the current practices prevailing within the Banking industry in India.

iii) Use of Estimates:

The preparation of financial statements in conformity with GAAP requires the management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent liabilities on the date of financial statements. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

b) Investments

Classification and valuation of investments is carried out in accordance with extent RBI guidelines on investment classification and valuation.

Credit Suisse

Credit Suisse AG, Mumbai Branch

Classification:

Investments are accounted for on settlement date basis and are classified at the date of purchase, based on the intention at the time of acquisition, into Held for Trading ('HFT'), Available for Sale ('AFS') or Held to Maturity ('HTM'). Under each of these categories, investments are further classified under six groups viz. Government Securities, Other approved securities, Shares, Debentures and Bonds, Subsidiaries and/or joint ventures and Others.

Acquisition cost:

Cost of investment excludes broken period interest paid on acquisition of investments. Brokerage and commission on debt instruments paid at the time of acquisition are charged to Profit and Loss Account. Cost of investments is determined on the weighted average cost basis.

Disposal of Investments:

Profit/Loss on sale of investments under 'Available for Sale' and 'Held for Trading' categories are taken to the Profit and Loss Account.

The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserves is appropriated from Profit and Loss Account to Capital Reserve Account. Loss on sale, if any, is recognized fully in the Profit and Loss Account.

Valuation:

Investments classified under the 'Available for Sale' and 'Held for Trading' categories are valued periodically as per RBI guidelines. The market/fair value for the purpose of periodical valuation of quoted investments included in the 'Available for Sale' and 'Held for Trading' categories is the market price of the security available from trades/quotes on the recognized stock exchanges, subsidiary general ledger account transactions, price list of RBI or prices declared by Financial Benchmarks India Pvt. Ltd. (FBIL), periodically. Other unquoted fixed income securities, wherever linked to the Yield-to-Maturity (YTM) rates, are valued by applying the mark up over the YTM rates for GOI securities of similar maturities published by FIMMDA/FBIL as directed by RBI. The net depreciation, if any, in each classification as mentioned in Schedule – 8 – 'Investments' is recognized in the Profit and Loss Account. The net appreciation, if any, is ignored.

Pass Through Certificates (PTC) are valued by using FIMMDA credit spread as applicable for the NBFC category, based on the credit rating and weighted average maturity of the respective PTC over the YTM rates for government securities published by FIMMDA/FBIL.

Discounted instruments like treasury bills, certificate of deposits, commercial papers are valued at carrying cost.

Securities categorised under HTM are carried at acquisition cost, or at amortised cost if acquired at a premium over the face value. Such premium is amortised over the remaining period to maturity of the relevant security on a straight line basis. 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.

Investment Reserve Account:

Provision for depreciation on investments in the AFS and HFT categories, if excessive of required amount in any year, is credited to Profit and Loss account and equivalent amount (net of taxes and net of transfer to Statutory Reserve as applicable) is appropriated to an Investment Reserve Account in Schedule 2 – Reserves and Surplus under the head Investment Reserve Account.

Utilisation: The provision required to be created on account of depreciation in the AFS & 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.

Transfer between categories:

Transfer of securities between categories of investments, if any, is carried out in accordance with the RBI guidelines. Transfer of scrips from AFS/HFT category to HTM category is made at the lower of book value or market value. In the case of transfer of securities from HTM to AFS/HFT category, the investments held under HTM at a discount are transferred to AFS/HFT category at the acquisition price and investments placed in the HTM category at a premium are transferred to AFS/HFT at the amortized cost.

Transfer of investments from AFS to HFT or vice-a-versa is done at the book value. Depreciation carried, if any, on such investments is also transferred from one category to another.

Repurchase (Repo) and reverse repurchase transactions:

Repo, Reverse repo transactions (including Tri-party Repo and Reverse Repo and Liquidity Adjustment Facility (LAF)) are considered as lending and borrowing transactions and reflected in assets and liabilities, as the case may be. The difference between the clean price of the first leg and the clean price of the second leg is recognised as interest expense/income over the period of the transaction.

Short Sales:

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. Such short positions are categorised under HFT category. These positions are marked-to-market along with the other securities under HFT portfolio and the resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines as stated above.

RBI through circular RBI/2017-18/147 DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018, advised all banks to create an Investment fluctuation reserve (IFR) with effect from the FY 2018-19. The amount transferred to IFR will be lower of the following (i) net profit on sale of investments during the year or (ii) net profit for the year less mandatory appropriations, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis.

The bank has net losses on sale of investment during the year ended March 31, 2020 therefore the bank has not created IFR in the current year.

Non-performing investments are identified and depreciation/provision are made thereon based on RBI guidelines. The depreciation/ provision on such non-performing investments are not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognized in the Profit & Loss Account until received.

c) Advances

Advances are classified into standard, sub-standard, doubtful and loss assets, as applicable, in accordance with the RBI guidelines and are stated net of provisions, if any, (except general provision) made towards non-performing advances (NPAs) in line with RBI guidelines.

Specific loan loss provisions in respect of NPAs are made based on the Management's assessment of the degree of impairment of the advances after considering the prudential norms on provisioning as prescribed by RBI. Fraud provisions on advances, if any, are made in line with the requirement of extant RBI directions.

The Bank also maintains a general provision on standard assets (including derivatives) to cover potential credit losses, in accordance with the RBI guidelines.

The Bank estimates the inherent risk of the unhedged foreign currency exposures (including derivatives) of its borrowers as per the regulatory guidelines stipulated by the RBI from time to time and recognises incremental provisions on exposures to such entities as per methodology prescribed. These provisions are included in Provision for Standard Assets and reported under Other Liabilities.

The Bank in accordance with RBI circular FIDD.CO.Plan. BC.23/ 04.09.01/2015-16 dated April 7, 2016, trades in priority sector portfolio by buying PSLC. There is no transfer of risks or loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an expense.

d) Country risk exposure provision

The Bank maintains provision for individual country exposures (other than for home country) in accordance with RBI guidelines.

e) Derivatives

The Bank enters into derivative contracts such as interest rate swaps, forward rate agreement, cross currency swaps, Currency options, foreign exchange contracts, currency futures contracts and interest rate futures contracts for trading purposes.

These trading derivatives are recognised at their fair values on inception and subsequently marked to market (MTM) on a daily basis. The resultant gain or loss is recognised in the Profit and Loss Account. Unrealised gain or loss on these products is reflected in the Balance Sheet under Other Assets or Other Liabilities respectively.

The Bank records MTM gain or loss at net level for the outstanding IRS and FX transactions respectively which are settled through CCIL based on the RBI Basel III Capital Regulations and the legal opinion obtained by the Bank.

Foreign currency options are marked to market and premium received/paid is recognized in the Profit and Loss Account upon expiry or exercise of the options whichever is earlier.

Currency futures contracts are marked to market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day.

The Bank also maintains a general provision on derivative exposures computed on the marked to market value of the contracts in accordance with the RBI guidelines.

The Bank estimates the inherent risk of the unhedged foreign currency exposures of its borrowers as per the regulatory guidelines stipulated by the RBI from time to time and recognises incremental provisions on exposures to such entities as per methodology prescribed. These provisions are included in Provision for Standard Assets and reported under Other Liabilities.

f) Fixed Assets and Depreciation

Fixed assets are stated at historical cost less accumulated depreciation. Cost includes all expenses incidental to acquisition of the assets.

Depreciation on fixed assets is provided on a straight-line method over the economic useful life of the asset as determined by the management. Depreciation on additions to fixed assets is provided from the month in which the asset is capitalised. In respect of sales/disposals no depreciation is provided in the month in which the asset is sold/disposed off. Depreciation on the following items of Fixed Assets is charged over the estimated useful life of the assets on a straight line basis which is equal to the rates prescribed under Schedule II of the Companies Act, 2013:

Asset	Depreciation
Leasehold improvements	Lower of useful life or period of lease
Furniture and fixtures	10.00%
Office equipment	20.00%
Computer Equipment	
Distributed technology	16.67%
End user technologies	33.33%
Network	16.67%
Cabling	16.67%

The Bank assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Profit and Loss Account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

g) Transactions involving Foreign Exchange

Monetary assets and liabilities denominated in foreign currencies are translated at the Balance Sheet date at rates of exchange notified by the Foreign Exchange Dealers' Association of India ('FEDAI') and the resultant exchange differences are recognised in the Profit and Loss Account.

Foreign currency transactions are recorded using the rate of exchange on the date of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the statement of Profit and Loss Account.

Outstanding foreign exchange contracts in the trading book are revalued at the rates prescribed by FEDAI as at the Balance Sheet date and for the foreign exchange contracts with longer maturities where exchange rates are not notified by FEDAI are revalued at the exchange rates implied by the swap curves in respective currencies. These values are discounted using appropriate curves and the resulting profit or loss is recognised in the Profit and Loss Account.

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

h) Revenue Recognition

- Interest income is recognised in the Profit and Loss Account on an accrual basis except in the case of NPAs where it is recognised on the receipt basis in accordance with the RBI guidelines and as per the Accounting Standards issued by The Institute of Chartered Accountant of India.
- Accretion of discounts is recognised as interest income over the life of the discounted instrument.
- Fee income on loan is recognized over the tenor of the underlying loans on a straight line basis.
- Commission on guarantees issued by the Bank is recognized as income over the tenor of the guarantee.
- Other fees and commission income are recognised on an accrual basis in accordance with the terms of agreement.

i) Taxation

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the Income Tax Act, 1961) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period).

The Deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised when there is reasonable certainty that the assets can be realised in future, however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised to the extent there is virtual certainty of realisation of such assets. 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 realised.

j) Accounting for Provisions, Contingent Liabilities and Contingent Assets

The Bank creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. 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.

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

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

k) Operating lease transactions

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

l) Employee benefits

a) Provident Fund

The Bank makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Banks's contribution is recognised as an expense in the statement of profit and loss during the period in which the employee renders the related service.

b) Gratuity

The Bank's gratuity benefit scheme is a defined benefit plan.

The Bank's net obligation in respect of the defined benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service cost and the fair value of any plan assets are deducted. The calculation of the Bank's obligation under the plan is performed annually by a qualified actuary using the projected unit credit method.

The Bank recognises all actuarial gains and losses arising from defined benefit plans immediately in the statement of profit and loss. All expenses related to defined benefit plans are recognised in employee benefits expense in the statement of profit and loss.

c) Compensated absences

The Bank has a leave encashment scheme for its award staff which is a defined benefit plan. The Bank provides for the leave encashment liability based on an actuarial valuation using the projected unit credit method at the balance sheet date carried out by an independent qualified actuary.

Actuarial gains/losses for the leave encashment liability are recognised in the profit and loss account.

m) Share based payments

The Branch grants shares in its ultimate parent, Credit Suisse Group to certain employees. Upon settlement, the shares are transferred to its employees. The Branch has various schemes to grant share based awards to its employees.

These schemes are classified as cash settled schemes. The cost of these cash-settled transactions is measured initially at fair value at the grant date. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each balance sheet date up to and including the settlement date with changes in fair value recognised in the statement of profit and loss for the period. In case an employee is eligible for early retirement or retirement before the end of the vesting period, the recognition of the expense is accelerated over the shorter period up to retirement. Changes in foreign exchange and market value of the above liability between grant date and settlement date are expensed to the statement of profit and loss.

n) Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

Schedule 18 – Notes forming part of the Financial Statements for the year ended 31, 2020

(Currency: Indian rupees in crores)

1. Capital Adequacy

The Bank's Capital to Risk-weighted Asset Ratio ('Capital Adequacy Ratio') is calculated in accordance with the RBI's 'Basel III Capital Regulations' ('Basel III'). Under the Basel III framework, for the year ended March 31, 2020, the Bank is required to maintain a minimum capital adequacy ratio of 11.875% (including Capital Conservation Buffer (CCB) of 1.875% and Global Systemically Important Bank (G-SIB) charge of 1%) on an ongoing basis for credit risk, market risk and operational risk.

The Bank's capital adequacy ratio, calculated in accordance with the RBI guidelines for Basel III framework, is as follows:

Sr. No.	Particulars	March 31, 2020	March 31, 2019
i)	Common Equity Tier 1 capital ratio (%)	33.56%	41.71%
ii)	Tier 1 capital ratio (%)	33.56%	41.71%
iii)	Tier 2 capital ratio (%)	0.22%	0.31%
iv)	Total Capital ratio (CRAR) (%)	33.78%	42.02%
v)	Percentage of the shareholding of the Government of India in public sector banks	-	-
vi)	Amount of equity capital raised (Capital received from HO) *(Rs in crore)*	-	-
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 instrument: Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares (PCPS)/Redeemable Non-Cumulative Preference Shares (RNCPS)/Redeemable Cumulative Preference Shares (RCPS)]	-	-

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2. Investments

The following table sets forth, for the periods indicated, the details of investments and the movement of provision held towards depreciation on investments of the Bank.

(Rs in crore)

Particulars	March 31, 2020	March 31, 2019
1. Value of Investments		
(i) Gross value of investments		
a) In India	7,777.79	4,865.95
b) Outside India	-	-
(ii) Provision for depreciation		
a) In India	243.13	-
b) Outside India	-	-
(iii) Net value of investments		
a) In India	7,534.66	4,865.95
b) Outside India	-	-
2. Movement of provisions held towards depreciation on investments		
(i) Opening balance	-	0.82
(ii) Add : Provisions made during the year	243.13	-
(iii) Less : Write-off/ write back of excess provisions during the year	-	0.82
(iv) Closing balance	243.13	-

3. Repo transactions

The following table sets forth, for the period indicated, the details of securities sold and purchased under repo and reverse repo in face value terms:

(Rs in crore)

Year ended March 31, 2020	Minimum outstanding balance during the year[1]	Maximum outstanding balance during the year	Daily average outstanding balance during the year	Outstanding balance
Securities sold under repo				
i. Government securities	1.01	3,686.65	384.82	2,831.33
ii. Corporate debt securities	-	-	-	-
Securities purchased under reverse repo				
i. Government securities	2.83	3,406.71	788.70	185.20
ii. Corporate debt securities	-	-	-	-

1. Minimum outstanding during the year excludes days with Nil outstanding.
2. Includes LAF done with RBI.

(Rs in crore)

Year ended March 31, 2019	Minimum outstanding balance during the year[1]	Maximum outstanding balance during the year	Daily average outstanding balance during the year	Outstanding balance
Securities sold under repo				
i. Government securities	1.98	1,283.93	214.04	1283.93
ii. Corporate debt securities	-	-	-	-
Securities purchased under reverse repo				
i. Government securities	2.90	1,783.30	293.05	61.79
ii. Corporate debt securities	-	-	-	-

1. Minimum outstanding during the year excludes days with Nil outstanding.
2. Includes LAF done with RBI.

4. Non-SLR investment portfolio

i) Issuer composition of Non-SLR investments

The following table sets forth, the issuer composition of investments of the Bank in securities, other than government and other approved securities at March 31, 2020.

(Rs in crore)

Sr. No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities*
(i)	PSUs	-	-	-	-	-
(ii)	FIs	1,279.18	972.09	249.50	-	747.09
(iii)	Banks	36.69	-	-	-	-
(iv)	Private corporates	94.79	-	94.79	-	-
(v)	Subsidiaries/Joint ventures	-	-	-	-	-
(vi)	Others	-	-	-	-	-
(vii)	Provision held towards depreciation	(242.43)				
	Total	1,168.23	972.09	344.29	-	747.09

* Investments amounting to Rs. 747.09 crores are exempted from applicability of RBI prudential limit for Unlisted Non-SLR securities.

The following table sets forth, the issuer composition of investments of the Bank in securities, other than government and other approved securities at March 31, 2019.

(Rs in crore)

Sr. No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities*
(i)	PSUs	54.81	-	-	-	-
(ii)	FIs	981.45	341.01	-	-	-
(iii)	Banks	111.92	90.00	-	-	-
(iv)	Private corporates	519.14	424.36	-	-	-
(v)	Subsidiaries/Joint ventures	-	-	-	-	-
(vi)	Others	-	-	-	-	-
(vii)	Provision held towards depreciation	-				
	Total	1667.32	855.37	-	-	-

ii) Non-performing Non-SLR investments

(Rs in crore)

Particulars	March 31, 2020	March 31, 2019
Opening balance	-	-
Additions during the year since 1st April	249.50	-
Reductions during the above period	-	-
Closing balance	249.50	-
Total provisions held	(237.00)	-

5. Sale and transfer to/from HTM category

There were no sales or transfer to/from HTM category during the current year and previous year.

6. Forward rate agreement (FRA)/Interest Rate Swaps

The Bank has traded in FRA during the year (Previous Year: Nil).

The following table sets forth, for the periods indicated, the details of the Forward rate agreement (FRA)/ Interest Rate Swaps.

(Rs in crore)

Particulars	March 31, 2020	March 31, 2019
i) The notional principal of swap agreements[1]	24,333.05	23,417.69
ii) Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements[2]	113.06	84.20
iii) Collateral required by the Bank upon entering into swaps[3]	11.72	-
iv) Concentration of credit risk arising from the swaps (% exposure to banking sector)	43.56%	55.67%
v) The fair value of trading swap book	(23.53)	13.51

1. Excludes cross currency interest rate swaps.
2. Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements represent positive mark-to-market.
3. Represents cash collateral accepted from counterparty in respect of FRA contracts.

Nature and terms of Forward rate agreement (FRA)/Interest Rate Swaps

(Rs in crore)

Nature	Benchmark Index	Terms	March 31, 2020	March 31, 2019
Trading	MIBOR	Fixed Payable v/s Floating Receivable	9,595.67	9,727.02
Trading	MIBOR	Fixed Receivable v/s Floating Payable	4,598.29	6,125.67
Trading	MIFOR	Fixed Payable v/s Floating Receivable	3,935.00	3,725.00
Trading	MIFOR	Fixed Receivable v/s Floating Payable	3,835.00	3,840.00
Trading	GSEC	Fixed Receivable v/s Floating Payable	2,369.09	-
		Total	**24,333.05**	**23,417.69**

7. Exchange traded interest rate derivatives

(Rs in crore)

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)	-	-
	a) JUN 19 NIRC795GS2032 (Sell)	200	200
	b) JUN 19 NIRC795GS2032 (Buy)	400	-
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on	-	200
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not 'highly effective'	-	-
(iv)	Mark to market value of exchange traded interest rate derivatives outstanding and not 'highly effective'	-	-

8. Risk exposure in derivatives

a) Structure and organization for management of risk exposure in derivatives

The Bank is supervised by the Chief Executive Officer ("CEO") and the Local Management Committee ("LMC") comprising of key senior management in the Bank and permanent invitees from various functions with Credit Suisse. The LMC is supported by other committees for specific areas like the Asset Liability Management Committee ("ALCO"), Credit committee, Audit committee, Compliance committee etc.

There are processes and policies in place to support activities planned in the Bank. Apart from local policies, the Bank also adheres to Global Credit Suisse policies and best practices.

b) Scope and nature of risk measurement, risk reporting, risk monitoring systems and policies for mitigating risk

Credit risk management

Credit risk implies probable financial loss the Bank may ultimately incur, if the counter parties fail to meet their obligations. In CS AG Mumbai Branch, each facility (funded and non funded) and/or counterparty exposure (investments, derivatives etc.) is approved by the Credit Approval Committee (CAC) of the Branch. The committee jointly undertakes to approve new credit bearing transactions and annual review of existing credit lines in Mumbai Branch.

Within Credit Suisse globally, Credit Risk Management (CRM) establishes broad policies and guidelines governing Credit Suisse's credit risk appetite. CRM is part of the Groups Risk function and Credit authorisation is separated from line functions. Once the Mumbai Branch CAC approval is obtained, global CRM functional approval will be obtained as per the relevant credit approval authorities grid. Both approvals are required (Mumbai Branch CAC approval + global CRM functional approval) for the limits to be effective for Mumbai Branch. Credit authority for global CRM functional signoff is delegated by the CCO to specific senior CRM team personnel based on each person's knowledge, experience and capability. These delegations of credit authority are reviewed periodically. At Headquarters in Zurich, the Capital Allocation and Risk Management Committee ('CARMC') regularly reviews credit limits measuring country, geographic region and product concentrations, as well as impaired assets and recommended loan loss provisions.

Credit Suisse globally utilizes an internal counterparty rating scale to assess the probability of default, which approximates that used by the major international public rating agencies (ranging from AAA as the best to D as the worst; international scale) and applies this grading measure against all of its counterparties. Credit Suisse globally takes a proactive approach to rating each of its counterparties and obligors and, as a result, internal ratings may deviate from those assigned by public rating agencies. All counterparties are assigned a credit rating as noted above. The intensity and depth of analysis is related to the amount, duration and level of risk being proposed together with the perceived credit quality of the counterparty/issuer/obligor in question. Analysis consists of a quantitative and qualitative portion and strives to be forward looking, concentrating on economic trends and financial fundamentals. In addition, analysts make use of peer analysis, industry comparisons and other quantitative tools, including a quantitative model based rating system. All final ratings also require the consideration of qualitative factors relating to the company, its industry and management. In addition to the aforementioned analysis, all counterparty ratings are subject to the rating of the country in which they are domiciled. Analysis of key sovereign and economic issues for all jurisdictions is undertaken and these are considered when assigning the rating and risk appetite for individual counterparties.

Exposure monitoring is performed by Credit Control (part of CRM function) on a daily basis for all outstanding exposures/trades against approved counterparty limits. Credit Control is an independent team within the CRM Department that is tasked with maintaining a robust, controlled environment supporting the credit risk approval and monitoring processes, in accordance with Credit Suisse credit policy.

On a daily basis the Credit Control team will identify all limit excesses which are first reviewed for accuracy and validity. All breaches/excesses that are found to be valid are raised.

Credit Control also reports on a regular basis to the senior management of CRM all upcoming credit reviews in the next 3 months and any overdue reviews for the current month. New facilities, limit changes, renewals, and excesses are also reported by Credit Control to the Credit Committee on quarterly basis.

Market risk management

Market risk deals with the probable losses the Bank may ultimately incur as a result of movement in exchange rates, benchmark interest rates, credit spreads etc.

Globally, Credit Suisse ensures that market risk is comprehensively captured, accurately modeled, reported and effectively managed. Trading and non-trading portfolios are managed at various organizational levels, from the overall risk positions at the Group level down to specific portfolios. Credit Suisse uses market risk measurement and management methods designed to meet or exceed industry standards. These include both general tools capable of calculating comparable exposures across our many activities as well as focused tools that can specifically model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The principal measurement methodologies are VaR, risk sensitivities and scenario analysis. Additionally, the market risk exposures are also reflected in our economic capital calculations. The risk management techniques and policies are regularly reviewed to ensure that they remain appropriate.

The Bank uses Value at Risk (VaR) and Interest Rate Sensitivity (Dv01) as some of the key measures of monitoring market risk arising from transactions. Market Risk Management (MRM) reviews the Bank's business requirements and approve suitable limits in consultation with the business.

The Bank's market risk exposure is an aggregate of banking book and trading book exposures. Treasury desk is responsible for banking book exposures within the Bank, unless another desk is specifically authorized to run such exposures. Trading desk (FX/Derivatives/Bonds etc.) would run positions within their mandated market risk exposure limits.

c) **Refer note e and g under 'Schedule 17 – Significant Accounting Policies' for accounting policy on derivatives**

The following table sets forth the details of derivative positions at March 31, 2020

(Rs in crore)

Sr. No.	Particulars	Currency derivatives[1]	Interest rate derivatives
(i)	Derivatives (Notional Principal Amount)		
	a) For hedging	-	-
	b) For trading	46,897.21	24,333.05
(ii)	Marked to Market Positions[2]		
	a) Asset (+)	245.47	113.06
	b) Liability (-)	173.55	136.58
(iii)	Credit Exposure	1,343.43	321.63
(iv)	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives	-	-
	b) on trading derivatives	1.62	370.19
(v)	Maximum and Minimum of 100*PV01 observed during the year		
	a) i) on hedging (Maximum)	-	-
	ii) on hedging (Minimum)	-	-
	b) i) on trading (Maximum)	1.75	377.88
	ii) on trading (Minimum)	(2.07)	(6.89)

1. Includes forward exchange contracts.
2. Pertains to MTM on trading positions.

The following table sets forth the details of derivative positions at March 31, 2019

(Rs in crore)

Sr. No.	Particulars	Currency derivatives[1]	Interest rate derivatives
(i)	Derivatives (Notional Principal Amount)		
	a) For hedging	-	-
	b) For trading	26,371.52	23,617.69
(ii)	Marked to Market Positions[2]	-	-
	a) Asset (+)	61.28	84.20
	b) Liability (-)	25.72	70.68
(iii)	Credit Exposure	686.58	274.63
(iv)	Likely impact of one percentage change in interest rate (100*PV01)	-	-
	a) on hedging derivatives	-	-
	b) on trading derivatives	(1.75)	4.37
(v)	Maximum and Minimum of 100*PV01 observed during the year	-	-
	i) on hedging (Maximum)	-	-
	ii) on hedging (Minimum)	-	-
	i) on trading (Maximum)	(0.51)	58.92
	ii) on trading (Minimum)	(2.37)	(8.64)

1. Includes forward exchange contracts and cross currency interest rate swaps.
2. Pertains to MTM on trading positions.

9. Asset Quality

I. Non-Performing Assets **(Rs in crore)**

Particulars	March 31, 2020	March 31, 2019
(i) Net NPAs to Net Advances (%)	0.00%	8.43%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	260.00	-
(b) Additions during the year	-	260.00
(c) Reductions during the year	260.00	-
(d) Closing balance	-	260.00
(iii) Movement of Net NPAs		
(a) Opening balance	107.69	-
(b) Additions during the year	-	107.69
(c) Reductions during the year	107.69	-
(d) Closing balance	-	107.69
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	152.31	-
(b) Provisions made during the year	107.69	152.31
(c) Write of/write back of excess provisions	(260.00)	-
(d) Closing balance	-	152.31

II. The Bank has no accounts restructured, sale of financial assets to Securitisation/Reconstruction company or purchase/sale of non-performing financial assets during the year ended March 31, 2020 (Previous Year: Nil).

III. The Bank has not invested in security receipts backed by NPAs, sold by the Bank as underlying or backed by NPAs sold by other banks/ financial institutions/non-banking financial companies as underlying during the year ended March 31, 2020 (Previous Year: Nil).

IV. There was no divergence in asset classification and provisioning exceeding the specified thresholds and hence, detailed disclosures are not applicable pursuant to RBI circular no. DBR.BP.BC.No.63/21.04.018/2016-17 dated 18 April 2017 & DBR.BP.BC. No.32/21.04.018/2018-19 dated 01 April 2019 (Previous Year: Nil).

10. Provisions on Standard Assets

The Bank makes provision on standard assets as per applicable RBI guidelines. The provision on standard assets (including provision towards unhedged foreign currency exposure of Rs.10.01 crore (Previous year: Rs.9.41 crore) held by the Bank as at March 31, 2020 was Rs.16.35 crore (Previous Year: Rs.14.68 crore).

11. Business Ratios

Particulars	**March 31, 2020**	**March 31, 2019**
Interest income as a percentage to working funds[1]	6.32%	6.70%
Non-interest income as a percentage to working funds	-0.96%	-0.34%
Operating profit[2] as a percentage to working funds[1]	2.15%	2.96%
Return on assets[3]	-1.57%	0.22%
Business (Deposits plus advances) per employee[4] (Rs in crore)	101.47	131.22
Profit per employee[4] (Rs in crore)	(2.85)	0.45

Definitions:

1. Working funds is taken as average of total assets (excluding accumulated losses, if any) as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949.
2. Profit before taxes and provision is considered as Operating profit.
3. Return on Assets is with reference to average working funds (i.e. total of assets excluding accumulated losses, if any).
4. Number of employees as at year end has been considered (40 employees (PY 36 employees)).

12. Maturity Pattern of Key Assets and Liabilities

(Rs in crore)

As at March 31, 2020	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 Days and up to 2 Months	More than 2 months and up to 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
Deposits[1]	23.06	488.59	224.02	264.27	578.44	54.56	599.34	496.31	103.15	-	-	2,831.74
Loans & advances[1]	-	-	-	250.00	-	-	500.00	477.00	-	-	-	1,227.00
Investments	5,805.11	1,188.04	15.85	71.13	60.45	111.40	19.35	173.15	76.91	12.50	0.77	7,534.66
Borrowings[1]	-	1,936.01	660.00	-	-	-	-	1,015.32	418.16	-	-	4,029.49
Foreign Currency Assets[2]	21.53	-	0.43	0.01	4.87	-	-	227.00	-	-	52.97	306.81
Foreign Currency Liabilities[2]	-	-	195.58	195.92	0.88	-	1.54	1,030.36	-	-	-	1,424.28

1. Includes foreign currency balances.
2. Foreign currency assets and liabilities denote all assets and liabilities excluding off-Balance Sheet items.
3. Classification of assets and liabilities under the different maturity buckets are compiled by the Management on same estimates and assumptions as used by the Bank for compiling the returns submitted to the RBI.

(Rs in crore)

As at March 31, 2019	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 Days and up to 2 Months	More than 2 months and up to 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
Deposits[1]	10.35	709.68	238.63	15.15	234.06	829.37	994.63	9.93	403.99	-	-	3,445.79
Loans & advances[1]	-	-	-	-	-	-	368.73	301.72	500.00	107.69	-	1,278.14
Investments	2,502.54	1,716.78	1.59	140.29	20.75	190.04	184.29	88.71	6.47	13.68	0.81	4,865.95
Borrowings[1]	-	1,161.38	100.00	-	-	-	-	-	691.55	-	-	1,952.93
Foreign Currency Assets[2]	1,611.33	0.56	-	-	-	-	103.76	1.05	-	-	48.41	1,765.11
Foreign Currency Liabilities[2]	-	716.20	-	0.82	179.66	533.80	-	14.51	1,038.48	-	-	2,483.47

1. Includes foreign currency balances.
2. Foreign currency assets and liabilities denote all assets and liabilities excluding off-Balance Sheet items.
3. Classification of assets and liabilities under the different maturity buckets are compiled by the Management on same estimates and assumptions as used by the Bank for compiling the returns submitted to the RBI.

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13. Exposure

13.1 Exposure to Real Estate Sector

The following table sets forth, for the periods indicated, the details of exposure to real estate sector.

(Rs in crore)

Category	March 31, 2020	March 31, 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; (Individual housing loans eligible for inclusion in priority sector advances may be shown separately)	-	-
(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;	-	-
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures – a. Residential, b. Commercial Real Estate.	-	-
b) Indirect Exposure		
(i) Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	254.50	430.14
(ii) Other Indirect Exposures*	-	48.18
Total Exposure to Real Estate Sector	254.50	478.32

*Previous year comprise of a guarantee facility secured by pool of assets of which real estate collateral value accounts for <20% of total collateral pool value

13.2 Exposure to Capital Market

(Rs in crore)

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;	-	-
(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;	500.00	505.00
(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;	-	61.72
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;		
(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;	-	-
(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)	-	-
Total Exposure to Capital Market	**500.00**	**566.72**

14. Risk Category wise Country Exposure

The following table sets forth, for the periods indicated, the details of exposure (net) and provision held by the Bank.

(Rs in crore)

Risk category	Exposure (net) at March 31, 2020	Provision held at March 31, 2020	Exposure (net) at March 31, 2019	Provision held at March 31, 2019
Insignificant	117.19	-	1,667.24	4.03
Low	-	-	-	-
Moderate	-	-	-	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
Total	117.19	-	1,667.24	4.03
-Of which: funded	34.89	-	1,626.79	4.03

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15. **Details of Single Borrower Limit and Borrower Group Limit exceeded by the Bank**

RBI vide their master circulars nos. DBR.No.BP.BC.43/21.01.003/2016-17 dated December 01, 2016, DBR.No.BP.BC.31/21.01.003/2018-19 dated April 01, 2019 and DBR.No.BP.BC.31/21.01.003/2018-19 dated June 03, 2019 on "Large Exposures Framework (LEF)" has prescribed exposure limits for banks in respect of their lending to Single and Group Borrowers which has come into effect from April 1, 2019.

Single Counterparty: The sum of all the exposure values of a bank to a single counterparty must not be higher than 20 percent of the bank's available eligible capital base at all times. In exceptional cases, Board of banks may allow an additional 5 percent exposure of the bank's available eligible capital base. Banks shall lay down a Board approved policy in this regard.

Groups of Connected Counterparties: The sum of all the exposure values of a bank to a group of connected counterparties must not be higher than 25 percent of the bank's available eligible capital base at all times.

During the year ended March 31, 2020, the Bank has enhanced the credit exposure by an additional 5 per cent of bank's available eligible capital base in respect of the below mentioned client with approval of the Bank's Board.

Single Counterparty Limit:-

- Piramal Enterprises Limited

During the year ended March 31, 2019, the Bank has enhanced the credit exposure by an additional 5 per cent of Capital funds in respect of the below mentioned clients with the approval of the Bank's Board. Up till previous year single borrower limit and borrower group limits were regulated by the erstwhile RBI master circular – Exposure Norms vide no. DBOD Dir. BC.12/13.03.00/2015-16 dated 01 July 2015

SBL Client Name:-

- Claris Holding Private Limited
- Adani Rail Infra Private Limited

GBL Client group:-

Claris group

16. **Unsecured advances**

The Bank has not made any unsecured advances against intangible securities such as charge over the rights, licenses or authorisations etc. for the year ended March 31, 2020 (Previous Year: Nil). This excludes advances backed by guarantees.

17. **Penalties levied by the RBI**

No penalties have been imposed on the Bank during the year by the RBI (Previous Year: Nil).

18. **Employee Benefits**

1. **Provident Fund**

Amount of Rs. 1.83 crore (Previous Year: Rs 1.92 crore) is recognized as expense and included in "Employee benefit expenses"

2. **Gratuity**

(Rs in crore)

Particulars	March 31, 2020	March 31, 2019
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	4.36	4.22
Interest cost	0.29	0.29
Current service cost	0.70	0.81
Benefits paid	(0.83)	(0.45)
Actuarial (gain)/loss on obligation	0.51	(0.51)
Present value of obligation as at March 31	**5.03**	**4.36**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	-	-
Expected return on plan assets	-	-
Contributions	-	-
Benefits paid	-	-
Actuarial gain/(loss) on plan assets	-	-
Fair value of plan assets as at March 31	-	-
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	-	-
Present value of obligation as at March 31	5.03	4.36
Asset/(Liability) as at March 31	(5.03)	(4.36)
Expenses recognised in Profit and Loss Account		
Interest Cost	0.29	0.29
Current Service cost	0.70	0.81
Expected return on plan assets	-	-
Net Actuarial (gain)/loss recognised in the year	0.51	(0.51)
Net Cost	**1.50**	**0.59**
Assumptions	**March 31, 2020**	**March 31, 2019**
Valuation Method	Projected Unit Credit	Projected Unit Credit
Discount rate	6.50% per annum	7.25% per annum
Expected return on plan assets	N.A.	N.A.
Mortality	IALM (2012-14) Ultimate	IALM (2006-08) Ultimate
Salary escalation rate	8.00% per annum	8.00% per annum
Retirement	58 years	58 years

Details of plan assets, defined benefit obligations and experience adjustments

(Rs in crore)

Particulars	Gratuity					
	31-Mar-20	31-Mar-19	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15
Defined benefit obligations	5.03	4.36	4.22	3.54	4.48	3.65
Plan assets	-	-	-	-	-	-
(Surplus)/deficit	5.03	4.36	4.22	3.54	4.48	3.65
Experience adjustments on plan assets	-	-	-	-	-	-
(Gains)/losses due to change in Assumptions	0.28	0.08	(0.13)	(1.56)	(0.29)	0.52
Experience adjustments on plan liabilities	0.23	(0.58)	(0.19)	(0.18)	(0.31)	0.01
Total (Gain)/Loss	0.51	(0.51)	(0.32)	(1.74)	(0.60)	0.53

3. **Compensated Absence**

Assumptions	March 31, 2020
Valuation Method	Projected Unit Credit
Discount rate	6.50% per annum
Employee Turnover Rate	10.00%
Mortality	IALM (2012-14) Ultimate
Salary escalation rate	8.00% per annum
Retirement	58 years

(Rs. in Crore)

Present value of obligation	March 31, 2020
Current Liability	0.10
Non-Current Liability	1.03
Present value of obligation as at March 31	**1.13**

Actuarial valuation for leave encashment is being done for the first time in the current financial year.

19. Employees Share-based Payments

The Branch grants shares in its ultimate parent, Credit Suisse Group to certain employees. The Branch has various schemes to grant share based awards to its employees, details of the current schemes are set out below. In conformity with the Guidance note on “ Accounting for Employee Share-based Payments” issued by The Institute of Chartered Accountants of India in respect of the grants made on or after 01 April 2005, the following disclosures are made:

1) **Phantom Share awards** granted in February 2020 are similar to those granted in February 2019. Each share award granted entitles the holder of the award to receive one Credit Suisse Group (“CSG”) share, subject to service conditions. Share awards vest over three years with one third of the share awards vesting on each of the three anniversaries of the grant date (ratable vesting). Share awards are expensed over the service period of the awards. The value of the share awards is solely dependent on the CSG share price at the time of delivery. The majority of share awards granted include the right to receive dividend equivalents on vested shares.

2) **Performance share awards** - Certain employees received a portion of their deferred variable compensation in the form of performance share awards. Performance share awards are similar to share awards, except that the full balance of outstanding performance share awards, including those awarded in prior years, are subject to performance-based malus provisions. Performance share awards are subject to a negative adjustment in the event of a divisional loss by the division in which the employees worked as of December 31, 2019, or a negative CSG ROE, whichever results in a larger adjustment. For employees in Corporate Functions and the Asset Resolution Unit, the negative adjustment only applies in the event of a negative CSG ROE and is not linked to the performance of the divisions. The basis for the ROE calculation may vary from year to year, depending on the Compensation Committee’s determination for the year in which the performance shares are granted.

   The majority of performance share awards granted include the right to receive dividend equivalents on vested shares.

   a. **Method adopted for valuation:**
   Stock compensation expenses under the “Fair Value Method” are determined based on the “Fair Value of the Share Awards” and amortized over the vesting period.

   b. **Nature and extent of Employee Share-based Payment Plans:**
   Phantom Share Awards, Performance Share Awards.

   c. **Number of stock awards granted during the current year ended 31 March 2020**
   18,994 Phantom Share Award (previous year: 20,162) granted during the year;
   The average weighted fair value of awards granted was CHF 10.96 (previous year: CHF 11.89).

   d. **Method and assumptions for Fair Value of Share Awards**
   i) For other Employee Share based Payment Plans:
   The fair value of share awards is equal to the fair value of the shares at the grant date, adjusted for changes in market price as at the balance sheet date.

   e. **Expenses recognized on account of “Employees Share-based Payment”** is Rs. 1.08 (previous year: Rs. 2.47) and carrying amount as at 31 March 2020 is Rs. 2.26 (previous year: Rs. 5.17).

20. Segment Reporting

The segmental classification to the respective segments conforms to the guidelines issued by RBI vide DBOD.No.BP.BC.81/21.01.018/2006-07 dated April 18, 2007. As required under the above guidelines the following business segments have been reported

- **Treasury** primarily includes trading and money market operations, Investment Banking, derivatives and foreign exchange operations
- **Wholesale Banking** This segment comprises banking services/facilities to corporates and other business entities.
- **Retail Banking** constitutes banking services/ facilities to individuals.

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Revenues and expenses directly attributable to each segment are included in determining the segments result. Assets employed by a segment or assets that are directly attributable to that segment are included in segment assets. Liabilities that result from operations of a segment, Head office account and Reserves and surplus are included in segment liabilities. Segment revenue includes earnings from external customers. All liabilities are managed by central treasury unit, which pools all funds and lends to the business units at appropriate rates based on the relevant maturity of assets.

Geographic Segments

The Bank renders its services within one geographical segment and has no offices or significant assets outside India.

Segment reporting for the year ended March 31, 2020 is given below

(Rs in crore)

Sr. No.	Particulars	Treasury	Wholesale	Retail	Other banking business	Total
1	Segment revenue	356.91	201.99	16.54	-	575.44
2	Less: Inter segment revenue	62.87	106.39	16.54	-	185.80
3	Income from operations (1) – (2)	294.04	95.60	-	-	389.64
4	Segment results	(96.80)	(98.52)	(3.58)	-	(198.90)
5	Unallocated expenses					-
6	Operating Profit/(loss) (4) – (5)					(198.90)
7	Income taxes (incl. deferred tax)					(84.99)
8	Extraordinary profit/(loss)					-
9	Net profit/(loss) (6) – (7) – (8)					(113.91)
10	Segment assets	8,484.83	1,235.08	0.49	-	9,720.41
11	Unallocated assets[1]					231.12
12	Total assets (10) + (11)					9,951.53
13	Segment liabilities[2]	7,071.85	2,442.41	437.27	-	9,951.53
14	Unallocated liabilities					0
15	Total liabilities (13) + (14)					9,951.53
16	Capital expenditure	3.41	1.96	0.16	-	5.53
17	Depreciation	0.31	0.18	0.01	-	0.50

1. Represents advance tax (net) and deferred tax asset (net)
2. Includes share capital and reserves and surplus.

Segment reporting for the year ended March 31, 2019 is given below

(Rs in crore)

Sr. No.	Particulars	Treasury	Wholesale	Retail	Other banking business	Total
1	Segment revenue	423.44	181.54	45.59	-	650.57
2	Less: Inter segment revenue	52.94	88.06	45.59	-	186.59
3	Income from operations (1) – (2)	370.50	93.48	-	-	463.98
4	Segment results	172.28	(136.21)	(5.43)	-	30.64
5	Unallocated expenses					-
6	Operating Profit/(loss) (4) – (5)					30.64
7	Income taxes (incl. deferred tax)					14.56
8	Extraordinary profit/(loss)					-
9	Net profit/(loss) (6) – (7) – (8)					16.08
10	Segment assets	6,990.77	1,282.05	0.37	-	8,273.19
11	Unallocated assets[1]					136.69
12	Total assets (10) + (11)					8,409.88
13	Segment liabilities[2]	4,881.39	1,730.92	1,797.57	-	8,409.88
14	Unallocated liabilities					-
15	Total liabilities (13) + (14)					8,409.88
16	Capital expenditure	2.07	0.89	0.22	-	3.18
17	Depreciation	0.23	0.10	0.02	-	0.35

1. Represents advance tax (net) and deferred tax asset (net)
2. Includes share capital and reserves and surplus.

21. **Related Party Disclosures**

As per AS - 18, Related Party Disclosure, issued by the ICAI, the Bank's related parties are disclosed below:

Parent of Head office

Credit Suisse Group AG

Parent and its branches

Credit Suisse AG and its branches

Enterprises under common control with whom the Bank has had transactions during the year

Credit Suisse Consulting (India) Private Limited
Credit Suisse Securities (India) Private Limited
Credit Suisse Finance (India) Private Limited
Credit Suisse Business Analytics (India) Private Limited
Credit Suisse Business Management (India) Private Limited
Credit Suisse Services (India) Private Limited
CJSC "Bank Credit Suisse (Moscow)"
Credit Suisse Securities (Europe) Limited
Credit Suisse (Singapore) Limited
Credit Suisse (Hongkong) Limited

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Credit Suisse Securities (USA) LLC
Credit Suisse Securities (Japan) Limited

Key Management Personnel

In accordance with the RBI circular DBR.BP.BC No.23/21.04.018/2015-16 dated July 1, 2015, only the Chief Executive Officer of the Bank, falls under the category of key management personnel, hence, no disclosures pertaining to him are provided.

The Bank's related party balances and transactions as on/for the year ended March 31, 2020 are summarised as follows:

(Rs in crore)

Items	Parent and its branches	Maximum outstanding during the year	Enterprises under common control	Maximum outstanding during the year
Transactions during the year				
Rent and reimbursements	2.52		6.57	
Profit/(Loss) on derivative transaction	(8.99)		3.32	
Income for services rendered	9.21		1.46	
Interest on borrowings	28.06		-	
Interest on deposits	-		93.23	
Interest income on Advances	-		1.39	
Borrowings	2,432.87		-	
Term Deposits	-		8,093.30	
Current deposit received during the year	-		279.84	
Advances given during the year	-		250.00	
Purchase of Loan	-		-	
Purchase of Investment	-		-	
Sale of Investment	73.67		329.85	
Derivatives (Notional)	42,394.90		96.91	
Loan Commitment	-		260.00	
Closing balances				
Payable to related parties	0.05	8.71	1.73	3.79
Mark to Market on derivatives receivable*	9.11	33.56	5.46	6.44
Mark to Market on derivatives payable*	87.64	199.45	0.00	0.02
Receivable from related parties	4.24	6.30	1.22	1.57
Interest payable	2.74	18.53	8.19	31.55
Current deposits	0.00	0.00	373.05	855.02
Term deposits	0.00	0.00	1485.00	2328.30
Borrowings	1021.48	1518.87	0.00	0.00
Nostro Balance	0.10	2.89	0.00	0.00
Advances	0.00	0.00	250.00	250.00
Interest receivable on advances	0.00	0.00	0.05	1.11
Derivatives (Notional)	4,114.87	6218.33	270.00	295.35
Loan Commitment	-	-	10.00	260.00

The Bank's related party balances and transactions as on/for the year ended March 31, 2019 are summarised as follows:

(Rs in crore)

Items	Parent and its branches	Maximum outstanding during the year	Enterprises under common control	Maximum outstanding during the year
Transactions during the year				
Rent and reimbursements	3.89		7.26	
Profit/(Loss) on derivative transaction	71.43		10.37	
Income for services rendered	1.53		-	
Interest on borrowings	25.60		-	
Interest on deposits	-		74.39	
Interest income on Advances	-		3.38	
Borrowings	1,996.74		-	
Term Deposits	-		8,570.20	
Current deposit received during the year	-150.00		-593.69	
Advances given during the year	-		250.00	
Purchase of Loan	-		250.00	
Purchase of Investment	-		83.51	
Sale of Investment	-		248.02	
Derivatives (Notional)	20,247.68		2,371.86	
Loan Commitment	-		260.00	
Closing balances				
Payable to related parties	5.31	5.66	2.13	3.88
Mark to Market on derivatives receivable**	15.10	40.11	4.03	8.63
Mark to Market on derivatives payable*	2.50	144.04	-	8.69
Receivable from related parties	0.34	2.18	-	-
Interest payable	0.84	20.47	1.37	28.10
Current deposits	-	150.00	93.22	1971.15
Term deposits	-	-	1,438.30	2,407.00
Borrowings	691.55	1,846.37	-	-
Nostro Balance	0.15	0.75	-	154.83
Advances	-	-	250.00	250.00
Interest receivable on advances	-	-	0.20	1.30
Derivatives (Notional)	1,400.51	4,337.19	270.00	1,514.03
Loan Commitment	-	-	10.00	260.00

* Mark to Market on derivatives represents net receivable/payable at counterparty level as the required information is not easily available.

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22. Provision for income tax made during the year **(Rs in crore)**

Particulars	Year ended	
	March 31, 2020	March 31, 2019
Provision for income tax (including deferred tax)	(84.99)	14.56

23. Provisions and Contingencies

The break-up of 'Provisions and contingencies' included in the Profit and Loss Account is given below:

(Rs in crore)

Particulars	March 31, 2020	March 31, 2019
Provision for Income Tax – Current	-	88.75
Provision for Income Tax – Deferred	(84.99)	(74.20)
Standard asset provisioning(including UFCE provision of Rs 0.60 cr [Previous Year Rs (1.22) cr])	1.67	(6.49)
Country Risk provision	(4.03)	2.93
Provision for depreciation on investment (represents markdown on trading securities as per RBI guidelines)	243.13	(0.82)
Provision/ (Write back) for Non-Performing Advances	(152.31)	152.31
Write Off on Loan Losses	260.00	-
Other General Provisions	6.70	37.50
Total	**270.17**	**199.98**

24. Floating provisions

The Bank has no floating provisions for the year ended March 31, 2020 (Previous Year: Nil).

25. Drawdown from reserves

During the current year and previous year there were no draw down from any of the reserves other than those disclosed in financial statements.

26. Disclosure of complaints

The following table sets forth status of 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	-	-
c)	No. of complaints redressed during the year	-	-
d)	No. of complaints pending at the end of the year	-	-

The following table sets forth status of awards

	Particulars	March 31, 2020	March 31, 2019
a)	No. of unimplemented awards at the beginning of the year	-	-
b)	No. of awards passed by the Banking Ombudsmen during the year	-	-
c)	No. of awards implemented during the year	-	-
d)	No. of unimplemented awards at the end of the year	-	-

27. Disclosure on letters of comfort (LoCs) issued by the Bank

The Bank has not issued any letters of comfort for the year ended March 31, 2020 (Previous Year: Nil).

28. Provisioning coverage ratio

The Bank has no non performing advances as on March 31, 2020 (Previous Year: 58.58%).

29. Insurance business

The Bank has not earned fees/brokerage in respect of insurance broking, agency and bancassurance business for the year ended March 31, 2020 (Previous Year: Nil).

30. Concentration of deposits, advances, exposures and NPAs

i) Concentration of deposits **(Rs in crore)**

	March 31, 2020	March 31, 2019
Total deposits of twenty largest depositors	2,826.99	3,440.61
Percentage of deposits of twenty largest depositors to total deposits of the bank	99.83%	99.85%

ii) Concentration of advances* **(Rs in crore)**

	March 31, 2020	March 31, 2019
Total advances to twenty largest borrowers (including banks)	2,894.14	2,448.90
Percentage of advances to twenty largest borrowers to total advances of the bank	100%	99.96%

*Advances are computed as per definition of Credit Exposure including derivatives furnished in RBI's Master Circular on Exposure Norms.
**Includes Exposure to CCIL

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iii) Concentration of exposures**

(Rs in crore)

	March 31, 2020	**March 31, 2019**
Total exposure to twenty largest borrowers/customers	4,190.33	3,926.17
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	97.34%	95.36%

**Exposures are computed based on credit and investment exposure as prescribed in RBI's Master Circular on Exposure Norms

iv) Concentration of NPAs

(Rs in crore)

	March 31, 2020	**March 31, 2019**
Total Exposure to top four NPA accounts	0.00	260.00

Note – Represent exposure to Gross NPA

31. Sector wise NPAs

(Rs in crore)

Sl. No.	**Sector**	**March 31, 2020**			**March 31, 2019**		
		Outstanding Total Advances (Gross)	**Gross NPAs**	**Percentage of Gross NPAs to Total Advances (Gross) in that sector**	**Outstanding Total Advances (Gross)**	**Gross NPAs**	**Percentage of Gross NPAs to Total Advances (Gross) in that sector**
A	Priority Sector						
1	Agriculture and allied activities	-	-	-	-	-	-
2	Advances to industries sector eligible as priority sector lending	227.00	-	-	103.73	-	-
3	Services	-	-	-	-	-	-
4	Personal loans	-	-	-	-	-	-
	Sub-total (A)	**227.00**	**-**	**-**	**103.73**	**-**	**-**
B	Non Priority Sector	-			-		
1	Agriculture and allied activities	-	-	-	-	-	-
2	Industry	500.00	-	-	500.00	-	-
3	Services	500.00	-	-	826.72	260.00	31.45
4	Personal loans	-	-	-	-	-	-
	Sub-total (B)	**1000.00**	**-**	**-**	**1326.72**	**260.00**	**19.60**
	Total (A+B)	**1227.00**	**-**	**-**	**1430.45**	**260.00**	**18.18**

32. Movement of Gross NPAs

(Rs in crore)

Particulars	**March 31, 2020**	**March 31, 2019**
Gross NPAs as om 1st April of particular year (Opening Balance)	260.00	-
Additions (Fresh NPAs) during the year	-	260.00
Sub total (A)	**260.00**	**260.00**
Less :-		
(i) Upgradations	-	-
(ii) Recoveries (excluding recoveries made from upgraded accounts)	-	-
(iii) Technical/Prudential Write offs	-	-
(iv) Write offs other than those under (iii) above	260.00	-
Sub-total (B)	**260.00**	**-**
Gross NPAs as on 31st March (closing balance) (A-B)	**-**	**260.00**

33. Overseas assets, NPAs and Revenue

The Bank has no overseas operations and hence this disclosure in not applicable (Previous Year: NA).

34. Off-Balance Sheet SPVs sponsored

There are no off-Balance Sheet SPVs sponsored by the Bank for the year ended March 31, 2020 (Previous Year: Nil)

35. 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 the RBI Circular No. DBOD No.BC.72/29.67/001/2011-12 dated 13 January 2012, the Regional Office of the Bank has submitted a declaration to RBI confirming the aforesaid matter. Accordingly, no disclosure is required to be made in this regard.

36. Disclosures relating to securitisation

The Bank has not sponsored any SPVs for securitization transactions during the year and there is no securitization transaction outstanding as at March 31, 2020 (Previous Year: Nil).

37. Credit Default Swaps

During the year, the bank has not entered into credit default swap transactions (Previous Year: Nil).

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38. Intra-Group Exposures **(Rs in crore)**

Particulars	March 31, 2020	March 31, 2019
Total amount of intra-group exposures	256.86	266.93
Total amount of top-20 intra-group exposures	256.86	266.93
Percentage of intra-group exposures to total exposure of the bank on borrowers/customers	5.97%	6.50%
Details of breach of limits on intra-group exposures and regulatory action thereon, if any.	No Breach	No Breach

39. Transfers to Depositor Education and Awareness Fund (DEAF)

The Bank has no Unclaimed liabilities as at March 31, 2020 (Previous Year: Nil), hence this disclosure is not applicable.

40. Unhedged Foreign Currency Exposure

Unhedged foreign currency exposure of corporates poses risk to them and also to the entire financial system. If the unhedged position is large, it can have serious consequences for the solvency of corporates in the event of large depreciation of the home currency and can result in large credit losses to the financing banks.

The bank has a policy of managing credit risk arising out of unhedged foreign currency exposure of its borrowers. The Bank reviews unhedged foreign currency exposures as part of its credit analysis of all borrowers at the time of initial sanction as well as part of the annual renewal of exposures. The Bank also review the hedging policy of the counterparty as part its credit analysis to assess the risks related to its foreign currency exposures. The risks related to unhedged foreign currency exposures is captured in the overall counterparty's credit rating (for e.g., if the corporate is running large unhedged foreign currency risk, its overall rating will be lower) which in turn will drive the credit risk premium to be charged to meet the minimum target return on the Risk Weighted Asset (RWA). In addition, the Board of the Bank has also approved specific criteria (based on amount of exposure, relative size of unhedged foreign currency exposure with respect to net-worth, etc.) which if met would result in the Bank stipulating a limit on unhedged foreign currency positions of borrowers. Accordingly, this limit becomes part of the approval conditions stipulated to the borrower and will be monitored accordingly.

The Bank reviews the unhedged foreign currency exposure on periodic basis and maintains incremental provision towards unhedged foreign currency of its borrowers in line with RBI guidelines DBOD.No. BP.BC. 85/21.06.200/2013-14 issued on 15th January 2014 and clarifications DBOD.No.BP.BC.116/21.06.200/2013-14 issued on 3rd June 2014. The Bank has maintained provision of Rs 10.01 crores (Previous Year: Rs. 9.41 crores) and additional capital Rs 26.65 crores (Previous Year: Rs. 37.33 crores) on account of unhedged foreign currency exposure of its borrowers as on March 31, 2020.

41. Liquidity Coverage Ratio ('LCR')

(i) Quantitative disclosures

The Bank's LCR related information is disclosed for all four quarters for the year ending March 31, 2020. The quarterly averages are calculated based on simple averages of daily data. **(Rs in crore)**

		Quarter Ended							
		Mar 31, 2020		Dec 31, 2019		Sep 30, 2019		Jun 30, 2019	
		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)	**2,936**	**2,928**	**3,797**	**3,791**	**3,764**	**3,674**	**3,632**	**3,522**
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	**404**	**40**	**401**	**40**	**382**	**38**	**884**	**88**
(i)	Stable deposits	-	-	-	-	-	-	-	-
(ii)	Less stable deposits	**404**	**40**	**401**	**40**	**382**	**38**	**884**	**88**
3	Unsecured wholesale funding, of which:	**1,562**	**1,505**	**1,879**	**1,778**	**1,863**	**1,763**	**1,861**	**1,797**
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non operational deposits (all counterparties)	**1,562**	**1,505**	**1,879**	**1,778**	**1,863**	**1,763**	**1,861**	**1,797**
4	Secured wholesale Funding	**1,178**	-	**5**	-	**8**	-	**246**	-
5	Additional requirements, of which	**500**	**358**	**521**	**364**	**534**	**378**	**535**	**398**
(i)	Outflows related to derivative exposures and other collateral requirements	**264**	**264**	**224**	**224**	**229**	**229**	**262**	**262**
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	**236**	**94**	**297**	**141**	**305**	**149**	**273**	**136**
6	Other contractual funding obligations	**31**	**31**	**141**	**141**	**129**	**129**	**84**	**84**
7	Other contingent funding obligations	-	-	-	-	-	-	-	-
8	**TOTAL CASH OUTFLOWS**	**3,675**	**1,934**	**2,947**	**2,324**	**2,916**	**2,308**	**3,610**	**2,367**
Cash Inflows									
9	Secured lending (e.g. reverse repos)	**213**	-	**1,552**	-	**1,181**	-	**402**	-
10	Inflows from fully performing exposures	**1,045**	**170**	**706**	**169**	**204**	**108**	**485**	**155**
11	Other cash inflows	-	-	-	-	-	-	-	-
12	**TOTAL CASH INFLOWS**	**1,258**	**170**	**2,258**	**169**	**1,385**	**108**	**887**	**155**
			Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
21	**Total HQLA**		**2,928**		**3,791**		**3,674**		**3,522**
22	**Total Net Cash Outflows**		**1,764**		**2,155**		**2,200**		**2,212**
23	**Liquidity Coverage Ratio (%)**		**166**		**176**		**167**		**159**

CREDIT SUISSE

Credit Suisse AG, Mumbai Branch

The Bank's LCR related information is disclosed for all four quarters for the year ending March 31, 2019. The quarterly averages are calculated based on simple averages of daily data. **(Rs in crore)**

		Quarter Ended							
		Mar 31, 2019		Dec 31, 2018		Sep 30, 2018		Jun 30, 2018	
		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)	**3,680**	**3,577**	**4,425**	**4,293**	**3,777**	**3,404**	**3,548**	**3,175**
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	**1,467**	**147**	**1,456**	**146**	**1,410**	**141**	**868**	**87**
i)	Stable deposits	-	-	-	-	-	-	-	-
(ii)	Less stable deposits	**1,467**	**147**	**1,456**	**146**	**1,410**	**141**	**868**	**87**
3	Unsecured wholesale funding, of which:	**1,475**	**1,404**	**1,917**	**1,806**	**1,289**	**1,218**	**1,495**	**1,141**
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non operational deposits (all counterparties)	**1,475**	**1,404**	**1,917**	**1,806**	**1,289**	**1,218**	**1,495**	**1,141**
4	Secured wholesale Funding	**156**	-	**3**	-	**456**	-	**259**	-
5	Additional requirements, of which	**396**	**323**	**821**	**536**	**972**	**563**	**709**	**434**
(i)	Outflows related to derivative exposures and other collateral requirements	**218**	**218**	**243**	**243**	**220**	**220**	**223**	**223**
(ii)	Outflows related to loss of funding on debt products	-		-		-		-	-
(iii)	Credit and liquidity facilities	**178**	**104**	**578**	**293**	**752**	**343**	**486**	**211**
6	Other contractual funding obligations	**96**	**96**	**46**	**46**	**26**	**26**	**228**	**228**
7	Other contingent funding obligations	-	-	-	-	-	-	**49**	**2**
8	**TOTAL CASH OUTFLOWS**	**3,590**	**1,970**	**4,243**	**2,534**	**4,153**	**1,948**	**3,608**	**1,892**
Cash Inflows									
9	Secured lending (e.g. reverse repos)	**508**	-	**974**	-	**231**	-	**124**	-
10	Inflows from fully performing exposures	**1,490**	**212**	**1,024**	**151**	**300**	**250**	**235**	**189**
11	Other cash inflows	-	-	-	-	-	-	-	-
12	**TOTAL CASH INFLOWS**	**1,998**	**212**	**1,998**	**151**	**531**	**250**	**359**	**189**
			Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
21	**Total HQLA**		3,577		4,293		3,404		3,175
22	**Total Net Cash Outflows**		**1,758**		**2,383**		**1,698**		**1,703**
23	**Liquidity Coverage Ratio (%)**		**203**		**180**		**200**		**186**

(ii) Qualitative disclosure around LCR –

The Bank measures and monitors the LCR in line with the Reserve Bank of India's circulars on "Basel Ill Framework on Liquidity Standards - Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards".

Banks are required to maintain High Quality Liquid Assets (HQLA) of a minimum of 100% of its Net Cash Outflows by January 1, 2019. This is achieved through maintaining HQLA above net cash outflows.

The Bank has been maintaining HQLA primarily in the form of SLR investments over and above mandatory requirement and corporate bonds issued by non-financial entities with rating BBB- and above. SLR investments as well as the corporate bond portfolio of the Bank considered for HQLA is well diversified and would provide the Bank with adequate and timely liquidity, where required.

The Bank's funding sources are driven from a diversified mix comprising of capital injection; unsecured deposits; issuances of certificate of deposits; intercompany money market borrowings and repo borrowings.

The Local Management Committee of the Bank has empowered ALCO to monitor the liquidity profile of the Bank. Funding strategies are managed by Treasury to ensure compliance with both regulatory and internal liquidity metric and also in line with business requirements and growth strategy. This process is overseen by ALCO and India Risk Management Committee ("RMC"). The objective of the funding strategy is to achieve an optimal funding mix which is consistent with prudent liquidity, diversification of sources and servicing costs. Diversification of the funding mix in terms of investor types, products and instruments is an important part of liquidity risk and funding management within the Bank. The Bank estimates daily liquidity requirement of the various business segments and manages the same on consolidated basis.

42. Corporate Social Responsibility

a) Gross amount required to be spent by the Bank during the year Rs 4.31 crore (Previous Year: 5.80 crore)

(Rs in crore)

Sr No	Particulars	March 31, 2020			March 31, 2019		
		Paid during the year	Yet to be paid	Total	Paid during the year	Yet to be paid	Total
i)	Construction/acquisition of any asset	-	-	-	-	-	-
ii)	On purposes other than (i) above	4.34	-	4.34	5.80	-	5.80
	Total	**4.34**	**-**	**4.34**	**5.80**	**-**	**5.80**

43. Deferred tax asset/liability

Other Assets include deferred tax asset (net) of Rs 180.28 crore (Previous Year: Rs 95.29 crore). The break-up of the same is as follows:

(Rs in crore)

Particulars	March 31, 2020	March 31, 2019
Deferred tax asset arising out of:		
Employee benefits	4.59	5.09
Standard asset provisioning	7.14	6.41
Depreciation	0.65	0.67
Country risk provisioning	-	1.76
Provision for doubtful debts	-	61.86
Tax Losses	148.02	-
General provision on investment	19.31	16.38
Others	0.57	3.12
Total	**180.28**	**95.29**
Deferred tax liability:	-	-
Total	-	-
Deferred tax asset (net)	**180.28**	**95.29**

44. Other expenses

Other expenses include cost allocation expenses of Rs 1.84 crore (Previous Year: Rs 2.38 crore) and Corporate Social Responsibility expense of Rs 4.34 crore (Previous Year: Rs. 5.80).

45. Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises.

(Rs in crore)

Particulars	31 March 2020	31 March 2019
(i) Principal amount remaining unpaid to MSME suppliers as on year end	-	-
(ii) Interest due on unpaid principal amount to MSME suppliers as on year end	-	-
(iii) The amount of interest paid along with the amounts of the payment made to the MSME suppliers beyond the appointed day	-	-
(iv) The amount of interest due and payable for the year (without adding the interest under MSME Development Act)	-	-
(v) The amount of interest accrued and remaining unpaid as on year end	0.00*	0.00*

*Denotes value below rounding off rules applicable

46. Provision for long term contracts

The Bank has a process whereby periodically all long-term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Bank has reviewed and recorded adequate provision as required under any law/accounting standards for material foreseeable losses on such long-term contracts (including derivative contracts) in the books of account and disclosed the same under the relevant notes in the financial statements.

47. Indian Accounting Standard (Ind-AS)

The Ministry of Corporate Affairs (MCA), Government of India has notified the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015. Further, a press release was issued by the MCA on January 18, 2016 outlining the road map for implementation of Indian Accounting Standards (Ind-AS) converged with International Financial Reporting Standards (IFRS) for banks. Banks in India had to comply with the Ind-AS for financial statements for the accounting period beginning from April 01, 2018 onwards, with comparatives for the period ending March 31, 2018 or thereafter. However, necessary legislative amendments to make the format of financial statements, prescribed in the Third Schedule to Banking Regulation Act 1949, compatible with accounts under Ind AS are under consideration of the Government of India. In view of this implementation of Ind AS has been deferred till further notice. During the year ending March 31, 2020 the Bank had prepared proforma Ind AS financial statements as on June 30, 2019, September 30, 2019, December 31, 2019 and March 31, 2020 and submitted the same to the RBI. The Bank will continue its preparation towards migration to adopting Ind-AS as per regulatory requirement.

48. Disclosure on provisioning pertaining to fraud accounts

As per RBI Circular No.DBR. No. BP.BC.92/21.04.048/2015-16 dated April 18, 2016 required details are furnished:

(Rs in crore)

Particulars	March 31, 2020	March 31, 2019
Number of frauds reported during the year	-	-
Amounts involved	-	-
Quantum of provision made during the year	-	-
Quantum of unamortized provision debited from 'Other Reserves'	-	-

CREDIT SUISSE

Credit Suisse AG, Mumbai Branch

49. Priority Sector Lending Certificates (PSLCs) purchased/sold during the year ending March 31, 2020

(Rs in crore)

Type of PSLC	PSLC purchased	PSLC sold
PSLC - Agriculture	-	-
PSLC – SF/MF	-	-
PSLC - Micro Enterprises	105.00	-
PSLC – General	205.00	-
Total	**310.00**	**-**

Priority Sector Lending Certificates (PSLCs) purchased/sold during the year ending March 31, 2019

(Rs in crore)

Type of PSLC	PSLC purchased	PSLC sold
PSLC - Agriculture	-	-
PSLC – SF/MF	-	-
PSLC - Micro Enterprises	65.00	-
PSLC – General	10.00	-
Total	**75.00**	**-**

50. Interest Moratorium

No client has availed interest moratorium in terms of RBI circular RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 and RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 for the year ending March 31, 2020.

51. The Covid-19 pandemic continues to spread across the world and India is no exception. Covid-19 has contributed to a significant decline and volatility in global and India financial markets and a significant decrease in global and local economic activities. On 11 March 2020, the Covid-19 outbreak was declared a global pandemic by the World Health Organization. Numerous governments and central Banks have introduced a variety of measures to contain the spread of the virus and moderate the economic impact due to disruptions. On 24 March 2020, the Indian government announced a strict 21 days lockdown across the country to contain the spread of virus. The lockdown of nearly 136 crore people and many businesses is leading to disruptions and dislocations on a scale never imagined. The extent to which Covid-19 pandemic will impact the Bank's operations and financial markets will depend on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the Covid-19 pandemic and any action to contain its spread or mitigate its impact whether government mandated or elected by the Bank.

In accordance with the RBI guidelines relating to COVID 19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Bank would be granting a moratorium of three months on the payment of all instalments and/or interest, as applicable, falling due between March 1, 2020 and May 1, 2020 to all eligible borrowers classified as Standard, even if overdue, as on February 29, 2020. For all such accounts where the moratorium is granted, the prudential assets classification shall remain stand still during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purposes of asset classification under Income Recognition, Asset Classification and Provisioning Norms).

52. Comparative figures

Figures of the previous period have been re-grouped to conform to the current year presentation.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
Firm Registration No.: 101049W/E300004

For **Credit Suisse AG – Mumbai branch**

sd/-
Sarvesh Warty
Partner
Membership No. : 121411

sd/-
Sandeep Agarwal
Chief Executive Officer

sd/-
Niraj Khandelwal
Vice President- Finance

Place: Mumbai
Date : 29 June 2020

Place: Mumbai
Date : 29 June 2020

CREDIT SUISSE

Credit Suisse AG, Mumbai Branch

ANNUAL REPORT ON CSR ACTIVITIES

1. **A brief outline of the company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes:**

The Credit Suisse policy is based on the premise that the existence of a sound and stable social environment is key to the long-term success of our business. Credit Suisse and its employees have been working to help strengthen our society and to address social issues in conjunction with selected partner organizations. We support our partner organizations and their projects to help improve the lives of disadvantaged people by providing direct financial support to our partners and encourage our employees to share their knowledge and volunteer their time to make a difference.

The policy is aimed to promote social cohesion and stability through a range of social commitments in providing access, quality and inclusive education to the disadvantaged / marginalized sections of the society. Access to education is fulfilled through commitments based on health care, community development, rural development; Quality of education is focused on commitments based on skill based training, traineeship and livelihood enhancements and by providing support to girls & women education, adult literacy and vulnerable groups we provide inclusive opportunities to society.

The projects undertaken are within the broad framework of Schedule VII of the Companies Act, 2013.

Projects 2017-18:

For FY 2017-18, we have made our contribution for setting up a Kitchen to support the Government's Mid-Day Meal program, infrastructure development of 2 schools and education of children studying in Municipal Corporation run schools and capacity building and teacher training.

Projects 2018 -19:

For FY 2018-19, we have continued our contribution for setting up a Kitchen to support the Government's Mid-Day Meal program, education of children studying in Municipal Corporation run schools and teacher training, skill development of intellectually challenged children and a disaster relief project in Kerala for livelihood regeneration of flood victims.

Projects 2019 - 20:

For FY 2019-20, we have continued our support to the Government's Mid-Day Meal program by sponsoring meals in low-income schools, education of children studying in Municipal Corporation run schools and teacher training and education and skill development of intellectually challenged children.

2. **The composition of the CSR Committee:** CSR committee comprising of Mr. Sandeep Agarwal, Mr. Neil Bharadwaj, Mr. Ravi Sureka, Mr. Chintan Bhansali, Ms. Priti Shah and Ms. Sapna Bhawnani

3. **Average net profit of the company for the last three financial years for the purpose of computation of CSR :** INR 2,154,341,311

4. **Prescribed CSR Expenditure (two per cent of the amount as in item 3 above):** INR 43,086,826

5. **Details of CSR spent during the financial year :**
   a. **Total amount to be spend for the financial year :** INR 43,086,826
   b. **Amount unspent :** Nil
   c. **Manner in which the amount spend during the financial year :** as attached

6. **In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report:**

   Not Applicable (There is no unutilized amount for 2019- 20 all amounts have been spent)

   Please refer to 5(b)

7. **A responsibility statement of the CSR Committee that the implementation and monitoring of CSR policy, is in compliance with CSR objectives and policy of the Company.**

We hereby declare that implementation and monitoring of the CSR policy are in compliance with CSR objectives and policy of the company.

Sd/-
Neil Bharadwaj

Sd/-
Sandeep Agarwal
Authorised Representative under Section 380(1)(d) of the Companies Act 2013

CREDIT SUISSE

Credit Suisse AG, Mumbai Branch

Sr. No.	CSR project or activity	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the state and district where projects or programs undertaken	Amount outlay (budget) project or program-wise	Amount spent on the project or program. Sub heads (1) Direct expenditure on project or programs (2) Overheads	*Cumulative expenditure upto the reporting period	Amount spent: Direct or through implementing agency
1	Paragon Charitable Trust	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects	Mumbai	58,390,000	21,342,000	58,390,000	Implementing Agency
k2	The Akshaya Patra Foundation	Eradicating hunger, poverty and malnutrition and Promoting Education	Pune	5,500,000	5,500,000	5,500,000	Implementing Agency
3	Jai Vakeel	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects	Mumbai	45,000,000	15,000,000	30,000,000	Implementing Agency
4	Capacity building	Administrative expenses - resourcing costs, project meeting expenses, project site visit expenses			1,561,730		Direct
	Total				43,403,730		

*Cumulative expenditure upto the reporting period includes the expenditure of previous years on that project

Credit Suisse AG, Mumbai Branch

Basel III – Pillar 3 disclosures for the period ended March 31, 2020

Table DF – 1: Scope of Application

The disclosures and analysis provided herein below are in respect of the Mumbai Branch ('the Bank') of Credit Suisse AG which is incorporated in Switzerland with limited liability and its associate Credit Suisse Finance (India) Private Limited ('CS Finance') a Non- Banking Finance Company. The Bank and CS Finance together constitute "The Consolidated Bank" in line with the Reserve Bank of India ("RBI") guidelines on the preparation of consolidated prudential returns. Also, the disclosures herein below are solely in the context of local regulatory requirements and guidelines prescribed by the Reserve Bank of India (RBI) under Pillar 3 - Market Discipline of the Basel III guidelines. The Pillar 3 disclosures are designed to complement the minimum capital requirements in Pillar 1 and the Supervisory Review and Evaluation Process in Pillar 2. The aim of Pillar 3 is to promote market discipline by allowing market participants access to information of risk exposures and risk management policies and process adopted by the bank.

For the purpose of consolidated prudential regulatory reporting, the consolidated Bank includes audited results as at Mar 31, 2020 of the above mentioned NBFC as required by RBI in its circular on "Financial Regulation of Systemically Important NBFC's and Bank's relationship with them" vide circular ref. DBOD.No.FSD.BC.46/24.01.028/2006-07 dated December 12, 2006 read with "Guidelines for consolidated accounting and other quantitative methods to facilitate consolidated supervision" vide circular ref. DBOD. No. BP.BC. 72 /21.04.018/2001-02 dated February 25, 2003.

Presently, the Accounting Standard (AS) 21 on Consolidated Accounting is not applicable to the India operations of Credit Suisse AG since none of its Indian subsidiaries are owned by the Branch in Mumbai. The Bank does not have any interest in insurance entities.

References have been made in this submission to Global practices as the Bank in India is operating as branch of the Global Bank.

(i) Qualitative Disclosure

a. List of entities considered for Consolidation

Name of the entity / Country of incorporation	Included under accounting scope of consolidation (yes / no)	Method of consolidation	Included under regulatory scope of consolidation (yes / no)	Method of consolidation	Reasons for difference in the method of consolidation	Reasons if consolidated under only one of the scopes of consolidation
Credit Suisse Finance (India) Private Limited	No	NA	Yes	Line by line consolidation method as per AS-21	NA	As per the RBI circular number DBOD.No.FSD. BC.46/24.01. 028/2006-07 dated December 12, 2006 the Branch is not required to publish consolidated financial statements as per AS-21

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

(Rs. in '000)

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)
Credit Suisse Securities (India) Private Limited	Registered as a stock broker, merchant banker, underwriter and portfolio manager.	18,062,967	-	NA	27,636,266
Credit Suisse Services India Private Limited	Information Technology / Information Technology Enabled Services to Group companies.	10,293,059	-	NA	23,816,137
Credit Suisse Services AG Pune Branch	Information Technology / Services to Group companies.	Nil	-	NA	7,818,609
Credit Suisse Business Management (India) Private Limited	Business support services to Credit Suisse Trust entities situated outside India	106,256	-	NA	123,350
Credit Suisse Consulting (India) Private Limited	Consultancy services to Group companies	128,369	-	NA	138,417
Credit Suisse Business Analytics (India) Private Limited	Information Technology / Information Technology Enabled Services Group companies.	4,157,700	-	NA	7,324,200

Note: The balances in the table above are based on unaudited financials of 31 March 2020.

Credit Suisse AG, Mumbai Branch

(ii) Quantitative Disclosure

c. List of entities considered for Consolidation

(Rs. in '000s)

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)*	Total balance sheet assets *(as stated in the accounting balance sheet of the legal entity)*
Credit Suisse Finance (India) Private Ltd.	NBFC	20,630,223	25,246,035

Note: The balances in the table above are based on audited financials of 31 March 2020.

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 as there are no subsidiaries of the Bank.

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

As of March 31, 2020, the Bank does not have investment in any insurance entity.

f. Restrictions or impediments on transfer of funds or regulatory capital within the banking group

There are no restrictions or impediments on transfer of funds within the banking group.

Table DF – 2: Capital adequacy

The Bank needs to maintain sufficient capital to support business activities, in accordance with the regulatory requirements on a standalone and consolidated basis. Currently the main source of the Bank's supply side of its capital is capital infusion by its Head Office and reserves. The Bank currently follows Standardized Approach for Credit Risk, Standardized Duration Approach for Market Risk and Basic Indicator Approach for Operational risk capital charge computation. CS Finance follows capital adequacy guidelines applicable to NBFCs. The Bank also assesses the capital adequacy using Internal Capital Adequacy Assessment Process (ICAAP) approach, as required by local regulation.

The Bank is supervised by the Chief Executive Officer ("CEO") and the Local Management Committee ("LMC") comprising of key senior management in the Bank. The LMC is supported by other committees for specific areas like the Asset Liability Management and Investment committee ("ALCO"), Risk Management Committee, Credit committee, etc. The Branch management is supported by the Regional & Country Management of Credit Suisse on all governance and franchise issues. There are processes and policies in place to support activities planned in the Bank. Apart from local policies, the Bank also adheres to Global Credit Suisse policies and best practices.

As at March 31, 2020, the capital of the Bank, both on a standalone and consolidated basis, is higher than the minimum capital requirement as per Basel-III guidelines.

A summary of the Bank's capital requirement for credit, market and operational risk and the capital adequacy ratio as on March 31, 2020 is presented below:

(Rs in '000)

Risk area	Standalone March 31, 2020	Consolidated March 31, 2020
Capital requirements for Credit Risk (A)	**3,604,016**	**5,863,854**
– for portfolio subject to standardised approach	3,604,016	5,863,854
– for securitisation exposures	-	-
Capital requirements for Market risk (B)	**4,549,804**	**4,549,804**
– for interest rate risk	3,782,976	3,782,976
– for foreign exchange risk (including gold)	766,828	766,828
– Equity risk	-	-
Capital requirements for Operational risk (C)	**570,463**	**570,463**
– Basic indicator approach	570,463	570,463
Total capital requirement (A+B+C)	**8,724,283**	**10,984,121**
CET1 CRAR	33.56%	48.65%
Tier 1 CRAR	33.56%	48.65%
Tier 2 CRAR	0.22%	0.32%
Total Capital adequacy ratio	**33.78%**	**48.97%**

Table DF – 3: Credit Risk

Definition

Credit risk can be defined as the risk to earnings or capital arising from an obligor's failure to meet the terms of any contract with the lender or otherwise fail to perform as agreed.

Credit Risk Management / Structure

Within Credit Suisse, the Credit Risk Management ('CRM team') is responsible for managing Credit Suisse's portfolio of credit risk and establishes broad policies and guidelines governing Credit Suisse's credit risk appetite. The Bank has a dedicated Credit Risk team reporting functionally to the Global CRM group. CRM team is headed globally by the Chief Credit Officer ('CCO') who reports directly to the Chief Risk Officer ('CRO') of Credit Suisse. Credit authority is delegated by the CCO to specific senior CRM team personnel based on each person's knowledge, experience and capability. These delegations of credit authority are reviewed periodically. Credit Risk function along with other risk functions is segregated from the line / business functions. At Headquarters in Zurich, the Capital Allocation and Risk Management Committee ('CARMC'), in addition to its responsibilities for market risk described below, is also responsible for maintaining credit policies and processes, evaluating country, counterparty and transaction risk issues, applying senior level oversight for the credit review process and ensuring global consistency and quality of the credit portfolio. CARMC annually reviews credit limits measuring country, geographic region and product concentrations, as well as impaired assets and recommended loan loss provisions. All limits are applicable to the bank to the extent they are in conformity with Reserve Bank of India regulations.

Risk identification, measurement and monitoring

Globally, Credit Suisse utilises an internal counterparty rating scale (ranging from AAA as the best to D as the worst) and applies this grading measure against all counterparties. Credit Suisse takes a proactive approach to rating each of its counterparties and obligors and, as a result, internal ratings may deviate from those assigned by public rating agencies. All counterparties are assigned a credit rating as noted above. The intensity and depth of analysis is related to the amount, duration and level of risk being proposed together with the perceived credit quality of the counterparty/issuer/obligor in question. Analysis consists of a quantitative and qualitative portion and strives to be forward looking, concentrating on economic trends and financial fundamentals. In addition, analysts make use of peer analysis, industry comparisons and other quantitative tools, including a quantitative model based rating system. All final ratings also require the consideration of qualitative factors relating to the company, its industry and management. In addition to the aforementioned analysis, all counterparty ratings are subject to the rating of the country in which they are domiciled. Analysis of key sovereign an economic issues for all jurisdictions is undertaken and these are considered when assigning the rating and risk appetite for individual counterparties.

Each credit facility is approved by the bank's Credit Approval Committee and CRM is a standing member of this committee (all members have veto power). Each facility is covered by a legal agreement that is appropriate for the type of transaction. On a case-by-case basis, Credit Suisse mitigates its credit risk associated with lending and credit related activities. This may be accomplished by taking collateral or a security interest in assets and other means.

Country risk is the risk of a substantial, systemic loss of value in the financial assets of a country or group of countries, which may be caused by dislocations in the credit, equity, and/or currency markets. Credit Suisse's major operating divisions all assume country risk in a variety of ways. The setting of limits for this risk is the responsibility of CARMC based on recommendations of CRM team, Market and Liquidity Risk Management ('MLRM') and Credit Suisse's economists. Country limits for emerging markets are approved by the Chairman's Committee of the Board of Directors of Credit Suisse Group, a portion of which is delegated to CARMC. For trading positions, country risk is a function of the notional and mark-to-market exposure of the position, while for loans and related facilities country risk is a function of the amount that Credit Suisse has lent or committed to lend. The day-to-day management of country exposure is assigned to each of the core businesses in accordance with its business authorisations and limit allocations.

The Bank leverages the CRM team expertise and processes within Credit Suisse to manage credit exposures arising from business transactions. The Businesses would be responsible for managing transactions within specified counterparty credit limits like Single Borrower and Group Borrower limits as prescribed by RBI, in consultation with CRM team.

Credit risk management policy:

The credit risk management policies of the bank address the following:

- Credit risk management framework, organisation, mandate & fundamental credit risk taking principles
- Counterparty / borrower/ issuer ratings
- Credit analysis & review frequency
- Credit exposure limits
- Credit limits for trading debt inventory in the secondary market
- Credit limit excess monitoring
- Management of problem assets
- Managing counterparty/borrower/issuer and country events
- Reporting of credit exposures of the bank
- Exposure norms to avoid credit risk concentrations: industry, sector, product and single/group borrower limits
- Loans and advances
- External commercial borrowings & trade credits
- Sale of financial assets to securitisation companies/reconstruction companies
- Purchase/sale of non-performing financial assets
- CS Mumbai Branch Credit Committee and Credit Approval Committee
- Roles and responsibilities

The branch also complies with RBI's directives to ensure early recognition of financial distress in borrowers and taking prompt steps for resolution and fair recovery.

Definition of past due and impaired:

The Bank classifies its advances into performing and non-performing loans for accounting purposes in accordance with the extant RBI guidelines given below

A non-performing asset (NPA) is defined as a loan or an advance where:

i) interest and/or installment of principal remain overdue for more than 90 days in respect of a term loan. Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the Bank;

ii) if the interest due and charged during a quarter is not serviced fully within 90 days from the end of the quarter;

iii) the account remains 'out of order' in respect of an overdraft/cash credit facility continuously for 90 days;

iv) a bill purchased/discounted by the Bank remains overdue for a period of more than 90 days;

v) interest and/or installment of principal in respect of an agricultural loan remains overdue for two crop seasons for short duration crops and one crop season for long duration crops;

vi) In respect of a securitisation transaction undertaken in terms of the RBI guidelines on securitisation, the amount of liquidity facility remains outstanding for more than 90 days;

vii) In respect of derivative transactions, if the overdue receivables representing positive mark-to-market value of a derivative contract, remain unpaid for a period of 90 days from the specified due date for payment.

Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. A sub-standard asset is one, which has remained a NPA for a period less than or equal to 12 months. An asset is classified as doubtful if it has remained in the sub-standard category for more than 12 months. A loss asset is one where loss has been identified by the Bank or internal or external auditors or during RBI inspection but the amount has not been written off fully. In line with RBI directive, CS Finance is subject to 90 days overdue criteria for identification of NPAs.

Quantitative Disclosure

Gross Credit exposures:

Credit risk exposures include all exposures as per RBI guidelines on exposure norms. Bank's credit risk exposure as on March 31, 2020 primarily includes loans given to corporates, FX and derivative exposures and inventory positions held. The entire credit risk exposure of the Consolidated Bank as on March 31, 2020 is concentrated in India. This includes exposure to branches of Foreign banks in India.

The following table provides details of Bank's fund based and non-fund based exposures as on March 31, 2020

(Rs in '000)

Category	Standalone		Consolidated	
	Fund based[1,2]	Non-fund based[3]	Fund based[1,2]	Non-fund based[3]
Domestic	26,376,518	16,750,586	45,044,784	16,764,086
Overseas	-	-	-	-
Total	**26,376,518**	**16,750,586**	**45,044,784**	**16,764,086**

1. Represents loans, investment in non-SLR securities.
2. Excludes cash in hand, balance with RBI and investment in government securities and Bank CD's.
3. Non Fund Based includes committed lines of credit, guarantees, inter-bank fx and derivative transactions.

Industry-wise distribution of exposures as on March 31, 2020:

(Rs in '000)

Industry	Standalone		Consolidated	
	Fund based[1,2]	Non-fund based[3]	Fund based[1,2]	Non-fund based[3]
Banks	366,905	14,890,783	366,905	14,904,283
Drugs and Pharmaceuticals	2,269,950	-	2,269,950	-
Other Industries	22,791,752	587,848	40,100,610	587,848
Telecommunication and Telecom Services	947,911	-	947,911	-
Electricity Distribution - Private Sector	-	1,271,955	-	1,271,955
Mining and Quarrying -Others	-	-	806,000	-
Vehicles, Vehicle Parts and Transport Equipment's	-	-	53,408	-
Infrastructure Others	-	-	500,000	-
Total	**26,376,518**	**16,750,586**	**45,044,784**	**16,764,086**

1. Represents loans, investment in non-SLR securities.
2. Excludes cash in hand, balance with RBI and investment in government securities and Bank CD's.
3. Non Fund Based includes committed lines of credit, guarantees, inter-bank fx and derivative transactions.

Maturity pattern of assets of the bank as at March 31, 2020:

(Rs in '000)

Maturity buckets	Cash & balances with RBI	Balances with banks & money at call and short notice	Investments	Loans & advances	Fixed assets	Other assets	Total
Day 1	196,891	531,900	58,051,082	-	-	246,799	59,026,672
2 to 7 days	1,883,105	-	11,880,353	-	-	(811,703)	12,951,755
8 to 14 days	26,058	-	158,522	-	-	63,140	247,720
15 to 30 days	116,922	-	711,276	2,500,000	-	2,162,465	5,490,663
31days and upto 2 months	99,362	-	604,452	-	-	407,053	1,110,867
More than 2 months and upto 3 months	183,116	-	1,113,955	-	-	(731,491)	565,580
3 to 6 months	31,805	-	193,480	5,000,000	-	(663,271)	4,562,014
6 months to 1 year	284,635	-	1,731,527	4,769,950	-	3,297,562	10,083,674
1 to 3 years	126,433	-	769,132	-	-	429,175	1,324,740
3 to 5 years	-	-	125,000	-	-	711,488	836,488
Above 5 years	1,289	-	7,840	-	86,287	3,219,691	3,315,107
Total	**2,949,616**	**531,900**	**75,346,619**	**12,269,950**	**86,287**	**8,330,908**	**99,515,280**

ECONOMIC & POLITICAL WEEKLY

CREDIT SUISSE

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Consolidated maturity pattern of assets as at March 31, 2020:

(Rs in '000)

Maturity buckets	Cash & balances with RBI	Balances with banks & money at call and short notice	Investments	Loans & advances	Fixed assets	Other assets	Total
Day 1	196,891	2,767,917	60,689,467	-	-	246,799	63,901,074
2 to 7 days	1,883,105	-	11,880,353	437,783	-	(804,280)	13,396,961
8 to 14 days	26,058	-	158,522	203,500	-	65,304	453,384
15 to 30 days	116,922	-	711,276	5,053,580	-	2,191,923	8,073,701
31days and upto 2 months	99,362	-	604,452	1,995,477	-	446,880	3,146,171
More than 2 months and upto 3 months	183,116	-	1,113,955	563,950	-	(715,381)	1,145,640
3 to 6 months	31,805	2,250,000	193,480	7,525,782	-	(625,688)	9,375,379
6 months to 1 year	284,635	-	5,148,985	8,221,400	-	3,467,442	17,122,462
1 to 3 years	126,433	-	3,133,175	-	-	819,394	4,079,002
3 to 5 years	-	-	125,000	-	-	711,488	836,488
Above 5 years	1,289	-	7,840	-	118,487	3,285,526	3,413,142
Total	**2,949,616**	**5,017,917**	**83,766,505**	**24,001,472**	**118,487**	**9,089,407**	**124,943,404**

For consolidated Bank, the disclosures pertaining to non-performing advances as at March 31, 2020 are as below:

Non-performing Advances (Gross)

(Rs in '000)

Category	Amount
Substandard	-
Doubtful 1	-
Doubtful 2	-
Doubtful 3	-

Non-performing Advances (Net)

(Rs in '000)

Category	Amount
Substandard	-
Doubtful 1	-
Doubtful 2	-
Doubtful 3	-

NPA ratios

Particulars	Ratio
Gross NPAs to gross advances	-
Net NPAs to net advances	-

Movement of NPAs (Gross)

(Rs in '000)

Particulars	Amount
Opening balance	2,600,000
Additions	-
Reductions	2,600,000
Closing balance	-

Major Industry-wise NPAs, provisions and write-off as of March 31, 2020

(Rs in '000)

Particulars	Gross NPA	Specific Provisions[1]	General Provision	Specific Provision during the year	Write-Off during the year
Other Industries	-	-	-	1,076,934	2,600,000

1. Specific provision relating to NPAs.

Geography-wise breakup of gross NPAs, specific provisions and general provision as of March 31, 2020

(Rs in '000)

Particulars	Gross NPA	Specific Provisions[1]	General Provision
Domestic	-	-	-
Overseas	-	-	-

1. Specific provision relating to NPAs.

Table DF – 7: Market risk

The Bank in its day to day activity takes on market exposures which result in market risk. Market Risk is the risk of loss arising from adverse changes in interest rates, foreign exchange rates, equity prices & other relevant parameters such as market volatility. The Bank defines its market risk as potential change in the fair value of financial instruments in response to market movements. A typical transaction may be exposed to a number of different market risks.

Market risk management framework

Fundamental to the Bank's business is the prudent taking of risk in line with Bank's strategic priorities. The primary objectives of risk management are to protect Bank's financial strength and reputation, while ensuring that capital is well deployed to support business activities and grow shareholder value. Bank's risk management framework is based on transparency, accountability and independent oversight.

The Bank devotes considerable resources to ensuring that market risk is comprehensively captured, accurately modeled and reported, and effectively managed. Trading and non-trading portfolio are managed at various organizational levels, from the overall risk positions at the Group level down to specific portfolios. The Bank uses market risk measurement and management methods designed to meet or exceed industry standards. These include general tools capable of calculating comparable exposures across Bank's many activities and focused tools that can model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes.

Market risk identification

The Bank bases its business operations on conscious, disciplined, intelligent and prudent risk taking. The Bank believes in independent risk management, compliance and audit processes with proper management accountability for the interests and concerns of its stakeholders. The Market Risk Management (MRM) group works in partnership with the business segments to identify market risks throughout Credit Suisse to refine and monitor market risk policies and procedures. Market risk management group is also responsible for identifying exposures which may not be large within individual business segments, but which may be large for Credit Suisse in aggregate. The risk management techniques and policies are regularly reviewed to ensure they remain appropriate. Additionally, Bank's market risk exposures are reflected in our regulatory capital calculations. Risks associated with the trading activity are actively monitored and managed on a portfolio basis and is reflected in our various measures.

Market risk measurement

Credit Suisse uses various measurement techniques, both statistical and non-statistical, to measure and reflect all components and all aspects of market risk.

(i) Statistical measures

Credit Suisse's primary statistical risk measure is Value-At-Risk (VaR). VaR measures the potential loss in fair value of financial instruments due to adverse market movements over a defined time horizon at a specified confidence level. VaR as a concept is applicable for all financial risk types with valid regular price histories. Positions are aggregated by risk type rather than by product. For example, interest rate risk includes risk arising from interest rate, foreign exchange, equity and commodity options, money market and swap transactions and bonds. The use of VaR allows the comparison of risk in different businesses, such as fixed income and equity, and also provides a means of aggregating and netting a variety of positions within a portfolio to reflect actual correlations and offsets between different assets.

Historical financial market rates, prices and volatilities serve as the basis for the statistical VaR model underlying the potential loss estimation. The Bank uses a one-day holding period and a confidence level of 98% to model the risk in its trading portfolios for internal risk management purposes and a ten-day holding period and a confidence level of 99% for regulatory capital purposes. These assumptions are compliant with the standards published by the Basel Committee on Banking Standards (BCBS) and other related international standards for market risk management. For some purposes, such as back-testing, disclosure and benchmarking with competitors, the resulting VaR figures are calculated based on a one-day holding period level or scaled down from a longer holding period.

The Bank uses a historical simulation model for the majority of risk types and businesses within our trading portfolios. The model is based on the profit and loss distribution resulting from historical changes in market rates, prices and volatilities applied to evaluate the portfolio. Bank uses the same VaR model for risk management and regulatory capital purposes, except for the confidence level and holding period used. The Bank regularly review its VaR model to ensure that the model remains appropriate given evolving market conditions and the composition of bank's trading portfolio and in 2011 significantly enhanced its VaR methodology, including use of exponential weighting and expected shortfall equivalent measures, for both risk management VaR and regulatory VaR. The revised VaR methodology captured extreme events more completely and improved the responsiveness of the model to market volatility.

For risk management VaR, the Bank uses a one-day holding period and a 98% confidence level. This means there is a 1-in-50 chance of incurring a daily mark-to-market trading loss at least as large as the reported VaR.

(ii) Non-statistical measures

Non-statistical risk measures include net open positions, dollar values of basis points; credit spreads sensitivities, option sensitivities, market values and position concentrations and scenario analysis. These measures provide granular information on Credit Suisse's market risk exposure.

Scenario analysis complements statistical-based risk measures such as VaR and Economic Capital. For example, scenarios are customized with longer horizons than the ones used in statistical based risk measures to capture market liquidity. Scenarios are also customized to run against agreed limits where the materiality of stressed exposures warrants closer monitoring.

The Bank's scenario analysis also enhances periodic exposure reporting by providing a view of how risk could change under severe market conditions. For example, sensitivities are computed post a large market shock scenario. Scenarios are also used to capture the cross impacts between risk factors under stressed market conditions to complement basis risks captured by other risk measures. Scenarios are further used to assess the impact of more extreme parameters used by other risk measures. For example, market volatility and credit default parameters in risk-weighted asset models are stressed to assess capital requirements under extreme conditions.

Market risk monitoring

The Bank has a risk appetite framework that establishes key principles for managing its risks to ensure a balance of return and assumed risk, stability of earnings and appropriate capital levels. The key aspect of the Bank's risk appetite framework is a sound system of integrated risk limits to control overall risk taking capacity and serve as an essential decision-making tool for senior management.

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Risk appetite is annually reviewed and determined by the Board, taking into account strategic and business planning, and enforced by a detailed framework of portfolio and position limits, guidelines and targets at both the Group and divisional levels as well as for certain legal entities. Risk appetite is defined in quantitative terms using risk limits and tolerance levels, capital ratios and scenario results.

At the local level, the Asset Liability Management Committee (ALCO) under supervision of the Local Management Committee is responsible for the overall management of risk limits and review of the risk reports at the Branch. The Market Risk Management group ensures that the market risks are effectively identified, measured, monitored and controlled, consistent with the Bank's business strategy and appetite for risk. For the Branch, Stress tests are done on a daily basis and monitored against stress limits. The market risk exposures and limits are discussed at the ALCO meetings.

Quantitative Disclosure

Risk area	Standalone March 31, 2020	Consolidated March 31, 2020
Capital requirements for Market risk (B)	**4,549,804**	**4,549,804**
– for interest rate risk	3,782,976	3,782,976
– for foreign exchange risk (including gold)	766,828	766,828
– Equity risk	-	-

Definition

Operational risk is the risk of gain or loss resulting from inadequate or failed internal processes, people or systems or from external events. This definition includes legal risk, which is the risk of loss resulting from failure to comply with laws and regulations as well as prudent ethical standards and contractual obligations. It also includes the exposure to litigation from all aspects of the firm's activities.

Non-Financial Risk Management Structure and Approach

Non-financial risk management is the responsibility of all staff. The diverse nature of **non- financial** risks requires different disciplines for effective control. **Non-financial** risks are managed where risks arise, i.e. by Business Divisions and Corporate Functions. This is complemented by a central responsibility of the designated **Non-Financial Risk** Management (NFRM) function and by various levels of governance committees. These responsibilities are complementary and mutually supporting within the overall framework.

The Bank operates under global Non-Financial risk policies, guidelines and procedures that set out the principles and components for managing **non-financial** risk as part of the Enterprise Risk and Control Framework (ERCF).

The ERCF is composed of several interlinked components. These include a set of tools, processes and reports that are used to identify, manage and monitor **non-financial** risks the Bank is exposed to.

The ERCF components include:

- **ERCF Risk Appetite** is based on self-imposed constraints that define the level of risk the Bank is willing to take in pursuit of the Bank's business activities. It articulates the drivers for taking, accepting or avoiding certain types of risks, products or exposures.
- The bank-wide **ERCF Risk Taxonomy** contains a comprehensive catalogue of inherent non-financial operational risks arising as a consequence of the Bank's activities and forms an integral part of the bank's Global Risk Taxonomy.
- **ERCF Key Controls** - Internal controls are defined as a specific set of activities designed to meet an objective. A control may exist within a designated function or activity in a process. Effective controls must be implemented to detect, prevent and mitigate risks.
- **ERCF Metrics** are composed of Risk Indicators and Control Indicators. A Risk Indicator provides information on the level of exposure to a risk at a particular point in time. A Control Indicator assesses and monitors the effectiveness
- **Internal operational incident** data provides meaningful information for assessing a bank's exposure to operational risk and the effectiveness of internal controls. Analysis of loss events provides insight into the causes of operational risk losses and information on whether control failures are isolated or systematic.
- **External operational risk incidents** are those operational risk incidents that impact a financial institution other than Credit Suisse.
- **ERCF RCSA** are a systematic and regular business process aimed at reviewing specific inherent non-financial risks that Business Divisions and Corporate Functions are exposed to, as well as an assessment of the control landscape that is in place to mitigate these risks.
- **ERCF Stress Testing, Scenarios and Capital Modelling.**
  - Stress Testing is the process where a number of defined economic scenarios are evaluated to determine the impact they would have on the Bank's financial position.
  - Reverse Stress Testing (RST) is a complementary tool to existing processes that allows the business to assume a known adverse outcome of an identified risk, such as very large operational risk loss, and then deduce the circumstances that could lead to such an outcome.
  - Scenarios provide a structured approach for the assessment and parameterization of potential risk events.
  - Capital Modelling – refer to Table DF – 2: Capital adequacy
- **Top ERCF Risks** are defined as most significant residual risks that require direct executive level management oversight to avoid occurrence or prevent re-occurrence of:
  - Significant losses
  - Significant regulatory scrutiny, enforcement or legal action
  - Substantial damage to the Bank's reputation or franchise
  - Significant unmitigated risk in excess of Risk Appetite
  - Material operational control breaches
- **ERCF Issue & Action Management – An issue is a gap or weaknesses in a control or procedure, which requires action(s) to mitigate the risk to an acceptable level and** must be managed in accordance with the requirements set forth in the Operational Risk Responses Framework.

- **ERCF Change Assessments -** an non –financial risk assessment must be conducted for Major Change Initiatives with respect to their potential impact on the Bank's operational risk profile.
- **Non-Financial Risk Reporting -** to ensure appropriate ownership, prioritization and focus on operational risk issues from assessment through to mitigation, non-financial risk reports are produced throughout the Bank on a regular basis.

  Business Divisions and Corporate Functions have the primary responsibility for implementing the ERCF and proactively identifying, assessing and managing operational risks arising in their areas. **Non-Financial** Risk Management (NFRM) is responsible for providing independent oversight of ERCF implementation and the effectiveness of **non- financial** risk management for the Bank and CS Finance.

Risk Governance

- Under the ERCF, the responsibility of the risk and control committee for the Bank includes:
- Approving operational risk quantitative tolerance levels, monitoring the ERCF Risk Appetite exposure and overseeing the completion of remediation plans as a result of ERCF Risk Appetite breaches
- Approving/rejecting proposed Top ERCF Risks and proposals to accept or mitigate them; reviewing implemented remediation actions and approving closure
- Approving ERCF Metrics and any changes thereof; overseeing remediation plans resulting from threshold breaches
- Approving specific operational risk capital, loss projection and stress testing results
- Reviewing results of RCSAs
- Escalating and reporting **non-financial** risks to other relevant senior management or committees as appropriate

Table DF – 9: Interest rate risk in banking book (IRRBB)

Treasury desk manages the interest rate risk arising from the banking book. For the period ended March 31, 2020, the Bank has primarily invested in Central Government bonds, corporate bonds, and has interest rate swaps and forex transactions. The Bank, to manage the interest rate risk exposures arising from the asset-liability positions from the banking book would use Interest Rate Swaps, FCY Currency Swaps, and Forward Rate Agreements. These risk exposures are separate from the trading/market making positions.

Interest rate risk is measured in terms of DV01 (sensitivity to 1 basis point movement) and VaR (value at risk metric) by Market Risk Management group. The Interest Rate Risk in Banking Book (IRRBB) is calculated by the Bank in accordance with DBOD. No. BP.BC.59/ 21.04.098/ 2010-11 dated 4 November 2010. The change in the market value of equity after applying a 200 bps shock comes out to be Rs 156.97 crore as on 31st March, 2020.

Table DF – 10: General Disclosure for Exposures Related to Counterparty Credit Risk

Credit Risk Management (CRM):

Responsible for approving all global counterparty and issuers limits and for establishing any discretionary or more prudent limits than what is prescribed by the Reserve Bank of India for Industry, Sector, Product and Single/Group Counterparty/Borrower/Issuer of the Branch. CRM is responsible for approving each credit facility extended to borrowers of the Bank. Credit Control are responsible for monitoring and managing any exposure excesses for counterparty and issuer limits set in accordance with global CRM policy (i.e. the global credit limits set for each counterparty and issuer). CRM are responsible for performing periodical credit reviews and for internally rating all counterparties in accordance with global CRM policy and for assigning all local asset classifications used for local regulatory reporting purposes.

All credit exposure is approved, either by approval of an individual transaction/facility (e.g., lending facilities), or under a system of credit limits (e.g., OTC derivatives). All credit limits must be approved by the appropriate CRM authority holder based on the size and duration of the exposure and the rating of the counterparty/borrower/issuer. Credit exposure is monitored daily to ensure it does not exceed the approved credit limit. These credit limits are set either on a potential exposure basis or on a notional exposure basis. Potential exposure means the possible future value that would be lost upon default of the counterparty on a particular future date, and is taken as a high percentile of a distribution of possible exposures computed by our internal exposure models. The use of a universal measurement unit of pre-settlement credit risk (i.e. "Potential Exposure" or "PE") allows CRM to reallocate limits between different credit limit types (i.e. product types) of a counterparty/borrower or within the relevant supported entities of a counterparty/borrower group. Secondary debt inventory positions are subject to separate limits that are set at the issuer level.

Economic Capital

The Counterparty ERC component measures the credit risk arising from OTC trading counterparties including when the counterparty is a sovereign country.

The Total Counterparty ERC is evaluated including four credit risk types:

EC Default Risk Capital: the Default component measures the default risk for the Credit Suisse's counterparties to OTC derivative contracts.

It is defined as the 99th percentile of the loss distribution minus the average loss due to defaults over a 1-year time horizon, taking into account systematic risk and unsystematic risk.

This default risk is evaluated using the Credit Risk+ EC Spread Risk: the Spread Risk component measures the losses due to change in fair value due to spread widening.

It is defined the 99th percentile worst loss in fair value over 1-year time horizon due to adverse credit spread movements. In principle, the credit spread is evaluated as credit spread DV01 multiply by the worst case credit spread move for a rating class.

EC Credit Migration Risk: the Migration Risk component measures the credit rating migration risk beyond one year for the counterparty portfolio.

It is the 99th percentile worst loss in fair value over 1-year time horizon due to adverse rating migration. In principle, the migration credit spread is evaluated as credit spread DV01 multiply by the worst case migration for a rating class.

ERC for Default assets: ERC = Max (0, Z x [Notional – Current Provision]) where: Z = 20% if the transaction rating is Senior Secured, and Z = 35% otherwise.

Wrong-way exposures

Correlation risk arises when Credit Suisse enters into a financial transaction where market rates are correlated to the financial health of the counterparty. In a wrong-way trading situation, our exposure to the counterparty increases while the counterparty's financial health and its ability

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to pay on the transaction diminishes. Capturing wrong-way risk requires the establishment of basic assumptions regarding correlations for a given trading product. Credit Suisse has multiple processes that allow it to capture and estimate wrong-way risk.

Concentration Risk

As per Credit Policy, the Bank's concentration risk is monitored via i). Single/group borrowing limits applicable to all counterparties excl. banks; ii). Cap on exposures to individual industries/sectors; iii). Cap on exposure to NBFCs; iv). Cap on exposure to Capital Markets. These are monitored/ tracked on a daily basis within the Bank.

Counterparty/Borrower/Issuer Rating Policy

Credit Suisse uses the S&P style letter grading (i.e. AAA to D) for its counterparty/borrower/issuer rating system. For local regulatory reporting and accounting purposes of the Bank, CRM also assign local rating classifications in accordance with the prescribed asset classification definitions. Due to the different methodologies used between the CS and local asset classifications, Credit Suisse avoids the use of a ratings mapping and instead individually classify each in-scope asset at the time of reporting in accordance with the local definitions so as to ensure the accuracy of the local asset classifications.

Descriptions of the rating processes

All counterparties that Credit Suisse is exposed to are assigned an internal credit rating. At the time of initial credit approval and review, relevant quantitative data (such as financial statements and financial projections) and qualitative factors relating to the counterparty are used by CRM in the models and result in the assignment of a credit rating or PD, which measures the counterparty's risk of default over a one-year period.

Where rating models are used, the models are an integral part of the rating process, and the outputs from the models are complemented with other relevant information by credit officers via a robust model-override framework where information not captured by the models is taken into account by experienced credit officers. In addition to the information captured by the rating models, credit officers make use of peer analysis, industry comparisons, external ratings and research and the judgment of credit experts to complement the model ratings. This analysis emphasizes a forward looking approach, concentrating on economic trends and financial fundamentals. Where rating models are not used the assignment of credit ratings is based on a well-established expert judgment based process which captures key factors specific to the type of counterparty.

Use of internal ratings

Internal ratings play an essential role in the decision-making and the credit approval processes. The portfolio credit quality is set in terms of the proportion of investment and non-investment grade exposures. Investment/non-investment grade is determined by the internal rating assigned to a counterparty.

Internal counterparty ratings (and associated PDs), transaction ratings (and associated LGDs) and CCF for loan commitments are inputs to risk-weighted assets and Economic Risk Capital (ERC) calculations. Model outputs are the basis for risk-adjusted-pricing or assignment of credit competency levels.

The internal ratings are also integrated into the risk management reporting infrastructure and are reviewed in senior risk management committees. These committees include the Chief Executive Officer, Chief Credit Officer (CCO), Regional CCO, RPSC and Capital Allocation Risk Management Committee (CARMC).

To ensure ratings are assigned in a robust and consistent basis, the Credit Risk Review Function (CRR) performs periodic portfolio reviews which cover, amongst other things:

- accuracy and consistency of assigned counterparty/transaction ratings
- transparency of rating justifications (both the counterparty rating and transaction rating);
- quality of the underlying credit analysis and credit process;
- adherence to Credit Suisse policies, guidelines, procedures, and documentation checklists.

The CRR function is an independent control function and reports functionally to Board of Directors Risk Committee.

Credit Rating downgrade

Credit Risk Management (CRM) has a Watchlist process to closely monitor counterparties that have a higher risk of not performing to expectations, in instances like a credit rating downgrade. The Watchlist serves to identify counterparties where there are negative factors requiring enhanced monitoring, that are not severe enough to indicate impairment. The Watchlist is reviewed each month in the Surveillance/Watchlist meeting. The meeting is attended by the Chief Credit Officer (CCO), Credit officers, Recovery Management International, CRM approvers and the responsible Front Office personnel. Each name is discussed and the Chief Credit Officer and Recovery Management International will determine if any names on the Watch List should be transferred to Recovery Management International for their direct management.

When a counterparty or transaction is added to the Watchlist, documentation and static data should be reviewed and updated as follows:

- The relevant credit officer is required to review all relevant security documentation (ISDA, CSA, loan docs, etc.) and refer any potential shortcomings to Legal & Compliance Department (LCD).
- Credit Control updates the static data in INSIGHT (Global credit risk system) to flag as watchlist and add relevant comments as requested by the credit officers.

Securing Collateral

Where collateral is to be used as a form of credit risk mitigation for a counterparty, it is the responsibility of Credit Risk Management to define and approve the appropriate credit terms for the collateral arrangement. The terms of any collateral arrangement should take into account:

- The appetite for credit risk that Credit Suisse has for the counterparty
- The use of an agreed strategy for managing the collateral arrangement with the counterparty and for the particular situation
- The counterparty's ability to post collateral
- Credit Suisse's collateral policy requirements

From a credit risk management standpoint, the risk elements that should be considered when deciding to establish a collateralized arrangement include:

- The level of unsecured thresholds which should be approved
- Upfront collateral requirements

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- Frequency of valuations and collateral calls
- The characteristics of the assets to be posted as collateral (e.g. quality, liquidity) and the haircuts for that collateral
- Creditworthiness of the counterparty
- Level of risk of the underlying transactions
- The standard collateral terms.

Quantitative Disclosure

Counterparty credit risk for the bank:

Rs in '000

Row Labels	Notional	Positive MTM	Exposure
Foreign Exchange Contracts	452,849,852	2,373,316	12,055,809
Interest Rate Derivate Contracts	254,019,162	1,130,559	4,285,142
Foreign Exchange Options	5,433,575	81,428	309,635
Repo-style transactions	2,257,562	-	2,257,562
Grand Total	**714,560,151**	**3,585,303**	**18,908,148**

Table DF – 11: Composition of Capital

Part I: Template to be used only from March 31, 2017

Table DF-11 : Composition of Capital

Part I: Template to be used only from March 31, 2017

(Rs. in thousands)

	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)	29,715,305		a1+a2+b1
2	Retained earnings	18,578,201		b2+c2+c3
3	Accumulated other comprehensive income (and other reserves)	2819		
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies[1])			
	Public sector capital injections grandfathered until January 1, 2018			
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	48,296,325		
Common Equity Tier 1 capital : regulatory adjustments				
7	Prudential valuation adjustments			
8	Goodwill (net of related tax liability)			
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	1,237,798		
10	Deferred tax assets[2]	1,861,153	-	d1
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)			

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(Rs. in thousands)

Basel III common disclosure template to be used from March 31, 2017			Amounts Subject to Pre-Basel III Treatment	Ref No.
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)[3]			
20	Mortgage servicing rights[4](amount above 10% threshold)			
21	Deferred tax assets arising from temporary differences[5] (amount above 10% threshold, net of related tax liability)			
22	Amount exceeding the 15% threshold[6]			
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[7] (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[8]			
26c	of which : Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank[9]			
26d	of which : Unamortised pension funds expenditures			
	Regulatory Adjustments Applied to Common Equity Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment			
	of which : [INSERT TYPE OF ADJUSTMENT] For example: filtering out of unrealised losses on AFS debt securities (not relevant in Indian context)			
	of which : [Deposits of CS Finance in CS Bank Branch]	196,022		
	of which : [INSERT TYPE OF ADJUSTMENT]			
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**	3,294,973	-	
29	**Common Equity Tier 1 capital (CET1)**	45,001,352		
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)[10]			

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(Rs. in thousands)

Basel III common disclosure template to be used from March 31, 2017			Amounts Subject to Pre-Basel III Treatment	Ref No.
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			
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment			
	of which : DTAs	-		
	of which : [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 1 at 50%]			
	of which : [INSERT TYPE OF ADJUSTMENT]			
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)**	-		
44a	Additional Tier 1 capital reckoned for capital adequacy[11]	-		
45	**Tier 1 capital (T1 = CET1 + Admissible AT1) (29 + 44a)**	45,001,352		
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[12]	296,517		c1+c4
51	**Tier 2 capital before regulatory adjustments**			
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 investments[13] 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			
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment			
	of which : [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]			
	of which : [INSERT TYPE OF ADJUSTMENT			
57	**Total regulatory adjustments to Tier 2 capital**			
58	**Tier 2 capital (T2)**	296,517		
58a	Tier 2 capital reckoned for capital adequacy[14]	296,517		
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**			
58c	**Total Tier 2 capital admissible for capital adequacy (58a + 58b)**	296,517		

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(Rs. in thousands)

Basel III common disclosure template to be used from March 31, 2017			Amounts Subject to Pre-Basel III Treatment	Ref No.
59	**Total capital (TC = T1 + Admissible T2) (45 + 58c)**	45,297,869		
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment			
	of which : [INSERT TYPE OF ADJUSTMENT]			
	of which : …			
60	**Total risk weighted assets (60a + 60b + 60c)**	92,497,862		
60a	of which : total credit risk weighted assets	49,379,823		
60b	of which : total market risk weighted assets	38,314,138		
60c	of which : total operational risk weighted assets	4,803,901		
Capital ratios				
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	48.65%		
62	Tier 1 (as a percentage of risk weighted assets)	48.65%		
63	Total capital (as a percentage of risk weighted assets)	48.97%		
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	8.375%		
65	of which : capital conservation buffer requirement	1.875%		
66	of which : bank specific countercyclical buffer requirement			
67	of which : G-SIB buffer requirement	1.000%		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	39.65%		
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)	296,517		c1+c4
77	Cap on inclusion of provisions in Tier 2 under standardised approach	617,248		60a*1.25%
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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Notes to the template		
Row No. of the template	**Particular**	**(Rs. in thousands)**
10	Deferred tax assets associated with accumulated losses	
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	1,861,153
	Total as indicated in row 10	1,861,153
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	
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	
	of which : Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	
50	Eligible Provisions included in Tier 2 capital	296,517
	Eligible Revaluation Reserves included in Tier 2 capital	-
	Total of row 50	296,517
58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	

Table DF – 12: Composition of Capital – Reconciliation Requirements

Table DF-12 : Composition of Capital- Reconciliation Requirements				
				(Rs. in thousand)
			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	17,750,000	18,800,131
		Reserves & Surplus	9,916,102	29,496,194
		Minority Interest	-	-
		Total Capital	27,666,102	48,296,325
	ii.	Deposits	28,317,446	28,317,446
		of which : Deposits from banks	-	-
		of which : Customer deposits	28,317,446	28,317,446
		of which : Other deposits (pl. specify)	-	-
	iii.	Borrowings	40,294,864	44,741,811
		of which : From RBI	10,720,000	10,720,000
		of which : From banks	-	2,500,536
		of which : From other institutions & agencies	19,360,089	19,360,089
		of which : Others (Foreign Bank outside India)	10,214,775	12,161,186
		of which : Capital instruments	-	-
	iv.	Other liabilities & provisions	4,366,674	4,708,555
	Total		**100,645,086**	**126,064,137**

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Table DF-12 : Composition of Capital- Reconciliation Requirements

(Rs. in thousand)

			Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation**
			As on reporting date	As on reporting date
B	**Assets**			
	i.	Cash and balances with Reserve Bank of India	2,949,616	2,949,616
		Balance with banks and money at call and short notice	531,900	5,017,917
	ii.	Investments :	75,346,622	83,766,509
		of which : Government securities	63,664,321	65,147,464
		of which : Other approved securities	-	-
		of which : Shares	-	-
		of which : Debentures & Bonds	4,211,393	11,148,137
		of which : Subsidiaries / Joint Ventures / Associates	-	-
		of which : Others (Commercial Papers, Mutual Funds etc.)	7,470,908	7,470,908
	iii.	Loans and advances	12,269,950	24,001,473
		of which : Loans and advances to banks	-	-
		of which : Loans and advances to customers	12,269,950	24,001,473
	iv.	Fixed assets	10,396	10,492
	v.	Other assets	8,406,800	9,188,328
		of which : Goodwill and intangible assets	75,891	107,996
		of which : Deferred tax assets	1,802,817	1,861,153
	vi.	Goodwill on consolidation	-	-
	vii.	Debit balance in Profit & Loss account	1,129,802	1,129,802
Total Assets			**100,645,086**	**126,064,137**

(Rs. in thousand)

			Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation**	Reference No
			As on reporting date	As on reporting date	
A	**Capital & Liabilities**				
	i.	Paid-up Capital	17,750,000	18,800,131	
		of which :			
		Funds from HO	17,750,000	17,750,000	a1
		Equity Share Capital	-	1,050,131	a2
		Reserves & Surplus	9,916,102	29,496,194	a3
		of which :			
		Share Premium	-	10,915,174	b1
		Statutory Reserves	2,501,296	4,336,625	b2
		Other Revenue Reserves	-	-	
		of which:			
		Investment Reserve Account	-	-	c1
		General Reserve	-	-	
		Surplus- Unallocated & Carried Over	7,414,806	14,244,395	c2
		Operating Surplus (in current year)	-	-	c3
		Minority Interest	-	-	
		Total Capital	27,666,102	48,296,325	

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(Rs. in thousand)

			Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation**	Reference No
			As on reporting date	As on reporting date	
	ii.	Deposits	28,317,446	28,317,446	
		of which : Deposits from banks	-	-	
		of which : Customer deposits	28,317,446	28,317,446	
		of which : Other deposits (pl. specify)	-	-	
	iii.	Borrowings	40,294,864	44,741,811	
		of which : From RBI	10,720,000	10,720,000	
		of which : From banks	-	2,500,536	
		of which : From other institutions & agencies	19,360,089	19,360,089	
		of which : Others (Foreign Bank outside India)	10,214,775	12,161,186	
		of which : Capital instruments	-	-	
	iv.	Other liabilities & provisions	4,366,674	4,708,555	
		of which : General Provisons and loss Reserves	605,477	605,477	c4
		Total	**100,645,086**	**126,064,137**	
B	**Assets**				
	i.	Cash and balances with Reserve Bank of India	2,949,616	2,949,616	
		Balance with banks and money at call and short notice	531,900	5,017,917	
	ii.	Investments :	75,346,622	83,766,509	
		of which : Government securities	63,664,321	65,147,464	
		of which : Other approved securities	-	-	
		of which : Shares	-	-	
		of which : Debentures & Bonds	4,211,393	11,148,137	
		of which : Subsidiaries / Joint Ventures / Associates	-	-	
		of which : Others (Commercial Papers, Mutual Funds etc.)	7,470,908	7,470,908	
	iii.	Loans and advances	12,269,950	24,001,473	
		of which : Loans and advances to banks	-	-	
		of which : Loans and advances to customers	12,269,950	24,001,473	
	iv.	Fixed assets	10,396	10,492	
	v.	Other assets	8,406,800	9,188,328	
		of which : Goodwill and intangible assets	75,891	107,996	
		Deferred tax assets	1,802,817	1,861,153	d1
	vi.	Goodwill on consolidation	-	-	
	vii.	Debit balance in Profit & Loss account	1,129,802	1,129,802	
Total Assets			**100,645,086**	**126,064,137**	

** Financials of Credit Suisse Finance India Private Limited is based on INDAS framework.

Table DF – 13: Main Features of Regulatory Capital Instruments

A. **Main features of Equity Capital (Common Equity Tier 1) are given below**

Sr No.	Particulars	Equity
1	Issuer	Credit Suisse Finance (India) Private Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N.A. (As securities are not marketable)
3	Governing law(s) of the instrument	Indian Laws
	Regulatory treatment	

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4	Transitional Basel III rules	Common Equity Tier 1	
5	Post-transitional Basel III rules	Common Equity Tier 1	
6	Eligible at solo / group / group & solo	Group	
7	Instrument type	Common Shares	
8	Amount recognised in regulatory capital (Rs. in thousand, as of most recent reporting date)	11,965,305	
9	Par value of instrument	Rs 100/-	
10	Accounting classification	Shareholders' equity	
11	Date of issuance	Date of Issuance	Number of Shares issued
		08-12-2008	1 share
		08-12-2008	285,183 shares
		26-10-2009	8,749,457 shares
		12-04-2010	1,466,670 shares
		Total	10,501,311 shares
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	Floating	
18	Coupon rate and any related index	NA	
19	Existence of a dividend stopper	No	
20	Fully discretionary, partially discretionary or mandatory	NA	
21	Existence of step up or other incentive to redeem	NA	
22	Noncumulative or cumulative	NA	
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	
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	No	
31	If write-down, write- down trigger(s)	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)	NA	
36	Non-compliant transitioned features	No	

Table DF – 14: Full Terms and Conditions of Regulatory Capital Instruments

Instruments	**Full Terms and Conditions**
Credit Suisse Finance (India) Private Limited	
Equity Share Capital	The Company has only one class of equity shares having a face value of Rs 100 per share. Each shareholder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the equity shareholders will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

Table DF – 15: Disclosure Requirements for Remuneration

Bank has complied with the Compensation Guidelines issued by RBI vide DBOD No.BC. 72 /29.67.001/2011-12 dated January 13, 2012, hence this disclosure is not applicable.

Table DF – 16: Equities – Disclosure for Banking Book Positions.

The Bank has not traded any equities during the reporting period.

Index of Banks

(EPW, June 27, 2020)

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